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

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

For the fiscal year ended: **December 31, 2012** 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:

Ildo Ricciuto
Assistant General Counsel,
Financings and Compliance
BCE Inc.
1, carrefour Alexander-Graham-Bell
Building A, 7th Floor
Verdun, Québec H3E 3B3
Canada
Tel: (514) 786-3931

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:

☒ Annual Information Form ☒ 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:

Common Shares	775,381,645
First Preferred Shares	
Series R	8,000,000
Series S	3,606,225
Series T	4,393,775
Series Y	8,772,468
Series Z	1,227,532
Series AA	10,144,302
Series AB	9,855,698
Series AC	9,244,555
Series AD	10,755,445
Series AE	1,422,900
Series AF	14,577,100
Series AG	10,841,056
Series AH	3,158,944
Series AI	10,754,990
Series AJ	3,245,010
Series AK	25,000,000
Total First Preferred Shares	135,000,000

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: ☐

PRIOR FILINGS MODIFIED AND SUPERSEDED

The annual report on Form 40-F of BCE Inc. (“BCE”) for the year ended December 31, 2012, 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 *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, 2012 (the “BCE 2012 Financial Statements”), see pages 82 to 122 of the BCE 2012 Annual Report to Shareholders (the “BCE 2012 Annual Report”), which BCE 2012 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, 2012 (the “BCE 2012 MD&A”), see pages 22 to 79 and page 123 of the BCE 2012 Annual Report, which BCE 2012 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, 2012, 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* 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, 2012.

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 80 of the BCE 2012 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 81 of the BCE 2012 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, 2012 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 disclosure. Furthermore, a control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance with respect to the reliability of financial reporting and financial statement preparation. Accordingly, BCE does not expect that BCE’s internal control over financial reporting will prevent or detect all errors and all fraud. BCE will continue to periodically review its disclosure controls and procedures and internal control over financial reporting and may make modifications from time to time as considered necessary or desirable.

AUDIT COMMITTEE FINANCIAL EXPERT

In respect of the current members of the Audit Committee, the board determined that at least one of the members, being the current Chair of the Audit Committee, Mr. P.R. Weiss, is qualified as an "audit committee financial expert”, and that all members of the audit committee are independent under the listing standards of the New York Stock Exchange.

CODE OF ETHICS

All employees, directors and officers must follow Bell Canada’s Code of Business Conduct (the “Code of Conduct”), which provides guidelines for ethical behaviour. The Code of Conduct includes additional guidelines for executive officers, including the CEO, CFO, Controller and Treasurer. The Code of Conduct is available in the governance section of BCE’s website at www.bce.ca and will be provided in print at no charge to any person who sends a written request by mail to BCE Inc. addressed to the Corporate Secretary, at 1, carrefour Alexander-Graham-Bell, Building A, 7th Floor, Verdun, Québec H3E 3B3. All substantive amendments to any required element of the Code of Conduct will be posted on BCE’s website within five business days of the amendment.

Effective August 8, 2012, amendments were adopted to the Code of Conduct in order to:

– add new references under the section entitled *Records Management* concerning: *(i)* the preservation of records under legal holds; and *(ii)* post-employment obligations incumbent upon former employees in order to protect Bell’s confidential information;
– update the section on blogging so as to expand it to include “social networking”;
– update the references to related policies, key personnel information and contacts; and
– clarify and re-organize some of its content.

In addition to these aforementioned changes, certain other technical, administrative and non-substantive amendments were also made to the Code of Conduct.

A copy of the Code of Conduct, as amended, is included as Exhibit 99.4 to this Annual Report on Form 40-F.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

External auditors' fees

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.

	2012 (in $ millions)	2011 (in $ millions)
Audit fees(1)	$7.9	$9.5
Audit-related fees(2)	$2.0	$1.6
Tax fees(3)	$0.6	$0.7
All other fees(4)	$0.1	—
Total(5)	$10.6	$11.8

(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 securities offering documents, other regulatory audits and filings and translation services.
(2) These fees relate to non-statutory audits and due diligence procedures.
(3) These fees include professional services for tax compliance, tax advice and assistance with tax audits and appeals.
(4) These fees include any other fees for permitted services not included in any of the above-stated categories. In 2012, the fees are mostly for services related to compliance with the Payment Card Industry Data Security Standard.
(5) The amounts of $10.6 million for 2012 and $11.8 million for 2011 reflect fees billed in those fiscal years without taking into account the year to which those services relate. Total fees for services provided for each fiscal year amounted to $9.5 million in 2012 and $9.7 million in 2011.

Auditor Independence Policy

BCE's Auditor Independence Policy is a comprehensive policy governing all aspects of BCE's 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; and
- establishing a process outlining procedures when hiring current or former personnel of the external auditors in a financial oversight role to ensure auditor independence is maintained.

In particular, the policy specifies that:

- the external auditors cannot be hired to provide any services falling within the prohibited services category, such as bookkeeping, financial information systems design and implementation and legal services;
- for all audit or non-audit services falling within the permitted services category (such as prospectus work, due diligence and non-statutory audits), a request for approval must be submitted to the audit committee prior to engaging the external auditors;
- specific permitted services however are pre-approved annually and quarterly by the audit committee and consequently only require approval by the CFO prior to engaging the external auditors; and
- at each regularly scheduled audit committee meeting, a consolidated summary of all fees paid to the external auditors by service type is presented. This summary includes the details of fees incurred within the pre-approved amounts.

The Auditor Independence Policy is available in the governance section of BCE's website at www.bce.ca.

In 2012 and 2011, BCE's audit committee did not approve any audit-related, tax or other services pursuant to paragraph (c)(7) (i) (C) of Rule 2-01 of Regulation S-X.

OFF-BALANCE SHEET ARRANGEMENTS

Please see the sections entitled "Contractual Obligations – Commitments (Off-Balance Sheet)" and "Indemnifications and Guarantees" at page 55 of the BCE 2012 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 55 of the BCE 2012 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. A. Bérard, Ms. S. Brochu, Mr. D.F. Denison, Mr. A.S. Fell, Mr. J. Prentice, and Mr. R.C. Simmonds.

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.

STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

BCE has made in the documents filed as part of this annual report on Form 40-F, and from time to time may otherwise make, forward-looking statements and related assumptions concerning its operations, economic performance and financial matters. Except as may be required by Canadian securities laws, BCE does not undertake any obligation to update or revise any of these forward-looking statements or related assumptions whether as a result of new information, future events or otherwise. Actual results or events could differ materially from those set forth in, or implied by, the forward-looking statements and the related assumptions due to a variety of risk factors. Reference is made to the various risk factors discussed throughout the BCE 2012 MD&A, contained in Exhibit 99.2, including, in particular, to the risk factors discussed in the sections of the BCE 2012 MD&A entitled "Caution Regarding Forward-Looking Statements", "Our Competitive Environment", "Our Regulatory Environment" and "Risks that Could Affect Our Business and Results". Reference is also hereby made to the various assumptions discussed throughout the BCE 2012 MD&A, including, in particular, to the assumptions discussed in the section of the BCE 2012 MD&A entitled "Business Outlook and Assumptions".

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 www.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) Siim A. Vanaselja*
Siim A. Vanaselja
Executive Vice-President and Chief Financial Officer

Date: March 13, 2013

	LIST OF EXHIBITS TO FORM 40-F
Annual Information Form of BCE Inc. for the year ended December 31, 2012	Exhibit 99.1
Annual audited consolidated financial statements of BCE Inc. for the year ended December 31, 2012 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
Amended Code of Business Conduct	Exhibit 99.4
Consent of Independent Registered Chartered Professional Accountants	Exhibit 99.5
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

BCE For the year ended December 31, 2012

Annual Information Form

March 7, 2013

In this Annual Information Form, we, us, our and BCE mean either BCE Inc. or, collectively, BCE Inc., its subsidiaries, joint ventures and associates. Bell means our Bell Wireline, Bell Wireless and Bell Media segments on an aggregate basis. Bell Aliant means either Bell Aliant Inc. or, collectively, Bell Aliant Inc. and its subsidiaries, joint ventures and associates.

Each section of BCE's 2010, 2011 and 2012 management's discussion and analysis of financial condition and results of operations (BCE 2010 MD&A, BCE 2011 MD&A and BCE 2012 MD&A, respectively) that is referred to in this Annual Information Form is incorporated by reference herein.

All dollar figures are in Canadian dollars, unless stated otherwise. The information in this Annual Information Form is as of March 7, 2013, unless stated otherwise, and except for information in documents incorporated by reference that have a different date.

Table of Contents

(1) This section of the Annual Information Form also incorporates by reference BCE's material change reports dated September 20, 2010 and April 1, 2011 with respect to the acquisition by BCE of the remaining 85% interest in CTV Inc. (formerly CTVglobemedia Inc. and now named Bell Media Inc.) it did not already own filed by BCE with the Canadian securities regulatory authorities (available at www.sedar.com) and with the U.S. Securities and Exchange Commission (available at www.sec.gov).
(2) References to parts of the BCE 2011 MD&A contained in BCE's annual report for the year ended December 31, 2011.
(3) References to parts of the BCE 2010 MD&A contained in BCE's annual report for the year ended December 31, 2010.

Caution Regarding Forward-Looking Statements

Certain statements made in this Annual Information Form including, but not limited to, our broadband fibre, Internet protocol television (IPTV) and wireless networks deployment plans, BCE's dividend policy, the expected timing and completion of BCE's proposed acquisition of Astral Media Inc. (Astral) and the benefits expected to result from the transaction, anticipated market shares, BCE's business outlook, objectives, plans and strategic priorities, and other statements that are not historical facts, are forward-looking statements. 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*, *goal*, *guidance*, *objective*, *outlook*, *project*, *strategy*, *target* and other similar expressions or future or conditional verbs such as *aim*, *anticipate*, *believe*, *could*, *expect*, *intend*, *may*, *plan*, *seek*, *should*, *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 this Annual Information Form describe our expectations as of March 7, 2013 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 objectives, plans and strategic priorities may not be achieved. As a result, we cannot guarantee that any forward-looking statement will materialize and you are cautioned not to place undue reliance on 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 believed were reasonable on March 7, 2013. Refer in particular to the section of the BCE 2012 MD&A entitled *Business Outlook and Assumptions* at pages 31 to 33 of the BCE 2012 annual report (BCE 2012 Annual Report), for a discussion of certain key economic, market and operational 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 factors that could cause actual results or events to differ materially from those expressed in, or implied by, the above-mentioned forward-looking statements and other forward-looking statements contained in this Annual Information Form include, but are not limited to:

- the intensity of competitive activity, including the increase in wireless competitive activity resulting from new wireless entrants and their ability to launch or expand services, and the resulting impact on our ability to retain existing customers and attract new ones, as well as on our pricing strategies, average revenue per unit and financial results
- the level of technological substitution contributing to reduced utilization of traditional wireline voice services and the increasing number of households that use only wireless telephone services
- the increased adoption by customers of alternative television (TV) services
- variability in subscriber acquisition and retention costs based on subscriber acquisitions, retention volumes, smartphone sales and handset discount levels
- regulatory initiatives or proceedings, litigation, changes in laws or regulations and tax matters
- our failure to maintain network operating performance including as a result of the significant increase in broadband demand and in the volume of wireless data driven traffic
- events affecting the functionality of, and our ability to protect, maintain and replace, our networks, equipment, facilities and other assets
- our ability to maintain customer service and our networks operational in the event of the occurrence of environmental disasters or epidemics, pandemics and other health risks
- our ability to anticipate and respond to technological change, upgrade our networks and rapidly offer new products and services
- our failure to implement or maintain, on a timely basis, effective information technology (IT) systems and the complexity and costs of our IT environment
- general economic and financial market conditions, the level of consumer confidence and spending, and the demand for, and prices of, our products and services

- our ability to implement our strategies and plans in order to produce the expected benefits, including our ability to continue to implement our cost reduction initiatives and contain capital intensity while seeking to improve customer service
- increased contributions to post-employment benefit plans
- ineffective management of changes resulting from restructurings and other corporate initiatives and from the integration of business units and business acquisitions
- the complexity of our product offerings and pricing plans
- labour disruptions
- employee retention and performance
- events affecting the ability of third-party suppliers to provide to us, and our ability to purchase, essential products and services
- the quality of our network and customer equipment and the extent to which they may be subject to manufacturing defects
- capital and other expenditure levels, financing and debt requirements and our ability to raise the capital we need to implement our business plan, including for BCE's dividend payments and to fund capital and other expenditures and generally meet our financial obligations
- our ability to discontinue certain traditional services as necessary to improve capital and operating efficiencies
- launch and in-orbit risks of satellites used by Bell ExpressVu Limited Partnership

- the theft of our direct-to-home (DTH) satellite TV services
- Bell Media Inc.'s significant dependence on continued demand for advertising, and the potential adverse effect thereon from economic conditions, cyclical and seasonal variations and competitive pressures
- the adverse effect of new technology and increasing fragmentation in Bell Media Inc.'s TV and radio markets
- health concerns about radio frequency emissions from wireless devices
- BCE's dependence on the ability of its subsidiaries, joint ventures and other companies in which it has an interest to pay dividends and make other distributions
- there can be no certainty that dividends will be declared by BCE's board of directors or that BCE's dividend policy will be maintained
- stock market volatility
- our failure to evolve practices and effectively monitor and control fraudulent activities
- the expected timing and completion of the proposed acquisition by BCE of Astral is subject to approval by the Canadian Radio-television and Telecommunications Commission (CRTC), other closing conditions, termination rights and other risks and uncertainties; accordingly, there can be no certainty that the transaction will be completed or that anticipated benefits will be realized.

These and other risk factors that could cause actual results or events to differ materially from our expectations expressed in, or implied by, our forward-looking statements are discussed throughout this Annual Information Form and the BCE 2012 MD&A and, in particular, in the sections of the BCE 2012 MD&A entitled *Our Competitive Environment*, *Our Regulatory Environment* and *Risks that Could Affect Our Business and Results*, at pages 56 to 60, pages 61 to 63, and pages 64 to 72, respectively, of the BCE 2012 Annual Report.

We caution readers that the risks described above 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 business, financial position or financial performance.

Except as otherwise indicated by us, forward-looking statements do not reflect the potential impact of any non-recurring or other 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 7, 2013. The financial impact of these transactions and non-recurring and other special items can be complex and depends on the 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.

Corporate Structure

INCORPORATION AND REGISTERED OFFICE

BCE Inc. was incorporated in 1970 and was continued under the *Canada Business Corporations Act* in 1979. It is governed by a certificate and articles of amalgamation dated August 1, 2004, as amended by (a) a certificate and articles of arrangement dated July 10, 2006 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 in 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, and (c) a certificate and articles of amendment dated June 29, 2011 to create two additional series of BCE Inc. First Preferred Shares. BCE Inc.'s head and registered offices are at 1 Carrefour Alexander-Graham-Bell, Building A, 8th Floor, Verdun, Québec H3E 3B3.

SUBSIDIARIES

The table below shows BCE Inc.'s main subsidiaries, where they are incorporated or registered, and the percentage of 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 represented 20% or less of our total consolidated assets and 20% or less of our total consolidated operating revenues at December 31, 2012.

SUBSIDIARY	WHERE IT IS INCORPORATED OR REGISTERED	PERCENTAGE OF VOTING SECURITIES THAT BCE INC. BENEFICIALLY HELD AT DECEMBER 31, 2012(1)
Bell Canada	Canada	100%
Bell Mobility Inc. (Bell Mobility)	Canada	100%
Bell ExpressVu Limited Partnership (Bell ExpressVu)	Ontario	100%
Bell Media Inc. (Bell Media)	Canada	100%

(1) BCE Inc. beneficially owns all the voting securities of Bell Mobility, Bell ExpressVu and Bell Media through Bell Canada, which directly or indirectly owns all the voting securities of each such subsidiary.

As at December 31, 2012, BCE Inc. and its subsidiaries also owned 44.1% of the issued and outstanding voting securities of Bell Aliant Inc. with the remaining interest publicly held.

Pursuant to an Amended and Restated Securityholder's Agreement dated January 1, 2011, entered into between Bell Aliant Inc., Bell Aliant Regional Communications, Limited Partnership (Bell Aliant LP), Bell Aliant Regional Communications Inc., 6583458 Canada Inc., BCE Inc. and Bell Canada, BCE Inc. has the following rights with respect to Bell Aliant Inc. or Bell Aliant Regional Communications Inc.:

- For so long as BCE Inc. and its subsidiaries own a 30% or greater interest in Bell Aliant Inc., and provided that certain major commercial agreements are in place, BCE Inc. has the right to direct Bell Aliant Inc. with respect to the nomination of up to a majority of the directors of Bell Aliant Inc. and has the right to appoint a majority of the directors of Bell Aliant Regional Communications Inc.
- For so long as BCE Inc. and its subsidiaries own a 20% or greater interest in Bell Aliant Inc., BCE Inc. also has the ability to veto certain actions of Bell Aliant Inc. (such as certain material business plans and corporate transactions, material changes in business, leverage in excess of 2.5 times debt to earnings before interest, taxes, depreciation and amortization, the appointment and change of the chief executive officer and entering into material commercial agreements with our competitors).

Description of Our Business

GENERAL SUMMARY

BCE is Canada's largest communications company, providing residential, business and wholesale customers with a wide range of solutions to all their communications needs, including the following: Bell Mobility wireless, high-speed Bell Internet and Bell Business Internet, Bell Satellite TV and Bell Fibe TV, Bell Home Phone local and long distance, and Bell Business Markets Internet protocol (IP)-broadband and information and communications technology (ICT) services. In 2012, we reported the results of our operations in four segments: Bell Wireline, Bell Wireless, Bell Media and Bell Aliant. Bell, which encompasses our core operations, is the largest local exchange carrier in Ontario and Québec, and is comprised of our Bell Wireline, Bell Wireless and Bell Media segments. Bell Media is a diversified Canadian multimedia company that, as described in more detail below, holds assets in TV, radio and digital media. We also own a 44.1% interest in Bell Aliant, the subsidiaries of which include the incumbent carrier in Canada's Atlantic provinces and in rural areas of Ontario and Québec.

In addition to our operating segments, we also hold a 35.3% indirect equity interest in Q9 Networks Inc. (Q9), a 28% indirect equity interest in Maple Leaf Sports & Entertainment Ltd. (MLSE), and a minority equity interest in entities that operate the Montréal Canadiens Hockey Club and the Bell Centre in Montréal.

A discussion of the key acquisitions, investments and dispositions completed by BCE in the last three completed financial years, including the Q9 and MLSE transactions, and of the proposed acquisition of Astral, can be found under *General Development of Our Business – Three-Year History – Transactions*.

For the year ended December 31, 2012, we generated consolidated operating revenues of $19,975 million and consolidated net earnings of $3,053 million. Bell Wireline's operating revenues totalled $10,220 million, Bell Wireless' operating revenues totalled $5,573 million, Bell Media's operating revenues totalled $2,183 million and

Bell Aliant's operating revenues totalled $2,761 million. A table showing the operating revenues that each segment contributed to total operating revenues for the years ended December 31, 2012 and 2011 can be found in the section entitled *Financial Results Analysis* in the BCE 2012 MD&A, at page 40 of the BCE 2012 Annual Report.

Some of our segments' revenues vary slightly by season. For more information, refer to the sections entitled *2012 Operating Highlights* and *Selected Annual and Quarterly Information* in the BCE 2012 MD&A, at pages 34 to 36 and pages 36 to 39, respectively, of the BCE 2012 Annual Report.

Additional information regarding our business operations and the products and services we provide can be found in the section entitled *About Our Business* in the BCE 2012 MD&A, at pages 23 to 27 of the BCE 2012 Annual Report.

Finally, additional information regarding the business outlook of our Bell Wireline, Bell Wireless, Bell Media and Bell Aliant segments can be found in the section entitled *Business Outlook and Assumptions* in the BCE 2012 MD&A, at pages 31 to 33 of the BCE 2012 Annual Report.

STRATEGIC IMPERATIVES

Our goal is to be recognized by customers as Canada's leading communications company. Our primary business objective is to maximize subscribers, 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 and business customers.

Our strategy to deliver a better customer experience centres on our disciplined focus on the six strategic imperatives that underlie Bell's business plan, namely:

1. Invest in Broadband Networks and Services
2. Accelerate Wireless
3. Leverage Wireline Momentum
4. Expand Media Leadership
5. Achieve a Competitive Cost Structure
6. Improve Customer Service

Additional information regarding our strategic imperatives can be found in the section entitled *Strategic Imperatives* in the BCE 2012 MD&A, at pages 28 to 30 of the BCE 2012 Annual Report.

COMPETITIVE STRENGTHS

Canada's Largest Communications Company

We are Canada's largest communications company, offering a broad scope of products and services:

- We are the largest local exchange carrier in Canada. Bell operates an extensive local access network in the urban areas of Ontario and Québec, including in the greater metropolitan areas of Toronto and Montréal, the two most populous cities in the country. We offer a complete suite of wireline voice, wireless communication, Internet access, data and video product and service offerings to residential, business and wholesale customers.
- Bell operated approximately 5.6 million network access service lines, primarily in the urban areas of Ontario and Québec, and continued to hold over 50% of the market share in those provinces at December 31, 2012
- At December 31, 2012, Bell was the second largest wireless operator in Canada based on the number of subscribers, providing approximately 7.7 million subscribers with nationwide wireless service
- Bell is the largest digital TV provider in Canada, nationally broadcasting more than 500 all-digital TV and audio channels and a wide range of domestic and international programming to more than 2.1 million subscribers at December 31, 2012 through its DTH satellite TV service and Fibe TV, its IPTV service launched in September 2010
- Bell is the largest Internet service provider in Canada, providing approximately 2.1 million customers at December 31, 2012 with high-speed Internet access through fibre-optic, digital subscriber line (DSL) or wireless broadband technology
- Bell's Business Markets unit serves the communications needs of Canadian businesses. Bell provides ICT solutions that include hosted and cloud services, managed solutions, professional services and infrastructure services in a number of key solution areas. Bell's primary solution areas include: Internet and Private Networks; Voice and Unified Communications; Data Centre Solutions; Customer Contact Solutions; Security Solutions; Mobile Business Solutions; and Small Business Solutions. In each of these solution areas, Bell focuses on services where it can bring a unique and leading value proposition to its customers.
- Bell Aliant, the incumbent local exchange carrier in Atlantic Canada and rural areas of Ontario and Québec, operated approximately 2.5 million network access lines at December 31, 2012.

Our large customer base and our ability to sell through a variety of distribution channels, as discussed in more detail under *Description of Our Business – Marketing and Distribution Channels*, are key competitive advantages.

Wireless Momentum

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 portfolio of targeted brands, including Bell and Virgin Mobile.

Wireless is a key growth segment for Bell and we have established strategic priorities seeking to further enhance our offerings. Bell is focused on growing its market share of the incumbent wireless postpaid market through growing its presence in higher average revenue per unit geographies and customer segments, increasing points of retail distribution, improved sales execution and customer retention, and increased data service offerings. We also believe our priorities for improved customer experience at all touch points, enhanced network quality and performance, and a broad handset offering should continue to improve our ability to attract and retain wireless customers. With the launch of a national high-speed packet access plus network (HSPA+ network) in November 2009 and the launch, beginning in the second half of 2011, of fourth generation (4G) long-term evolution (LTE) wireless service in most urban centres across Canada (our 4G LTE wireless network currently reaching approximately 73% of the Canadian population), we are able to offer one of the broadest ranges of choice in wireless smartphones in Canada, along with extensive north american and international coverage. The approximate 700 retail stores of our national electronics retailer subsidiary, The Source (Bell) Electronics Inc. (The Source), gives us an increased presence in Canada's highest-traffic mall locations and effectively increases the number of places where customers can buy Bell products and services. 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 flanker brands as well as the newer wireless entrants.

Incumbent Service Provider with Market Leadership Position

Our market leadership position and our broad suite of product offerings act as a foundation for the other products and services we offer, providing us with a significant number of established customer connections to drive uptake of new products and services, either through bundled offerings or on a stand-alone basis, and allowing us to improve customer retention. Bell Fibe TV is driving strong multi-product bundle sales as we continue to expand our service footprint in communities across Ontario and Québec. The number of triple-play households – those that buy Home Phone, TV and Internet services – increased 13% in 2012 due to the positive impact of Fibe TV.

Bell's Business Markets unit is also a consistent market-leading performer having established relationships with a majority of Canada's 1,000 largest corporations. Bell's Business Markets unit continues to deliver network-centric ICT solutions to large business and public sector clients that increase the value of connectivity services, which helps drive overall performance for Bell.

Our Significant Media Assets

Our acquisition on April 1, 2011 of the remaining 85% interest in CTV Inc. (now Bell Media) that we did not already own provided us with significant media assets. Acquiring Bell Media's range of video content enhances the execution of our strategic imperatives by leveraging our significant broadband network investments, accelerating Bell's video growth across all four screens, and achieving a competitive cost structure. Full ownership of Bell Media enables Bell to maximize strategic and operating synergies with Bell Media, including the efficiency of our content and advertising spend.

Through Bell Media, our key competitive advantage in the TV and radio broadcasting businesses is our position as the leading multimedia company in Canada with the following assets in TV, radio and digital:

- we own 28 conventional TV stations, including CTV, Canada's leading TV network based on viewership
- we own and operate 30 specialty TV channels, including TSN, Canada's leading specialty sports channel based on viewership and RDS, Canada's leading French-language specialty sports channel also based on viewership. Our specialty channels offer more thematic depth and choice than any other specialty group.
- led by programs like The Big Bang Theory and The Amazing Race, CTV consistently holds the majority of Canada's Top 20 most-watched programs
- at December 31, 2012, our 33 radio stations reached on average per week 7.6 million listeners from coast to coast
- we own and operate the most successful Canadian-owned online business in the Canadian digital landscape. At December 31, 2012, we ranked second only to Google (which includes YouTube) for video views, sixth in time spent viewing video, and seventh in unique visitors among all online properties in Canada, ahead of any Canadian-owned competitor.
- we offer a mobile TV service with live and on-demand access to content from Bell Media's conventional TV networks, CTV and CTV Two, as well as real-time access to BNN, TSN, RDS, MTV and other top brands in news, sports and entertainment.

In addition to our industry leading position, our competitive strengths include our broad reach across Canada, our ability to acquire top programming for both conventional and specialty TV, our constant drive to provide the most engaging and interactive experience for viewers, and our ability to serve the needs of advertisers across multiple platforms.

MARKETING AND DISTRIBUTION CHANNELS

Bell Canada

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 Bell Bundle, which combines wireline local voice and long distance, high-speed Internet, TV and wireless services, our goal is to use a quadruple-play 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 video receivers, as well as other incentives, to stimulate customer acquisition and winbacks or to respond to competitive pressures in our markets.

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

The Bell brand plays a key role in product positioning. Our branding is straightforward and benefit-focused, and directly supports our strategy of delivering a better customer experience at every level.

Specifically for wireless, acquiring and retaining high-value 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. As the Canadian wireless market further matures and competition intensifies including as a result of Industry Canada's licensing of advanced wireless services (AWS) spectrum to new entrants in 2008, customer retention is becoming increasingly important. Accordingly, we employ customer retention initiatives aimed at increasing our customers' level of satisfaction and loyalty.

Bell delivers its products and services to residential customers through:

- a network of corporate and dealer-owned Bell, Bell Mobility and Virgin Mobile retail locations
- The Source's approximately 700 retail locations
- national retailers such as Future Shop, Best Buy, Wal-Mart, Wireless Wave, T-Booth, Wireless Etc., Loblaws and a network of regional and independent retailers in all regions
- call centre representatives
- the bell.ca and virginmobile.ca websites.

Bell also offers customers the convenience of "One Bill" for Home Phone, Internet, TV and wireless services with a single point of contact.

Communications products and services, other than wireless, for Bell's business customers are delivered by the Bell Business Markets unit. Products and solutions are sold to small, mid-sized and large business customers through web portals, call centres, and dedicated sales representatives, as well as select value-added resellers. We intend to continue to differentiate ourselves in the marketplace by enhancing our customer service levels and the breadth of our product and service offers by introducing unique fee-based service offerings in the market. Much of the procurement of our customers in this segment is completed through competitive bids that we win. In addition to basic communications services, the Bell Business Markets unit bundles products, services and professional services into fully managed, end-to-end, information and technology business solutions for its customers. It also partners with third parties to bid on and sell complex business solutions. We are focusing on increasing both the number of customers and the breadth of business solutions sold to these customers.

Bell's wireless products and services are delivered to business customers by Bell Mobility through the same channels as those previously described for Bell Mobility services with respect to residential customers. In addition, Bell's business customers are served by Bell's nationwide sales team responsible for the sale of wireless products and services to business customers as well as the execution of sales contracts.

Communications products and services for Bell's wholesale business are delivered by Bell's Wholesale unit. They are sold through our dedicated sales representatives, web portals and call centres.

Bell Media

Bell Media's TV customer base is comprised primarily of large advertising agencies, which place advertisements with Bell Media on behalf of their customers. Bell Media has contracts with a variety of broadcasting distribution undertakings (BDUs), under which monthly subscription fees for specialty TV services are earned. Bell Media's radio broadcast customer base is comprised of both advertising agencies and businesses in local markets. Bell Media's conventional TV networks are delivered to Canadians through over-the-air broadcast transmission and through distribution by BDUs. Bell Media's specialty

TV channels are delivered through distribution arrangements with BDUs, and its radio stations are distributed through over-the-air transmission. In addition to these primary distribution channels, Bell Media distributes certain of its TV and radio programming through a variety of non-traditional means, such as mobile, Internet streaming and in-flight programming.

Bell Aliant

Bell Aliant sells its products and services through call centre representatives, independent dealer stores (certain of which are full service and certain of which sell small and mid-sized business products), value-added resellers and its family of websites. In addition to these channels, Bell Aliant sells products and services to larger business customers through dedicated sales representatives and competitive bids. As well, Bell Aliant facilitates customer payments at numerous payment locations in New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador. During 2012, Bell Aliant continued to implement measures to simplify and improve various types of customer interactions.

NETWORKS

The telecommunications industry is evolving rapidly as the industry continues to move from multiple service-specific networks to IP-based integrated communications networks where voice, data and video traffic all travel on a single network. Bell and Bell Aliant continue to work with key vendor partners to expand their national multi-services IP-enabled networks. Our communications networks provide wireline and wireless 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 infrastructures for delivering services to customers
- national wireless networks that provide voice, data and video services.

Bell's DTH satellite TV services are provided using satellites operated by Telesat Canada (Telesat).

Wireline

Voice and Data Network

Our national voice and data network consists of an optical fibre network, with built-in redundancy and fault protection. It reaches all major Canadian metropolitan centres, as well as New York, Chicago, Boston, Buffalo and Seattle in the United States.

Bell's network in major Canadian cities provides state-of-the-art high-speed access at gigabit speeds based on IP technology. Bell and Bell Aliant 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 ICT solutions that add value and efficiencies to customers' businesses. These technology solutions include voice over IP/IP Telephony, IP videoconferencing, IP call centre applications and other future IP-based applications. In addition, Bell and Bell Aliant maintain extensive copper and voice-switching networks that provide traditional local and interexchange voice and data services to all business and residential customers in Ontario, Québec and the Atlantic provinces.

In 2011, we completed the upgrade of our 40 gigabit fibre-based national backbone network spanning more than 7,800 kilometers across Canada as well as points of presence in New York, Chicago, Boston, Buffalo and Seattle. Bell was the first Canadian carrier to deploy 40 gigabit technologies to improve reliability and to increase network capacity to support rapidly growing volumes of wireless and Internet usage carried on our networks. The next phase of the program, which began in 2012, is to progressively upgrade and deploy 100 gigabit technologies at key traffic routes.

High-Speed Fibre Deployment – Internet and TV Services

As discussed in more detail below, our strategic imperative to invest in broadband networks and services is focused on the deployment of high-speed fibre access through our FTTN, FTTB and FTTH (as such terms are defined below) initiatives.

First, Bell has been upgrading its access infrastructure by deploying fibre closer to its residential customers using fibre-to-the-node (FTTN) technology. Second, Bell has also been deploying high-speed fibre access directly to multiple-dwelling units (MDUs) and key business locations and data centres, throughout the Québec-Windsor corridor, under a fibre-to-the-building (FTTB) initiative. Third, Bell has started and plans to continue deploying high-speed fibre-to-the-home (FTTH) technology in Ontario and Québec as follows.

One of the first FTTH deployments in Canada, Bell's Québec City region initiative is the largest city-wide FTTH roll-out in the country to-date. In our view, FTTH, in which optical fibre cables are used to connect each and every home, is an ideal network architecture to support future bandwidth-demanding IP services and applications. Since the Québec City region is served largely by "aerial" infrastructure, above-ground wiring on utility poles, these extensive fibre deployments can be accomplished much faster and more economically than in centres with underground infrastructure. With an investment of more than $225 million to deploy fibre optic technology directly to homes and businesses, we launched our next-generation Fibe service in Québec City on March 12, 2012, supporting enhanced competition and choice in the Québec market with the latest broadband TV, Internet and Home Phone services.

Bell also continued to deploy FTTH to all new urban and suburban housing developments in Ontario and Québec. This is in addition to Bell Canada's ongoing deployment of FTTB to MDUs and business locations.

Our residential fibre-optic Internet service, marketed as Bell Fibe Internet, is enabled by Bell's FTTN and FTTH networks, providing download speeds of up to 50 Mbps in areas of Ontario and Québec that are served by our FTTN network, and up to 175 Mbps for customers with FTTH. Fibe Internet also employs advanced tools to proactively monitor and optimize speeds. We also offer DSL-based Internet service in areas where Fibe Internet is not available, with download speeds of up to 5 Mbps.

Additionally, Bell launched in September 2010 its Bell Fibe TV service in several Toronto and Montréal neighbourhoods. Since that time, Bell has significantly expanded its Fibe TV service footprint, which encompassed approximately 3.3 million households across the Greater Montréal Region and the Greater Toronto Area as well as in Québec City at December 31, 2012. Delivered over our advanced high-speed fibre-optic network and powered by Microsoft's Mediaroom multimedia software, Fibe TV complements our national TV satellite service and expands TV choice and competition in major urban markets where cable has dominated. Bell Fibe TV offers a wide range of flexible programming options and innovative features, including a whole-home personal video recorder, the ability to record multiple programs simultaneously, a picture-in-picture program guide, advanced search capabilities, and the fastest channel change capability on the market today.

Since 2010, Bell Aliant has been deploying FTTH and FTTB technology in various locations in Atlantic Canada. This has brought an advanced broadband network using 100% fibre-optic technology directly to homes and businesses in those locations and has allowed Bell Aliant to deliver its new "FibreOP" branded Internet and TV service. The virtually 100% aerial nature of Bell Aliant's network infrastructure and the relatively low population densities in Atlantic Canada makes the cost of FTTN and FTTH/FTTB very similar in those markets.

On April 13, 2011, Bell Aliant launched its next generation of Internet and TV service with FibreOP 2.0. FibreOP 2.0 introduces more speed and functionality to customers for the same price. FibreOP 2.0 TV also provides enhanced functions and features for TV. Existing FibreOP Internet customers were upgraded to the new FibreOP 2.0 Internet product with no additional fees or need for an equipment upgrade. Bell Aliant also upgraded existing Bell Aliant TV customers and FibreOP TV customers to the new TV product.

In July 2012, Bell Aliant introduced FibreOP service in Sudbury, Ontario, its largest market outside of Atlantic Canada.

As of the end of 2012, Bell Aliant's FibreOP services were available to 656,000 homes and businesses in Atlantic Canada and Ontario, while Bell Aliant's high-speed Internet service was available to over 86% of homes in Bell Aliant's operating territory.

Our forward-looking statements referred to in the above sections *Voice and Data Network* and *High-Speed Fibre Deployment – Internet and TV Services* relating to plans to upgrade and/or deploy optical fibre networks assume, in particular, that municipal consents required by us in order to install network equipment on municipal property will be issued on a timely basis. The failure by municipalities to issue such consents or to issue such consents in accordance with our schedules could result in our inability to upgrade and/or deploy optical fibre networks in certain areas or in significant delays in our pace of upgrade and/or deployment. In addition, our forward-looking statements referred to in such sections relating to plans to upgrade and/or deploy optical fibre networks assume the availability of the required capital which, in turn, is based on our ability to either generate cash flows from operations or raise financing. Our ability to generate cash flows from operations depends on our business performance which, in turn, is based on certain key economic, market and operational assumptions that are discussed in the section entitled *Business Outlook and Assumptions* in the BCE 2012 MD&A, at pages 31 to 33 of the BCE 2012 Annual Report. Our ability to generate cash flows from operations is also subject to various risks, which could affect our business, including competitive, regulatory, technological, economic and financial risks. Our ability to raise financing depends on our ability to access the public equity and debt capital markets and the bank credit market which, in turn, is based on prevailing market conditions and the outlook for our business and credit ratings at the time the capital is raised. Refer to the sections entitled *Our Competitive Environment*, *Our Regulatory Environment* and *Risks that Could Affect Our Business and Results* in the BCE 2012 MD&A, at pages 56 to 60, pages 61 to 63, and pages 64 to 72, respectively, of the BCE 2012 Annual Report for a description of risks that could affect our business and our ability to generate cash flows from operations, and to the risk entitled *If we are unable to raise the capital we need, we may need to limit our capital expenditures or our investments in new businesses, or try to raise capital by disposing of assets* for a description of risks that could affect our ability to raise financing.

Bell DTH Satellite TV Service

We provide DTH satellite TV service nationwide under the Bell TV brand. Pursuant to a set of commercial arrangements between Bell ExpressVu and Telesat, Bell ExpressVu currently has four satellites under contract with Telesat, including Nimiq 6, which was successfully launched and brought into full service in mid-2012. Telesat operates or directs the operation of these satellites, which are used by Bell ExpressVu to provide its DTH satellite TV service.

Wireless

Bell provides wireless connectivity through the use of its own wireless facilities as well as the facilities of other wireless carriers that Bell may access through contractual arrangements. 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 multiple high-speed data networks, we are able to offer Canadian consumers a broad range of choice in wireless smartphones, including devices from Apple, Samsung, BlackBerry, HTC and LG, touch screen tablets and other devices designed for data services such as machine to machine (M2M) communications, e-mail, messaging, Internet access and social networking.

HSPA+ Network

Our wireless HSPA+ network, launched in November 2009, offers high-speed mobile access of up to 21 Mbps to over 97% of the Canadian population at December 31, 2012, and covers thousands of cities and towns in both urban and rural locations. The HSPA+ 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 HSPA+ network also supports international roaming in more than 200 countries. The vast majority of the site connectivity for the new HSPA+ network was built with high-speed fibre and an all-IP architecture for enhanced reliability. In November 2010, Bell became the first wireless company in North America to deploy leading-edge dual carrier (DC) technology, which doubles the speed of HSPA+ mobile data service from up to 21 Mbps to as high as 42 Mbps when using DC capable modem devices or smartphones. At December 31, 2012, Bell's 42 Mbps dual cell service was available to over 83% of the Canadian population.

4G LTE Network

Bell was also the first wireless service provider in Canada to launch a 4G LTE network in the Greater Toronto Area 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 originally launched in November 2009, making it easier for users to download applications, stream high-definition videos and music, play on-line games or video conference and chat with virtually no delays or buffering. We are focused on an urban roll-out first, with the timing of broader rural and remote coverage deployments contingent on the outcome of Industry Canada's 700 megahertz (MHz) spectrum auction. In March 2012, Industry Canada released its decision on a policy and technical framework for licensing 700 MHz spectrum. Rather than a spectrum set-aside, as it employed in the 2008 AWS auction, Industry Canada will implement spectrum caps in the 700 MHz spectrum auction. The spectrum cap will limit Bell, and other large licensees, to obtaining only one of the four paired spectrum blocks that line up with the 700 MHz spectrum holdings of the two largest wireless service providers in the U.S. Additional rural deployment requirements will apply, applicable in any area where a carrier has access to two or more paired blocks of spectrum. Refer to the section of the BCE 2012 MD&A entitled *Our Regulatory Environment – Radiocommunication Act – 700 MHz Spectrum Auction* at page 63 of the BCE 2012 Annual Report for a more detailed discussion of the upcoming 700 MHz spectrum auction.

Our LTE wireless network reached over 23 million Canadians, or more than 67% of the Canadian population, coast-to-coast in 9 provinces and 2 territories at December 31, 2012, and currently reaches approximately 73% of Canadians. We intend to further expand LTE wireless service to more Canadian cities and towns in 2013. Deployment of LTE in rural areas of Canada is expected to occur only if Bell Canada is successful in obtaining 700 MHz spectrum.

3G/CDMA Network

In addition to our LTE and HSPA+ networks, we operate a national 3G code division multiple access (CDMA) evolution, data optimized (EVDO) network covering 99% of Ontario's and Québec's populations and approximately 97% of Atlantic Canada's population at December 31, 2012. Our CDMA network also covers major cities in the provinces of Alberta and British Columbia. At the end of 2012, Bell's EVDO network covered over 90% of the Canadian population. EVDO delivers high-speed mobile services with data-rich content such as e-mail, video messaging, gaming, video conferencing, telematics and streaming entertainment. Bell plans to continue operating its CDMA network for the foreseeable future.

Wi-Fi Locations

Bell Mobility also operates approximately 3,500 public Wi-Fi hotspots at McDonald's, Chapters/Indigo and Tim Hortons retail outlets across Canada, in addition to tens of thousands of Wi-Fi hotspots managed through our Bell Business Markets unit at enterprise customer locations.

EMPLOYEES

The table below shows the number of our employees as at December 31, 2012 and 2011.

NUMBER OF EMPLOYEES AT DECEMBER 31	2012	2011
Bell Wireline segment	**35,940**	34,800
Bell Wireless segment	**7,210**	7,750
Bell Media segment	**5,650**	6,000
Bell Aliant segment	**6,700**	6,700
Total(1)	**55,500**	55,250

(1) The total number of Bell employees at the end of 2012 was 48,800, up from 48,550 at December 31, 2011, due primarily to an increased workforce in our field services operations to support our ongoing IPTV roll-out and service quality initiatives, as well as an increase in the number of The Source retail stores across Canada. This increase was partly offset by a decreased workforce across our Bell Wireless, Bell Wireline and Bell Media segments attributable mainly to normal attrition, retirements and productivity improvements.

Approximately 46% of the BCE group employees are represented by unions and are covered by collective agreements.

The following collective agreements covering 100 or more employees were ratified in 2012:

- the collective agreement between the Communications, Energy and Paperworkers' Union of Canada (CEP) and CTV Agincourt covering approximately 490

employees expired on December 31, 2011. A new collective agreement was ratified on April 30, 2012.
- the collective agreement between the CEP and Bell Aliant covering approximately 650 craft employees expired on November 30, 2011. A new collective agreement was ratified on June 26, 2012.
- the collective agreement between the CEP and CTV Calgary/Edmonton (Alberta) covering approximately 310 employees expired on December 31, 2011. A new collective agreement was ratified on July 27, 2012.
- the collective agreement between the United Steel Workers of America (USWA) and Nordia Inc. (Nordia) in Kitchener covering approximately 380 employees expired on November 30, 2012. A new collective agreement was ratified on November 26, 2012.
- the collective agreements between Les Métallos and Nordia in Québec City and Sherbrooke covering approximately 620 employees expired on December 31, 2012. A new collective agreement was ratified on December 18, 2012.
- the collective agreement between the CEP and Bell Canada covering approximately 4,585 craft employees expired on November 30, 2012. A new collective agreement was ratified on December 21, 2012.

The following collective agreements covering 100 or more employees will expire in 2013:

- the collective agreement between the Confédération des Syndicats Nationaux (CSN) and Le Réseau des sports (RDS) Inc. covering approximately 155 employees will expire on April 10, 2013.
- the collective agreement between the CEP and Bell Canada covering approximately 5,700 clerical employees will expire on May 31, 2013.
- the collective agreement between the Teamsters and Bell Aliant covering approximately 160 craft employees will expire on July 22, 2013.
- the collective agreement between the CEP and CFPL-TV, a division of CTV Limited (now Bell Media), covering approximately 105 employees will expire on August 31, 2013.
- the collective agreement between the CEP and Bell Canada covering approximately 100 operators will expire on November 24, 2013.
- the collective agreement between the CEP and CFCF Television, a division of Bell Media, covering approximately 115 employees will expire on December 31, 2013.
- the collective agreement between the CEP and Bell Canada covering approximately 835 sales employees will expire on December 31, 2013.
- the collective agreement between the International Brotherhood of Electrical Workers (I. B. E. W.) and Northwestel Inc. covering approximately 386 clerical and craft employees will expire on December 31, 2013.

The following describes the status of a collective agreement covering 100 or more employees that has already expired:

- the collective agreement between the CEP and Bell Aliant covering approximately 145 clerical employees expired on May 31, 2012. Following a federal mediation and conciliation services process which took place in February 2013, the CEP agreed to present a proposal from Bell Aliant to its members.

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 this commitment, in 2006, we adopted a resolution to support the United Nations Global Compact, a set of universal principles addressing human rights, labour, environmental and anti-corruption issues.

Since 2012, BCE's corporate responsibility strategy, including security, environmental and health and safety (SEHS) risks and opportunities, is overseen by the Security, Environmental and Health & Safety Oversight Committee, an officer level committee. The committee's role is to ensure that BCE's corporate strategies on SEHS are well integrated and aligned across all parts of its business, with the intent of minimizing financial and reputational risks and maximizing business opportunities.

BCE has implemented a range of social and environmental policies which 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 Internet Child Pornography
- Health and Safety Policy

On February 13, 2013, BCE won the Excellence in Governance Award for very large enterprises in the 11th annual competition organized by *Les Affaires* newsmagazine and Korn/Ferry International, a leading executive recruiting firm. This award recognizes boards of directors that have distinguished themselves through excellent governance in corporate social responsibility.

In 2012, BCE was ranked 13th in the world on the Newsweek Green Rankings and was also listed in MacLean's Top 50 Socially Responsible Companies in Canada. BCE is part of socially responsible investment indices such as the FTSE4Good Index and the Jantzi Social Index. BCE was also identified as Prime Responsible Social and Environmental investment by oekom research, has been selected for inclusion in the Ethibel EXCELLENCE Investment Register, and has also been included in the Storebrand Trippel Smart/SPP Global Top 100 sustainable global equity fund.

Bell Canada is an active member of the Global e-Sustainability Initiative (www.gesi.org), an international organization that promotes sustainable development in the ICT industry. Part of its involvement includes the promotion of ICT as a solution to climate change by enabling travel reduction and dematerialization. Monitoring and reducing energy consumption is a key priority at Bell Canada because of its positive impact on the environment and the economy. We report on our carbon footprint and carbon reduction initiatives through the Carbon Disclosure Project since the early beginnings in 2004.

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

Community

Bell Canada is committed to advancing mental health across Canada through the Bell Let's Talk mental health initiative. Mental illness affects millions of Canadians yet this major health issue remains significantly underfunded, misunderstood and stigmatized. With 1 in 5 Canadians expected to suffer from mental illness during their lifetimes, 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 $51 billion each year in lost productivity and approximately 500,000 Canadians absent from work each day due to mental health issues.

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 4 action pillars: anti-stigma, enhanced care and access, new research and workplace leadership. This initiative is the largest-ever corporate effort to promote mental health in Canada.

In 2011, Bell Canada was named the recipient of the 2012 Freeman Philanthropic Services Award for Outstanding Corporation for the Bell Let's Talk Mental Health Initiative by the Association of Fundraising Professionals.

During 2012, Bell made new commitments within the program to several initiatives, including partnerships with the Douglas Mental Health University Institute, Queen's University, Ontario Shores, and Kids Help Phone. On August 21, 2012, Bell announced it will be presenting the largest-ever fundraising event for mental health in Québec, the “Bal des lumières”, to be held at the Bell Centre in Montréal on March 20, 2013. The 2012 Bell Let’s Talk Event held on October 11, 2012 contributed an additional $1.5 million to support world-leading care and research at the Centre for Addiction and Mental Health Foundation. In 2012,

the Bell Let’s Talk Community Fund gave $1 million in grants to 60 community-based organizations, charities and hospitals across the country. Through the Bell Let’s Talk Community Fund, organizations, agencies and hospitals across the country can apply for grants of up to $50,000 for community-based mental health initiatives.

Because the challenge of stigma remains the primary reason 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 third annual Bell Let’s Talk Day on February 12, 2013, led by national spokesperson Clara Hughes and joined by Stefie Shock, Michel Mpambara and Seamus O’Regan, worked to promote discussion and understanding of mental illness while raising new funds for Canadian mental health. With over 96 million text messages, long distance calls, tweets and Facebook shares made that day by Bell Canada and Bell Aliant customers, Bell Canada’s 5-cent donation per text message, long distance call, tweet and Facebook share meant that $4,813,313.30 was raised to support mental health programs across the country. The Bell Let’s Talk Community Fund further announced on January 14, 2013 that it would be distributing $1 million in 2013 to local organizations across Canada that are working to end stigma and increasing access to mental health care.

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

Between mental health and their other initiatives, Bell Canada and Bell Aliant contributed over $18 million in community investment in 2012. Bell Canada and Bell Aliant employees and pensioners also donated over $1.5 million in charitable gifts and logged over 346,000 hours in volunteer time.

Environment

BCE’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, varying from exercising due diligence to meet or exceed the environmental legislation that applies to us, to preventing pollution and promoting cost-effective initiatives that minimize resources and waste.

We have instructed subsidiaries subject to this policy to support these principles, and have established a management-level committee to oversee the implementation of the policy.

Bell Canada monitors its operations to seek to ensure that it complies with environmental requirements and standards, and takes action to prevent and correct problems, when needed. It has an environmental management and review system in place, that:

- provides early warning of potential problems
- identifies management and cost-saving opportunities
- establishes a course of action
- ensures ongoing improvement through regular monitoring and reporting.

In 2009, Bell Canada obtained the ISO 14001 certification for its environmental management system (Registration number: EMS 545955). Bell Canada is the only telecommunications company in Canada to have obtained this certification. The certification covers all of Bell Canada’s businesses including landline, wireless, TV and Internet services in addition to related administrative functions. Bell Canada has maintained the certification for the first three-year cycle and was recertified in 2012 for another three-year cycle. Since 2010, Bell Canada obtained BOMA BESt certification for 37 of its buildings across Canada and obtained LEED certification for its Montréal campus, LEED Silver for its Mississauga campus expansion, and will seek to obtain certification for additional buildings throughout 2013, including LEED Gold for its newly constructed data center.

One of Bell Canada’s key tools is the corporate environmental action plan, which outlines the environmental activities of Bell Canada’s various business units. The plan identifies funding requirements, accountabilities and deliverables, and monitors Bell Canada’s progress in meeting its objectives.

For the year ended December 31, 2012, Bell Canada spent $21.4 million on environmental activities, 50% of which was expensed and 50% of which was for capital expenditures. For 2013, Bell Canada has budgeted $23.9 million (56% for expenses and 44% for capital expenditures) to seek to ensure that its environmental policy is applied properly and its environmental risks are minimized.

Bell Aliant has a comprehensive environmental policy for Atlantic Canada that affirms its goal to work to create a sustainable future by integrating long-term economic, environmental and social considerations into the way the business is operated. The policy provides for the identification of activities and situations which may have potential to harm the environment, and the implementation of environmentally positive practices and preventive measures. Bell Aliant’s program seeks to ensure that it complies with all environmental regulatory requirements and that its activities are carried out in a manner that minimizes risk to the environment through a continuous improvement process.

Bell Aliant manages its environmental program through processes similar to those employed by Bell Canada, and collaborates on many levels to seek harmonization with Bell Canada’s environmental program. Bell Aliant has adopted an action plan that sets out specific environmental goals for 2013.

COMPETITIVE ENVIRONMENT

A discussion of our competitive environment can be found in the section entitled *Our Competitive Environment* in the BCE 2012 MD&A, at pages 56 to 60 of the BCE 2012 Annual Report.

See also *Description of Our Business – Competitive Strengths* in this Annual Information Form for more information concerning our competitive position.

REGULATORY ENVIRONMENT

A discussion of the legislation that governs our business as well as government consultations and recent regulatory initiatives and proceedings affecting us can be found in the section entitled *Our Regulatory Environment* in the BCE 2012 MD&A, at pages 61 to 63 of the BCE 2012 Annual Report.

More information with respect to the Canadian ownership restrictions on BCE’s common shares can be found under *Our Capital Structure – BCE Securities – BCE Preferred Shares, Common Shares and Class B Shares* in this Annual Information Form.

INTANGIBLE PROPERTIES

We use various works protected by intellectual property rights which we own or for which we have been granted rights to use. These works include brand names, customer lists, copyrights, patents and trade-marks. This intellectual property is important to our operations and our success. In particular, the Bell brand plays a key role in product positioning. Our branding is straightforward and benefit-focused, and directly supports our strategy of delivering a better customer experience at every level.

The table below is a list of trade-marks that are referred to and used as such in this Annual Information Form and their owners.

OWNER	TRADE-MARK
BCE Inc.	BCE
Bell Aliant Regional Communications, Limited Partnership	Aliant FibreOP
Bell Canada	Bell Bell Centre Bell Internet Bell Media Bell Mobility Fibe Let's Talk xWave
Bell ExpressVu Limited Partnership	ExpressVu
Bell Media Inc.	CFCF CTV CTVglobemedia BNN
Nordia Inc.	Nordia
Northwestel Inc.	Northwestel
The Source (Bell) Electronics Inc.	The Source
The Sports Network Inc.	RDS TSN
Virgin Enterprises Limited	Virgin Mobile

Other trade-marks or corporate, trade or domain names used in this Annual Information Form are the property of their owners. Our trade-mark rights are perpetual provided that their registrations are renewed on a timely basis when applicable and that the trade-marks are used in commerce by us or our licensees. We take appropriate measures to protect, renew and defend our trade-marks including prosecuting infringers. We take great care not to infringe on the intellectual property and trade-marks of others.

General Development of Our Business – Three-Year History

In line with our strategic imperatives described under *Description of Our Business – 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 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 effects of our regulatory environment are discussed below.

TRANSACTIONS

Proposed Acquisition of Astral

On March 16, 2012, BCE announced the signing of a definitive agreement to acquire all of the issued and outstanding shares of Montréal-based Astral. Astral is a media company that operates specialty and pay TV channels, radio stations, digital media properties and out-of-home advertising platforms in Québec and across the rest of Canada. The transaction was valued at approximately $3.38 billion, including net debt of $380 million, and is expected to be funded with a combination of cash (approximately 75% of the equity purchase price) and BCE common equity (approximately 25%), with BCE retaining the right to replace common equity with cash, in whole or in part, at closing. On May 24 and May 25, 2012, the transaction was approved by over 99% of Astral shareholders and by the Québec Superior Court, respectively. The transaction is expected to provide multiple benefits to BCE, including enhancing our competitive position in French-language broadcasting in Québec, control over content costs, and increased opportunities for cross-platform innovation and advertising packages spanning digital, TV, radio and out-of-home advertising.

On October 18, 2012, the CRTC issued Broadcasting Decision CRTC 2012-574 denying BCE's original application to acquire Astral. On November 19, 2012, BCE and Astral amended the terms of the proposed transaction and subsequently submitted a new proposal to the CRTC for approval, seeking to address the public interest concerns outlined by the CRTC in its decision. Such application was later further amended to reflect certain terms of the consent agreement dated March 4, 2013 between the Competition Bureau and BCE, described below. The new application was made public by the CRTC on March 6, 2013 and outlines a number of divestitures (eleven pay and specialty TV services as well as ten radio stations).

Under the revised proposal, BCE will retain eight Astral TV services: the French-language SuperÉcran, CinéPop, Canal Vie, Canal D, VRAK TV and Z Télé, and English-language services The Movie Network, which includes HBO Canada, and TMN Encore. BCE will also retain 77 Astral radio stations and Astral's national out-of-home advertising business. The retained properties represent approximately 77% of Astral's EBITDA. On March 4, 2013, BCE reached an agreement with Corus Entertainment Inc. (Corus) whereby Corus will acquire Astral's share of six TV joint ventures (the bilingual Teletoon/Télétoon service, English-language Teletoon Retro and Cartoon Network (Canada) and French-language Télétoon Rétro, Historia and Séries+) as well as two Astral radio stations in Ottawa (CKQB-FM and CJOT-FM). Valued at $400.6 million, the Corus transaction is also subject to applicable regulatory approvals.

Under the revised proposal, BCE has also committed to dispose of five additional TV services (the English-language Family (including Disney Junior English) and Disney XD services, and the French-language Disney Junior, Musimax and MusiquePlus services) and eight English-language radio stations (Astral FM stations CHHR and CKZZ (Vancouver), CFQX (Winnipeg) and CHBM (Toronto), Bell Media FM stations CKCE (Calgary), CHIQ (Winnipeg) and CFXJ (Toronto) and Astral AM station CISL (Vancouver)), in an auction process that is under way.

Overall, the divestitures will result in BCE having a French-language viewing share of 23.0%, below competitor Québecor's 30.5% share. In English-language viewership, Bell Media will have a 35.7% share, 2.0% more than Bell Media's current share.

The new proposal also includes a revised package of tangible benefits in an amount of $174.6 million to result in the development and promotion of exceptional new Canadian TV and film content in French and English, significant new investment in radio and emerging musical talent, and new and enhanced initiatives to grow media training and consumer participation in Canadian broadcasting. The proposed benefits package includes $124.6 million in TV benefits, approximately 15%, or $18.7 million, of which will be invested in social benefits, and approximately 85%, or $105.9 million, of which will be allocated to independent on-screen productions, with $73.1 million dedicated to French-language programming and $32.8 million to English-language programming. In radio, the new proposal provides for $50 million in benefits to develop emerging musical talent, showcase Canada's rising stars, and open new doors to action and education in Canadian music.

The CRTC has announced that it will hold a public hearing commencing the week of May 6, 2013 to consider the new proposal for BCE's acquisition of Astral. On March 4, 2013, BCE received Competition Bureau clearance for its proposed acquisition of Astral based on a consent agreement under which BCE is required to divest the same TV services and radio stations identified in BCE's revised proposal to the CRTC. This consent agreement, which describes the terms of the Competition Bureau clearance, was registered with the Competition Tribunal on March 4, 2013.

As a result of the amendments made to the terms of the original definitive agreement between Astral and BCE, BCE's regulatory covenants have been modified and the outside date for completion of the transaction was postponed to June 1, 2013 with each of Astral and BCE having the right to further postpone it to July 31, 2013, if required to obtain the remaining necessary regulatory approvals. A break-up fee of $150 million is payable by BCE to Astral should the proposed transaction not close before the outside date for failure to obtain regulatory approvals. On February 1, 2013, Astral paid a one-time cash dividend of $0.50 per share on its class A non-voting shares and class B subordinate voting shares. The consideration payable to Astral shareholders remains unchanged under the amended definitive agreement. Holders of class A non-voting shares and class B subordinate voting shares of Astral will receive cash or a combination of cash and up to $750 million of BCE common shares, representing a value of $50.00 and $54.83 per share, respectively.

The expected timing and completion of the proposed acquisition by BCE of Astral is subject to, in addition to approval by the CRTC, other closing conditions, termination rights and other risks and uncertainties. Given the need for regulatory approval from the CRTC, there can be no assurance that the proposed transaction will occur, or that it will occur on the timetable or on the terms and conditions currently contemplated. Refer to Astral's Notice of Special Meeting of Shareholders and Management Information Circular dated April 19, 2012 (Astral Circular) for a detailed description of the relevant closing conditions, termination rights and other risks and uncertainties applicable to the proposed transaction, subject to the changes made to the information set out in the Astral Circular by the amending agreement to the arrangement agreement entered into by Astral and BCE on November 19, 2012, which agreement was filed by Astral with the Canadian securities regulatory authorities together with a related material change report.

In addition, the completion of the divestitures set forth in the consent agreement entered into with the Competition Bureau and in the proposal submitted to the CRTC, including the proposed sale to Corus of Astral's share of certain TV joint ventures and certain radio assets, and the proposed auction process for the sale of certain TV assets and radio stations, are subject to closing conditions, termination rights and other risks and uncertainties including, without limitation, approval by the CRTC and the Competition Bureau. Accordingly, there can be no assurance that the proposed sale transactions will occur. In the case of the proposed sale transaction to Corus, there is also no assurance that it will occur on the terms and conditions currently contemplated, and such proposed sale could be modified, restructured or terminated. Unless the required divestitures can be completed by the time BCE's acquisition of Astral is completed, the assets to be divested will from that time be held in trust until completion of their respective divestiture processes.

BCE is proposing to acquire Astral to strengthen its competitive position in the communications industry, particularly in French language broadcasting in Québec, and to create the opportunity to realize certain benefits. Achieving the anticipated benefits depends in part on successfully consolidating functions and integrating operations, procedures and personnel in a timely and efficient manner, as well as BCE's ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with those of BCE. The consummation of the proposed transaction and the integration require the dedication of substantial management effort, time and resources which may divert management's focus from other strategic opportunities and from operational matters during this process. The consummation of the proposed transaction and the integration process may lead to greater-than-expected operational challenges and costs, expenses, liabilities, customer loss and business disruption for BCE and, consequently, the failure to realize, in whole or in part, the anticipated benefits.

Key Completed Transactions

In line with our strategic imperatives, from 2010 to 2012, we have concluded certain transactions that have influenced the general development of our business. More information with respect to these transactions is provided in the table below.

TRANSACTION	KEY CHARACTERISTICS
Partnership with Cirque du Soleil (Cirque) in new Québec-based content development entity (2012)	• On December 6, 2012, Bell Media and Cirque formed a new partnership, Cirque du Soleil Media Limited Partnership, to develop Québec-based media content for TV, film, digital, and gaming platforms • Bell Media's multi-million dollar investment in Cirque du Soleil Media Limited Partnership is an extension of its strategy of investment in the development and distribution of Québec content. Cirque's investment includes its current slate of development projects, as well as the new 3-D feature film, *Cirque du Soleil: Worlds Away*.
Acquisition of an ownership interest in Q9 (2012)	• On October 16, 2012, an investor group comprising BCE, Ontario Teachers' Pension Plan Board (Teachers'), Providence Equity Partners LLC (Providence) and Madison Dearborn Partners LLC (Madison Dearborn) acquired Canadian data centre operator Q9 • Of the $1.1 billion purchase price, Teachers', Providence and Madison Dearborn together contributed $430 million and BCE provided $185 million of the equity funding. New debt financing by Q9 also funded a portion of the acquisition price. • Our Business Markets unit further concluded a commercial arrangement with Q9 seeking the continued growth of their respective businesses • Concurrent with the acquisition closing and entering into the commercial arrangement, BCE and its partners settled the reverse break-fee proceedings initiated in 2008 after the termination of the proposed privatization of BCE. Under the settlement, BCE received certain non-cash consideration, including increased equity ownership in Q9, and a path to full ownership with an option at a favourable valuation to acquire the partners' entire equity interest in Q9 in the future. • As a result of this transaction, BCE holds an indirect 35.3% equity interest in Q9 • Q9 is Canada's leading provider of outsourced data centre solutions such as hosting, co-location and cloud computing services. Subject to the terms of its commercial agreement with us, Q9 will continue to operate as a stand-alone entity and existing Q9 management will continue to operate the company.
Acquisition of an ownership interest in MLSE (2012)	• On August 22, 2012, BCE, together with the BCE Master Trust Fund (Master Trust), an independent trust that holds pension fund investments serving the pension obligations of BCE Group pension plans, jointly with Rogers Communications Inc. (Rogers), acquired a net 75% equity interest in MLSE. Kilmer Sports Inc. concurrently increased its 20.5% ownership stake in MLSE to 25%. • BCE's cash contribution totalled $398 million, representing a 28% indirect equity interest in MLSE, while the Master Trust contributed $135 million. BCE and the Master Trust own an aggregate 37.5% interest in MLSE, equal to Rogers' interest. • Pursuant to its arrangements with the Master Trust, BCE has an obligation to repurchase the Master Trust's interest at a price not less than an agreed minimum price should the Master Trust exercise its put option • MLSE is a sports and entertainment company that owns the Toronto Maple Leafs, the Toronto Raptors, the Toronto Marlies and the Toronto FC. MLSE also holds real estate and entertainment assets in Toronto, including the Air Canada Centre and the Maple Leaf Square condominium and commercial complex, operates three sports specialty TV channels, and is the exclusive partner of the National Basketball Association (NBA) in Canada.

TRANSACTION	KEY CHARACTERISTICS
Acquisition of the remaining 85% interest in CTV Inc. (CTV) (formerly CTVglobemedia Inc. and now named Bell Media Inc.) (2011)[1]	• On April 1, 2011, BCE acquired the remaining 85% interest in CTV that it did not already own in accordance with a transaction agreement (the Transaction Agreement) made as of September 10, 2010 between CTV, BCE, The Woodbridge Company Limited, 1565117 Ontario Limited (Woodbridge Holdco), Woodbridge Investments Inc. (Woodbridge Investments), Teachers' and Torstar Corporation (Torstar) • BCE acquired all of the Class A common shares of CTV held by each of Woodbridge Holdco, Teachers' and Torstar for an aggregate share purchase price of approximately $1.3 billion. Including the value of our 15% interest, the transaction had an equity value of approximately $1.5 billion. Together with approximately $1.7 billion in proportionate debt, the total transaction value was approximately $3.2 billion. • BCE also acquired certain debt from Woodbridge Investments and repaid in full CTV's senior indebtedness, both of which constitute part of the approximately $1.7 billion in proportionate debt included in the transaction • As a component of the consideration paid, BCE issued 21,729,239 common shares to Woodbridge Holdco. Woodbridge Holdco agreed that, for a two-year period, it would not sell or otherwise dispose of the BCE common shares issued to it pursuant to the Transaction Agreement without the consent of BCE. • Upon completion of the transaction, BCE unveiled Bell Media, a new business segment that includes all CTV properties and other Bell content assets.
Acquisition of xWave, a division of Bell Aliant LP (xWave) (2011)	• On January 1, 2011, Bell Canada acquired xWave from Bell Aliant for an acquisition price of $40 million, a transaction that enhances Bell Business Markets' portfolio of IT product and professional solutions for corporate, government and health-care clients across Canada • xWave is focused on developing advanced technology solutions and IT professional services, including e-health solutions.
Acquisition of the assets of the hosting division of Hypertec Availability Services (2010)	• On December 1, 2010, Bell Canada acquired the assets of the hosting division of Hypertec Availability Services, a top-tier data hosting provider in Québec • The acquisition provides Bell Canada with more than 100,000 square feet of hosting space in a state-of-the-art Montréal data centre, enhancing Bell Canada's ability to provide co-location and managed data centre services for corporate and public sector clients.
Sale of SkyTerra Communications Inc. (SkyTerra) (2010)	• On March 29, 2010, BCE sold its 22.1 million shares in satellite services company SkyTerra to private investment firm Harbinger Capital Partners (Harbinger). The sale yielded proceeds of approximately $111 million. • Harbinger's take-private transaction was an all-cash merger in which Harbinger acquired SkyTerra common stock for US$5.00 per share, representing an approximate 56% premium over the average closing price of SkyTerra's common stock for the 30 days ended September 22, 2009, the last day before the announcement of the merger agreement • The sale of the interest in SkyTerra was in line with our commitment to eliminate holdings in businesses that do not enhance the execution of our strategic imperatives • SkyTerra is a developer and supplier of mobile satellite communication services based in Reston, Virginia.

(1) More information with respect to this transaction and the Transaction Agreement may be found in the material change reports dated September 20, 2010 and April 1, 2011 filed by BCE with the Canadian securities regulatory authorities (available at www.sedar.com) and with the U.S. Securities and Exchange Commission (available at www.sec.gov).

CORPORATE INITIATIVES

Upgrade and Expansion of our Broadband Networks

One of our key objectives in the last three financial years has been investing in our broadband networks and services to enhance our competitive position and promote future growth opportunities. During this period, we have upgraded our access infrastructure by deploying fibre optic technology closer to our customers which led to the launch and subsequent expansion of our Bell Fibe Internet and Bell Fibe TV services. During this period, we have also made substantial investments in our wireless networks which led to the launch and subsequent expansion of our 4G LTE wireless network. Refer to *Description of Our Business – Networks* in this Annual Information Form for a detailed description of developments relating to our wireline and wireless networks during the three-year period ending on December 31, 2012.

Enhancing Customer Service

Our strategic priorities require that we constantly focus on delivering an improved customer experience while at the same time seek to increase efficiency and reduce costs. During the last three financial years, we continued to make progress in enhancing the customer experience through ongoing investments in new service systems and improved processes. Refer to the section entitled *Strategic Imperatives – Improve Customer Service* set out in the BCE 2010 MD&A, the BCE 2011 MD&A and the BCE 2012 MD&A contained in BCE's annual reports for the years ended December 31, 2010, 2011 and 2012, respectively, for more details concerning customer service improvement initiatives that we have implemented during the three-year period ending on December 31, 2012.

REGULATORY ENVIRONMENT

During the last three financial years, the general development of our business has been affected by decisions made by various regulatory agencies and government departments, including the CRTC, Industry Canada and the Competition Bureau. Although most of our telephony-based and wireless and Internet services are forborne from price regulation under the *Telecommunications Act*, the CRTC and Federal government continue to play a significant role in regulatory matters such as broadcasting, approval of acquisitions, spectrum auctions and foreign ownership. Refer to the section entitled *Our Regulatory Environment* set out in the BCE 2010 MD&A, the BCE 2011 MD&A and the BCE 2012 MD&A contained in BCE's annual reports for the years ended December 31, 2010, 2011 and 2012, respectively, for a discussion of the regulatory initiatives and proceedings that have influenced the general development of our business in the three-year period ending on December 31, 2012.

Our Capital Structure

This section describes BCE's and Bell Canada's securities, the trading of certain of such securities on the Toronto Stock Exchange 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.

BCE SECURITIES

BCE Preferred Shares, Common Shares and Class B Shares

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 also issuable in series and an unlimited number of Class B shares.

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 under note 23 – *Share Capital* of the BCE 2012 financial statements on pages 116 to 117 of the BCE2012 Annual Report, which note is incorporated by reference herein.

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 carriers are subject to this Act. In 2012, amendments to the *Telecommunications Act* largely eliminated these foreign ownership restrictions for any carrier 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 these 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 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 80% of its voting shares
- at least 80% 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 owns at least $66^{2}/_{3}$% of voting shares of the carrier company (Carrier holding company), the Carrier holding company must have at least $66^{2}/_{3}$% 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 $66^{2}/_{3}$% 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
- suspend the voting rights attached to that person's shares, if that person's holdings would affect our status as "Canadian" under the *Telecommunications Act*.

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 at least 80% of all Bell Canada voting shares.

Similarly, the Canadian ownership rules for broadcasting licensees, such as Bell ExpressVu or Bell Media, are generally in line with the rules for Canadian common carriers by restricting allowable foreign investments in voting shares at the licensee operating company level to a maximum of 20% and at the holding company level to a maximum of $33^{1}/_{3}$%. The CRTC is precluded under a direction issued under the *Broadcasting Act* from issuing, amending or reviewing a broadcasting licence of an applicant that does not satisfy these Canadian ownership criteria.

Cultural concerns over increased foreign control of broadcasting activities lie behind an additional restriction that prevents the holding company of a broadcast licensee that exceeds the former 20% limit (or its directors) from exercising control or influence over any programming decisions of a subsidiary licensee. In line with CRTC practice, programming committees have been established within the relevant subsidiary licensees, thereby allowing foreign investment in voting shares of BCE to reach the maximum of $33^{1}/_{3}$%.

We monitor the level of non-Canadian ownership of BCE's common shares by obtaining data on (i) registered shareholders from our transfer agent and registrar, Canadian Stock Transfer Company Inc. (CST) acting as administrative agent for CIBC Mellon Trust Company (CIBC Mellon), and (ii) beneficial shareholders from the Canadian Depository for Securities (CDS) and the United States Depository Trust Company (DTC). We also provide periodic reports to the CRTC.

BCE Debt Securities

As of March 7, 2013, BCE had no debt securities outstanding.

BELL CANADA DEBT SECURITIES

Bell Canada has issued long-term debt securities as summarized in the table below.

	WEIGHTED AVERAGE INTEREST RATE	MATURITY	AT DECEMBER 31, 2012 (IN $ MILLIONS)
Debentures			
1997 trust indenture	4.77%	2014-2035	7,350
1976 trust indenture	9.59%	2014-2054	1,250
Subordinated debentures	8.21%	2026-2031	275
Total	5.55%		8,875

On February 11, 2013, Bell Canada redeemed, prior to maturity, all of its outstanding $149,641,000 principal amount of 10% Debentures, Series EA, due June 15, 2014 at a price equal to $1,113.389 per $1,000 of principal amount of debenture plus $15.890 of accrued and unpaid interest.

The Bell Canada debentures are unsecured and have been guaranteed by BCE. Additional information about the terms and conditions of the Bell Canada debentures can be found under note *19 – Long-Term Debt* of the BCE 2012 financial statements on pages 108 to 109 of the BCE 2012 Annual Report, which note is incorporated by reference herein.

Under its shelf prospectus (Shelf Prospectus) and prospectus supplement (Prospectus Supplement) dated August 15, 2011 and June 13, 2012, respectively, Bell Canada may issue, from time to time, until September 15, 2013, up to $3 billion of unsecured medium-term debentures (MTN Debentures). On June 18, 2012, Bell Canada issued, under the Shelf Prospectus and Prospectus Supplement, $1 billion of 3.35% MTN Debentures, Series M-25, due June 18, 2019, at a price of $99.839 per $100 principal amount. Accordingly, as at March 7, 2013, Bell Canada had $1 billion of debt securities issued under its Shelf Prospectus and Prospectus Supplement.

Bell Canada may issue short-term notes under its commercial paper program up to the amount of its supporting committed lines of credit. The total amount of its supporting committed lines of credit available at March 7, 2013 was $2,220 million. Bell Canada had $1,147 million of commercial paper outstanding at March 7, 2013. Certain of BellCanada's trust indentures impose covenants which place limitations on the issuance of additional debt with a maturity date exceeding one year based on certain tests related to interest and asset coverage. In addition, Bell Canada is required, under certain conditions, to make an offer to repurchase all or, at the option of the holder thereof, any part of certain series of its debentures, upon the occurrence of both a "Change of Control" of BCE or Bell Canada and a "Rating Event" relating to the relevant series of debentures. "Change of Control" and "Rating Event" are defined in the terms and conditions attaching to the relevant series of debentures. Bell Canada is in compliance with all conditions and restrictions attaching to its debt securities.

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 7, 2013, BCE's preferred shares and Bell Canada's debt securities are rated by the following rating agencies:

- DBRS Limited (DBRS)
- Moody's Investors Service, Inc. (Moody's)
- Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc. (S&P).

This section describes the credit ratings, as of March 7, 2013, that BCE and Bell Canada have requested for certain of their issued and outstanding securities. 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 include access to its website. We further paid DBRS and Moody's to assign ratings in connection with Bell Canada's accounts receivables program.

Ratings for BCE and Bell Canada Securities

Ratings for Bell Canada Short-Term Debt Securities

SHORT-TERM DEBT SECURITIES	RATING AGENCY	RATING	RANK
Bell Canada commercial paper	DBRS	R-1 (low)	3 out of 10
	Moody's	P-2	2 out of 4
	S&P	A-2	4 out of 8

Ratings for Bell Canada Long-Term Debt Securities

LONG-TERM DEBT SECURITIES	RATING AGENCY	RATING	RANK
Bell Canada unsubordinated long-term debt	DBRS	A (low)	7 out of 26
	Moody's	Baa1	8 out of 21
	S&P	BBB+	8 out of 22
Bell Canada subordinated long-term debt	DBRS	BBB	9 out of 26
	Moody's	Baa2	9 out of 21
	S&P	BBB	9 out of 22

Ratings for BCE Preferred Shares

PREFERRED SHARES	RATING AGENCY	RATING	RANK
BCE preferred shares	DBRS	Pfd-3 (high)	7 out of 16
	S&P	P-2 (low)	6 out of 18

As of March 7, 2013, BCE and Bell Canada 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.

	HIGHEST QUALITY OF SECURITIES RATED	LOWEST QUALITY OF SECURITIES RATED
DBRS	R-1 (high)	D
Moody's	P-1	NP
S&P	A-1 (high)	D

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. It may assign ratings to issuers, short-term programs or to individual short-term debt instruments. These short-term obligations generally have an original maturity of 13 months or less, unless explicitly noted.

An S&P 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 Canada's financial markets.

Long-Term Debt Securities

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

	HIGHEST QUALITY OF SECURITIES RATED	LOWEST QUALITY OF SECURITIES RATED
DBRS	AAA	D
Moody's	Aaa	C
S&P	AAA	D

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 obligation ratings are opinions of the relative credit risk of financial obligations with an original maturity of one year or more. They address the possibility that a financial obligation will not be honoured as promised. Such ratings reflect both the likelihood of default and any 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, i.e. capacity and willingness of the company in meeting 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.

	HIGHEST QUALITY OF SECURITIES RATED	LOWEST QUALITY OF SECURITIES RATED
DBRS	Pfd-1 (high)	D
S&P	P-1 (high)	D

The DBRS preferred share rating scale indicates its assessment of the risk that a borrower may not be able to meet its full obligation to pay dividends and principal in a timely manner. Every DBRS rating is based on quantitative and qualitative considerations relevant to the borrowing entity.

S&P's preferred share rating is an assessment of the creditworthiness of a company in meeting a specific preferred share obligation issued in the Canadian market, compared to preferred shares issued by other issuers in the Canadian market.

Explanation of Rating Categories Received for our Securities

RATING AGENCY	DESCRIPTION OF SECURITIES	RATING CATEGORY	EXPLANATION OF RATING CATEGORY RECEIVED
DBRS	Short-term debt	R-1 (low)	• good credit quality • capacity for the payment of short-term financial obligations as they fall due is substantial • overall strength is not as favourable as higher rating categories • may be vulnerable to future events, but qualifying negative factors are considered manageable
	Long-term debt	A	• good credit quality • capacity for the payment of financial obligations is substantial, but of lesser credit quality than AA • may be vulnerable to future events, but qualifying negative factors are considered manageable
		BBB	• adequate credit quality • protection of interest and principal is acceptable, but the company is fairly susceptible to adverse changes in financial and economic conditions, or there may be other adverse conditions present which reduce the strength of the company and its rated securities
	Preferred Shares	Pfd-3	• adequate credit quality • protection of dividends and principal is still acceptable, but the company is more susceptible to adverse changes in financial and economic conditions, and there may be other adverse conditions present which detract from debt protection. Generally, companies with Pfd-3 ratings have senior bonds rated in the higher end of the BBB category.
Moody's	Short-term debt	P-2	• a strong ability to repay short-term debt obligations
	Long-term debt	Baa	• subject to moderate credit risk • considered medium-grade and may have certain speculative characteristics
S&P	Short-term debt	A-2	• satisfactory capacity of the company to fulfill its financial commitment on the obligation • higher susceptibility to changing circumstances or economic conditions than obligations rated A-1 (Low)
	Long-term debt	BBB	• adequate protection parameters • adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the company to meet its financial commitments
	Preferred Shares	P-2	• adequate protection parameters • adverse economic conditions or changing circumstances are more likely to weaken the company's ability to meet its financial commitment on the obligation

MARKET FOR OUR SECURITIES

The common and preferred shares of BCE are listed on the Toronto Stock Exchange. BCE's common shares are also listed on the New York Stock Exchange.

TRADING OF OUR SECURITIES

The tables below and on the next page show the range in share price per month and volume traded on the Toronto Stock Exchange in 2012 for each class of BCE shares.

	COMMON SHARES	PREFERRED SHARES						
		SERIES R	SERIES S	SERIES T	SERIES Y	SERIES Z	SERIES AA	SERIES AB
January 2012								
High	$43.00	$24.86	$22.15	$21.19	$22.30	$22.35	$23.15	$22.40
Low	$40.06	$23.86	$21.69	$20.37	$21.42	$21.54	$22.25	$21.84
Volume	39,066,095	245,343	72,640	461,000	230,605	123,196	458,066	101,930
February 2012								
High	$40.98	$24.87	$22.55	$22.24	$23.50	$22.70	$23.40	$22.99
Low	$39.12	$23.93	$21.75	$21.03	$22.00	$22.00	$22.84	$22.25
Volume	36,188,786	60,716	280,966	122,406	96,633	41,592	468,216	15,064

March 2012								
High	$41.77	$24.56	$22.74	$21.81	$23.25	$22.90	$23.32	$22.98
Low	$39.36	$23.94	$22.36	$21.31	$22.57	$22.07	$22.78	$22.60
Volume	45,595,949	55,341	71,538	136,732	81,231	23,298	434,168	27,660
April 2012								
High	$40.49	$24.25	$22.89	$21.60	$23.20	$22.32	$23.00	$23.00
Low	$39.34	$23.70	$22.45	$21.02	$22.51	$22.00	$22.31	$22.70
Volume	23,010,305	61,320	65,307	97,187	64,677	31,960	120,567	16,675
May 2012								
High	$41.35	$24.23	$22.90	$21.60	$23.14	$22.16	$22.78	$22.98
Low	$39.75	$23.75	$22.30	$21.30	$22.57	$21.85	$22.31	$22.54
Volume	26,193,151	43,117	53,090	101,945	72,678	19,813	178,667	125,401
June 2012								
High	$42.23	$24.12	$22.46	$21.60	$22.57	$22.00	$22.44	$22.79
Low	$40.76	$23.45	$21.70	$21.00	$21.77	$21.25	$21.00	$21.75
Volume	35,372,814	31,620	136,128	68,390	93,053	32,250	282,697	24,020
July 2012								
High	$42.93	$23.79	$22.01	$21.54	$22.17	$21.50	$21.65	$21.84
Low	$41.28	$23.20	$21.68	$20.95	$21.20	$20.81	$20.70	$21.18
Volume	28,044,949	274,779	34,341	101,129	171,165	30,410	320,315	31,639
August 2012								
High	$45.28	$23.70	$21.92	$21.45	$22.07	$21.50	$21.05	$22.37
Low	$42.15	$23.25	$21.51	$20.84	$20.79	$20.75	$20.50	$21.00
Volume	21,631,295	375,939	41,265	149,929	298,107	67,883	420,872	80,310
September 2012								
High	$44.63	$23.80	$22.09	$21.25	$22.23	$21.45	$21.20	$22.30
Low	$42.18	$23.50	$21.70	$20.90	$21.70	$21.05	$20.48	$21.41
Volume	28,971,270	373,658	36,903	43,418	176,919	19,320	116,586	94,846
October 2012								
High	$43.98	$23.93	$22.30	$21.25	$22.68	$22.20	$21.65	$22.15
Low	$42.14	$23.18	$21.95	$21.06	$21.93	$21.51	$21.11	$21.80
Volume	31,481,866	344,225	68,469	26,560	685,964	54,321	127,402	1,049,033
November 2012								
High	$43.50	$23.90	$22.24	$21.35	$22.22	$22.03	$21.45	$22.37
Low	$41.25	$23.40	$21.93	$21.20	$21.85	$21.25	$21.05	$21.85
Volume	27,100,614	74,728	22,690	82,211	154,242	77,870	112,124	241,752
December 2012								
High	$43.32	$24.02	$22.30	$21.48	$22.11	$24.45	$21.50	$22.17
Low	$42.06	$23.79	$21.90	$21.06	$21.84	$21.25	$21.20	$22.00
Volume	30,761,879	104,626	67,110	114,757	114,624	55,664	445,707	207,914

	PREFERRED SHARES								
	SERIES AC	SERIES AD	SERIES AE	SERIES AF	SERIES AG	SERIES AH	SERIES AI	SERIES AJ	SERIES AK
January 2012									
High	$23.50	$22.35	$22.00	$24.60	$24.35	$22.20	$23.90	$22.00	$25.75
Low	$22.70	$21.76	$21.36	$23.77	$23.52	$21.60	$22.76	$20.76	$24.99
Volume	266,634	84,000	145,756	575,933	408,846	229,486	253,141	147,224	1,395,054
February 2012									
High	$23.90	$23.25	$22.44	$24.50	$24.38	$22.74	$24.18	$22.95	$25.79
Low	$22.95	$22.35	$21.90	$24.25	$24.14	$22.20	$23.60	$21.81	$25.10
Volume	149,563	27,528	25,079	248,007	482,175	39,484	204,641	60,271	488,645
March 2012									
High	$23.50	$23.20	$22.58	$24.49	$24.35	$22.80	$24.10	$22.85	$25.60
Low	$22.50	$21.91	$22.21	$23.72	$23.90	$22.30	$23.50	$22.41	$24.91
Volume	128,757	53,300	46,580	318,256	310,803	34.931	97,161	27,681	541,930
April 2012									
High	$23.06	$22.90	$22.56	$24.25	$24.17	$22.95	$24.09	$23.50	$25.55
Low	$22.55	$22.55	$22.26	$23.75	$23.50	$22.50	$23.05	$22.89	$25.06
Volume	299,961	25,928	81,866	454,692	522,100	39,783	130,411	15,172	481,564
May 2012									
High	$22.80	$22.85	$22.58	$23.98	$24.10	$22.74	$23.80	$23.40	$25.58
Low	$22.42	$22.50	$22.13	$23.65	$23.34	$22.25	$23.35	$22.71	$25.01
Volume	198,658	123,945	37,824	712,873	274,713	83,883	303,147	22,512	376,602
June 2012									
High	$22.55	$22.50	$22.46	$23.92	$23.95	$23.50	$23.75	$23.20	$25.25
Low	$21.68	$22.20	$21.81	$23.33	$23.46	$21.76	$23.40	$21.82	$25.00
Volume	163,748	100,433	12,251	197,310	211,825	19,766	75,099	34,372	304,905
July 2012									
High	$22.23	$22.35	$21.94	$23.90	$25.44	$21.99	$23.80	$22.35	$25.85
Low	$21.00	$21.75	$21.30	$23.44	$23.63	$21.35	$23.56	$21.60	$25.16
Volume	196,913	12,522	14,669	264,884	60,056	60,342	114,616	34,672	634,455
August 2012									
High	$21.80	$21.95	$21.80	$23.90	$24.05	$21.85	$23.78	$22.19	$25.80
Low	$20.80	$21.10	$21.26	$23.55	$23.64	$21.10	$23.24	$21.79	$25.19
Volume	380,602	128,148	6,915	215,017	94,657	70,452	320,713	16,120	634,408
September 2012									
High	$22.08	$22.00	$21.98	$23.80	$23.95	$22.24	$23.68	$22.25	$25.35
Low	$21.05	$21.29	$21.62	$23.60	$23.67	$21.55	$23.35	$21.88	$25.15
Volume	374,472	2,414	16,620	152,805	55,143	7,950	305,430	52,699	254,787
October 2012									
High	$22.63	$22.17	$22.41	$23.72	$23.75	$23.00	$23.75	$22.33	$25.40
Low	$21.82	$21.90	$21.90	$23.50	$23.10	$22.02	$23.30	$22.01	$25.10
Volume	447,181	47,862	14,604	172,163	706,087	20,254	96,046	40,872	268,158
November 2012									
High	$22.30	$22.30	$22.44	$23.70	$23.95	$22.50	$23.80	$22.40	$25.59
Low	$21.80	$21.91	$21.92	$23.40	$23.65	$21.96	$23.40	$22.08	$25.15
Volume	160,699	22,345	14,212	256,279	148,410	33,250	1,099,470	30,843	376,369
December 2012									
High	$22.25	$22.85	$22.15	$23.72	$23.96	$22.29	$23.80	$22.95	$25.66
Low	$21.75	$22.00	$22.00	$23.26	$23.65	$21.97	$23.50	$22.02	$25.28
Volume	209,991	13,392	13,361	289,836	472,006	113,110	206,226	25,650	249,622

Our Dividend Policy

The board of directors of BCE reviews from time to time the adequacy of BCE's common share dividend policy. On February 6, 2013, the board of directors modified BCE's common share dividend policy from a policy with a target dividend payout ratio of 65% to 75% of earnings per share (EPS) before restructuring and other items and net (gains) losses on investments (Adjusted EPS) to a policy with a target dividend payout ratio of 65% to 75% of free cash flow (1). This modification to BCE's dividend policy was adopted as a result of the new International Financial Reporting Standards (IFRS) accounting standard for defined benefit pension plan expense which has a significant non-cash impact on Adjusted EPS. Due to the non-cash impact on Adjusted EPS, BCE will now begin reporting its dividend payout ratio on the basis of free cash flow as it is better aligned with the payment of cash dividends.

BCE's dividend 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 policy will be maintained or that dividends will be declared.

In the course of 2010, 2011 and 2012, BCE announced increases in the annual dividend payable on BCE's common shares, as indicated in the table below.

DATE OF ANNOUNCEMENT	AMOUNT OF INCREASE	EFFECTIVE TIME
August 5, 2010	5.2% (from \$1.74 per share to \$1.83 per share)	Quarterly dividend payable on October 15, 2010
December 10, 2010	7.7% (from \$1.83 per share to \$1.97 per share)	Quarterly dividend payable on April 15, 2011
May 12, 2011	5.1% (from \$1.97 per share to \$2.07 per share)	Quarterly dividend payable on July 15, 2011
December 8, 2011	4.8% (from \$2.07 per share to \$2.17 per share)	Quarterly dividend payable on April 15, 2012
August 8, 2012	4.6% (from \$2.17 per share to \$2.27 per share)	Quarterly dividend payable on October 15, 2012

In addition, on February 7, 2013, BCE announced an increase of \$0.06 per share on the annual dividend payable on BCE's common shares, increasing the annual common share dividend payment from \$2.27 to \$2.33. This increase will have effect beginning with the common share quarterly dividend payable on April 15, 2013 to common shareholders of record at the close of business on March 15, 2013.

Dividends on BCE's preferred shares are, if declared, payable quarterly, except for dividends on Series S, Series Y, Series AB, Series AD, Series AE, Series AH and Series AJ preferred shares, which, if declared, are payable monthly.

The table below shows the amount of cash dividends declared per BCE common share and per Series R, Series S, Series T, Series Y, Series Z, Series AA, Series AB, Series AC, Series AD, Series AE, Series AF, Series AG, Series AH, Series AI, Series AJ and Series AK preferred share for 2012, 2011, and 2010.

	2012	2011	2010
Common	**\$2.22**	\$2.045	\$1.785
Preferred Shares			
Series R	**\$1.1225**	\$1.1225	\$1.131875
Series S	**\$0.75**	\$0.75	\$0.66177
Series T	**\$0.84825**	\$1.056188	\$1.1255
Series Y	**\$0.75**	\$0.75	\$0.66177
Series Z	**\$1.009063**	\$1.08275	\$1.08275
Series AA	**\$1.03125**	\$1.20	\$1.20
Series AB	**\$0.75**	\$0.75	\$0.66177
Series AC	**\$1.15**	\$1.15	\$1.15
Series AD	**\$0.75**	\$0.75	\$0.66177
Series AE	**\$0.75**	\$0.75	\$0.66177
Series AF	**\$1.13525**	\$1.13525	\$1.13525
Series AG	**\$1.125**	\$1.115625	\$1.0875
Series AH	**\$0.75**	\$0.75	\$0.66177
Series AI	**\$1.0375**	\$1.1	\$1.1625
Series AJ	**\$0.75**	\$0.3375	–
Series AK	**\$1.03752**	\$0.50667	–

(1) *For 2013, we define "free cash flow" as cash flows from operating activities, excluding acquisition costs paid and voluntary pension funding, plus dividends/distributions received from Bell Aliant, less capital expenditures, preferred share dividends, dividends/distributions paid by subsidiaries to non-controlling interest and Bell Aliant free cash flow.*

Our Directors and Executive Officers

DIRECTORS

The table below lists BCE's directors, where they lived, the date they have been elected or appointed and their principal occupation on March 7, 2013.

DIRECTORS

NAME AND PROVINCE/STATE AND COUNTRY OF RESIDENCE	DATE ELECTED OR APPOINTED TO THE BCE BOARD	PRINCIPAL OCCUPATION ON MARCH 7, 2013
Barry K. Allen, Florida, United States	May 2009	Operating Partner, Providence (private equity firm focused on media, entertainment, communications and information investments), since September 2007
André Bérard, O.C., Québec, Canada	January 2003	Corporate director, since March 2004
Ronald A. Brenneman, Alberta, Canada	November 2003	Corporate director, since March 2010
Sophie Brochu, Québec, Canada	May 2010	President and Chief Executive Officer, Gaz Métro Inc. (natural gas distributor in Québec), since February 2007
Robert E. Brown,(1) (2) Québec, 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. Denison, FCPA, FCA, Ontario, Canada	October 2012	Corporate director, since June 2012 and chartered accountant
Anthony S. Fell, O.C., Ontario, Canada	January 2002	Corporate director, since January 2008
The Honourable Edward C. Lumley, P.C.,(3) Ontario, Canada	January 2003	Vice-Chairman, BMO Capital Markets (investment bank), since December 1991
Thomas C. O'Neill, FCPA, FCA, Ontario, Canada	January 2003	Chair of the Board of Directors, BCE and Bell Canada (since February 2009) and chartered accountant
The Honourable James Prentice, P.C., Q.C., Alberta, Canada	July 2011	Senior Executive Vice-President and Vice-Chairman, Canadian Imperial Bank of Commerce (chartered bank), since January 2011
Robert C. Simmonds, Ontario, Canada	May 2011	Chairman, Lenbrook Corporation (national distributor of electronics components and radio products), since April 2002
Carole Taylor, British Columbia, Canada	August 2010	Corporate director, since September 2010
Paul R. Weiss, FCPA, FCA, Ontario, Canada	May 2009	Corporate director, since April 2008, and chartered accountant

(1) *Was a director of Air Canada from March 2003 to October 2004. Air Canada filed for court protection under insolvency statutes on April 1, 2003.*
(2) *Was also a director of Nortel Networks Corp. when, on or about May 31, 2004, cease trade orders were issued against directors, officers and certain other current and former employees of Nortel Networks Corp. and Nortel Networks Ltd. (collectively, Nortel Networks). The management cease trade orders were imposed in response to the failure by Nortel Networks to file certain financial statements with the Canadian securities regulators.*
(3) *Was a director of Air Canada until October 2004. Air Canada filed for court protection under insolvency statutes on April 1, 2003.*

Past Occupation

Under BCE's by-laws, each director holds office until the next annual shareholder meeting or until their earlier resignation. All of BCE's directors have held the positions listed in the previous table or other executive positions with the same or associated firms or organizations during the past five years or more, except for the people listed in the table below.

DIRECTOR	PAST OCCUPATION
Mr. Brenneman	Executive Vice-Chairman of Suncor Energy Inc. (integrated energy company) from August 2009 to February 2010 and President and Chief Executive Officer of Petro-Canada (petroleum company) from 2000 to August 2009
Mr. Brown	President and Chief Executive Officer of CAE Inc. (provider of simulation and modeling technologies as well as integrated training service for both civil aviation and defence customers) from August 2004 to September 2009
Mr. Denison	President and Chief Executive Officer of Canada Pension Plan Investment Board (professional investment management organization) from January 2005 to June 2012
Mr. O'Neill	Corporate director from 2003 to February 2009 when he was appointed Chair of the board, BCE and Bell Canada
Mr. Prentice	Held various functions in the Canadian Government from January 2006 to November 2010, notably as Minister of Industry, Environment and Indian Affairs
Ms. Taylor	Senior Advisor, Borden Ladner Gervais LLP (law firm) from 2009 to September 2010 Chair of the Federal Finance Minister's Economic Advisory Council from 2008 to January 2010 Minister of Finance for British Columbia from 2005 to June 2008
Mr. Weiss	Partner of KPMG LLP (KPMG) (accounting and audit firm) from 1977 until March 2008

Committees of the Board

The table below lists the committees of BCE's board of directors and their members on March 7, 2013.

COMMITTEES	MEMBERS
Audit	Paul R. Weiss (Chair) André Bérard Sophie Brochu David F. Denison Anthony S. Fell James Prentice Robert C. Simmonds
Corporate Governance	Robert E. Brown (Chair) Barry K. Allen Sophie Brochu Edward C. Lumley Robert C. Simmonds
Management Resources and Compensation	Ronald A. Brenneman (Chair) Barry K. Allen André Bérard Anthony S. Fell Carole Taylor
Pension Fund	Edward C. Lumley (Chair) Ronald A. Brenneman Robert E. Brown David F. Denison Carole Taylor Paul R. Weiss

EXECUTIVE OFFICERS

The table below lists BCE's and Bell Canada's executive officers, being the 13 members of the Executive Committee of BCE and Bell Canada, where they lived and the office that they held at BCE and/or Bell Canada on March 7, 2013.

NAME	PROVINCE AND COUNTRY OF RESIDENCE	OFFICE HELD AT BCE/BELL CANADA
Mirko Bibic	Ontario, Canada	Executive Vice-President and Chief Legal & Regulatory Officer (BCE and Bell Canada)
Charles W. Brown (1)	Ontario, Canada	President – The Source (Bell Canada)
Michael Cole	Ontario, Canada	Executive Vice-President and Chief Information Officer (Bell Canada)
George A. Cope	Ontario, Canada	President and Chief Executive Officer (BCE and Bell Canada)
Kevin W. Crull	Ontario, Canada	President – Bell Media (Bell Canada)
Stephen Howe	Ontario, Canada	Executive Vice-President and Chief Technology Officer (Bell Canada)
Bernard le Duc	Ontario, Canada	Executive Vice-President – Corporate Services (BCE and Bell Canada)
Thomas Little	Ontario, Canada	President – Bell Business Markets (Bell Canada)
Wade Oosterman	Ontario, Canada	President – Bell Mobility and Bell Residential Services and Chief Brand Officer (Bell Canada)
Mary Ann Turcke	Ontario, Canada	Executive Vice-President – Field Operations (Bell Canada)
Martine Turcotte	Québec, Canada	Vice Chair, Québec (BCE and Bell Canada)
Siim A. Vanaselja	Québec, Canada	Executive Vice-President and Chief Financial Officer (BCE and Bell Canada)
John Watson	Ontario, Canada	Executive Vice-President – Customer Operations (Bell Canada)

(1) *Was a director and the Chief Executive Officer of Wave Wireless Corporation on, or during the year preceding, October 31, 2006, the date when Wave Wireless Corporation filed a voluntary petition for relief pursuant to Chapter 11 of Title 11 of the United States Code in the United States Bankruptcy Court.*

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 more, except for:

OFFICER	PAST OCCUPATION
Mr. Little	President and Chief Executive Officer, Visual Sonics Inc. from June 2002 to May 2009
Mr. Watson	Executive Vice-President and President, Telus Consumer Solutions, TELUS Communications Inc. from April 2005 to June 2009

DIRECTORS' AND EXECUTIVE OFFICERS' SHARE OWNERSHIP

As at December 31, 2012, BCE's directors and executive officers as a group beneficially owned, or exercised control or direction over, directly or indirectly, 1,006,413 common shares (or 0.1%) of BCE.

Legal Proceedings

We become involved in various legal proceedings as a part of our business. This section describes important legal proceedings. While we cannot predict the final outcome of the legal proceedings in which we are defendants described below or of any other legal proceedings pending at March 7, 2013, based on the information currently available and management's assessment of the merits of such legal proceedings, management believes that the resolution of these legal proceedings will not have a material and negative effect on our financial statements. With regard to those legal proceedings in which we are defendants, we believe that we have strong defences and we intend to vigorously defend our positions.

Class Action Concerning Increase to Late Payment Charges

On October 28, 2010, a motion to obtain the authorization to institute a class action was filed in the Québec Superior Court against Bell Canada and Bell Mobility on behalf of all physical persons and companies of 50 employees or less in Canada who were billed late payment charges since June 2010. The plaintiff alleges that the increase by Bell Canada and Bell Mobility of the late payment charge imposed on customers who fail to pay their invoices by the due date from 2% to 3% per month is invalid. The action seeks an order requiring Bell Canada and Bell Mobility to repay all late payment charges in excess of 2% per month to the members of the class. In addition to the reimbursement of such amounts, the action also seeks payment of general and punitive damages by Bell Canada and Bell Mobility.

On December 16, 2011, the court authorized the action but limited the class members to residents of the province of Québec with respect to home phone, wireless and Internet services. A trial date has not yet been set.

On January 10, 2012, another motion to obtain the authorization to institute a class action was filed in the Québec Superior Court against Bell ExpressVu with respect to TV services. Plaintiff seeks authorization to file a class action based on a cause of action alleged to be identical to the one described in the motion filed on October 28, 2010.

Purported Class Action Concerning Dividends

On June 30, 2007, BCE Inc. announced that it had entered into a definitive agreement (the Definitive Agreement) providing for the proposed acquisition of all of the outstanding common and preferred equity of BCE Inc. (the Privatization) by a corporation owned by an investor group led by Teachers' Private Capital, the private investment arm of Teachers', and affiliates of Providence Equity Partners Inc., Madison Dearborn and Merrill Lynch Global Private Equity (the Purchaser). On July 4, 2008, the Definitive Agreement was amended to, amongst other things, extend the outside date of the transaction and provide that BCE Inc. would not pay dividends on its common shares until completion of the Privatization. On December 11, 2008, BCE Inc. announced that the proposed Privatization would not proceed.

On October 24, 2008, a statement of claim was filed under *The Class Actions Act* (Saskatchewan) in the Saskatchewan Court of Queen's Bench against BCE Inc., the Purchaser and its guarantors (Teachers' and affiliates of Providence Equity Partners Inc. and Madison Dearborn, collectively, the Guarantors) on behalf of persons or entities who held common shares of BCE Inc. between August 8, 2007 and July 4, 2008. The plaintiffs allege, 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 Québec Superior Court approving the plan of arrangement of BCE Inc. giving effect to the proposed Privatization. The plaintiffs also allege that BCE Inc. acted in an oppressive manner. The action seeks, among other things and in addition to unquantified damages, the payment of dividends for the second and third quarters of 2008. The statement of claim alleges that class members have suffered damages of at least $588 million.

On October 15, 2009, BCE Inc. brought a motion to strike the statement of claim. On December 23, 2009, the plaintiffs filed an application seeking, among other things, leave to amend the statement of claim and commence a claim under the secondary market disclosure provisions of *The Securities Act* (Saskatchewan) and certification of the action as a class action. The lawsuit has not yet been certified as a class action. No hearing date has been set for the various motions pending in this case.

Purported Class Action Concerning 911 Fees

On June 26, 2008, a statement of claim was filed under *The Class Actions Act* (Saskatchewan) in the Saskatchewan Court of Queen's Bench against communications service providers, including Bell Mobility and Bell Aliant LP, on behalf of certain alleged customers. The action also names 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. The action seeks certification of a national class encompassing all customers of communications service providers wherever resident in Canada. The lawsuit has not yet been certified as a class action and no hearing date has been set for the certification motion.

Vidéotron Lawsuit

On August 31, 2005, a motion to institute legal proceedings was filed in the Québec Superior Court against Bell ExpressVu by Vidéotron ltée, Vidéotron (Régional) ltée and CF Cable TV Inc. (a subsidiary of Vidéotron ltée). The claim was for an initial amount of $374 million in damages, plus interest and costs. In the statement of claim, the plaintiffs alleged that Bell ExpressVu had failed to adequately protect its system against signal piracy, thereby depriving the plaintiffs of subscribers who, but for their alleged ability to pirate Bell ExpressVu's signal, would have subscribed to plaintiffs' services. On July 23, 2012, the court issued a judgment pursuant to which it did not find Bell ExpressVu at fault in its overall efforts to fight signal piracy but concluded that the complete smart card swap it undertook should have been completed earlier. In this regard, the court granted the plaintiffs damages of $339,000, plus interest and costs.

The plaintiffs are appealing to the Québec Court of Appeal the quantum of damages awarded by the trial judge and are now seeking damages in the amount of $164.5 million, plus costs, interest and an additional indemnity. Bell ExpressVu has also filed with the Québec Court of Appeal an appeal of the lower court decision on its finding of liability. No hearing date has been set for the appeal.

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 Aliant Telecom Inc., 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 invoiced by wireless communications service providers to their customers. The plaintiffs are seeking unspecified damages 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 communications service providers wherever resident 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 and members of the Bell Aliant group, on behalf of certain alleged customers (the Second Action). The statement of claim for the Second

Action is based on alleged facts similar to those in the Initial Action. On December 22, 2009, the court stayed the Second Action upon an application by defendants to dismiss it as an abuse of process. On March 9, 2010, the plaintiffs filed a motion for leave to appeal that decision to the Saskatchewan Court of Appeal. This application was adjourned pending the outcome of the Initial Action.

On November 15, 2011, the Saskatchewan Court of Appeal maintained the Court of Queen's Bench certification decision of the Initial Action. On January 16, 2012, Bell Mobility and the other defendants filed with the Supreme Court of Canada their respective leave to appeal applications of the Saskatchewan Court of Appeal decision. On June 28, 2012, the Supreme Court of Canada denied the defendants' leave to appeal application. Accordingly, the Initial 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 telecommunication service providers, including BCE Inc. and Bell Mobility. The claim is similar to the Initial Action. The relief sought includes an injunction restraining the alleged misrepresentation, an order for restoration or disgorgement of the system access fee's revenue and punitive damages. The claim has not yet been certified as a class proceeding.

Settlement of Privatization Transaction Lawsuit

On December 17, 2008, BCE Inc. filed a motion to institute legal proceedings in the Québec Superior Court against the Purchaser and the Guarantors in respect of the payment of a $1.2 billion break-up fee following the termination of the Definitive Agreement. The legal proceeding was settled in October 2012 as part of the Q9 acquisition transaction, as discussed in more detail under *General Development of Our Business – Three-Year History – Transactions – Key Completed Transactions*.

Other

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

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.

Experts

Deloitte LLP prepared the Report of Independent Registered Chartered Professional Accountants in respect of our audited consolidated financial statements and the Report of Independent Registered Chartered Professional Accountants 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 United States *Securities Act of 1933* and the applicable rules and regulations thereunder adopted by the Securities and Exchange Commission and the Public Company Accounting Oversight Board (United States).

Transfer Agent and Registrar

The transfer agent and registrar for the common shares and preferred shares of BCE in Canada is CST, acting as administrative agent for CIBC Mellon at its principal offices in Montréal, Québec; Halifax, Nova Scotia; Toronto, Ontario; Calgary, Alberta; and Vancouver, British Columbia and in the United States is American Stock Transfer & Trust Company, LLC at its principal offices in Brooklyn, New York.

The register for Bell Canada's debentures and Bell Canada's subordinated debentures is kept at the principal office of CIBC Mellon, in Montréal, and facilities for registration, exchange and transfer of the debentures are maintained at the principal offices of CIBC Mellon through BNY Trust Company of Canada acting as attorney in Montréal, Toronto, Calgary and Vancouver.

For More Information

DOCUMENTS YOU CAN REQUEST

You can ask us for a copy of any of the following documents:

- this Annual Information Form, together with any document, or the relevant pages of any document, incorporated by reference into it
- BCE's most recent annual report, which includes the audited consolidated financial statements and management's discussion and analysis for the most recently completed financial year together with the accompanying auditors' report
- any interim financial statements that were filed after the financial statements for the most recently completed financial year
- any other documents that are incorporated by reference into a preliminary short form prospectus or a short form prospectus and are not listed above.

Please send your request to the Corporate Secretary of BCE, at 1 Carrefour Alexander-Graham-Bell, Building A, 7th Floor, Verdun, Québec H3E 3B3.

We will send you the documents at no charge when our securities are being distributed under a preliminary short form prospectus or short form prospectus. At any other time, we may charge you a reasonable fee if you or the company you work for is not a securityholder of BCE.

You can also ask us for a copy of the annual and quarterly management's discussion and analysis of BCE by contacting the Investor Relations group of BCE, at 1 Carrefour Alexander-Graham-Bell, Building A, 8th Floor, Verdun, Québec H3E 3B3 or by sending an e-mail to investor.relations@bce.ca.

OTHER INFORMATION ABOUT BCE

The above documents, as well as BCE's annual and quarterly reports and news releases, are also available on BCE's website at www.bce.ca.

Additional information, including information as to 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 the securityholders that involved the election of directors.

Additional information relating to BCE is available on SEDAR at www.sedar.com and on EDGAR at www.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 2012 Annual Report.

Shareholder inquiries	1-800-561-0934
Investor relations	1-800-339-6353

Schedule 1 – Audit Committee Information

The purpose 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
- 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 SIMULTANEOUS SERVICE

Under the *Sarbanes-Oxley Act* and related United States 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 New York Stock Exchange governance rules followed by BCE require that all audit committee members be "financially literate" and "independent".

The board of directors has determined that all the members of the Audit Committee during 2012 were, and all current members of the Audit Committee are, financially literate and independent. In respect of the current Audit Committee members, as well as members during 2012, the board of directors determined that at least one of the members of the Audit Committee, being the current Chair of the Audit Committee, Mr. P.R. Weiss, is qualified as an "audit committee financial expert." The table below indicates the relevant education and experience of all the Audit Committee members during 2012 and the current members.

RELEVANT EDUCATION AND EXPERIENCE

DIRECTOR	PAST OCCUPATION
P.R. Weiss, FCPA, FCA *(Chair)*	Mr. Weiss has been a director on the BCE board of directors since May 2009 and became Chair of the Audit Committee on May 7, 2009. Mr. Weiss is a director and audit committee Chair at Torstar, director and member of the audit committee of The Empire Life Insurance Company and was a director of ING Bank of Canada until November 2012. He is Chair of the Board of Directors of Soulpepper Theatre Company, past Chair of Toronto Rehab Foundation, and a director of Niagara International Music Festival. For over 40 years, until his retirement in 2008, he was with KPMG LLP. He served as Managing Partner of the Canadian Audit Practice (KPMG Canada), a member of KPMG Canada's Management Committee, and a member of the International Global Audit Steering Group. Mr. Weiss holds a Bachelor of Commerce degree from Carleton University.
A. Bérard, O.C.	Mr. Bérard has been a director on the BCE board of directors since January 2003. He is a director of Bombardier Inc., Groupe BMTC Inc., and TransForce Inc. Mr. Bérard was Chair of the Board of National Bank of Canada (chartered bank) from 2002 to March 2004, and Chair of the Board and Chief Executive Officer of National Bank of Canada from 1990 to March 2002. He holds a Fellows Diploma from the Institute of Canadian Bankers and was Chair of the Executive Council of the Canadian Bankers' Association from 1986 to 1988. He was appointed an Officer of the Order of Canada in 1995.
S. Brochu	Ms. Brochu has been a director on the BCE board of directors since May 2010. Ms. Brochu has been active in the energy industry for more than 25 years. She began her career in 1987 as a financial analyst for SOQUIP (*Société québécoise d'initiatives pétrolières*). In 1997, she joined Gaz Métro Inc., as Vice President, Business Development. In 2005, Ms. Brochu was appointed Executive Vice-President. Since 2007, she has held the position of President and Chief Executive Officer of Gaz Métro Inc. and is a member of the Board of Directors. She is also a director and member of the audit committee of Bank of Montréal. Ms. Brochu graduated in economics from Université Laval, in Québec City, where she specialized in the energy sector. She is the Chair of Forces Avenir which promotes student involvement in their communities. Ms. Brochu is actively involved with Centraide of Greater Montreal. She co-founded "80, ruelle de l'Avenir", a project aimed at encouraging students in the Centre-Sud and Hochelaga neighbourhoods of Montréal to remain in school.

D.F. Denison, FCPA, FCA (since October 31, 2012)	Mr. Denison has been a director on the BCE board of directors since October 2012. Mr. Denison has extensive experience in the financial services industry, most recently serving as President and Chief Executive Officer of the Canada Pension Plan Investment Board from 2005 to 2012. He is a director of Royal Bank of Canada since 2012, and director of Allison Transmission Holdings, Inc. since 2013. He has held senior positions in the investment, consulting and asset management businesses in Canada, the United States and Europe. Prior to his appointment to the Canada Pension Plan Investment Board, Mr. Denison was President of Fidelity Investments Canada Limited. Mr. Denison is a director of The United Way of Greater Toronto, and a member of the Toronto Community Foundation Investment Committee and the University of Toronto Investment Advisory Committee. He also serves on the World Bank Treasury Expert Advisory Committee. Mr. Denison earned Bachelor degrees in mathematics and education from the University of Toronto and is a Chartered Accountant and a Fellow of the Institute of Chartered Accountants of Ontario.
A.S. Fell, O.C.	Mr. Fell has been a director on the BCE board of directors since January 2002. Mr. Fell is a former Deputy Chairman of Royal Bank of Canada. He was with RBC Dominion Securities Inc. (investment bank) and predecessor companies for 48 years including 18 years as Chief Executive Officer and a further 8 years as Chairman until his retirement in 2007. He is a director of Loblaw Companies Limited. Mr. Fell is a past Chairman of Munich Reinsurance Company of Canada and past Chairman of the Investment Dealers Association of Canada and a past Governor of the Toronto Stock Exchange. Mr. Fell is also a past Chairman of the University Health Network, the United Way Campaign for Metropolitan Toronto, the Princess Margaret Hospital Capital Campaign and is a past Governor of the Duke of Edinburgh's Award Program in Canada, St. Andrew's College and the Ontario Division of the Canadian Arthritis Society. Mr. Fell was appointed an Officer of the Order of Canada in 2001 and received an Honorary Doctor of Laws Degree from McMaster University in 2001 and from the University of Toronto in 2006. Mr. Fell was inducted into the Canadian Business Hall of Fame in May 2010.
J. Prentice	Mr. Prentice is a director on the BCE board of directors since July 2011. Mr. Prentice is responsible for expanding Canadian Imperial Bank of Commerce's relationships with corporate clients across Canada and abroad, and for providing leadership on strategic initiatives to enhance Canadian Imperial Bank of Commerce's position in the market. Mr. Prentice is well known for his contribution to public life in Canada. He was first elected as the Member of Parliament for Calgary Centre North in 2004 and re-elected in 2006 and 2008. From January 2006 until November 2010 he was one of the most senior Ministers in the Canadian Government, serving variously as the Minister of Industry, the Minister of the Environment and the Minister of Indian Affairs and Northern Development. In addition, Mr. Prentice chaired the Operations Committee of Cabinet and sat on the Priorities and Planning Committee from 2006 through November 2010. Prior to entering public office, Mr. Prentice practiced law in Calgary, specializing in commercial law and property rights. He served as the Co-Chair of the Indian Claims Commission of Canada from 1993 until 2000. He graduated from the University of Alberta with a Bachelor of Commerce in 1977 and then entered Dalhousie Law School as a Dunn Scholar, graduating with his Bachelor of Laws in 1980. Mr. Prentice was designated a Queen's Counsel in 1992.
R.C. Simmonds	Mr. Simmonds has been a director on the BCE board of directors since May 2011. Mr. Simmonds is a seasoned Canadian telecommunications executive who has served in public company roles from 1994 to 2006. From 1985 until 2000, he served as Chairman of Clearnet Communications Inc., a Canadian wireless competitor that launched two all-new digital mobile networks. He became the Chairman of Lenbrook Corporation in 2002, having been a founder and director of the company since 1977. Internationally regarded as a leading wireless communications engineer and mobile spectrum authority, Mr. Simmonds has played a key role in the development of Canada's mobile spectrum policies for more than 30 years. He is an executive with the Radio Advisory Board of Canada (RABC), the body that provides unbiased and technically expert advice to the federal Department of Industry, and is a past Chair of the Canadian Wireless Telecommunications Association (CWTA). A laureate and member of Canada's Telecommunications Hall of Fame and recipient of the Engineering Medal for Entrepreneurship from Professional Engineers Ontario, Mr. Simmonds earned his B.A. Sc. in Electrical Engineering at the University of Toronto.

The New York Stock Exchange 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 addition to serving on BCE's Audit Committee, Mr. Bérard serves on the audit committees of the following public companies: Bombardier Inc., Groupe BMTC Inc. and TransForce Inc. The board of directors has carefully reviewed the audit committee service of Mr. Bérard and has concluded that these other activities do not currently impair his ability to effectively serve on BCE's Audit Committee. This conclusion is based on the following:

- he is retired and is not involved in professional activities other than sitting on various public corporations' boards of directors and audit committees
- he has extensive accounting and financial knowledge and experience, which serves the best interests of BCE
- he makes valuable contributions to BCE's Audit Committee.

PRE-APPROVAL POLICIES AND PROCEDURES

BCE's Auditor 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 outlining procedures when hiring current or former personnel of the external auditors in a financial oversight role to ensure auditor independence is maintained.

In particular, the policy specifies that:

- the external auditors cannot be hired to provide any services falling within the prohibited services category, such as bookkeeping, financial information system design and implementation and legal services
- for all audit or non-audit services falling within the permitted services category (such as prospectus work, due diligence and non-statutory audits), a request for approval must be submitted to the audit committee prior to engaging the external auditors
- specific permitted services however are pre-approved annually and quarterly by the audit committee and consequently only require approval by the Chief Financial Officer prior to engaging the external auditors
- at each regularly scheduled audit committee meeting, a consolidated summary of all fees paid to the external auditors by service type is presented. This summary includes the details of fees incurred within the pre-approved amounts.

The Auditor Independence Policy is available in the governance section of BCE's website at www.bce.ca.

EXTERNAL AUDITORS' FEES

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.

	2012 (IN $ MILLIONS)	2011 (IN $ MILLIONS)
Audit fees (1)	**7.9**	9.5
Audit-related fees (2)	**2.0**	1.6
Tax fees (3)	**0.6**	0.7
All other fees (4)	**0.1**	–
Total (5)	**10.6**	11.8

(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 securities offering documents, other regulatory audits and filings and translation services.
(2) These fees relate to non-statutory audits and due diligence procedures.
(3) These fees include professional services for tax compliance, tax advice and assistance with tax audits and appeals.
(4) These fees include any other fees for permitted services not included in any of the above-stated categories. In 2012, the fees are mostly for services related to compliance with the Payment Card Industry Data Security Standard.
(5) The amounts of $10.6 million for 2012 and $11.8 million for 2011 reflect fees billed in those fiscal years without taking into account the year to which those services relate. Total fees for services provided for each fiscal year amounted to $9.5 million in 2012 and $9.7 million in 2011.

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. the integrity of the Corporation's financial statements and related information;
B. the Corporation's compliance with applicable legal and regulatory requirements;
C. the independence, qualifications and appointment of the shareholders' auditor;
D. the performance of the Corporation's shareholders' auditor and internal audit;
E. management responsibility for assessing and reporting on the effectiveness of internal controls; and
F. the Corporation's enterprise risk management processes.

II. DUTIES AND RESPONSIBILITIES

The Audit Committee shall perform the functions customarily performed by audit committees and any other functions assigned by the Board of Directors. In particular, the Audit Committee shall have the following duties and responsibilities:

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. analyses prepared by management and/or the shareholders' auditor setting forth significant financial reporting issues and judgements made in connection with the preparation of the 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. the effect of regulatory and accounting developments, as well as off-balance sheet arrangements, on the financial statements of the Corporation;
   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 prior to its public disclosure:

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;
   – In addition to the role of the Audit Committee to make recommendations to the Board of Directors, where the members of the Audit Committee consider that it is appropriate and in the best interest of the Corporation, the Corporation’s interim consolidated financial statements and the related “Management’s Discussion and Analysis”, the interim earnings press releases and the earnings guidance, may also be approved on behalf of the Board of Directors by the Audit Committee, provided that such approval is subsequently reported to the Board of Directors at its next meeting;
b. any audit issues raised by the shareholders’ auditor and management’s response thereto, including any restrictions on the scope of the activities of the shareholders’ auditor or access to requested information and any significant disagreements with management.

3. Review and discuss reports from the shareholders’ auditor on:
   a. all critical accounting policies and practices used by the Corporation;
   b. all material selections of accounting policies when there is a choice of policies available under GAAP that have been discussed with management, including the ramifications of the use of such alternative treatment and the alternative preferred by the shareholders’ auditor; and
   c. other material written communications between the shareholders’ auditor and management, and discuss such communication with the shareholders’ auditor.

B. Oversight of the Shareholders’ Auditors

1. Be directly responsible for the appointment, compensation, retention and oversight of the work of the shareholders’ auditor and any other auditor preparing or issuing an audit report or performing other audit services or attest services for the Corporation or any consolidated subsidiary of the Corporation, where required, and review, report and, where appropriate, provide recommendations to the Board of Directors on the appointment, terms and review of engagement, removal, independence and proposed fees of the shareholders’ auditor.
2. Approve in advance all audit, review or attest engagement fees and terms for all audit, review or attest services to be provided by the shareholders’ auditor to the Corporation and any consolidated subsidiary and any other auditor preparing or issuing an audit report or performing other audit services or attest services for the Corporation or any consolidated subsidiary of the Corporation, where required.
3. Pre-approve all engagements for permitted non-audit services provided by the shareholders’ auditor to the Corporation and any consolidated subsidiary and to this effect may establish policies and procedures for the engagement of the shareholders’ auditor to provide to the Corporation and any consolidated subsidiary permitted non-audit services, which shall include approval in advance by the Audit Committee of all audit/review and permitted non-audit services to be provided by the shareholders’ auditor to the Corporation and any consolidated subsidiary.
4. Delegate, if deemed appropriate, authority to one or more members of the Audit Committee to grant pre-approvals of audit, review and permitted non-audit services, provided that any such approvals shall be presented to the Audit Committee at its next scheduled meeting.
5. Establish policies for the hiring of partners, employees and former partners and employees of the shareholders’ auditor.
6. At least annually, consider, assess, and report to the Board of Directors on:
   a. the independence of the shareholders’ auditor, including that the shareholders’ auditor’s performance of permitted non-audit services does not impair the shareholders’ auditor’s independence;
   b. obtaining from the shareholders’ auditor a written statement (i) delineating all relationships between the shareholders’ auditor and the Corporation; (ii) assuring that lead audit partner rotation is carried out, as required by law; and (iii) delineating any other relationships that may adversely affect the independence of the shareholders’ auditor; and
   c. the evaluation of the lead audit partner, taking into account the opinions of management and internal audit.
7. At least annually, obtain and review a report by the shareholders’ auditor describing:
   a. the shareholders’ auditor’s internal quality-control procedures;
   b. 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, within the preceding five years, respecting one or more independent audits carried out by the shareholders’ auditor firm, and any steps taken to deal with any such issues.
8. Resolve any disagreement between management and the shareholders’ auditor regarding financial reporting.
9. Review the annual audit plan with the shareholders’ auditor.
10. 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 internal audit, 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;
   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 remedying 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 management, 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 Disclosure Policy; and
   d. the relationship of the Audit Committee with other committees of the Board of Directors, management and the Corporation’s consolidated subsidiaries’ audit committees.
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.
3. Review, monitor, report, and, where appropriate, provide recommendations to the Board of Directors on the Corporation’s disclosure controls and procedures.
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.
5. Meet periodically with management in the absence of the shareholders’ auditor and internal audit.

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 and managing risks;
   b. the Corporation’s major financial and operational risk exposures and the steps the Corporation has taken to monitor and control such exposures;
   c. the Corporation’s major security risks and security trends that may impact the Corporation’s operations and business;

d. the Corporation's business continuity plans, including work stoppage and disaster recovery plans;
e. the Corporation's environmental risks, and environment 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 remedying any material deficiencies related to:
   i. security policies, including the physical safeguarding of corporate assets and security of networks and information systems;
   ii. environmental policy and environmental management systems.

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

F. 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 Executive 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.

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Management's DISCUSSION AND ANALYSIS

In this management's discussion and analysis of financial condition and results of operations (MD&A), *we*, *us*, *our*, *BCE* and *the company* mean either BCE Inc. or, collectively, BCE Inc., its subsidiaries, joint ventures and associates. *Bell* means our Bell Wireline, Bell Wireless and Bell Media segments on an aggregate basis. *Bell Aliant* means either Bell Aliant Inc. or, collectively, Bell Aliant Inc. and its subsidiaries, joint ventures and associates.

All amounts in this MD&A are in millions of Canadian dollars, except where noted. Please refer to the glossary on page 123 for a list of defined terms.

Please refer to BCE's audited consolidated financial statements for the year ended December 31, 2012 when reading this MD&A. In preparing this MD&A, we have taken into account information available to us up to March 7, 2013, the date of this MD&A, unless otherwise stated.

You will find BCE's audited consolidated financial statements for the year ended December 31, 2012, BCE's annual information form for the year ended December 31, 2012 dated March 7, 2013 (BCE 2012 AIF) and recent financial reports on BCE's website at www.bce.ca, on SEDAR at www.sedar.com and on EDGAR at www.sec.gov.

This MD&A comments on our operations, performance and financial condition for the two years ended December 31, 2012 and 2011.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

BCE's 2012 annual report including this MD&A and, in particular, but without limitation, the sections of this MD&A entitled *Strategic Imperatives*, *Business Outlook and Assumptions* and *Financial and Capital Management – Credit Ratings* and *Liquidity* contain forward-looking statements. These forward-looking statements include, but are not limited to, BCE's common share dividend policy, Bell Canada's financial policy targets, the business outlook for BCE's segments, BCE's business objectives, plans and strategic priorities, the sources of liquidity we expect to use to meet our anticipated 2013 cash requirements, our 2013 expected post-employment benefit plan funding, the expected timing and completion of, and the expected amount and sources of financing for, BCE's proposed acquisition of Astral Media Inc. (Astral) and the benefits expected to result from the transaction, and our broadband fibre, Internet protocol television (IPTV) and wireless networks deployment plans. Forward-looking statements also include any other statements that do not refer to 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*, *goal*, *guidance*, *objective*, *outlook*, *project*, *strategy*, *target* and other similar expressions or future or conditional verbs such as *aim*, *anticipate*, *believe*, *could*, *expect*, *intend*, *may*, *plan*, *seek*, *should*, *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 2012 annual report, including in this MD&A, describe our expectations as at March 7, 2013 and, accordingly, are subject to change after this 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 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 you are cautioned not to place undue reliance on these forward-looking statements. Forward-looking statements are presented in BCE's 2012 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.

Forward-looking statements made in BCE's 2012 annual report, including in this MD&A, are based on a number of assumptions that we believed were reasonable on March 7, 2013. Certain key economic, market and operational assumptions we have made in preparing the above-mentionned forward-looking statements and other forward-looking statements contained in this annual report and, in particular, but without limitation, the forward-looking statements contained in this MD&A in the sections entitled *Strategic Imperatives, Business Outlook and Assumptions* and *Financial and Capital Management – Credit Ratings* and *Liquidity*, include, without limitation, the assumptions described in the section of this MD&A entitled *Business Outlook and Assumptions*, which section is incorporated by reference in this cautionary statement. 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, competitive, regulatory, operational, technological, economic and financial risks that could cause actual results or events to differ materially from those expressed in or implied by the above-mentioned

forward-looking statements and other forward-looking statements included in BCE's 2012 annual report, including in this MD&A, include, but are not limited to, the risks described in the sections of this MD&A entitled *Our Competitive Environment*, *Our Regulatory Environment* and *Risks that Could Affect Our Business and Results*, which sections are incorporated by reference in this cautionary statement.

We caution readers that the risks described in the above-mentioned sections 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 business, financial position or results of operations. Except as otherwise indicated by us, forward-looking statements do not reflect the potential impact of any non-recurring or other 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 7, 2013. The financial impact of these transactions and non-recurring and other special items can be complex and depends on the 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.

ABOUT OUR BUSINESS

BCE is Canada's largest communications company, providing residential, business and wholesale customers with a wide range of solutions to all their communications needs. In 2012, we reported the results of our operations in four segments: Bell Wireline, Bell Wireless, Bell Media and Bell Aliant. Bell, which encompasses our core operations, is comprised of our Bell Wireline, Bell Wireless and Bell Media segments. Bell Media is Canada's leading multimedia company with leading assets in television (TV), radio and digital media, including CTV, Canada's leading TV network based on viewership, and the country's most-watched specialty channels. We also own a 44.1% interest in, and through our right to appoint a majority of the directors control, Bell Aliant, the incumbent carrier in Canada's Atlantic Provinces and in rural areas of Ontario and Québec. For the year ended December 31, 2012, we generated consolidated operating revenues of $19,975 million, consolidated EBITDA[1] of $7,883 million and net earnings of $3,053 million. In aggregate, Bell and Bell Aliant ended 2012 with approximately 21.2 million customer connections, comprised of 8.1 million wireline network access service (NAS) lines, 7.8 million wireless subscribers, 3.0 million Internet subscribers and 2.3 million satellite TV and IPTV subscribers.

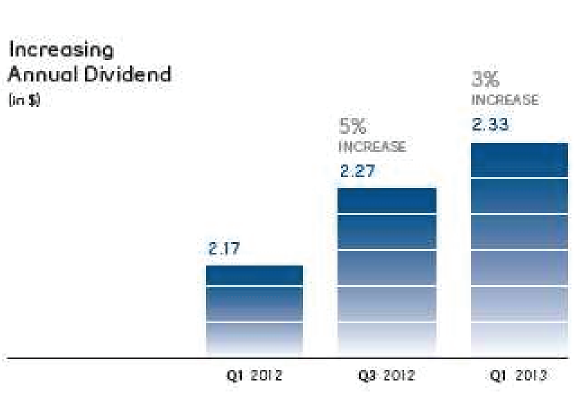
Our reporting structure reflects how we manage our business and how we classify our operations for planning and measuring performance. We discuss our consolidated operating results in this MD&A, as well as the operating results of each segment. See Note 3 to the consolidated financial statements for additional information about our segments. We also discuss our results by product line to provide further insight into our operations.

Returning Value to Shareholders

BCE maintained its objective of consistent dividend growth with an approximate 7.4% increase in the annual dividend payable on BCE's common shares for 2013 to $2.33 per share from $2.17 per share at the beginning of 2012. More specifically:

- on August 8, 2012, we announced a 10 cent increase from $2.17 to $2.27 per common share, starting with the quarterly dividend payable on October 15, 2012
- on February 7, 2013, we announced a 6 cent increase from $2.27 to $2.33 per common share, starting with the quarterly dividend payable on April 15, 2013.

With these dividend increases BCE's annual common share dividend has increased 60% since the fourth quarter of 2008.



On February 6, 2013, the board of directors modified BCE's dividend policy from a policy with a target payout ratio of 65% to 75% of Adjusted Earnings Per Share (Adjusted EPS)[2] to a policy with a target payout ratio of 65% to 75% of free cash flow. This modification to BCE's dividend policy was adopted as a result of the new International Financial Reporting Standards (IFRS) accounting standard for defined benefit (DB) pension plan expense which has a significant non-cash impact on Adjusted EPS. Due to the non-cash impact on Adjusted EPS, BCE will now begin reporting its dividend payout ratio on the basis of free cash flow as it is better aligned with the payment of cash dividends.

On March 8, 2012, BCE completed a Normal Course Issuer Bid (NCIB) program, which began December 12, 2011, under which it repurchased approximately 6.1 million common shares at an average price of approximately $41 per share for a total cost of $250 million. Of these shares, 1.1 million were purchased by way of private agreement with an arm's-length third-party seller. Since December 2008, BCE has repurchased approximately 62 million shares for an aggregate cost of $1.7 billion.

(1) *EBITDA 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 companies. We define EBITDA as operating revenues less operating costs, as shown in BCE's consolidated income statements. EBITDA for BCE's segments is the same as segment profit as reported in Note 3 of BCE's 2012 consolidated financial statements. See Non-GAAP Financial Measures – EBITDA in this MD&A for more details.*

(2) *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 companies. See Non-GAAP Financial Measures – Adjusted Net Earnings and Adjusted EPS in this MD&A for more details, including a reconciliation to the most comparable IFRS financial measure.*

Proposed Acquisition of Astral

On March 16, 2012, BCE announced the signing of a definitive agreement to acquire all of the issued and outstanding shares of Montréal-based Astral. Astral is a media company that operates specialty and pay TV channels, radio stations, digital media properties and out-of-home advertising platforms in Québec and across the rest of Canada. The transaction was valued at approximately $3.38 billion, including net debt of $380 million, and is expected to be funded with a combination of cash (approximately 75% of the equity purchase price) and BCE common equity (approximately 25%), with BCE retaining the right to replace common equity with cash, in whole or in part, at closing. On May 24, and May 25, 2012, the transaction was approved by over 99% of Astral shareholders and by the Québec Superior Court, respectively. The transaction is expected to provide multiple benefits to BCE, including enhancing our competitive position in French-language broadcasting in Québec, control over content costs, and increased opportunities for cross-platform innovation and advertising packages spanning digital, TV, radio and out-of-home advertising.

On October 18, 2012, the Canadian Radio-television and Telecommunications Commission (CRTC) issued Broadcasting Decision CRTC 2012-574 denying BCE's original application to acquire Astral. On November 19, 2012, BCE and Astral amended the terms of the proposed transaction and subsequently submitted a new proposal to the CRTC for approval seeking to address the public interest concerns outlined by the CRTC in its decision. Such application was later further amended to reflect certain terms of the consent agreement dated March 4, 2013 between the Competition Bureau and BCE, described below. The new application was made public by the CRTC on March 6, 2013 and outlines a number of divestitures (eleven pay and specialty TV services as well as ten radio stations).

Under the revised proposal, BCE will retain eight Astral TV services: the French-language SuperÉcran, CinéPop, Canal Vie, Canal D, VRAK TV and Z Télé, and English-language services The Movie Network, which includes HBO Canada, and TMN Encore. BCE will also retain 77 Astral radio stations and Astral's national out-of-home advertising business. The retained properties represent approximately 77% of Astral's EBITDA. On March 4, 2013, BCE reached an agreement with Corus Entertainment Inc. (Corus) whereby Corus will acquire Astral's share of six TV joint ventures (the bilingual Teletoon/Télétoon service, English-language Teletoon Retro and Cartoon Network (Canada) and French-language Télétoon Rétro, Historia and Séries+) as well as two Astral radio stations in Ottawa (CKQB-FM and CJOT-FM). Valued at $400.6 million, the Corus transaction is also subject to applicable regulatory approvals.

Under the revised proposal, BCE has also committed to dispose of five additional TV services (the English-language Family (including Disney Junior English) and Disney XD services, and the French-language Disney Junior, Musimax and MusiquePlus services) and eight English-language radio stations (Astral FM stations CHHR and CKZZ (Vancouver), CFQX (Winnipeg) and CHBM (Toronto), Bell Media FM stations CKCE (Calgary), CHIQ (Winnipeg) and CFXJ (Toronto) and Astral AM station CISL (Vancouver)), in an auction process that is under way.

Overall, the divestitures will result in BCE having a French-language viewing share of 23.0%, below competitor Québecor's 30.5% share. In English-language viewership, Bell Media will have a 35.7% share, 2.0% more than Bell Media's current share.

The new proposal also includes a revised package of tangible benefits in an amount of $174.6 million to result in the development and promotion of exceptional new Canadian TV and film content in French and English, significant new investment in radio and emerging musical talent, and new and enhanced initiatives to grow media training and consumer participation in Canadian broadcasting.The proposed benefits package includes $124.6 million in TV benefits, approximately 15%, or $18.7 million, of which will be invested in social benefits, and approximately 85%, or $105.9 million, of which will be allocated to independent on-screen productions, with $73.1 million dedicated to French-language programming and $32.8 million to English-language programming. In radio, the new proposal provides for $50 million in benefits to develop emerging musical talent, showcase Canada's rising stars, and open new doors to action and education in Canadian music.

The CRTC has announced that it will hold a public hearing commencing the week of May 6, 2013 to consider the new proposal for BCE's acquisition of Astral. On March 4, 2013, BCE received Competition Bureau clearance for its proposed acquisition of Astral based on a consent agreement under which BCE is required to divest the same TV services and radio stations identified in BCE's revised proposal to the CRTC. This consent agreement, which describes the terms of the Competition Bureau clearance, was registered with the Competition Tribunal on March 4, 2013.

As a result of the amendments made to the terms of the original definitive agreement between Astral and BCE, BCE's regulatory covenants have been modified and the outside date for completion of the transaction was postponed to June 1, 2013 with each of Astral and BCE having the right to further postpone it to July 31, 2013, if required to obtain the remaining necessary regulatory approvals. A break-up fee of $150 million is payable by BCE to Astral should the proposed transaction not close before the outside date for failure to obtain regulatory approvals. On February 1, 2013, Astral paid a one-time cash dividend of $0.50 per share on its class A non-voting shares and class B subordinate voting shares. The consideration payable to Astral shareholders remains unchanged under the amended definitive agreement. Holders of class A non-voting shares and class B subordinate voting shares of Astral will receive cash or a combination of cash and up to $750 million of BCE common shares, representing a value of $50.00 and $54.83 per share, respectively.

Bell Wireline Segment

Our Bell Wireline segment provides local telephone, long distance, data (including Internet access and information and communications technology (ICT) solutions) and other communications services to residential and business customers primarily in the urban areas of Ontario and Québec. We also offer competitive local exchange carrier (CLEC) services in Alberta and British Columbia. We sell local and long distance telephone services under the Bell Home Phone brand and Internet access under the Bell Internet brands. We also provide direct-to-home (DTH) satellite TV services nationwide under the Bell TV brand, as well

as Bell Fibe TV (our IPTV service) in most areas of Toronto and Montréal, enabling us to offer a comprehensive triple-play bundle of communications services.

Also included in this segment are the results of our wholesale business, which provides local telephone, long distance, data and other services to resellers and other carriers, and the wireline operations of Northwestel Inc. (Northwestel), which provides telecommunications services in Canada's Northern Territories. Our Bell Wireline segment also includes wireline-related product sales from our wholly-owned subsidiary, national consumer electronics retailer The Source (Bell) Electronics Inc. (The Source).

Bell Wireless Segment

Our Bell Wireless segment provides integrated digital wireless voice and data services to residential and business customers across Canada. Our wireless services, offered over technologically advanced wireless networks, are available to virtually all of the Canadian population. Bell Wireless includes the results of operations of Bell Mobility Inc. (Bell Mobility), wireless-related product sales from The Source and the wireless operations of Northwestel.

Bell Media Segment

Our Bell Media segment was created on April 1, 2011, upon completion of BCE's acquisition of CTV Inc. (CTV), and encompasses all CTV properties and other Bell content assets. Bell Media owns 28 conventional TV stations, including CTV, Canada's leading TV network based on viewership, and owns and operates 30 specialty TV channels, including TSN, Canada's leading specialty sports channel and RDS, Canada's leading French-language specialty sports channel. Bell Media also owns 33 radio stations, numerous websites including Theloop.ca, and holds an interest in Dome Productions Partnership, one of North America's leading providers of sports and other event production and broadcast facilities. Bell Media provides its TV programming services to broadcast distributors across Canada.

Bell Aliant Segment

Our Bell Aliant segment provides local telephone, long distance, Internet, data, TV, wireless, information technology (IT) services and products, and other ICT services to residential and business customers in Canada's Atlantic Provinces, as well as in rural and regional areas of Ontario and Québec. Bell Aliant is one of the largest regional telecommunications service providers in North America. At December 31, 2012, BCE owned 44.1% of Bell Aliant, with the remaining 55.9% publicly held. BCE has the right to appoint a majority of the board of directors of Bell Aliant and therefore, controls and consolidates Bell Aliant. On January 1, 2011, Bell Aliant converted from an income fund to a corporate structure.

Bell Products and Services

Bell is our primary operational focus and the largest component of our business. Traditional legacy telecommunications services (legacy services), as referred to in this MD&A, are those services, such as long distance and local telephone services, voice private lines and dedicated digital private lines, that we offer over our traditional circuit-switched voice and data networks.

Growth services, as referred to in this MD&A, are made up of our wireless, TV, high-speed Internet and other data-based services, including ICT solutions. Our Bell Wireline segment generates revenues from the following five major product lines:

- local and access services
- long distance services
- data services
- TV services
- equipment and other.

Local and Access Services

Bell operates an extensive local access network that provides local telephone services to residential and business customers primarily in the urban areas of Ontario and Québec, as well as in Canada's Northern Territories through Northwestel. Additionally, we provide CLEC local telephone services in Alberta and British Columbia. The 5.6 million NAS lines Bell provides to its customers are a key factor in establishing customer relationships and are the foundation for the other products and services we offer. Local telephone service is the main source of local and access revenues. Other sources of local and access revenues include:

- call management services such as call display, call waiting and voicemail
- services provided to competitors accessing our local network
- connections to and from our local telephone service customers for competing long distance service providers.

We offer a variety of Bell Home Phone packages that include unlimited local phone calling with a number of different call management services, depending on the package chosen by the customer. When a Bell Home Phone package is combined with our other products to form a service bundle, a customer is eligible to receive a monthly discount. Customers subscribing to one of our bundle-eligible plans receive a single bill for all of their Bell services.

We faced a continued high level of competitive intensity from cable companies in 2012 as a result of them offering voice services over their networks, which continued to place downward pressure on our local telephony market share, in both the residential and small business markets. In addition, increased customer adoption of wireless telephony as their primary means of voice communication is resulting in a reduced number of primary NAS lines and contributing to a higher rate of wireless substitution. The CRTC regulates the prices we can charge for basic access services in areas where it determines there is not enough competition to protect the interests of users. The CRTC has determined that competition was sufficient to grant forbearance from price regulation for the vast majority of Bell's residential and business local telephone service lines in Ontario and Québec, providing us with the operating flexibility to bundle our services, pursue customer winbacks and offer pricing that is competitive with cable telephony and Voice over Internet Protocol (VoIP) providers.

Long Distance Services

We provide domestic and international long distance voice services to residential and business customers. These services include a wide variety of subscription plans ranging from monthly unlimited provincial or north american calling plans to pay-per-minute plans. We also provide wholesale access service to

other carriers and resellers, and receive settlement payments from other carriers for completing their customers' long distance calls in our territories.

We offer large usage long distance packages for a set monthly price to Bell Home Phone and business customers, allowing for affordable long distance calling across North America. We also offer an Unlimited World long distance plan to Bell Bundle customers that allows for unlimited long distance calls to more than 70 destinations, including within Canada and the United States, for one set monthly price. We experience significant competition in the provision of long distance service to residential and business customers from VoIP service providers, cable companies, dial-around providers and prepaid card providers, as well as from traditional competitors such as inter-exchange carriers and resellers. We also experience competition from telecommunications providers such as Skype Technologies (a division of Microsoft) and Google Voice that provide long distance service at low prices using personal computers and broadband connections, as well as from wireless service providers that offer limited-time promotions for long distance service on certain wireless plans.

Data Services

We provide high-speed Internet access services to residential and business customers mainly in Ontario and Québec. At December 31, 2012, we provided high-speed Internet access to approximately 2.1 million customers through fibre-optic digital subscriber line (DSL) or wireless broadband technology. Bell's high-speed Internet access footprint in Ontario and Québec reached 97% of homes and business' at December 31, 2012.

Our residential fibre-optic Internet service, marketed as Bell Fibe Internet, is enabled by Bell's fibre-to-the-node (FTTN) and fibre-to-the-home (FTTH) networks. We currently offer five Fibe Internet packages to Bell's residential customers, providing download speeds of up to 50 megabits per second (Mbps) in areas of Ontario and Québec that are served by our FTTN network, and up to 175 Mbps for customers with FTTH. We also offer DSL-based Internet service in areas where Bell Fibe Internet is not available, with download speeds of up to 5 Mbps.

Our Internet packages include usage of between 15 gigabytes (GB) and 300 GB of bandwidth per month depending on the tier of service selected. We also offer an unlimited Internet usage add-on option for an additional $10 per month for customers who choose a Bell triple bundle with Bell TV, Bell Internet and either Bell Home Phone or Bell Mobility wireless service. We also offer wireless Internet through our Bell Wireless segment, which provides high-speed Internet access to personal desktop computers, laptops or tablets.

We sell a full range of data services to business customers. In addition to Internet access, some of the data services we offer include:

- *Internet protocol (IP)-based services* – Bell manages the largest IP multi-protocol label switching footprint of any Canadian provider, enabling us to offer customers a virtual private network (VPN) service for IP traffic and to optimize bandwidth for real-time voice and TV. Our IP-based services include IP VPNs, Ethernet, business Internet and VoIP.
- *ICT solutions* – Bell provides ICT solutions that include hosted and cloud services, managed solutions, professional services and infrastructure services that support and complement our data connectivity services. We also provide data centre co-location and hosted services across Canada through Bell and its commercial agreement with Q9 Networks Inc. (Q9).

TV Services

We are Canada's largest digital TV provider, nationally broadcasting more than 500 all-digital TV and audio channels and a wide range of domestic and international programming. At December 31, 2012 we distributed our TV services to more than 2.1 million customers.

Our primary TV operations are marketed nationally under the Bell TV brand, which offers both DTH satellite service and IPTV service.

Our DTH operations currently use four satellites. Telesat Canada (Telesat) operates or directs the operation of these satellites. We have leveraged this satellite capacity to offer a menu of programming options, such as a wide range of over-the-air (OTA) and specialty programming, more than 100 high-definition (HD) channels with TV shows, movies, sports and other entertainment options, as well as a broad selection of pay-per-view (PPV) service offers.

We launched Bell Fibe TV, our IPTV service, in Toronto and Montréal in September 2010. Since that time, we have significantly expanded our Fibe TV service footprint, which at the end of 2012 encompassed 3.3 million households across the Greater Montréal Region and the Greater Toronto Area (GTA) as well as in Québec City. Delivered over our advanced high-speed fibre-optic network and powered by Microsoft's Mediaroom multimedia software, Fibe TV complements our national TV satellite service and expands TV choice and competition in major urban markets where cable has dominated. Bell Fibe TV offers a wide range of flexible programming options and innovative features, including a whole-home personal video recorder (PVR), the ability to record multiple programs simultaneously, a picture-in-picture program guide, advanced search capabilities and the fastest channel change capability on the market today.

We also offer hardware, including PVRs, online access to an array of top-rated programming from Bell Media, subscription video-on-demand (VoD) through Bell TV Online and pick-and-pay programming.

Equipment and Other

This category includes revenues from a number of other sources, including:

- renting, selling and maintaining business terminal equipment
- TV set-top box (STB) sales
- network installation and maintenance services for third parties
- product sales, other than wireless products, at national consumer electronics retailer The Source.

Wireless Services

We offer a broad range of wireless voice and data communications products and services to consumers and business customers across Canada. Services offered include call display and voicemail, e-mail, web browsing, social networking, text, picture and video messaging, music downloads, ring tunes, ringtones, games and apps, video streaming, live TV, mobile Internet, and global positioning system (GPS) navigation, as well as roaming services with other wireless service providers. Customers can choose to pay for their services through a postpaid plan or in advance (prepaid). Our postpaid rate plans, payable monthly, are available with contracts that offer handset discounts, but can also be obtained without a contract. At December 31, 2012, Bell served approximately 7.7 million wireless customers, of whom more than 6.4 million subscribed to postpaid rate plans.

We provide wireless communications services under the Bell and Virgin Mobile brands. Virgin Mobile is operated by Bell Mobility, geared primarily towards the youth and young adult markets, emphasizing the Internet and text capabilities of its hardware and service offerings with media-rich content, full-track music, movies, games and messaging services.

We offer a wide variety of single-user and shared postpaid rate plans, designed primarily for voice and data service. A variety of data features and options can be added to voice service plans. Data-only plans are also available for tablets, wireless Internet universal serial bus (USB) sticks, and Turbo Hubs. Mobile business services include sales force automation, push-to-talk (PTT), field service automation, and resource and asset tracking tools.

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. Our wireless high-speed packet access plus (HSPA+) network, launched in November 2009, offers high-speed mobile access of up to 21 Mbps to over 97% of the Canadian population. The HSPA+ network supports global roaming, as well as a wide range of smartphones, data cards, USB sticks, tablets and other leading-edge mobile devices. Our HSPA+ network also supports international roaming in more than 200 countries. The vast majority of the site connectivity for the HSPA+ network was built with high-speed fibre and an all-IP architecture for enhanced reliability. In November 2010, Bell became the first wireless company in North America to deploy leading-edge dual cell carrier technology, which doubles the speed of HSPA+ mobile data service from up to 21 Mbps to as high as 42 Mbps when using dual carrier capable modem devices or smartphones. At December 31, 2012, 42 Mbps dual cell service was available to more than 83% of the Canadian population. Bell was also the first wireless service provider in Canada to launch a Fourth Generation (4G) Long-Term Evolution (LTE) network in the GTA in September 2011, offering mobile Internet data access speeds as fast as 75 Mbps with typical speeds ranging from 12 to 25 Mbps. At December 31, 2012, Bell's 4G LTE network reached more than 67% of the Canadian population.

In addition to our LTE and HSPA+ networks, we operate a national 3G code division multiple access (CDMA) evolution, data optimized (EVDO) network covering 99% of Ontario's and Québec's populations and approximately 97% of Atlantic Canada's population at December 31, 2012. Our CDMA network also covers major cities in the provinces of Alberta and British Columbia. At the end of 2012, Bell's EVDO network covered over 90% of the Canadian population. EVDO delivers high-speed mobile services with data-rich content such as e-mail, video messaging, gaming, video conferencing, telematics and streaming entertainment. Bell plans to continue operating its CDMA network for the foreseeable future.

Bell Mobility also operates more than 3,500 public wireless fidelity (Wi-Fi) hotspots at McDonald's, Tim Hortons and Chapters/Indigo retail outlets across Canada, in addition to thousands of private Wi-Fi networks managed through our Bell Business Markets unit at enterprise customer locations.

With our multiple high-speed data networks, we are able to offer Canadian consumers a broad range of choice in wireless smartphones, including devices from Apple, Samsung, BlackBerry, HTC and LG, as well as other smartphones, touchscreen tablets and other devices designed for data services such as e-mail, messaging, Internet access and social networking.

Media Services

Bell Media offers a varied and extensive array of TV programming to broadcast distributors across Canada as a major operator of 28 conventional OTA stations and 30 English- and French-language specialty TV channels. Through Bell Media, Bell TV customers have online access to an array of top-rated CTV programming anywhere in Canada when they have a high-speed Internet connection.

Bell Media also offers a mobile TV service with live and on-demand access to content from its conventional TV networks, CTV and CTV Two, as well as real-time access to BNN, TSN, RDS, MTV and other top brands in news, sports and entertainment. This mobile content is offered on commercial terms to all Canadian wireless providers.

Additionally, Bell Media owns and operates 33 FM and AM radio stations, along with their related websites, and rebranded its Sympatico portal in English Canada as Theloop.ca, a new brand destination that enhances and strengthens the most successful content on Sympatico with more original video hosted by distinctive Bell Media personalities.

Bell Media derives the majority of its revenues from the sale of advertising airtime on its TV, radio and digital media properties to both local and national advertisers across a wide range of industry sectors. Considerable revenue also is generated from fees payable by the broadcast distributors for carrying pay, PPV and specialty services, which are subject to negotiations between the broadcast distributors and Bell Media's programming services.

Employees

At December 31, 2012, BCE employed 55,500 people on a full-time or part-time basis, compared to 55,250 at the end of 2011.

The total number of Bell employees at the end of 2012 was 48,800 up from 48,550 at December 31, 2011, due primarily to an increased workforce in our field services operations to support our ongoing IPTV roll-out and service quality initiatives, as well as an increase in the number of The Source retail stores across Canada. This increase was partly offset by a decreased workforce across our Bell Wireless, Bell Wireline and Bell Media segments attributable mainly to normal attrition, retirements and productivity improvements. Approximately 46% of BCE employees are represented by labour unions.

At Bell Aliant, the total number of employees remained unchanged, year over year, at 6,700.

STRATEGIC IMPERATIVES

This section contains forward-looking statements concerning our business objectives and strategies. For a description of assumptions underlying certain of such forward-looking statements, refer to *Business Outlook and Assumptions*. For a description of certain risk factors that could cause actual results or events to differ materially from our expectations expressed in or implied by such forward-looking statements, refer in particular to *Our Competitive Environment*, *Our Regulatory Environment* and *Risks that Could Affect Our Business and Results*.

Our goal is to be recognized by customers as Canada's leading communications company. Our primary business objective is to maximize subscribers, revenues, operating profit, free cash flow [3] and return on invested capital by further enhancing our position as the foremost provider in Canada of comprehensive communications services to residential and business customers. We seek to take advantage of opportunities to leverage our networks, infrastructures, 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 to deliver a better customer experience centres on our disciplined focus on six strategic imperatives. The six strategic imperatives that underlie Bell's business plan are:

1. Invest in Broadband Networks and Services
2. Accelerate Wireless
3. Leverage Wireline Momentum
4. Expand Media Leadership
5. Achieve a Competitive Cost Structure
6. Improve Customer Service.

The following highlights the progress we made in 2012 in advancing Bell's six strategic imperatives.

1. Invest in broadband networks and services

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

2012 Progress

- Continued to lead Canada's investment in broadband wireless and wireline infrastructure with over $3.5 billion in capital expenditures
- Expanded our next-generation 4G LTE wireless network to reach over 67% of the Canadian population coast to coast at the end of 2012, and currently reach approximately 73% of Canadians
- Expanded enhanced high-speed 4G HSPA+ dual cell network to cover 83% of the population
- Expanded our Wi-Fi network footprint through a partnership with Tim Hortons to provide free wireless network access in more than 2,000 of their locations across Canada. Along with partners such as McDonald's and Chapters/Indigo, Bell operates the largest Wi-Fi network in Canada with more than 3,500 public Wi-Fi hotspots.
- Launched our next-generation Fibe service in Québec City with an investment of more than $225 million to deploy fibre optic technology directly to homes and businesses. This is the largest FTTH roll-out of its kind in Canada, supporting enhanced competition and choice in the Québec City market with the latest broadband TV, Internet and Home Phone services.

- Continued to deploy FTTH to all new urban and suburban housing developments in Ontario and Québec, in addition to our ongoing deployment of fibre-to-the-building (FTTB) to multiple-dwelling units (MDUs) and business locations
- Significantly expanded our Fibe TV service footprint to encompass 3.3 million households across the Greater Montréal Region and GTA as well as Québec City.

2. Accelerate wireless

Our objective is to grow our wireless business profitably by focusing on postpaid subscriber acquisition and retention, maximizing average revenue per user (ARPU) by targeting high-value smartphone subscribers in all geographic markets we operate in, increasing our share of in-bound global roaming traffic, as well as leveraging our wireless networks, device and mobile content leadership to drive greater wireless data penetration and usage.

2012 Progress

- Captured more than one-third market share of new postpaid gross and net activations among the three major wireless carriers, while achieving market-leading ARPU and EBITDA growth of 4.2% and 15.7%, respectively
- Increased smartphone users by 41%, driving wireless data revenue growth of 30% and expansion of our smartphone customer base at the end of 2012 to 64% of our total postpaid subscribers, up from 48% at the end of 2011
- Launched 4G wireless service in Manitoba. Supported by 37 locations across the province, including Bell and The Source stores and a range of other retail partners, Bell Mobility's device line up and next-generation wireless services are available to over 70% of Manitobans.
- Expanded our industry-leading mobile TV offerings with more live content, including Bloomberg TV, NBA TV Canada, NBA on TSN and V network, bringing our total number of live mobile

(3) Free cash flow 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 companies. See Non-GAAP Financial Measures – Free cash flow *in this MD&A for more details, including a reconciliation to the most comparable IFRS financial measure.*

TV channels available across Canada to 30. Bell Mobile TV also includes real-time, on-demand access to CTV, CTV Two, BNN, CTV News Channel, CBC News Network, MTV, TSN and RDS plus additional programming from The Comedy Network, YTV, Treehouse, ATN, and major league hockey, football, basketball and soccer.

- Expanded our wireless device line up with 25 new devices, including the Apple iPhone 5 and Samsung Galaxy S III, adding to our extensive selection of HSPA+ and 4G LTE-capable devices
- Launched a newly enhanced Mobile TV player, offering an improved user experience and innovative features such as an integrated programming guide, notification of special events and favourite shows with customizable alerts, ability to browse content while simultaneously watching a video, and automated suggestions to help discover new content faster
- Became the first national wireless carrier in North America to deploy wireless HD voice, a new technology that improves the customer experience by providing the clearest sound quality possible with significant noise reduction on compatible handsets
- Introduced a next-generation PTT service, providing instant contact capability for business customers of all kinds. Bell PTT is North America's first PTT solution leveraging the high-speed data and broad coverage benefits of 4G wireless.

3. Leverage wireline momentum

We continued to leverage our fibre-based TV and Internet services to develop attractive residential offers that drove higher multi-product bundle sales, improved customer retention and greater customer satisfaction, which contributed to the continuing shift of our operating mix away from traditional wireline local and long distance voice services. Wireline voice services represented less than 20% of Bell's total operating revenues in 2012, down from 22% at the end of 2011.

In our business markets, we continued to expand our broadband network and strengthened our focus on key solution areas. We continue to manage the transformation of our business from our legacy network services to a fully integrated cloud and managed services provider across our key solution areas.

2012 Progress

- Nearly tripled our Bell Fibe TV customer base, bringing the total number of IPTV subscribers to 248,298 at the end of 2012.
  This was supported by the continued expansion of our Fibe TV service footprint in communities across Ontario and Québec.
- Increased the number of triple-play households – those that buy Home Phone, TV and Internet – by 13% fuelled by Fibe TV service, which drove higher pull-through attach rates for Home Phone and Internet services with 84% of all Bell Fibe TV customers taking three products
- Launched an enhanced Fibe TV On Demand store featuring a fresh poster-style interface and integrated ratings, reviews and recommendations from the popular Rotten Tomatoes website, a first for on-demand video services
- Acquired an ownership position in data centre operator Q9, Canada's leading provider of outsourced data centre solutions such as hosting, co-location and cloud computing services, making Bell the largest provider of data hosting services in Canada with access to 19 high-capacity data centres across the country
- Launched the Bell Business Advantage Program, which rewards Bell business customers with savings and exclusive offers on products and services they purchase every day, such as technology, office supplies, car rentals, gasoline and courier services.

4. Expand Media Leadership

We are committed to leveraging our advanced networks to enable the delivery of leading sports, news, entertainment and business content across multiple broadband platforms – TV, Internet, smartphones and tablets. Our objective is to grow audiences, introduce new services and create new revenue streams for our media assets, and to create more of our own content, ensuring that Canadian attitudes, opinions, values, and immense artistic creativity are reflected in our programming and in our coverage of events at home and around the world.

2012 Progress

- Signed a definitive agreement for the proposed acquisition of Montréal-based Astral and its leading specialty and pay TV channels, radio stations, digital media properties and out-of-home advertising platforms in Québec and across the rest of Canada
- Completed the acquisition of an ownership position in Maple Leaf Sports and Entertainment Ltd. (MLSE), Canada's largest sports and entertainment company, securing long-term access to TV, mobile, digital online and radio broadcast rights for the premier professional sports teams playing in Canada's largest marketplace: the Toronto Maple Leafs, Toronto Raptors, Toronto Marlies and Toronto FC
- Consistently reported the strongest ratings in all seasons in 2012, holding a majority of the top 20 programs nationally among all viewers
- Grew non-sports specialty channels audiences by 5% in 2012 based on fall 2012 metrics, while TSN remained Canada's leading specialty sports channel in its key demographics
- Delivered the broadest range of live and on-demand content from the London 2012 Olympic Games to smartphones, tablets, TVs and computer screens. Bell offered more than 5,500 hours of Olympic coverage in digital and conventional TV, attracting an average of more than 21 million TV viewers in an average day of the Games, increasing TV viewing by 88% over Beijing 2008.
- Partnered with Cirque du Soleil to create a new joint venture, Cirque du Soleil Media, to develop Québec-based media content for TV, film, digital, and gaming platforms
- Served 1.6 billion videos in 2012, up 17% over 2011.

5. Achieve a competitive cost structure

Cost containment is a core element of our financial performance and remains a key factor in our objective to maintain margins as we continue to experience revenue declines in our legacy wireline voice and data services and a further shift in 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.

Reducing costs and increasing efficiency across the company enables us to invest in our broadband networks, supporting our wireless, TV and Internet growth services while enhancing our competitiveness in the marketplace.

2012 Progress

- Reduced wireline operating costs by $166 million through lowering overall labour costs, achieving further reductions in supplier contract rates, lower print and mailing costs for customer billing, call centre efficiencies and field service productivity, as well as reduced customer call volumes
- Reduced wireless customer service call volume by 2.2 million calls
- Reduced Bell Fibe TV installation time by 8.3%
- Made a voluntary $750 million contribution to our DB pension plan, which provides significant cash tax savings
- Completed a $1 billion public debt offering that lowered Bell Canada's average after-tax rate of borrowing.

6. Improve customer service

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

2012 Progress

- Invested more than $100 million to simplify billing, improve online services, and modernize call centre routing and interactive voice response (IVR) systems
- Revamped our online billing system with more self-serve options and easy access to account information, allowing customers to view updates on their Internet data usage, view current balances, choose billing options, register for pre-authorized payments and chat live with a customer service agent
- Continued to enhance the online customer experience with ongoing improvements to the My Bell portal on bell.ca, including the ability to change Mobility rate plans and unlock a subscriber identity module (SIM) card
- All customer bills, including Bell Mobility, can now be consolidated into a single One Bill either in paper form or online
- Introduced Order Max, a household ordering tool Bell agents use to connect with technicians to help ensure we meet all customer needs during a single service visit
- All Bell residential services sales and loyalty front-line service members are now fully knowledgeable and able to support all three residential services – Bell Home Phone, Internet and TV
- Maintained Same Day Next Day service completion rates for repairing service issues with Bell Home Phone, TV and Internet above 90% and arrived on time for customer appointments more than 98% of the time for installations and repairs
- Launched a new Mobile Self-Serve app that lets customers manage their account directly from their device. Mobility subscribers can view voice, data, text and event usage, their account balance as well as bill payment and rate plan details.
- Improved wireless churn, the percentage of mobile customers leaving each month, to 1.3% for postpaid services in 2012 from 1.5% last year
- Decreased our proportion of customer complaints received by the Commissioner of Complaints for Telecommunications Services by 21%
- Introduced a new pricing model for mobile data offering customers greater flexibility to take advantage of data services and pay only for what they use without the need to subscribe to a data bundle. With the flex data option, the monthly fee automatically adjusts according to a customer's monthly data usage, ensuring that customers get the best rate available.

BUSINESS OUTLOOK AND ASSUMPTIONS

This section contains forward-looking statements concerning the business outlook of our Bell Wireline, Bell Wireless, Bell Media and Bell Aliant segments. This section also describes certain key economic, market and operational assumptions we have made in preparing such forward-looking statements and other forward-looking statements contained in this MD&A. For a description of risk factors that could cause actual results or events to differ materially from our expectations expressed in or implied by such forward-looking statements, refer in particular to *Our Competitive Environment*, *Our Regulatory Environment* and *Risks that Could Affect Our Business and Results*.

Based on the Bank of Canada's recent estimates, the Canadian economy is expected to grow approximately 2% in 2013, compared to estimated growth of 1.9% in 2012. In addition, we have made certain market assumptions in preparing our business outlook for 2013, including the following:

- a slow pace of employment growth and new business formation affecting overall business customer demand
- a sustained level of wireline and wireless competition in both consumer and business markets
- higher wireline replacement, due primarily to increasing wireless and Internet-based technological substitution
- increasing wireless industry penetration driven, in particular, by the accelerated adoption of smartphones, tablets and data applications, the expansion of LTE service in most urban and suburban markets, the proliferation of 4G devices, as well as population growth
- a stable advertising market for Bell Media.

Our business outlook is also based on certain operational assumptions and other market assumptions that are discussed below.

Bell Wireline

In our residential markets, we expect to continue to incur local access line losses in 2013, primarily as a result of continuing aggressive competition from cable TV service providers and increasing wireline replacement due to growing substitution to wireless and Internet services.

Our business plan for 2013 assumes a stabilizing residential NAS line erosion rate as we leverage our broadband investment in Fibe TV to drive three-product household penetration, increase our MDU market share, and generate higher pull-through attach rates for our residential Internet and Home Phone services. Targeted retention and service bundle offers, customer winbacks and better service execution are expected to contribute to the improvement in residential NAS line losses year over year. However, more aggressive service bundle offers from cable TV competitors in our local wireline areas, as well as increasingly affordable Canada-wide unlimited wireless plans, could also lead to higher residential customer NAS line losses.

At Bell TV, we intend to drive increased subscriber acquisition based on the assumption of increased customer adoption of Fibe TV as we further extend our IPTV broadband fibre footprint in areas of Ontario and Québec. We also intend to seek greater penetration within the MDU market and capitalize on our extensive retail distribution network, which includes The Source, and to leverage our market leadership position in HD programming to drive incremental subscriber growth and higher revenue per customer. TV revenue growth is expected to remain fairly strong in 2013, reflecting higher overall TV subscriber activations driven by increasing traction of Bell Fibe TV. Higher ARPU, due to customers coming off introductory pricing promotions, product enhancements, higher value premium package programming and price increases, is also expected to contribute to TV revenue growth in 2013.

Subscriber acquisition at Bell Internet is expected to improve in 2013 through increased fibre coverage and speeds as we leverage our significant network capital investment and the implementation of new technologies, including bonding, to drive greater Fibe TV expansion and Internet attach rates. This is expected to have an associated positive impact on ARPU growth and customer churn in 2013. The proliferation of devices such as tablets and e-readers that consume vast quantities of bandwidth, as well as the increasing popularity of watching TV anywhere, is expected to continue as customers demand the ability to view content on multiple screens, including computers, smartphones and tablets. In addition, growing consumption of over-the-top (OTT) TV services and streaming video require significant ongoing capital investment to ensure that we continue to offer our customers the most competitive packages for the best value. Accordingly, we intend to pursue pricing methods which allow us to cover the capital costs of upgrading the network and expanding capacity to meet growing demand. We also intend to achieve service improvements by further enhancing the speed and reliability of our Internet network while continuing to offer installation and service capabilities that differentiate us from our competitors.

At our Business Markets unit, we expect improved overall financial performance in 2013. While economy-related and competitive market challenges, and continued customer migration to IP-based systems will likely continue to impact overall business markets results, we will seek to minimize the overall decline in revenues from legacy voice and data services through ongoing service innovation and product value enhancements. We intend to target marketing initiatives to slow NAS erosion while investing in new solutions in key portfolios such as Internet and private networks, data centre and cloud services, unified communications and security services. We will continue to deliver network-centric ICT solutions to large business and public sector clients that increase the value of connectivity services. We expect to experience increased competitive intensity in our mass and mid-sized business segments as cable operators and other telecom competitors continue to intensify their focus on the business segment. We also expect to experience ongoing competitive reprice pressures in our business and wholesale markets. In addition, our ICT services business is expected to face continued competition from other system integrators, outsourcers and professional service firms. We also intend to introduce service offerings that help drive innovative solutions and value for our mass and mid-sized customers by leveraging Bell's network assets, broadband fibre expansion and service capabilities to expand our relationships with them. We will maintain a focus on overall profitability by seeking to increase revenue per customer and customer retention, as well as through improving our processes to achieve further operating efficiencies and productivity gains. As the economy strengthens and employment rates improve, we expect that the performance of our Business Markets unit will improve gradually based on an assumption of increased customer spending, new business formation and higher demand for connectivity and ICT services. However, even with a better-performing economy, more conservative strategies by business customers may result in lower capital spending requirements and deferral of ICT projects.

Stronger forecasted TV and Internet subscriber growth, higher penetration of three-product households and stabilizing business markets performance is expected to drive improved year-over-year wireline revenue performance in 2013. We also expect an improving wireline EBITDA trajectory in 2013, driven by increasing scale of Fibe TV, the subsiding year-over-year financial impact of a shortened discount period on residential bundle acquisition offers, fewer residential net customer losses as our IPTV footprint further expands, the positive impact of price increases on our residential services, abating repricing pressures in our business and wholesale markets, as well as further cost savings. These operating cost savings are expected to offset costs related to growth in Fibe TV subscriber activations, ongoing erosion of high-margin wireline voice revenues and any potential revenue shortfalls in our Business Markets unit, supporting our objective of maintaining Bell's overall consolidated EBITDA margin stable year over year. This assumes that we will be able to achieve cost savings from management workforce attrition and retirements, call centre efficiencies, field service productivity improvements, further reduction in supplier contract rates, lower print and mail costs, effective content cost management and reducing traffic that is not on our own network. We also intend to increase investment in broadband infrastructure and fibre expansion and upgrades to support our Fibe TV and Internet services.

Bell Wireless

We expect that our Wireless segment will continue to be a key contributor to Bell's revenue and EBITDA results in 2013. The financial performance of Bell Wireless is based on its continued ability to focus on profitable growth and execute its market strategies. Bell Wireless' expected performance in 2013 is based on the assumption that it will benefit from the flow-through of investments made in 2012 in customer acquisition and retention, along with continued strength in smartphone activations and data usage that is expected to lead to increased data ARPU growth, which should help to counter declining voice ARPU.

We expect continued aggressive competition both from incumbents and newer wireless entrants in 2013 in an effort to maintain or gain wireless market share. As a result, we anticipate pressures on pricing and customer churn to persist, highlighting the critical importance of continuing to improve customer satisfaction and proactively focusing on customer retention. This is expected to be mitigated by incremental growth in data usage and roaming driven by continued adoption of smartphone devices, tablets and data applications, as well as the introduction of more LTE devices as we further expand our 4G LTE wireless network in more urban markets across Canada.

We have assumed that our expected wireless revenue growth will be underpinned by ARPU driven by a higher mix of smartphone and higher-value postpaid customers, increased distribution in western Canada, new services, and continued disciplined price management. We will seek to achieve our ARPU objectives through data revenue growth supported by our HSPA+ and LTE networks, higher demand for data services and increasing usage of wireless services such as text, picture and video messaging, web browsing, music and video downloads, live TV and community portals such as Facebook and YouTube. We also have assumed that we will benefit from ongoing technological improvements by manufacturers in our handset and device line up and from faster data speeds that are allowing our clients to optimize the use of our services. Another key growth opportunity is enabled by the new category of tablet devices, which has the potential to generate incremental revenues and contribute to increasing wireless penetration levels in Canada. We intend to continue introducing new products and services to the market in a timely manner, balancing innovation with profitability.

The development of wireless data transmission technologies has led to the development of more sophisticated wireless devices with increasingly advanced capabilities, including access to e-mail and other corporate IT platforms, news, sports, financial information and services, photos, music and streaming video clips, live TV and other functions. We believe that the introduction of such new applications will continue to drive growth for data services. As a result, we aim to introduce additional high-speed enabled data devices, applications and other services to our wireless customers in order to deliver increasing value to them. However, the proliferation of these relatively more expensive and sophisticated devices, as well as heightened competitive activity, is expected to exert pressure on EBITDA, due mainly to increased handset discounts resulting in higher subscriber acquisition and customer retention costs. Despite these increased costs and our expectation for continued aggressive competition, including discounted pricing, we expect to benefit from higher wireless EBITDA in 2013, reflecting the revenue flow-through of postpaid subscriber growth in 2012 and disciplined management of subscriber acquisition and retention spending as we seek to maintain a reasonable market share of postpaid gross and net subscriber activations.

Bell Media

In 2013, overall media revenue is projected to remain relatively stable year over year, while EBITDA will be negatively impacted by the significant benefit in 2012 from non-recurring items, including the London Summer Olympic Games, the NHL lockout

and retroactive rate increases for specialty sports programming services. Cash flow is expected to increase, year over year, on the strength of improved working capital management.

We anticipate a stable advertising market in 2013 and expect to drive advertising revenue growth through improved market share. Growth in subscriber revenues is expected to come from contracted rate increases for our specialty sports services. Our plan is to continue to invest in premium content for all four screens, while carefully managing costs by leveraging assets, achieving productivity gains and pursuing operational efficiencies. In 2013, we intend to launch our TV Everywhere product, which is a strategic initiative that will enable us to deliver the best live sports, news and other premium content exclusively to broadcasting distribution undertakings (BDUs) subscribers.

In conventional TV, we intend to leverage the strength of our market position to continue offering advertisers, both nationally and locally, with premium opportunities to reach their target audiences. Success in this area requires that we focus on a number of factors, including building and maintaining strategic supply arrangements for content on four screens, continuing to successfully acquire high-rated programming and differentiated content to execute on Bell's multi-screen content strategy, producing and commissioning high-quality canadian content, as well as producing market-leading news through investments in HD broadcasting and improvements to our news programming.

Our sports properties will continue to be focused on securing premium content and developing innovative high-quality programs and services. We will strive to provide an exceptional and engaging experience for viewers. We anticipate that costs to secure content will increase as we face greater competition from both new and established entrants and as market rates for specialty content generally increase.

In our non-sports specialty services, audiences and advertising revenue will be driven by investment in quality programming and production, marketing, as well as ongoing development of key brand partnership initiatives on our existing services. In 2013, we intend to launch a new woman's focused specialty service and will continue to leverage the momentum of Bravo and E! to increase share of female target advertising revenue.

In our radio operations, we are competitively positioned in our local markets from a format, rating and demographic perspective. We will seek to further grow our TSN Sports radio franchise through our MLSE broadcast rights and we will pursue the expansion of our TSN footprint to other markets. Additionally, in conjunction with local TV assets, we will pursue opportunities that can leverage our promotional capabilities, provide an expanded platform for content sharing, and offer synergistic co-location opportunities where practical.

Bell Aliant

In 2013, Bell Aliant is entering year five of its strategic plan and will continue to focus on and execute its five strategic objectives.

Foremost, Bell Aliant will continue to seek to grow its broadband business, which helps support its four other strategic objectives. In 2011, Bell Aliant undertook a two-year plan to accelerate its FTTH coverage and by the end of 2012 had expanded its FTTH coverage area to pass 656,000 premises. Over two-thirds of Bell Aliant's competitive homes in Atlantic Canada now have access to its FibreOP services. Additionally, in 2012, Bell Aliant launched FibreOP service in Sudbury, Ontario, its largest market outside of Atlantic Canada. Bell Aliant plans to further expand its FTTH coverage to 800,000 premises by the end of 2013 to focus on increasing customer penetration on its FTTH network. As well, Bell Aliant, along with government and other partners, plans to continue to selectively invest in DSL expansion for rural broadband development, such as the state-of-the-art backbone fibre-optic network, now available to many communities in northern Ontario, enabling speeds up to 50 times faster than previous systems. These partnerships allow Bell Aliant to expand its telecommunications infrastructure to areas where it might not normally be economically feasible to do so.

Secondly, Bell Aliant intends to better the customer experience through improvements to service fundamentals supported by operational improvements to its processes, tools and training.

Thirdly, Bell Aliant intends to mitigate customer churn through increasing the penetration rate of service bundles, particularly those including TV, and by providing new and improved services to its residential and business customers.

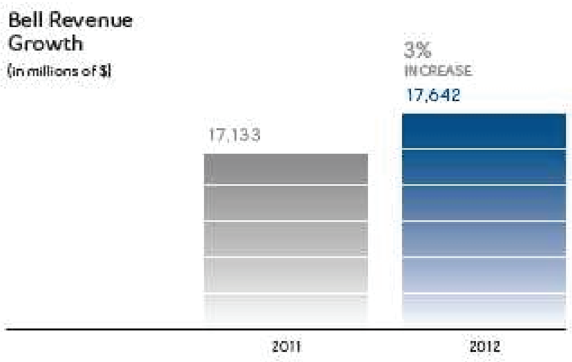
Bell Aliant's fourth strategic objective is to become more profitable and more competitive through resetting its cost structure. As a result of previous organizational restructurings, Bell Aliant is well positioned to operate more efficiently in the future. In addition to operational efficiency, Bell Aliant plans to focus on increasing productivity through continued cost containment and procurement improvements.

Finally, in 2013, Bell Aliant intends to maintain its performance-based culture by providing employees clear direction on its strategy and ensuring personal performance is closely aligned with corporate objectives. Building on current learning programs, Bell Aliant will also continue to focus on the development of its employees.

2012 OPERATING HIGHLIGHTS

We executed well across the business in 2012, posting strong EBITDA growth, margin expansion, and a significant increase in net earnings at BCE. Importantly, we generated 10.5% higher free cash flow in 2012. This supported significant capital investment in our broadband wireline and wireless networks and services, which helped to drive higher wireless, TV and Internet subscriber growth, as well as improved customer retention, while enabling the return of substantial value to shareholders through higher dividends.

Bell revenues increased 3.0% in 2012 as strong year-over-year growth of 6.5% at Bell Wireless and the significant contribution of Bell Media was moderated by a 3.8% decrease at Bell Wireline.

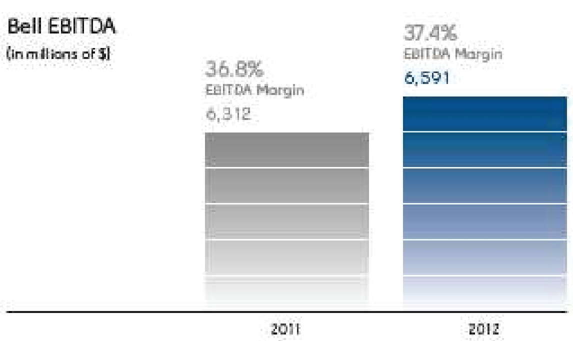


Top-line growth at Bell Wireless was driven by a larger postpaid customer base, in combination with higher blended ARPU resulting from greater wireless data usage and revenues consistent with increased smartphone customer adoption.

Bell Media's performance in 2012 reflected an incremental quarter of contribution from the acquisition of CTV, as well as the positive impact on advertising revenues from our broadcast of the London Summer Olympic Games and higher subscriber fee revenue driven by market-based rates charged to broadcast distributors through renegotiated agreements for certain Bell Media specialty sports and non-sports services.

The rate of decline in Bell Wireline revenue in 2012 increased over 2011, due largely to the continued decline in traditional voice and data revenues as well as the impact of richer upfront promotional discounts and retention credits on our residential service bundle offers that were driven by aggressive competitive pricing in the market. Growth in revenues from our TV services, higher IP broadband connectivity revenues and increased data product sales to our business customers moderated the overall decline in wireline revenue in 2012.

Bell's EBITDA increased 4.4% in 2012, driven by strong Wireless and Media performance, partly offset by lower Wireline EBITDA. At Bell Wireless, EBITDA grew 15.7% as a result of higher operating revenue and well-controlled spending over subscriber acquisition and retention. Bell Media EBITDA reflected the incremental financial contribution from one additional quarter of CTV results, and lower non-Olympics-related operating costs. Supported by a 2.6% reduction in Wireline expenses, Bell Wireline's EBITDA decline was 5.7% in 2012, reflecting the ongoing loss of high-margin voice and data revenues and the impact of aggressive price competition.



Bell Wireless delivered improved postpaid subscriber operating metrics in 2012 with 456,979 net activations, up 5.3% from the previous year, lower postpaid customer churn, which improved 0.2 basis points to 1.3%, reflecting the benefits of investing in customer retention and service improvements, and blended ARPU growth of 4.2% driven by a growing smartphone mix, higher roaming revenues and a greater number of wireless customers in the higher-ARPU western Canadian and business markets. Our smartphone customer base increased notably in 2012 and comprised 64% of postpaid subscribers, up from 48% at the end of 2011. Accelerating smartphone adoption resulted in significantly higher wireless data usage, which contributed to wireless data revenue growth of approximately 30% in 2012. With aggressively priced rate plan offers from the newer wireless service providers targeted at lower-value subscribers, we lost 196,329 net prepaid customers in 2012, representing a 21% improvement over 2011, mainly as a result of fewer customer deactivations.

TV subscriber acquisition in 2012 was driven by steady growth in Fibe TV activations as we continued to expand our IPTV service footprint and enhance our service bundle offers to include Fibe TV and Fibe Internet services where commercially available. Fibe TV net customer activations totalled 163,127 in 2012, up from 73,529 in 2011, bringing the total Fibe TV customer base to 248,298. Lower satellite TV net activations, attributable to the roll-outs of IPTV service by other competing service providers, aggressive customer conversion offers from cable TV competitors and Bell customer migrations to Fibe TV, moderated the overall increase in TV subscriber net activations in 2012, which totalled 69,445 compared to 68,221 last year.

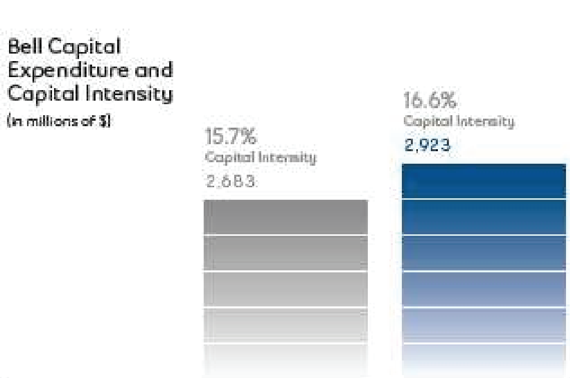
We increased Internet subscriber activations in 2012 with the addition of 32,288 high-speed Internet customers, compared to net activations of 15,426 in 2011. The year-over-year improvement was attributable to the pull-through of Fibe TV customer activations, enhanced competitive offers, and continued broadband fibre service expansion. Lower customer churn also contributed to the year-over-year increase in high-speed Internet activations in 2012.

In our traditional local telephone business, residential NAS line losses in 2012 increased 0.9% to 335,807 from net losses of 332,766 in 2011, due to competition, the favourable impact of wholesale and business customer migrations in 2011 from

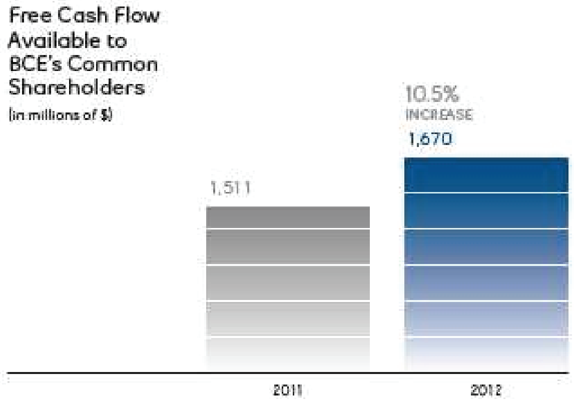
a cable competitor via a third-party reseller of telecommunications services and technological substitution to wireless and Internet-based services. However, we continued to experience lower rates of customer turnover in our Fibe TV service areas, where consumer bundle offers included Fibe TV and Fibe Internet services, compared to our non-Fibe TV service areas. Business access line losses also increased in 2012 to 120,910 from 41,283 in 2011, due to ongoing conversion of voice lines to IP-based services, continued soft demand for new installations, and higher wholesale customer deactivations. Mainly as a result of higher year-over-year business NAS line losses, the annual rate of erosion in our total NAS customer base increased to 7.5% in 2012 from 5.8% in 2011.

At Bell Media, advertising revenue in 2012 benefitted from our broadcast of the London Summer Olympic Games and was supported also by the maintenance of strong audience levels across Bell Media's conventional and specialty TV channels. Absent the Olympics, advertising sales across Bell Media's TV, radio and digital media properties were impacted negatively by a soft advertising market due to a slow-growing economy. Higher subscriber fee revenue in 2012 reflected market-based rates charged to broadcast distributors through renegotiated agreements for certain Bell Media specialty sports and non-sports services, which included the impact from the CRTC's decision on July 20, 2012 that settled a dispute between Bell Media and certain distributors in respect of fees to be paid for such specialty TV services. At the end of 2012, Bell Media had entered into agreements with all major broadcast distributors in Canada which reflect rate increases for its sports specialty TV programming. The NHL lockout contributed to higher EBITDA in 2012, due to production costs saved related to broadcasting of the games on Bell Media's specialty sports TV channels, TSN and RDS.

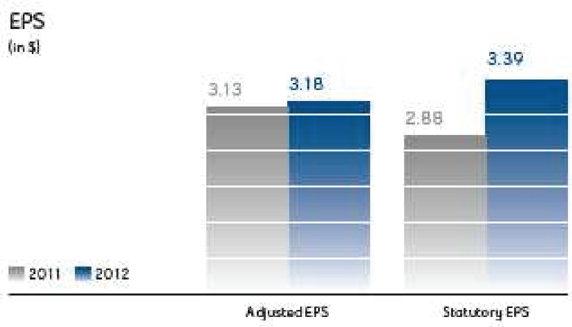
BCE operating revenues grew 2.5% in 2012, while EBITDA increased 3.3%. This was driven by improved year-over-year performance at Bell, as described above, partly offset by lower revenue and EBITDA at Bell Aliant in 2012 compared to the previous year.



Capital expenditures at Bell increased 8.9% in 2012 to $2,923 million as a result of the continued deployment of broadband fibre to residential homes, neighbourhoods and businesses in Ontario and Québec, ongoing enhancement of Bell's core wireline broadband network to expand our IPTV service footprint, further investment in customer service support systems, the construction of a new 4G LTE network in urban markets across Canada, as well as the addition of new Bell and The Source retail stores across Canada.



BCE's cash flows from operating activities were $5,552 million in 2012 compared to $4,869 million in 2011. Similarly, free cash flow available to BCE's common shareholders increased 10.5% to $1,670 million in 2012 from $1,511 million in the previous year, driven mainly by higher EBITDA, lower post-employment benefit plan contributions, decreased severance payments as a result of a workforce reduction initiative in the fourth quarter of 2011, positive changes in working capital, and the non-recurrence of amounts paid to customers in the first quarter of 2011 under Bell's deferral account obligation.



Net earnings attributable to common shareholders increased 18.1% in 2012 to $2,624 million, or $3.39 per share, from $2,221 million, or $2.88 per share, in 2011. The year-over-year increase in earnings was the result of strong EBITDA growth, lower severance, acquisition and other costs, and a non-cash gain realized on our Inukshuk Limited Partnership (Inukshuk) investment. Higher EBITDA and lower net post-employment benefit plan finance costs were partly offset by higher depreciation expense, increased interest expense, as well as increased income taxes due to lower year-over-year tax adjustments from the resolution of uncertain tax matters and higher taxable income in 2012. Adjusted EPS was $3.18 per common share in 2012 compared to $3.13 per common share in the previous year.

We continued to execute on our capital markets objectives in 2012 by increasing shareholder returns through growth in BCE's common share dividend and the completion of a $250 million NCIB program in March 2012. Similar to the previous year, we also made a $750 million voluntary contribution in December 2012 to Bell's DB pension plan to reduce the solvency deficit of the plan. We believe that accelerating the funding of Bell's future post-employment benefit plan obligations is an efficient use of our cash given the backdrop of a persistently low interest rate environment. Additionally, we strengthened our liquidity position and lowered our overall cost of debt by accessing the capital markets on attractive terms, while maintaining strong investment-grade credit ratings. We raised $1 billion in gross proceeds from the issuance of Bell Canada seven-year medium-term note (MTN) Debentures in June 2012 and also issued $280 million of BCE preferred shares in January 2012.

SELECTED ANNUAL AND QUARTERLY INFORMATION

Annual Financial Information

The following table shows selected consolidated financial data of BCE for 2012, 2011 and 2010, 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.

	2012	2011	2010
CONSOLIDATED INCOME STATEMENTS			
Operating revenues	**19,975**	19,497	18,069
Operating costs	**(12,092)**	(11,868)	(10,884)
EBITDA(1)	**7,883**	7,629	7,185
Severance, acquisition and other costs	**(133)**	(409)	(262)
Depreciation	**(2,674)**	(2,538)	(2,388)
Amortization	**(714)**	(723)	(737)
Finance costs			
Interest expense	**(865)**	(853)	(697)
Interest on post-employment benefit obligations	**(958)**	(973)	(980)
Interest on fund unit liability	**–**	–	(370)
Expected return on post-employment benefit plan assets	**1,069**	1,032	898
Other income	**270**	129	173
Earnings before income taxes	**3,878**	3,294	2,822
Income taxes	**(825)**	(720)	(632)
Net earnings	**3,053**	2,574	2,190
Net earnings attributable to:			
Common shareholders	**2,624**	2,221	2,083
Preferred shareholders	**139**	119	112
Non-controlling interest	**290**	234	(5)
Net earnings	**3,053**	2,574	2,190
Net earnings per common share			
Basic	**3.39**	2.88	2.74
Diluted	**3.39**	2.88	2.74
Included in net earnings:			
Severance, acquisition and other costs	**(94)**	(282)	(189)
Net gains on investments	**256**	89	133
Fair value adjustment on fund unit liability	**–**	–	49
Adjustment to reflect interest on fund unit liability as non-controlling interest	**–**	–	(29)
Adjusted net earnings(1)	**2,462**	2,414	2,119
Adjusted EPS(1)	**3.18**	3.13	2.79
RATIOS			
EBITDA margin (%)	**39.5%**	39.1%	39.8%
Return on equity (%)	**24.8%**	21.0%	19.2%

(1) *The terms EBITDA, Adjusted net earnings and Adjusted EPS are non-GAAP financial measures and do not have any standardized meaning under IFRS. Therefore, they are unlikely to be comparable to similar measures presented by other companies. See* Non-GAAP Financial Measures – EBITDA *and* Adjusted Net Earnings and Adjusted EPS *in this MD&A for more details, including, for Adjusted net earnings and Adjusted EPS, a reconciliation to the most comparable IFRS financial measures.*

	2012	2011	2010
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION			
Total assets	**40,968**	39,420	35,858
Cash and cash equivalents	**127**	175	771

Debt due within one year (including bank advances, notes payable and loan secured by trade receivables)	**2,136**	2,106	2,570
Long-term debt	**13,886**	12,721	10,581
Total non-current liabilities	**19,498**	17,882	18,747
Equity attributable to BCE shareholders	**13,875**	13,778	10,154
Total equity	**14,725**	14,759	10,168
RATIOS			
Total debt to total assets (times)	**0.39**	0.38	0.37
Total debt to total equity (times)	**0.98**	0.92	1.14
CONSOLIDATED STATEMENTS OF CASH FLOWS			
Cash flows from operating activities	**5,552**	4,869	4,367
Cash flows used in investing activities	**(4,093)**	(3,884)	(2,948)
Capital expenditures	**(3,515)**	(3,256)	(2,998)
Business acquisitions	**(13)**	(680)	(60)
Increase in investments	**(593)**	(12)	(44)
Cash flows used in financing activities	**(1,507)**	(1,581)	(1,332)
Repurchase of common shares	**(107)**	(143)	(500)
Issue of common shares	**39**	152	39
Issue of preferred shares	**280**	345	–
Net issuance (repayment) of debt instruments	**486**	(6)	660
Cash dividends paid on common shares	**(1,683)**	(1,520)	(1,318)
Cash dividends paid on preferred shares	**(133)**	(118)	(108)
Cash dividends/distributions paid by subsidiaries to non-controlling interest	**(340)**	(315)	–
Free cash flow(1)	**1,670**	1,511	1,437
SHARE INFORMATION			
Average number of common shares (millions)	**774.3**	771.4	759.0
Common shares outstanding at end of year (millions)	**775.4**	775.4	752.3
Market capitalization	**33,055**	32,931	26,586
Dividends declared per common share (dollars)	**2.2200**	2.0450	1.7850
Book value per share (dollars)	**13.52**	13.75	9.82
Dividends declared on common shares	**(1,720)**	(1,579)	(1,352)
Dividends declared on preferred shares	**(138)**	(119)	(112)
Market price per common share (dollars)			
High (end of day)	**45.06**	42.47	36.09
Low (end of day)	**39.37**	34.31	27.43
Close	**42.63**	42.47	35.34
RATIOS			
Capital intensity (%)	**17.6%**	16.7%	16.6%
Price to earnings ratio (times)	**12.58**	14.75	12.90
Price to book ratio (times)	**3.15**	3.09	3.60
Price to cash flow ratio (times)	**16.21**	20.32	15.43
OTHER DATA			
Number of employees (thousands)	**56**	55	50

(1) *Free cash flow 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 companies. See* Non-GAAP Financial Measures – Free cash flow *in this MD&A for more details, including a reconciliation to the most comparable IFRS financial measure.*

Quarterly Financial Information

The following table shows selected BCE consolidated financial data by quarter for 2012 and 2011. 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.

	2012				2011			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Operating revenues	**5,161**	**4,982**	**4,923**	**4,909**	5,166	4,910	4,955	4,466
EBITDA	**1,896**	**2,019**	**2,041**	**1,927**	1,869	1,941	1,986	1,833
Severance, acquisition and other costs	**(70)**	**(24)**	**(20)**	**(19)**	1	(130)	(219)	(61)
Depreciation	**(692)**	**(674)**	**(664)**	**(644)**	(661)	(628)	(638)	(611)
Amortization	**(175)**	**(180)**	**(178)**	**(181)**	(181)	(180)	(183)	(179)
Net earnings	**809**	**689**	**879**	**676**	573	736	683	582
Net earnings attributable to common shareholders	**708**	**569**	**773**	**574**	486	642	590	503
Net earnings per common share								
Basic	**0.91**	**0.74**	**1.00**	**0.74**	0.62	0.83	0.76	0.67
Diluted	**0.91**	**0.74**	**1.00**	**0.74**	0.62	0.83	0.76	0.67
Included in net earnings:								
Severance, acquisition and other costs	**(46)**	**(19)**	**(15)**	**(14)**	2	(82)	(162)	(40)
Net gains on investments	**248**	**–**	**–**	**8**	–	–	89	–
Adjusted net earnings	**506**	**588**	**788**	**580**	484	724	663	543
Adjusted EPS	**0.65**	**0.76**	**1.02**	**0.75**	0.62	0.93	0.86	0.72
Average number of common shares outstanding – basic (millions)	**775.0**	**774.2**	**773.7**	**774.3**	778.1	777.6	776.6	752.9

Fourth Quarter Highlights

OPERATING REVENUES	Q4 2012	Q4 2011	$ CHANGE	% CHANGE
Bell Wireline	**2,608**	2,709	(101)	(3.7%)
Bell Wireless	**1,458**	1,365	93	6.8%
Bell Media	**591**	578	13	2.2%
Inter-segment eliminations	**(80)**	(76)	(4)	(5.3%)
Bell	**4,577**	4,576	1	0.0%
Bell Aliant	**694**	701	(7)	(1.0%)
Inter-segment eliminations	**(110)**	(111)	1	0.9%
Total BCE operating revenues	**5,161**	5,166	(5)	(0.1%)

EBITDA	Q4 2012	Q4 2011	$ CHANGE	% CHANGE
Bell Wireline	**931**	997	(66)	(6.6%)
Bell Wireless	**479**	421	58	13.8%
Bell Media	**172**	130	42	32.3%
Bell	**1,582**	1,548	34	2.2%
Bell Aliant	**314**	321	(7)	(2.2%)
Total BCE EBITDA	**1,896**	1,869	27	1.4%

BCE's operating revenues were 0.1% lower compared to the previous year. BCE's EBITDA increased 1.4%, year over year, as a result of strong double-digit EBITDA growth at Bell Wireless and Bell Media offset by lower revenues at Bell Wireline and Bell Aliant.

Revenues at Bell were flat, while Bell's EBITDA grew 2.2%. Higher year-over-year revenue and EBITDA reflected the steadily growing contribution of Bell's growth services, including wireless, TV, Internet and media and cost containment, partly offset by the continued decline in Bell's traditional voice and data services.

Bell Wireless operating revenues increased 6.8% in Q4 2012. Service revenue grew 7.4% on strong postpaid subscriber growth and a 4.1% increase in blended ARPU that was driven by data revenue growth of 28%. Despite average handset prices that were generally lower because of competitive holiday pricing, product revenues increased 2.3%, reflecting higher sales of more expensive smartphones. Bell Wireless EBITDA increased 13.8%, delivering a 2 percentage-point expansion in EBITDA service margin to 36.5%. This was achieved even with a $26 million year-over-year increase in combined subscriber acquisition costs and retention spending, which contributed to an increase in operating costs of 3.7% in the quarter.

Bell Wireline operating revenues decreased 3.7% as competitive and wireless substitution pressures continued to impact traditional voice services. Reduced spending by business customers on wireline data products and ICT services, reflecting continued slow economic growth, as well as the repricing of connectivity services also contributed to the year-over-year decline in Bell Wireline revenue in Q4 2012. However, the pace of wireline revenue erosion in Q4 2012 improved over the previous quarter as a result of increased TV revenues driven by fast subscriber growth in Fibe TV and residential NAS line losses that decreased 3.0% year over year. Bell Wireline EBITDA was down 6.6% year over year on lower operating revenues. A 2.0% improvement in wireline operating costs largely offset the loss of higher-margin legacy revenues and costs related to growing the Fibe TV subscriber base, resulting in an EBITDA margin reduction of 1.1 percentage points to 35.7%.

Bell Media operating revenues in Q4 were 2.2% higher, year over year. The increase was due to higher subscriber fee revenue, driven by market-based rates charged to broadcast distributors through renegotiated agreements for certain Bell Media specialty TV services. Advertising revenue decreased slightly from last year as the impact of the NHL lockout across Bell Media's specialty sports properties was largely offset by stronger advertising sales. Bell Media's EBITDA was up 32.3% in Q4 2012, reflecting the flow-through of higher subscriber fee revenue and 6.5% lower operating costs, due mainly to lower content and production costs as a result of the NHL lockout.

Bell invested $779 million in new capital in Q4 2012 to support its rapid broadband infrastructure development, including new fibre to residential homes and businesses in Ontario and Québec to support Fibe TV, Fibe Internet and new cloud computing services for business, and the ongoing roll-out of Bell's LTE mobile network.

Depreciation of $692 million increased from $661 million for the same period last year due to a higher depreciable asset base in 2012, a reduction in average useful lives as we invest relatively more in technology-related assets and incremental depreciation due to our acquisition of CTV on April 1, 2011.

Amortization of $175 million in Q4 2012 was lower compared to $181 million last year as some assets became fully amortized, partly offset by incremental amortization due to our acquisition of CTV on April 1, 2011.

Cash flows from operating activities were $863 million compared to $838 million in the same period last year due to higher net earnings. Free cash flow in Q4 2012, before and after the $750 million voluntary DB pension plan contribution, was $605 million and negative $145 million, respectively, compared to $564 million and negative $186 million, respectively, in the previous year. The year-over-year improvement was due to higher EBITDA.

BCE's net earnings attributable to common shareholders were $708 million, or $0.91 per share, in Q4 2012 compared to $486 million, or $0.62 per share, in Q4 2011. The year-over-year increase in earnings was due primarily to higher EBITDA, the non-cash gain on the transfer of spectrum from Inukshuk and lower income taxes. The 46.8% increase in EPS was due to higher EBITDA, partly offset by higher depreciation and net interest expense. BCE's Adjusted EPS in Q4 2012 was $0.65 per common share, compared to $0.62 in Q4 2011.

SEASONALITY CONSIDERATIONS

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

Wireline segment revenues tend to be higher in the fourth quarter because of higher data and equipment product sales to business customers and higher consumer electronic equipment sales during the holiday period in December. 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. Targeted marketing efforts conducted during various times of the year to coincide with special events or broad-based marketing campaigns also may have an impact on overall wireline operating results.

Wireless operating results 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, Bell Wireless EBITDA tends to be lower in the fourth quarter due to higher subscriber acquisition costs associated with a higher number of new subscriber activations during the holiday season. Additionally, the third quarter has become more significant in terms of wireless subscriber additions in recent years as a result of back-to-school offers, while subscriber additions have typically been lowest in the first quarter.

A large part of Bell Media's revenues and related expenses from TV and radio broadcasting is 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.

FINANCIAL RESULTS ANALYSIS

This section provides detailed information and analysis about BCE's performance in 2012 compared with 2011. It focuses on BCE's consolidated operating results and provides financial information for each of its operating segments.

Consolidated Analysis

	2012	2011	$ CHANGE	% CHANGE
Operating revenues	**19,975**	19,497	478	2.5%
Operating costs	**(12,092)**	(11,868)	(224)	(1.9%)
EBITDA	**7,883**	7,629	254	3.3%
Severance, acquisition and other costs	**(133)**	(409)	276	67.5%
Depreciation	**(2,674)**	(2,538)	(136)	(5.4%)
Amortization	**(714)**	(723)	9	1.2%
Finance costs				
Interest expense	**(865)**	(853)	(12)	(1.4%)
Interest on post-employment benefit obligations	**(958)**	(973)	15	1.5%
Expected return on post-employment benefit plan assets	**1,069**	1,032	37	3.6%
Other income	**270**	129	141	n.m.
Earnings before income taxes	**3,878**	3,294	584	17.7%
Income taxes	**(825)**	(720)	(105)	(14.6%)
Net earnings	**3,053**	2,574	479	18.6%
Net earnings attributable to:				
Common shareholders	**2,624**	2,221	403	18.1%
Preferred shareholders	**139**	119	20	16.8%
Non-controlling interest	**290**	234	56	23.9%
Net earnings	**3,053**	2,574	479	18.6%
Adjusted net earnings attributable to common shareholders	**2,462**	2,414	48	2.0%
Net earnings per common share	**3.39**	2.88	0.51	17.7%
Adjusted EPS	**3.18**	3.13	0.05	1.6%

(1) n.m.: not meaningful

Operating Revenues

	2012	2011	$ CHANGE	% CHANGE
Bell Wireline	**10,220**	10,621	(401)	(3.8%)
Bell Wireless	**5,573**	5,231	342	6.5%
Bell Media	**2,183**	1,542	641	41.6%
Inter-segment eliminations	**(334)**	(261)	(73)	(28.0%)
Bell	**17,642**	17,133	509	3.0%
Bell Aliant	**2,761**	2,775	(14)	(0.5%)
Inter-segment eliminations	**(428)**	(411)	(17)	(4.1%)
Total BCE operating revenues	**19,975**	19,497	478	2.5%

Total operating revenues for BCE were up 2.5% in 2012, due to higher revenues at Bell. Bell Aliant revenues were modestly lower compared to last year.

Bell operating revenues increased 3.0% in 2012, due to higher revenue at both Bell Wireless and Bell Media, partly offset by lower revenues at our Bell Wireline segment. Operating revenues for Bell in 2012 were comprised of service revenues of $16,007 million, which were 3.5% higher than in 2011, and product revenues of $1,635 million, which decreased 1.7% over the previous year.

Bell Wireline revenues decreased 3.8% in 2012, due mainly to the continued decline in traditional voice and data revenues, richer upfront promotional discounts and retention credits for customers as a result of aggressive competitive pricing on service bundle offers in the market, and lower year-over-year data product sales. Growth in revenues from our TV services, higher IP broadband connectivity revenues and increased data product sales to business customers moderated this decline.

Bell Wireless revenues grew 6.5% in 2012 as a result of increased service revenues from a larger postpaid customer base, increased data usage that generated higher blended ARPU year over year, and higher product revenues driven by increased year-over-year sales of more expensive smartphones.

Bell Media revenues in 2012 were $2,183 million compared to $1,542 million last year reflecting an incremental quarter of contribution from the acquisition of CTV, as well as the positive impact on advertising revenues from our broadcast of the London Summer Olympic Games and higher subscriber fee revenue driven by market-based rates charged to broadcast distributors through renegotiated agreements for certain Bell Media specialty sports and non-sports services. See *Segmented Analysis* for a discussion of operating revenues on a segmented basis.

Operating Costs

	2012	2011	$ CHANGE	% CHANGE
Bell Wireline	**(6,300)**	(6,466)	(166)	(2.6%)
Bell Wireless	**(3,463)**	(3,408)	55	1.6%
Bell Media	**(1,622)**	(1,208)	414	34.3%
Inter-segment eliminations	**334**	261	(73)	(28.0%)
Bell	**(11,051)**	(10,821)	230	2.1%
Bell Aliant	**(1,469)**	(1,458)	11	0.8%
Inter-segment eliminations	**428**	411	(17)	(4.1%)
Total BCE operating costs	**(12,092)**	(11,868)	224	1.9%

Operating costs for BCE were 1.9% higher in 2012, reflecting higher operating costs at Bell due to the acquisition of CTV. Bell Aliant's operating costs in 2012 increased 0.8%, due mainly to higher costs related to Bell Aliant's FibreOP TV service, largely offset by savings from productivity initiatives and operating efficiencies.

Bell operating costs increased 2.1% in 2012, due to a full year of costs for Bell Media and modestly higher wireless operating costs consistent with the growth in revenues. This was partly offset by lower operating costs at our Bell Wireline segment. The reduction in Bell Wireline operating costs, which improved 2.6% in 2012, was primarily the result of decreased labour costs, lower cost of goods sold due to decreased product revenues, lower operating taxes, billing and IT-related cost reductions from previously renegotiated vendor contracts, decreased fleet management costs, and cost savings from reduced residential customer call volumes and field service productivity improvements. These factors were partly offset by increased content and support costs to grow and manage Fibe TV, higher bad debt expense, as well as increased marketing and sales costs.

Bell Wireless operating costs in 2012 were up 1.6% compared to 2011. The increase was due to higher wireless handset discounts consistent with increased smartphone sales and greater customer retention spending year over year, higher payments to other carriers driven by increased data roaming volume, and higher general and administrative costs to support a growing customer base. These factors were offset partly by lower labour costs resulting from workforce reduction initiatives undertaken in 2011, as well as higher network labour capitalization due to our LTE network build, lower content costs, reduced customer call volume, decreased advertising costs and lower bad debt expense.

Bell Media operating costs totalled $1,622 million in 2012, reflecting an incremental quarter of costs and expenses related to our broadcast of the London Summer Olympic Games.

Total post-employment benefit plans service cost at BCE decreased to $225 million in 2012 from $241 million in 2011, due to lower post-employment benefit plans service cost at Bell. Post-employment benefit plans service cost at Bell totalled $168 million in 2012, down from $181 million in 2011, as a result of a gain that was recognized in the third quarter of 2012 relating to the phase-out of post-employment benefits for certain employees. This was partly offset by the unfavourable impact, year over year, of a lower discount rate used to value post-employment benefit obligations as well as an incremental post-employment benefit plans service cost from the acquisition of CTV. Post-employment benefit plans service cost at Bell Aliant was essentially unchanged, year over year, at $57 million in 2012, compared to $60 million in the previous year.

EBITDA

	2012	2011	$ CHANGE	% CHANGE
Bell Wireline	**3,920**	4,155	(235)	(5.7%)
Bell Wireless	**2,110**	1,823	287	15.7%
Bell Media	**561**	334	227	68.0%
Bell	**6,591**	6,312	279	4.4%
Bell Aliant	**1,292**	1,317	(25)	(1.9%)
Total BCE EBITDA	**7,883**	7,629	254	3.3%

EBITDA at BCE increased 3.3% in 2012, corresponding to an EBITDA margin of 39.5% compared to 39.1% in 2011. The year-over-year improvement was due to higher EBITDA at Bell that was moderated by lower EBITDA at Bell Aliant.

Bell's EBITDA was up 4.4% in 2012. This was driven by higher Wireless and Media EBITDA, partly offset by lower Wireline EBITDA, resulting in a year-over-year improvement in Bell's consolidated EBITDA margin to 37.4% from 36.8% in 2011. This margin improvement was achieved despite the upfront costs

associated with growing our Bell Fibe TV customer base and the inclusion of lower-margin Bell Media revenues in our operating results beginning in the second quarter of 2011.

See *Segmented Analysis* for a discussion of EBITDA on a segmented basis.

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.

2012

We recorded severance, acquisition and other costs of $133 million in 2012. These included:

- severance costs related to voluntary and involuntary workforce reduction initiatives of $107 million, including an incremental post-employment benefit plan expense of $50 million for a retirement incentive program
- acquisition costs and other charges of $26 million, including costs related to our proposed acquisition of Astral and real estate costs incurred due to the restructuring of our workforce.

2011

We recorded severance, acquisition and other costs of $409 million in 2011. These included:

- severance costs related to voluntary and involuntary workforce reduction initiatives of $191 million
- acquisition costs of $165 million, primarily related to CTV, which include $164 million relating to the CRTC tangible benefit obligation that we were ordered to pay over seven years to benefit the Canadian broadcasting system as part of our acquisition of CTV, partly offset by a post-employment benefit curtailment gain of $13 million resulting from the transfer of certain employees to BCE from CTV
- other charges of $53 million, which include $18 million for real estate costs and $10 million related to an administrative amount levied by the federal Competition Bureau pursuant to a consent agreement.

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 and the useful lives of those assets*
- *how many assets we retired during the year*
- *changes in estimates.*

DEPRECIATION

Depreciation of $2,674 million in 2012 represented an increase of $136 million, or 5.4%, compared to $2,538 million in 2011 due to a higher depreciable asset base in 2012 as we continued to invest in our broadband and wireless networks, as well as in our TV services, and incremental depreciation due to our acquisition of CTV on April 1, 2011.

AMORTIZATION

Amortization of $714 million in 2012 decreased compared to $723 million in 2011 as intangible assets became fully amortized, resulting in a lower asset base in 2012, partly offset by incremental amortization resulting from our acquisition of CTV on April 1, 2011.

Amortization expense relating to the fair value of certain programming rights, which resulted from the allocation of the purchase price for CTV, was $49 million in 2012 compared to $63 million in 2011 and was included in operating costs.

Finance Costs

INTEREST EXPENSE

Interest expense of $865 million in 2012 represented an increase of $12 million, or 1.4%, compared to $853 million in 2011. The increase resulted from higher average debt levels and interest expense on the finance lease for a new satellite which was placed in service in June 2012, partly offset by lower average interest rates on debt and underwriting fees incurred in 2011 to finance the CTV acquisition.

INTEREST ON POST-EMPLOYMENT BENEFIT OBLIGATIONS

Interest on post-employment benefit obligations of $958 million in 2012 represented a decrease of $15 million, or 1.5%, compared to $973 million in 2011. In 2012, a lower discount rate was used to value our post-employment benefit obligations because of a reduction in market interest rates. This was partly offset by higher interest on a higher benefit obligation and the acquisition of CTV's benefit obligation on April 1, 2011.

Expected Return on Post-employment Benefit Plan Assets

Expected return on post-employment benefit plan assets of $1,069 million in 2012 represented an increase of $37 million, or 3.6%, compared to $1,032 million in 2011. This increase was a result of increased assets in the post-employment benefit plans in 2012 due to contributions to the plan, including a voluntary contribution of $750 million in December 2011, the return earned, and higher plan assets from the acquisition of CTV on April 1, 2011, partly offset by a decrease in the expected return on post-employment benefit plan assets in 2012.

Other Income

Other income includes income and expense, such as:

- *net gains or losses on investments, including gains or losses when we dispose of, write down or reduce our ownership in investments*
- *impairment of assets*
- *losses on disposal and retirement of software, plant and equipment*
- *net mark-to-market gain or loss on economic hedges*
- *interest income on cash and cash equivalents*
- *equity income*
- *other miscellaneous income or expense.*

Other income of $270 million in 2012 represented an increase of $141 million, compared to $129 million in 2011. In 2012, we recognized a non-cash gain of $233 million which represents

our interest in a gain realized by Inukshuk on assets sold to its owners and we recognized a $22 million net mark-to-market gain on economic hedges. These were offset partly by losses on disposal and retirement of software, plant and equipment of $36 million.

In 2011, other income of $129 million included a gain of $89 million on remeasurement of our previously held 15% equity interest in CTV at the acquisition date and a $75 million net mark-to-market gain on economic hedges. These were offset partly by losses on disposal and retirement of software, plant and equipment of $45 million, a goodwill impairment of $17 million for a business in Bell Wireline that will cease operations in 2013 and an impairment of our Calgary Westwinds campus that was under a finance lease of $14 million.

Income Taxes

Income taxes of $825 million in 2012 represented an increase of $105 million, or 14.6%, compared to $720 million in 2011 due to favourable resolution of uncertain tax matters in 2011 and higher taxable income in 2012, partly offset by a lower corporate tax rate.

The effective tax rate decreased to 21.3% in 2012, compared to 21.9% in 2011.

Net Earnings and EPS

Net earnings attributable to common shareholders in 2012 was $2,624 million, or $3.39 per common share, compared to net earnings of $2,221 million, or $2.88 per common share in 2011. The increase in 2012 was a result of higher EBITDA, lower severance, acquisition and other costs, lower net post-employment benefit finance costs and higher non-cash gains on investments. This increase was partly offset by higher depreciation and tax expense.

Excluding the impact of severance, acquisition and other costs and net gains on investments, Adjusted net earnings(4) was $2,462 million in 2012, an increase of $48 million compared to $2,414 million in 2011. As a result, Adjusted EPS increased 1.6% in 2012 to $3.18 per common share from $3.13 per common share in 2011.

Segmented Analysis

Our reporting structure reflects how we manage our business and how we classify our operations for planning and measuring performance.

On April 1, 2011, BCE acquired the remaining 85% of CTV common shares that we did not already own. CTV is reported as a separate segment, Bell Media, which also includes certain assets that we transferred to it from our Wireline business. The Bell Media segment provides specialty TV, digital media, conventional TV and radio broadcasting services to customers across Canada.

Bell Wireline Segment

BELL WIRELINE REVENUE

	2012	2011	$ CHANGE	% CHANGE
Local and access	**2,632**	2,852	(220)	(7.7%)
Long distance	**801**	903	(102)	(11.3%)
Data(1)	**5,647**	5,642	5	0.1%
Equipment and other	**827**	911	(84)	(9.2%)
Total external revenues	**9,907**	10,308	(401)	(3.9%)
Inter-segment revenues	**313**	313	–	0.0%
Total revenue	**10,220**	10,621	(401)	(3.8%)

(1) In 2012, we have included TV service revenues in data revenues to align with the reporting practices of our peers. As a result, we have reclassified the 2011 revenues by product.

Bell Wireline revenues were down 3.8% in 2012, reflecting lower year-over-year local and access, long distance and equipment and other revenues.

(4) Adjusted net earnings 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 companies. See Non-GAAP Financial Measures – Adjusted Net Earnings and Adjusted EPS *in this MD&A for more details, including a reconciliation to the most comparable IFRS financial measures.*

Local and Access

	2012	2011	CHANGE	% CHANGE
NETWORK ACCESS SERVICE (NAS) LINES				
Residential(1)	2,940,314	3,276,121	(335,807)	(10.3%)
Business	2,704,625	2,825,535	(120,910)	(4.3%)
Total	5,644,939	6,101,656	(456,717)	(7.5%)
NAS NET LOSSES				
Residential(1)	(335,807)	(332,766)	(3,041)	(0.9%)
Business	(120,910)	(41,283)	(79,627)	n.m.
Total	(456,717)	(374,049)	(82,668)	(22.1%)

(1) In 2012, residential NAS losses were increased by 7,692 lines following a review of customer account records.
n.m.: not meaningful

Local and access revenues declined 7.7% in 2012. The decrease was driven by the ongoing decline in local residential NAS lines due to competition, price matching of competitive service bundle offers, and technological substitution to wireless and Internet-based services. The year-over-year decline also reflected fewer business voice access lines, due to customer conversion from legacy voice services to IP-based data services, increased competitive intensity in the mass and mid-sized business markets, and repricing pressures.

Total NAS net losses were 22.1% higher in 2012. The result for 2011 reflected the favourable impact of wholesale residential and business customer migrations from a cable competitor via a third-party reseller of telecommunications services, which began in the fourth quarter of 2010 and were completed substantially in the second quarter of 2011. Excluding the impact of this third-party reseller, our combined residential and business NAS net losses in 2012 increased 4.9% to 436,130 from 415,614 in the previous year, reflecting a higher number of business access line losses, offset partly by fewer residential NAS losses.

Residential NAS losses increased 0.9% year over year, due mainly to wholesale customer losses to competitors incurred by the aforementioned third-party reseller of telecommunications services. Excluding the impact of this third-party reseller, residential NAS line losses improved 5.5% in 2012 to 323,832 from 342,540 in the previous year. This year-over-year improvement can be attributed to the positive pull-through effect of service bundle offers that include our Fibe TV and Fibe Internet services, competitive retention offers and customer winbacks. We are experiencing lower rates of residential NAS turnover in our Fibe TV service areas compared to our non-Fibe TV service areas. However, residential NAS performance continued to be impacted throughout 2012 by wireless and Internet-based technology substitution, as well as aggressive bundle pricing and promotional activity by cable TV competitors in Ontario and Québec.

Business NAS line losses were 79,627 higher in 2012. The year-over-year increase resulted from the ongoing conversion of voice lines to IP-based services, continued soft demand for new installations, and higher wholesale customer deactivations. Additionally, customer losses experienced by the aforementioned third-party reseller of telecommunications services also contributed to the increase in business NAS line losses in 2012. Excluding the impact of this third-party reseller, our business NAS line losses were 112,298 in 2012, compared to 73,074 in the previous year.

Mainly as a result of higher year-over-year business NAS line losses, the annual rate of erosion in our NAS customer base increased to 7.5% in 2012 from 5.8% in 2011, comprised of residential and business NAS erosion rates of 10.3% and 4.3%, respectively, in 2012 compared to 9.2% and 1.4%, respectively, in 2011.

Long Distance

Long distance revenues decreased 11.3% in 2012. The year-over-year decline reflected fewer minutes of use by residential and business customers resulting from NAS line losses and technology substitution to wireless calling and IP-based services, ongoing rate pressures in our business markets, decreased sales of global long distance minutes compared to 2011, the continuing shift by residential customers from per-minute rate plans to unlimited or high-usage packages for a set monthly price, and residential bundling competition. Selective price increases moderated the overall rate of long distance revenue erosion in 2012.

Data

	2012	2011	CHANGE	% CHANGE
HIGH-SPEED INTERNET				
High-speed Internet net activations	32,288	15,426	16,862	n.m.
High-speed Internet subscribers(1)(2)	2,115,243	2,112,752	2,491	0.1%
TELEVISION (TV)				
Net subscriber activations(3)	69,445	68,221	1,224	1.8%
Total subscribers(2)(3)(4)	2,155,983	2,103,579	52,404	2.5%
Average revenue per subscriber ($/month)	75.01	73.68	1.33	1.8%

(1) In 2012, our high-speed Internet subscriber base was reduced by 20,953 customers to reflect the decommissioning of our worldwide interoperability for microwave access (WiMAX) network and our decision to shut down our cable TV business in Montréal in 2012.
(2) In 2012, our high-speed Internet and TV subscriber bases were reduced by 8,844 customers and 7,514 customers, respectively, to adjust for customer deactivations.
(3) In 2011, our TV customer base was increased by 15,260 customers to include the cable operations of Northwestel Inc.
(4) In 2012, our TV subscriber base was reduced by 9,527 customers following our decision to shut down our cable TV business in Montréal.
n.m.: not meaningful

Data revenue was essentially unchanged in 2012, increasing 0.1% over 2011. The slight year-over-year improvement was due mainly to higher TV revenue driven by strong subscriber growth in Fibe TV and higher IP broadband connectivity revenues. This was offset by a continued decline in revenue from basic legacy data services attributable to ongoing business customer migration to IP-based systems, competitive losses and pricing pressures in our business and wholesale markets, lower data product sales, as well as by reduced spending by our large enterprise customers on ICT services due to a slow-growing and uncertain economy. The impact of richer upfront promotional discounts and retention credits, compared to the previous year, on residential service bundle offers that include Fibe TV and Fibe Internet also moderated overall data revenue growth in 2012.

Higher Internet net subscriber activations in 2012 reflected the pull-through of Fibe TV customer activations, enhanced competitive offers, and continued broadband fibre service expansion. We adjusted our high-speed Internet customer base at the beginning of 2012 to reduce our subscriber base by 20,953 customers to reflect the decommissioning of our WiMAX network and our decision to shut down our cable TV business in Montréal in 2013. The market for WiMAX services is declining over time as customers migrate to newer, fibre optic-based wireline and wireless technologies. Additionally, we made an adjustment at the beginning of the third quarter of 2012 to reduce our high-speed Internet subscriber base by 8,844 customers, to adjust for customer deactivations. None of these subscriber base adjustments impacted net subscriber activations in 2012.

TV net subscriber activations increased 1.8% in 2012 to 69,445, driven by increasing customer demand for Fibe TV as we continue to expand our IPTV service footprint and enhance our residential bundle offers to include Fibe TV and Fibe Internet services where available. Fibe TV net customer activations in 2012 totalled 163,127 compared to 73,529 in 2011, bringing the total number of Fibe TV customers at the end of 2012 to 248,298. Decreased satellite TV net activations attributable to the roll-outs of IPTV service by other competing service providers, aggressive customer conversion offers from cable TV competitors, and Bell customer migrations to Fibe TV moderated the overall increase in TV subscriber net activations in 2012. At December 31, 2012, we had 2,155,983 TV subscribers, representing a 2.5% increase since the end of 2011. The figure for 2012 includes a beginning-of-year adjustment to write off 9,527 cable TV customers following our decision to shut down our cable TV business in Montréal in 2013. We continue to offer TV service in the affected areas of Montréal through our satellite TV platform or Fibe TV. We also made an adjustment at the beginning of the third quarter of 2012 to reduce our TV subscriber base by 7,514 customers for customer deactivations. These subscriber base adjustments did not impact net subscriber activations for 2012.

Equipment and Other

Equipment and other revenues decreased 9.2% in 2012, due mainly to lower year-over-year legacy wireline equipment sales, promotional offers at Bell TV that reduced the average retail price of our premium TV STBs, a higher proportion of STB rentals for our Bell Fibe TV service which has grown steadily over the past year, and lower consumer electronics equipment sales at The Source.

BELL WIRELINE EBITDA

	2012	2011	$ CHANGE	% CHANGE
Operating costs	(6,300)	(6,466)	166	2.6%
EBITDA	3,920	4,155	(235)	(5.7%)
EBITDA margin	38.4%	39.1%		(0.7%)

The year-over-year decrease in Bell Wireline EBITDA and margin in 2012 resulted from ongoing declines in higher-margin legacy voice and data services that were not fully offset by growth in lower-margin TV, IP connectivity and data product revenues. The impact of richer upfront promotional discounts and retention credits for consumers as a result of continued aggressive competitive pricing on service bundle offers in the market also contributed to reduced wireline EBITDA and margins in 2012. Lower operating costs, which improved 2.6% in 2012 to $6,300 million, moderated this decline. The year-over-year improvement in wireline operating costs was mainly due to:

- a decline in labour costs due to a reduced workforce and decreased use of outsourced labour and contractors
- lower cost of goods sold due to decreased wireline product revenues

- IT savings from reduced contract maintenance costs, as well as lower print and mailing costs for customer billing
- lower operating taxes
- lower fleet management costs
- reduced customer call volumes
- other efficiency gains resulting from productivity and ongoing service improvements in both our field operations and residential services call centres.

Increased content and support costs to grow and manage Fibe TV, higher bad debt expense, and increased marketing and sales-related costs partly offset the improvement in Bell Wireline operating costs in 2012.

Bell Wireless Segment

BELL WIRELESS REVENUE

	2012	2011	$ CHANGE	% CHANGE
Service	5,081	4,769	312	6.5%
Product	438	422	16	3.8%
Total external revenues	5,519	5,191	328	6.3%
Inter-segment revenues	54	40	14	35.0%
Total revenue	5,573	5,231	342	6.5%

Bell Wireless operating revenues increased 6.5% in 2012, driven by higher year-over-year service and product revenues.

Wireless service revenues were up 6.5% in 2012, reflecting strong postpaid subscriber growth and higher blended ARPU that was driven by higher data usage and revenues from greater smartphone penetration of our wireless customer base. Wireless data revenue in 2012 was 29.8% higher, year over year, while wireless voice revenue decreased 3.3%.

Product revenue increased 3.8% in 2012 as a result of higher average handset pricing, due to an increased postpaid smart-phone mix and higher year-over-year sales of more expensive smartphone handsets, partly offset by fewer undiscounted customer upgrades compared to 2011.

WIRELESS SUBSCRIBERS	2012	2011	CHANGE	% CHANGE
Average revenue per unit (ARPU) ($/month)	55.82	53.55	2.27	4.2%
Gross activations	1,802,837	1,936,396	(133,559)	(6.9%)
Postpaid	*1,388,187*	*1,402,965*	*(14,778)*	*(1.1 %)*
Prepaid	*414,650*	*533,431*	*(118,781)*	*(22.3 %)*
Net activations	260,650	185,434	75,216	40.6%
Postpaid(1)	*456,979*	*433,797*	*23,182*	*5.3 %*
Prepaid	*(196,329)*	*(248,363)*	*52,034*	*21.0 %*
Churn % (average per month)	1.7%	2.0%		0.3%
Postpaid	*1.3 %*	*1.5 %*		*0.2 %*
Prepaid	*3.6 %*	*3.9 %*		*0.3 %*
Subscribers	7,681,032	7,427,482	253,550	3.4%
Cost of acquisition (COA) ($/subscriber)	416	403	(13)	(3.2%)

(1) In 2012, our wireless postpaid net activations were reduced by 7,100 customers to adjust for customer deactivations.

Blended ARPU was up 4.2% in 2012 to $55.82. The increase can be attributed to increased data usage, reflecting a higher percentage of postpaid customers in our overall customer base, a higher proportion of postpaid customers using smartphones and a greater number of postpaid customers in our subscriber base from higher-ARPU regions of Canada. This was partly offset by lower voice ARPU year over year. Data ARPU growth of 26.4% in 2012 reflected increased use of e-mail, wireless Internet, text messaging and other mobile applications, as well as increased adoption of data plans driven by increased penetration of smartphones and other data devices such as tablets. Voice ARPU declined 5.3% in 2012, mainly as a result of competitive pricing pressures, higher uptake of included-minute rate plans, year over year, and lower overall voice usage as customers increasingly substitute for data features and services.

Postpaid gross activations in 2012 decreased 1.1% compared to 2011, reflecting a maturing wireless market and a sustained high level of competitive intensity as evidenced by price competition for smartphone devices and a large number of promotional rate plan offers, acquisition-related credits and in-store credits from both the national wireless service providers and newer entrants. However, customer activations in western Canada increased, year over year, as a result of effective marketing and sales execution attributable to more points of retail distribution and increased advertising. Additionally, smartphone adoption rates remained high in 2012 at 66% of total postpaid gross activations, compared to 60% in 2011, increasing the percentage of postpaid subscribers with smartphones to 64% at December 31, 2012 compared to 48% at the end of 2011. These subscribers typically generate significantly higher ARPU and have lower churn rates than those with messaging and voice-only mobile devices.

Prepaid gross activations decreased 22.3% in 2012 to 414,650 from 533,431 in 2011, due to continued aggressive acquisition offers from the newer wireless entrants for lower-value subscribers and our continued focus on acquiring postpaid customers.

Total gross wireless activations decreased 6.9% in 2012, due to lower postpaid and prepaid gross activations as described above.

Postpaid net activations increased 5.3% in 2012, due to improved customer churn, partly offset by lower gross activations and fewer customer migrations from prepaid service compared to 2011. Prepaid net customer losses improved 21% in 2012, despite lower year-over-year gross activations, mainly as a result of fewer customer deactivations.

Our blended wireless churn rate improved 30 basis points to 1.7% in 2012, due to lower postpaid and prepaid churn. Postpaid churn decreased 20 basis points to 1.3%, reflecting the positive impact of retention spending and lower customer deactivation rates on smartphones compared to other devices. Prepaid churn decreased 30 basis points to 3.6% as a result of fewer customer deactivations.

At December 31, 2012, we provided service to 7,681,032 wireless subscribers, representing a 3.4% increase since the end of 2011. At the end of 2012, the proportion of Bell Wireless customers subscribing to postpaid service increased to 83.6% from 80.4% one year earlier. Postpaid subscribers have a higher value compared to prepaid customers as they generate substantially higher ARPU and lower churn. The figure for 2012 includes an adjustment made at the beginning of the third quarter to reduce our postpaid subscriber base by 7,100 customers to adjust for customer deactivations. This subscriber base adjustment did not impact postpaid net activations in 2012.

BELL WIRELESS EBITDA

	2012	2011	$ CHANGE	% CHANGE
Operating costs	(3,463)	(3,408)	(55)	(1.6%)
EBITDA	2,110	1,823	287	15.7%
Total EBITDA margin	37.9%	34.8%		3.1%
Service EBITDA margin	41.5%	38.2%		3.3%

Bell Wireless EBITDA increased 15.7% in 2012 to $2,110 million, reflecting a 6.5% increase in wireless operating revenues as described above and well-controlled operating costs. As a result of strong double-digit EBITDA growth, Bell Wireless' EBITDA margin based on wireless service revenue, in 2012 increased to 41.5% from 38.2% in 2011.

Bell Wireless operating costs increased 1.6% in 2012 to $3,463 million. The increase was due to higher wireless handset discounts, consistent with increased smartphone sales and greater customer retention spending year over year, higher payments to other carriers driven by increased data roaming volume, and higher general and administrative costs to support a growing customer base. These factors were offset partly by lower labour costs resulting from workforce reduction initiatives undertaken in 2011, higher network labour capitalization due to our LTE network build, lower content costs, reduced customer call volumes, as well as other call centre productivity improvements. Lower advertising costs and reduced bad debt expense also moderated the increase in wireless operating costs in 2012.

Wireless cost of acquisition (COA) per gross activation was up 3.2% in 2012 to $416. The year-over-year increase was due primarily to higher per-unit handset discounts driven by aggressive handset pricing in the market and higher sales-related costs.

Bell Media Segment

BELL MEDIA REVENUE

	2012	2011	$ CHANGE	% CHANGE
Total external revenue	2,022	1,455	567	39.0%
Inter-segment revenue	161	87	74	85.1%
Total revenue	2,183	1,542	641	41.6%

Bell Media revenue in 2012 of $2,183 million is not comparable to 2011 given the acquisition of CTV that occurred on April 1, 2011. Media revenue generated in 2012 reflected the significant contribution of advertising sales across its TV, radio and digital media properties, both locally and nationally, as well as subscriber fees payable by broadcast distributors for carrying Bell Media's pay, PPV and specialty TV services.

Advertising revenue in 2012 benefitted from our broadcast of the London Summer Olympic Games and was supported also by the maintenance of strong audience levels across Bell Media's conventional and specialty TV channels. CTV, Bell Media's conventional TV network, consistently reported the strongest ratings in all seasons in 2012, holding a majority of the top 20 programs nationally among all viewers. Notwithstanding the Olympics and solid TV ratings, overall advertising revenue in 2012 was affected by a soft advertising market reflecting a slow-growing economy. The NHL lockout did not materially impact overall Bell Media operating revenue in 2012.

Higher subscriber fee revenue in 2012 reflected market-based rates charged to broadcast distributors through renegotiated agreements for certain Bell Media specialty sports and non-sports services, which included a retroactive impact from the CRTC's decision on July 20, 2012 that settled a dispute between Bell Media and certain distributors in respect of fees to be paid for such specialty TV services.

BELL MEDIA EBITDA

	2012	2011	$ CHANGE	% CHANGE
Operating costs	(1,622)	(1,208)	(414)	(34.3%)
EBITDA	561	334	227	68.0%
EBITDA margin	25.7%	21.7%		4.0%

Bell Media EBITDA of $561 million in 2012 is not comparable to 2011 given the acquisition of CTV that occurred on April 1, 2011.

Bell Media's operating costs totalled $1,622 million in 2012, which included expenses related to our broadcast of the London Summer Olympic Games. Bell Media operating costs in 2012 also reflected the favourable impact of lower TV programming costs, reduced labour and general and administrative expenses, and decreased marketing and sales costs. The NHL lockout contributed to higher Media EBITDA in 2012, as production costs related to broadcasting the games on our specialty sports TV channels, TSN and RDS, were not incurred.

Bell Aliant Segment

BELL ALIANT REVENUE

	2012	2011	$ CHANGE	% CHANGE
Local and access	1,168	1,231	(63)	(5.1%)
Long distance	322	359	(37)	(10.3%)
Data	784	713	71	10.0%
Wireless	94	88	6	6.8%
Equipment and other	159	152	7	4.6%
Total external revenues	2,527	2,543	(16)	(0.6%)
Inter-segment revenues	234	232	2	0.9%
Total revenue	2,761	2,775	(14)	(0.5%)

Bell Aliant revenues decreased 0.5% in 2012 to $2,761 million. The continued erosion of Bell Aliant's legacy voice business was partly offset by higher revenues from growth in Internet, data, TV and wireless, as well as higher equipment and other sales.

Local and access revenues decreased 5.1% in 2012 to $1,168 million. The decline was due to a 5.2% reduction in the NAS customer base since the end of 2011, reflecting competitive losses driven by aggressive pricing by competitors, substitution for other services including wireless and VoIP, as well as the impact of bundling that attributes lower revenue amounts to traditional voice services. Selective price increases moderated the impact of a declining NAS customer base on revenues. At December 31, 2012, Bell Aliant had 2,491,370 NAS lines, compared to 2,628,775 NAS lines at the end of 2011.

Long distance revenues were down 10.3% in 2012 to $322 million. The decline was primarily the result of fewer NAS lines, technology substitution to wireless and IP-based services, as well as customer migration from per-minute plans to flat rate plans. The effects of these declines were offset modestly by selective price increases.

Data revenues increased 10.0% in 2012 to $784 million. The year-over-year improvement was due mainly to higher Internet and IPTV revenues. Growth in Internet revenues was driven by higher residential high-speed Internet ARPU resulting from increased customer demand for higher bandwidth bundles and adoption of additional services, price increases and a larger high-speed subscriber base compared to the previous year. At December 31, 2012, Bell Aliant had 918,414 high-speed Internet subscribers compared to 895,520 subscribers at the end of 2011. Higher IPTV service revenues from growth in Bell Aliant's FibreOP TV customer base, as well as increased IP broadband connectivity revenues also contributed to higher data revenues in 2012. At December 31, 2012, Bell Aliant had 123,020 IPTV customers, which included 96,831 FibreOP customers, compared to 77,060 at the end of 2011, which included 41,600 FibreOP customers.

Wireless revenues increased 6.8% in 2012 to $94 million. The year-over-year increase was due to subscriber and ARPU growth, reflecting a significant increase in smartphone users choosing enhanced voice and data plans. At December 31, 2012, Bell Aliant had 143,858 wireless customers, representing a 5.5% increase since the end of 2011.

Equipment and other revenues grew 4.6% in 2012 to $159 million, due mainly to increased telecommunications equipment sales to business customers in Atlantic Canada and higher telephone pole rental revenue.

BELL ALIANT EBITDA

	2012	2011	$ CHANGE	% CHANGE
Operating costs	(1,469)	(1,458)	(11)	(0.8%)
EBITDA	1,292	1,317	(25)	(1.9%)
EBITDA margin	46.8%	47.5%		(0.7%)

Bell Aliant EBITDA decreased 1.9% in 2012 to $1,292 million. The year-over-year decrease was primarily the result of lower operating revenues as continued declines in higher-margin voice revenues were not fully offset by growth in lower-margin data service revenues. Although savings from ongoing productivity initiatives and operating efficiencies helped to mitigate cost pressures from the growing FibreOP service demand, total operating costs increased modestly in 2012, contributing to the year-over-year decline in EBITDA.

Bell Aliant's operating costs were $1,469 million in 2012, up 0.8% compared to 2011. The modest year-over-year increase was due to higher TV costs as a result of IPTV content growth, higher cost of product sales, as well as increased marketing and sales expenses attributable to growth in FibreOP subscribers and greater FibreOP advertising. Lower labour costs from workforce reductions in 2011 and decreased operating taxes largely offset the increase in operating costs in 2012.

FINANCIAL AND CAPITAL MANAGEMENT

This section tells you how we manage our cash and capital resources to carry out our strategy and deliver financial results. It provides an analysis of our financial condition, cash flows and liquidity on a consolidated basis.

Net Debt

	2012	2011	$ CHANGE	% CHANGE
Debt due within one year[(1)]	2,136	2,106	30	1.4%
Long-term debt	13,886	12,721	1,165	9.2%
Preferred shares[(2)]	1,698	1,558	140	9.0%
Cash and cash equivalents	(127)	(175)	48	27.4%
Net debt	17,593	16,210	1,383	8.5%

(1) Includes bank advances, notes payable and securitized trade receivables.
(2) Assumes 50% debt classification of outstanding preferred shares of $3,395 million and $3,115 million in 2012 and 2011, respectively, consistent with the treatment by certain credit rating agencies.

The increase in total debt was due to:

- an increase in our finance lease obligations of $814 million, of which $476 million related to a new satellite that was placed in service in June 2012
- the issuance of MTN Debentures at Bell Canada with a total principal amount of $1 billion
- an increase of $377 million in bank advances and notes payable

partly offset by:

- $500 million principal repayment of MTN Debentures at Bell Canada
- $391 million of regular repayments under finance leases.

The increase in preferred shares was due to the issuance of 11,200,000 BCE Cumulative Redeemable First Preferred Shares, Series AK (Series AK Preferred Shares) for total gross proceeds of $280 million.

The decrease in cash and cash equivalents was due to dividends paid on common shares of $1,683 million, investments of $593 million in MLSE and Q9, the repurchase of common shares of $107 million and lower Bell Aliant free cash flow of $186 million. These decreases were partly offset by free cash flow of $1,670 million, the issuance of Series AK Preferred Shares for $280 million and a net debt issuance of $486 million.

Outstanding Share Data

COMMON SHARES OUTSTANDING	NUMBER OF SHARES
Outstanding, January 1, 2012	**775,444,200**
Shares issued under employee stock option plans	**1,296,962**
Shares issued under employee savings plans (ESP)	**1,102,022**
Shares repurchased and cancelled	**(2,461,539)**
Outstanding, December 31, 2012	**775,381,645**

STOCK OPTIONS OUTSTANDING	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE ($)
Outstanding, January 1	**4,027,309**	**33**
Granted	**2,681,201**	**40**
Exercised	**(1,296,962)**	**30**
Expired	**(4,850)**	**28**
Forfeited	**(96,342)**	**37**
Outstanding, December 31	**5,310,356**	**37**
Exercisable, December 31	**420,822**	**30**

At March 7, 2013, 775,872,556 common shares and 7,871,724 stock options were outstanding.

Cash Flows

	2012	2011	$ CHANGE	% CHANGE
Cash flows from operating activities	**5,552**	4,869	683	14.0%
Bell Aliant dividends/distributions paid to BCE	**191**	214	(23)	(10.7%)
Capital expenditures	**(3,515)**	(3,256)	(259)	(8.0%)
Cash dividends paid on preferred shares	**(133)**	(118)	(15)	(12.7%)
Cash dividends/distributions paid by subsidiaries to non-controlling interest	**(340)**	(315)	(25)	(7.9%)
Acquisition costs paid	**101**	70	31	44.3%
Bell Aliant free cash flow	**(186)**	47	(233)	n.m.
Free cash flow	**1,670**	1,511	159	10.5%
Bell Aliant free cash flow, excluding dividends/distributions paid	**(5)**	(261)	256	98.1%
Business acquisitions	**(13)**	(680)	667	98.1%
Acquisition costs paid	**(101)**	(70)	(31)	(44.3%)
Increase in investments	**(593)**	(12)	(581)	n.m.
Other investing activities	**28**	64	(36)	(56.3%)
Net issuance (repayment) of debt instruments	**486**	(6)	492	n.m.
Reduction in securitized trade receivables	**(15)**	(318)	303	95.3%
Issue of common shares	**39**	152	(113)	(74.3%)
Issue of preferred shares	**280**	345	(65)	(18.8%)
Issue of equity securities by subsidiaries to non-controlling interest	**11**	403	(392)	(97.3%)
Repurchase of common shares	**(107)**	(143)	36	25.2%
Cash dividends paid on common shares	**(1,683)**	(1,520)	(163)	(10.7%)
Other financing activities	**(45)**	(61)	16	26.2%
Net decrease in cash and cash equivalents	**(48)**	(596)	548	91.9%

n.m.: not meaningful

Cash Flows from Operating Activities

The increase in cash flows from operating activities was due to:

- a decrease of $301 million in contributions to postemployment benefit plans and payments under other post-employment benefit (OPEB) plans, due mainly to a $215 million lower lump sum contribution made by Bell Aliant in 2012 and lower contributions at Bell
- a decrease of $206 million in severance and other costs paid largely due to amounts returned to residential Home Phone customers in 2011 further to our CRTC deferral account obligation
- an increase of $238 million in EBITDA, exclusive of postemployment benefit plans service cost
- an improvement in working capital.

This increase was partly offset by higher income taxes paid of $150 million in 2012.

Capital Expenditures

	2012	2011	$ CHANGE	% CHANGE
Bell	**2,923**	2,683	240	8.9%
Capital intensity ratio	**16.6%**	15.7%		0.9%
Bell Aliant	**592**	573	19	3.3%
Capital intensity ratio	**21.4%**	20.6%		0.8%
BCE	**3,515**	3,256	259	8.0%
Capital intensity ratio	**17.6%**	16.7%		0.9%

Capital expenditures for BCE were $3,515 million in 2012, up 8.0% from 2011, reflecting higher spending at both Bell and Bell Aliant. As a percentage of revenue, capital expenditures for BCE were 17.6% in 2012 compared to 16.7% in 2011.

At Bell, capital expenditures in 2012 increased 8.9% to $2,923 million, corresponding to a capital intensity ratio of 16.6% of revenue compared to 15.7% in 2011. Higher year-over-year capital spending was attributable to:

- the deployment of broadband fibre to existing residential homes and neighbourhoods, new housing developments, condominiums and other MDUs, as well as targeted businesses in Ontario and Québec

- grooming of Bell's core wireline broadband network to support our IPTV service
- ongoing construction of Bell's 4G LTE network in urban markets
- Wireless network capacity growth to accommodate increasing wireless data consumption
- speed and capacity enhancements to our IP backbone network infrastructure

- spending to support the execution of customer contracts in our Business Markets unit
- investment in customer service to improve client care support systems and self-serve tools
- expanding the number of Bell-branded and The Source retail stores in western Canada.

Consistent with its strategic priority to grow broadband, Bell Aliant's capital expenditures increased 3.3% in 2012 to $592 million, mainly reflecting accelerated expansion of its FibreOP Internet and TV service coverage through the deployment of FTTH and the connection of more customers to FibreOP service.

Free Cash Flow

The increase in free cash flow was due to an increase in cash flows from operating activities of $683 million offset partly by higher capital expenditures of $259 million and a decrease in Bell Aliant free cash flow of $233 million.

Business Acquisitions

In 2011, we paid cash consideration of $680 million for the acquisition of CTV, net of $33 million of cash acquired.

Increase in Investments

The increase in investments of $593 million in 2012 was due to BCE's acquisition of a 28% indirect equity interest in MLSE for a net cash consideration of $398 million and the acquisition of a 35.3% equity ownership in Q9 for a net cash consideration of $185 million.

Debt Instruments

We use a combination of short-term and long-term debt to finance our operations. Our short-term debt consists mostly of bank facilities, notes payable under commercial paper programs and loans securitized by trade receivables. We usually pay fixed rates of interest on our long-term debt and floating rates on our short-term debt.

In 2012, we issued $486 million of debt, net of repayments. This included the issuance of MTN Debentures at Bell Canada with a total principal amount of $1 billion and issuances under notes payable and bank advances of $377 million, offset partly by the repayment of another series of MTN Debentures at Bell Canada with a total principal amount of $500 million and payments under finance leases of $391 million.

In 2011, we repaid debt of $6 million, net of issuances. This included a cash repayment of CTV's acquired debt of $1.3 billion, redemption of medium-term notes at Bell Aliant with a principal amount of $405 million, repayment of Bell Canada MTN Debentures with a principal amount of $250 million, and payments under finance leases of $382 million. These repayments were partly offset by Bell Canada's issuance of three series of MTN Debentures having a total principal amount of $2 billion and the issuance of medium-term notes at Bell Aliant with a principal amount of $300 million.

Issue of Common Shares

BCE issued fewer common shares in 2012 compared to 2011 because fewer stock options were exercised. The common shares issued in 2011 as part of the CTV acquisition were a non-cash transaction.

Issue of Preferred Shares

In 2012, BCE issued 11,200,000 Series AK Preferred Shares for gross proceeds of $280 million. In 2011, BCE issued 13,800,000 Series AK Preferred Shares for gross proceeds of $345 million.

Issue of Equity Securities by Subsidiaries to Non-Controlling Interest

In 2011, Bell Aliant Preferred Equity Inc., an indirect subsidiary of Bell Aliant, issued preferred shares for gross proceeds of $403 million.

Repurchase of Common Shares

In 2011, BCE announced its plan to repurchase up to $250 million of its outstanding common shares through a NCIB. BCE repurchased and cancelled 2,604,439 and 3,500,466 of its common shares for a total cash outlay of $107 million and $143 million under the program in 2012 and 2011, respectively. The program was completed in March 2012.

Cash Dividends Paid on Common Shares

The board of directors of BCE approved increases in the common share dividend in 2012 and 2011. Accordingly, in 2012, the cash dividend paid on a BCE common share increased to $2.17 per common share, compared to a cash dividend of $1.985 per common share in 2011.

Post-employment Benefit Plans

For the year ended December 31, 2012, we recorded an increase in our post-employment benefit obligations and an actuarial loss, before taxes and non-controlling interest (NCI), in other comprehensive loss of $1,691 million. This was due to a decrease in the discount rate, offset partly by a higher-than-expected return on plan assets.

For the year ended December 31, 2011, we recorded an increase in our post-employment benefit obligations and an actuarial loss, before taxes and NCI, in other comprehensive loss of $939 million. This was due to a decrease in the discount rate and a lower-than-expected return on plan assets.

Credit Ratings

Ratings generally address the ability of a company to repay principal and pay interest on debt 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 partly depends 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 ability to access the capital markets.

As of March 7, 2013, the BCE and Bell Canada ratings remained unchanged at investment-grade levels and were assigned stable outlooks from Standard & Poor's Financial Services LLC (S&P), a subsidiary of The McGraw-Hill Companies Inc., DBRS Limited (DBRS) and Moody's Investors Service, Inc. (Moody's).

	BCE[1]		
KEY CREDIT RATINGS — MARCH 7, 2013	DBRS	MOODY'S	S&P
Long-term debt	BBB (high)	Baa2	BBB+
Preferred shares	Pfd-3 (high)	–	P-2 (low)

	BELL CANADA[1]		
	DBRS	MOODY'S	S&P
Commercial paper	R-1 (low)	P-2	A-2

Long-term debt	A (low)	Baa1	BBB+
Subordinated long-term debt	BBB	Baa2	BBB

(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 organization. Each credit rating should be evaluated independently of any other credit rating.

Our financial policy is to maintain investment-grade credit metrics to allow financial flexibility and access to lower-cost funding. Our financial policy targets for Bell are to maintain a net debt to Adjusted EBITDA[5] ratio of between 1.5 and 2.0 times and an Adjusted EBITDA to net interest expense ratio greater than 7.5 times. In these target ratios, net debt includes 50% of our total outstanding preferred shares to align with rating agencies methodology for the treatment of preferred shares. Net interest expense excludes interest on post-employment benefit obligations and 50% of preferred share dividends. The calculation and components of these ratios are intended to reflect the methodologies generally used by the credit rating agencies.
At December 31, 2012, we had marginally exceeded our net debt to Adjusted EBITDA ratio by 0.15 times. At December 31, 2012, our Adjusted EBITDA to net interest expense ratio was 8.81 times.

Liquidity

Sources of Liquidity

Our cash and cash equivalents balance at the end of 2012 was $127 million. We expect that this balance, our 2013 estimated cash flows from operations, and possible capital markets financing, including commercial paper, will permit us to meet our cash requirements in 2013 for capital expenditures, post-employment benefit plans funding, dividend payments, the payment of contractual obligations, maturing debt, ongoing operations and other cash requirements. To partially fund the proposed acquisition of Astral, should it proceed, on June 13, 2012, Bell Canada entered into an unsecured committed credit agreement with a syndicate of lenders, maturing three years after the closing of the Astral acquisition, under which $2 billion is currently available. This is expected to be replaced by debt financing to be issued in the capital markets. BCE may also issue up to $750 million of BCE common shares to partially fund the proposed acquisition of Astral, which it has discretion to replace, in whole or in part, with cash at closing.

Should our 2013 cash requirements exceed our cash and cash equivalents balance, cash generated from our operations, and capital markets financing, we would cover such a shortfall by drawing under committed revolving 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.

(5) Adjusted EBITDA, as also defined in our credit agreements, is EBITDA including dividends/distributions from Bell Aliant to BCE.

BANK CREDIT FACILITIES	TOTAL AVAILABLE	DRAWN	LETTERS OF CREDIT	COMMERCIAL PAPER OUTSTANDING	NET AVAILABLE
Committed credit facilities					
Bell Canada[1]					
Revolving facility supporting commercial paper program	**2,500**	**–**	**280**	**475**	**1,745**
Other	**53**	**–**	**6**	**–**	**47**
Bell Aliant[1]					
Revolving facility	**750**	**221**	**192**	**–**	**337**
Other	**138**	**–**	**138**	**–**	**–**
Total committed credit facilities	**3,441**	**221**	**616**	**475**	**2,129**
Non-committed credit facilities					
Bell Canada	**288**	**–**	**131**	**–**	**157**
Bell Aliant	**18**	**–**	**1**	**–**	**17**
Total non-committed credit facilities	**306**	**–**	**132**	**–**	**174**
Total committed and non-committed credit facilities	**3,747**	**221**	**748**	**475**	**2,303**

(1) Bell Canada's $2,500 million supporting committed revolving bank credit facility expires in November 2017 and Bell Aliant's $750 million supporting committed revolving bank credit facility expires in June 2016.

In addition, Bell Canada has a $2 billion three-year unsecured committed bank credit facility to be used exclusively to fund a portion of the proposed Astral acquisition.

Bell Canada and Bell Aliant may issue notes under their commercial paper programs up to the net available amount of their committed revolving bank credit facilities. The total amount of these committed revolving bank credit facilities may be drawn at any time.

Our expectations relating to our ability to meet most of our cash requirements in 2013 with our cash flows from operations and our cash balance are based on certain economic, market and operational assumptions that are described in the section entitled *Business Outlook and Assumptions*. For a description of risk factors that could affect our business and, consequently, our cash flows from operations, refer to *Our Competitive Environment*, *Our Regulatory Environment* and *Risks that Could Affect Our Business and Results*. In addition, our ability to supplement our liquidity sources by issuing additional debt and equity largely depends on prevailing market conditions and the outlook for our business and credit ratings at the time capital is raised. For a description of risk factors that could affect our ability to issue additional debt or equity, refer to the risk entitled *If we are unable to raise the capital we need, we may need to limit our capital expenditures or our investments in new businesses, or try to raise capital by disposing of assets* under *Risks that Could Affect Our Business and Results*.

Cash Requirements

CAPITAL EXPENDITURES

In 2013, our capital spending is planned to focus on our strategic imperatives, reflecting an appropriate level of investment in our networks and services.

POST-EMPLOYMENT BENEFIT PLANS FUNDING

Our post-employment benefit plans include both DB pension and defined contribution (DC) pension plans, as well as OPEBs. 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 2013 is detailed in the following table and is subject to actuarial valuations that will be completed in mid-2013. An actuarial valuation was last performed for our significant post-employment benefit plans as at December 31, 2011.

2013 EXPECTED FUNDING	BELL	BELL ALIANT	TOTAL
DB pension plans – service cost	203	45	248
DB pension plans – deficit	2	–	2
DB pension plans	205	45	250
OPEBs	75	10	85
DC pension plans	70	5	75
Total net post-employment benefit plans	350	60	410

Excluding voluntary DB pension plans contributions, 2013 funding is expected to remain stable compared to 2012.

Bell Canada closed the membership of its DB pension plans to new employees in January 2005 to reduce the impact of pension volatility on earnings over time. New employees now enrol in the DC pension plans. In 2006, we announced the phase-out, over a ten-year period, of post-employment benefits for all employees, which will result in Bell's OPEBs funding being phased out gradually after 2016.

DIVIDEND PAYMENTS

In 2013, the cash dividends to be paid on BCE's common shares are expected to be higher than in 2012 as BCE's common share dividend increased by 7.4% to $2.33 per common share from $2.17 per common share at the end of 2011. These increases are consistent with BCE's common share dividend 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 BCE's board of directors.

CONTRACTUAL OBLIGATIONS

The following table is a summary of our contractual obligations at December 31, 2012 that are due in each of the next five years and thereafter.

	2013	2014	2015	2016	2017	THEREAFTER	TOTAL
RECOGNIZED FINANCIAL LIABILITIES							
Debt	116	1,877	1,377	1,217	1,149	6,298	12,034
Notes payable and bank advances	698	–	–	–	–	–	698
Minimum future lease payments under finance leases	548	431	267	236	235	1,837	3,554
Loan secured by trade receivables	935	–	–	–	–	–	935
Interest payable on long-term debt, notes payable, bank advances and loan secured by trade receivables	687	595	532	471	419	4,627	7,331
Net interest receipts on derivatives	(28)	(25)	(24)	(22)	(11)	–	(110)
MLSE financial liability	–	–	–	–	135	–	135
COMMITMENTS (OFF-BALANCE SHEET)							
Operating leases	229	201	176	139	107	489	1,341
Commitments for property, plant and equipment and intangible assets	166	28	10	14	–	–	218
Purchase obligations	1,628	1,300	1,149	384	275	923	5,659
Proposed acquisition of Astral[(1)]	3,553	–	–	–	–	–	3,553
Total	8,532	4,407	3,487	2,439	2,309	14,174	35,348

(1) Includes CRTC tangible benefits of $174.6 million.

BCE's significant finance leases are for satellites and office premises. The leases for satellites, used to provide programming to our Bell TV customers, have lease terms ranging from 12 to 15 years. The satellite leases are non-cancellable. The office leases have a typical lease term of 15 years. Minimum future lease payments under finance leases include future finance costs of $1,209 million.

BCE's significant operating leases are for office premises and retail outlets with lease terms ranging from 1 to 30 years. These leases are non-cancellable and are renewable at the end of the lease period. Rental expense relating to operating leases was $269 million in 2012 and $253 million in 2011.

Purchase obligations are comprised of contractual obligations under service and product contracts, for both operating and capital expenditures. Our commitments for capital expenditures include investments to expand and update our networks, and to meet customer demand.

INDEMNIFICATIONS AND GUARANTEES

As a regular part of our business, we enter into agreements that provide for indemnifications and guarantees to counterparties in transactions involving business dispositions, sales of assets, sales of services, purchases and development of assets, securitization agreements and operating leases.

We cannot reasonably estimate the maximum potential amount we could be required to pay counterparties because of the nature of almost all of these indemnifications and guarantees. As a result, we cannot determine how they could affect our future liquidity, capital resources or credit risk profile. We have not made any significant payments under indemnifications or guarantees in the past.

Litigation

We become involved in various legal proceedings as a part of our business. While we cannot predict the final outcome of legal proceedings that were pending at March 7, 2013, based on information currently available and management's assessment of the merits of such legal proceedings, management believes that the resolution of these legal proceedings will not have a material negative effect on our financial statements. We believe that we have strong defences and we intend to vigorously defend our positions.

You will find a more detailed description of the material legal proceedings pending at March 7, 2013 in the BCE 2012 AIF.

OUR COMPETITIVE ENVIRONMENT

We face intense competition across all business segments and key product lines that could adversely affect our market shares, service volumes and pricing strategies and, consequently, our financial results. The rapid development of new technologies, services and products has altered the traditional lines between telecommunications, Internet and broadcasting services and brought new competitors to our markets. Technology substitution and VoIP, in particular, have reduced 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, personnel and technological resources than has historically been required. We expect this trend to continue in the future, which could adversely affect our growth and our financial performance.

The nature and degree of competition in all of our markets are constantly evolving with changing market and economic conditions as well as expansion into new business areas, such as media, that are inherently more volatile. Competition can intensify as markets mature, market structure changes through vertical integration, the state of the economy impacts advertising and new competitors bring aggressive promotional offers and adjusted strategic brand positioning. If we fail to successfully implement a multi-product strategy that leverages our strengths and partner relationships while addressing areas of relative weakness to establish a winning presence and relationship with customers, this could have an adverse effect on our business, market position and financial performance.

Competition affects our pricing strategies and could reduce our revenues and lower our profitability. We are under constant pressure to keep our prices and service offerings competitive. Changes in our pricing strategies that result in price increases for certain services or products, or changes in pricing strategies by our competitors, could affect our ability to gain new customers or retain existing ones. We need to be able to anticipate and respond quickly to the constant changes in our businesses and markets. If we fail to do so, our business and market position could be adversely affected. Industry pricing pressure and customer acquisition and retention efforts have intensified across all business segments and key product lines, and we expect this trend to continue.

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 users. The CRTC has determined that competition was sufficient to grant forbearance from price regulation under the *Telecommunications Act* for the vast majority of Bell Canada's residential and business local telephone service lines in Ontario and Québec, as well as for our wireless and Internet services. Under the *Broadcasting Act*, our TV distribution business is not subject to any price regulation.

Wireline

Our main competitors in local and access services include: TELUS Corporation (TELUS), Manitoba Telecom Services Inc. (MTS), Primus Telecommunications Canada Inc. (Primus), Bragg Communications Inc., operating under the EastLink trade name (EastLink), Vonage Canada Corp. (a subsidiary of Vonage Holdings Corp.) (Vonage) and Yak (a division of Yak Communications (Canada) Corp. (Yak), owned by Globalive Communications Corp.), across Canada; Rogers Communications Inc. (Rogers), in Ontario, New Brunswick and Newfoundland and Labrador; Vidéotron Ltd. (Vidéotron), in Québec; Cogeco Cable Inc. (a subsidiary of Cogeco Inc.) (Cogeco Cable), in Ontario and Québec; and Shaw Communications Inc. (Shaw), in British Columbia, Alberta, Saskatchewan, Manitoba and Ontario.

Our major competitors in long distance services are: TELUS, MTS, EastLink, Primus and Vonage, across Canada; dial-around providers, such as Yak and Looney Call (a division of Yak Communications (Canada) Corp.), Teleshop Communications Inc. and Caztel Communications Inc., across Canada; and prepaid long distance providers, such as Group of Gold Line and Vox Prepaid, across Canada.

We continue to face cross-platform competition as customers substitute traditional services with new and non-traditional technologies, and the rate at which such technology substitution takes place may accelerate. For example, our wireline business competes with VoIP, wireless and Internet services (including chat services, instant messaging and e-mail), resulting, in particular, in an increasing number of households that have ceased to use wireline telephone services. Industry Canada's licensing of advanced wireless services (AWS) spectrum to new wireless entrants, many of which now provide services, as well as increased competitive activity from incumbent local exchange carriers (ILECs), could cause technology substitution to further accelerate.

We continue to face significant competitive pressure from cable companies. Cable telephony is being driven by its inclusion in discounted bundles and is offered by cable operators in most major and mid-sized communities and in small communities as well. In addition, certain cable companies provide wireless service, allowing them to offer, like Bell, telephone, Internet, wireless and TV services, and consequently enhancing their ability to leverage discounted bundles. There is also a risk that cable companies could respond to competitive pressure with more aggressive pricing or offers on stand-alone products to help them retain market share for such products. Accordingly, we expect that competitive pressure from cable companies will continue to intensify, which will increase downward pressure on our market share in the residential and small business markets, which could have an adverse effect on our business and financial performance.

There is a risk that adverse changes in certain factors, including competitive actions by alternative providers and increased wireless substitution due to our wireless competitors offering services at deeply discounted rates or based on flat-rate plans, may result in an acceleration of NAS erosion rates or a decrease in our long distance revenues beyond our current assumptions, which could have an adverse effect on our financial performance. Furthermore, additional competitive pressure from the adoption of alternative technologies, products and services is making significant inroads into our legacy services, which typically represent our higher margin business.

Prices for long distance services have been declining since these services were opened to competition. Our long distance services continue to face intense competitive pressure from the expanded presence of cable telephony and the continuing impact of non-traditional services, including e-mail and text messaging, prepaid cards, dial-around services and VoIP, as well as from traditional competitors such as inter-exchange carriers and resellers. We also experience competition from telecommunications providers, such as Skype Technologies (a division of Microsoft) and Google Voice, that provide long distance services at low prices using personal computers and broadband connections, as well as from wireless service providers that offer limited time promotions for long distance service on wireless plans.

Competition for contracts to supply communications services to business customers is intense. Customers may choose to switch to competitors that offer lower prices to gain market share. Such competitors may be less concerned about the quality of service or impact on their margins than we are. The evolution of ICT-based services strengthens the ability of business customers to drive lower pricing through technology substitution and advantageous service terms supported by market benchmarking and complex negotiations.

In business markets, packaging local access, wireless, data and IP services has evolved to include professional and managed services, as well as other IT services and support, formerly available only from IT firms. Both traditional and non-traditional competitors now provide a broad range of telecommunications services, particularly in major urban areas. Non-traditional competitors have entered the telecom market space through new products like unified communications and cloud computing. The bundling of traditional telecom services with IT services means Bell faces a more extensive set of competitors, ranging from small Internet and niche service providers to global IT hardware, software and business consulting companies. We expect to experience continued competitive intensity in all business markets as cable operators continue to transition from the consumer market and other telecom competitors seek to grow their business in these markets. In addition, our ICT services business expects to experience continued competition from other system integrators, outsourcers and professional service firms.

In Bell Aliant's residential markets, competition is well established. Eastlink has been offering local telephone service in Nova Scotia and Prince Edward Island since 1999 and 2001, respectively. The competitive local service market has continued to expand with the introduction of local service competition in New Brunswick, Newfoundland and Labrador, Ontario and Québec. In addition, Bell Aliant's business markets are increasingly competitive, with competition continuing to come from VoIP providers, cable TV operators and system integrators.

The current competitive environment suggests that the number of our legacy wireline customers and the volume of our long distance traffic will continue to decline. Continued decline will lead to reduced economies of scale in those businesses and, in turn, lower margins. Our strategy is to seek to mitigate these declines through cost reductions and by building the business for new growth products and services. However, the margins on newer services are generally less than the margins on legacy services and we cannot provide any assurance that our efforts will be successful. If legacy services margins decline faster than the rate of growth in margins for our newer growth services, our financial performance could be adversely affected. In addition, if customers who stop using our voice services also cease using our other services, our financial performance could also be adversely affected. Bringing to market new growth products and services is expensive and inherently risky as it requires capital and other investments at a time when the demand for the products or services is uncertain. It may also require us to compete in areas outside our core connectivity business against highly capable competitors. The launch of new products or services could be delayed or cancelled due to reductions in the amount of available capital to be invested. Any such delay or cancellation could have an adverse effect on our business, cash flows and financial performance.

Wireless

The Canadian wireless telecommunications industry is highly competitive. Competition is based on price, selection of devices, scope of services, technical quality, coverage and capacity of the wireless networks, customer service, breadth of distribution, brand and marketing, as well as the number of wireless operators providing service. We compete for wireless subscribers, dealers and retail distribution outlets, content and device access, and personnel directly with the two other large incumbent national wireless operators: Rogers (including its subsidiary Fido Solutions Inc.) and TELUS Mobility (a business unit of TELUS), as well as with five newer wireless entrants. In addition, there are a number of resellers known as mobile virtual network operators that aggressively market and price their products and services.

Competition is expected to continue to intensify as a result of Industry Canada's licensing in 2008 of AWS spectrum to ten new facilities-based wireless competitors that each acquired spectrum in separate regions, many of which overlap. Following this acquisition of spectrum, five new entrants launched wireless service, primarily in major population centres. More specifically, Vidéotron, which launched wireless service on September 9, 2010, provides service in Montréal and other parts of Québec; Globalive Wireless Management Corp. (Globalive) has provided wireless service in Toronto and Calgary since December 2009 and has since expanded to other large cities in Canada, including Vancouver, Edmonton and Ottawa, as well as to several communities in southwestern Ontario; Data & Audio Visual Enterprises Wireless Inc. (DAVE), which launched wireless service in Toronto in May 2010, also provides wireless service in Ottawa, Vancouver, Calgary and Edmonton; Public Mobile Inc. (Public Mobile), has provided wireless service in the Toronto and Montréal areas since May 2010; and Eastlink, which launched wireless service on February 15, 2013, provides service in Halifax. In addition to Vidéotron, Globalive, DAVE, Public Mobile and Eastlink, spectrum was also awarded to the following entities or one of their affiliates: Shaw, Celluworld Inc., Rich Telecom Corporation, Blue Canada Wireless Inc. and Novus Wireless Inc. We are unaware of declarations of expected service launch dates from these entities except for Shaw which, in September 2011, announced that it was abandoning its plan to use the acquired AWS spectrum to

build a conventional wireless network and which, in January 2013, announced its intention to transfer its AWS spectrum to Rogers as part of a broader transaction.

Competition in the Canadian wireless telecommunications industry has significantly intensified, and is expected to continue to intensify, as a result of both incumbents and newer wireless entrants becoming increasingly aggressive in their hardware and service pricing and in their marketing and advertising efforts in an attempt to maintain or gain market share. In particular, in order to gain market share, the newer wireless entrants' strategies include price discounting relative to our and other incumbents' pricing, unlimited rate plans, zone-based pricing and increased competition at the distribution level. They are also pursuing new data content and applications. The incumbents' and newer wireless entrants' pricing and other strategies could adversely affect our ability to gain new customers and retain existing ones and could require us to adjust our own pricing and other strategies, which in turn could have an adverse effect on our business and financial performance. The incumbents and newer wireless entrants could achieve higher market shares than we currently expect, particularly as a result of their pricing strategies and focused product offerings. The level of competitive intensity will also depend on the speed at which the newer wireless entrants achieve territorial expansion of their wireless services as well as the timing and scope of the launch of wireless services by the remaining potential newer wireless entrants that have not yet launched service. In addition, some large third-party retailers can also drive lower pricing through aggressive promotional offers secured through negotiations and leverage with incumbents and new entrants.

On March 7, 2013, Industry Canada announced amendments to the conditions of licence governing mandatory roaming and tower sharing in a document entitled *Conditions of Licence for Mandatory Roaming and Antenna Tower and Site Sharing and to Prohibit Exclusive Site Arrangements*. These changes apply as of the date of this document. There are three key changes in these amendments. First, Industry Canada has expanded the territory where mandated roaming privileges now apply to include territories where the requesting licensee has built out its network. The responding operator must now grant roaming privileges across the entire territory covered by the responding operator's network. Second, this roaming requirement now applies indefinitely. The third set of changes shorten the timelines for requesting and responding operators to complete their roaming and tower sharing agreements. Consistent with the former conditions of licence, if a roaming or tower sharing agreement has not been reached within the prescribed time-lines, both parties are required to agree to final and binding arbitration before an Industry Canada approved arbitrator. These changes could increase the number of wireless operators seeking mandated roaming on Bell's wireless network. The changes would also provide Bell with similar increased roaming privileges on competitors' networks. All of these changes are intended to facilitate the quicker execution of roaming and tower-sharing agreements and the resolution of disputes, to the extent they occur.

Pressure on our ARPU, costs of acquisition and retention, and EBITDA would likely result if competitors increase discounts for handsets, reduce airtime and wireless data prices or offer other incentives to attract new customers. Wireless competition is also expected to continue to intensify due to an increased emphasis on new data plans and multi-product bundles as a result of the ability of certain cable companies to include wireless service in discounted bundles following their acquisition of AWS spectrum and launch of wireless service. This emphasis could also pressure our ARPU and increase churn and costs of acquisition and retention.

We also expect competition to continue to intensify as new technologies, products and services are developed. For example, mobile handsets that bypass wireless service providers' networks to access the Internet are now available from a number of manufacturers and service providers. If these products significantly penetrate the marketplace, usage of our wireless networks may decline, which could adversely affect our wireless revenues.

Penetration of the Canadian wireless market stood at 80% as at December 31, 2012. As penetration of the Canadian wireless market reaches higher levels, acquiring new customers will become more difficult and will increasingly depend on our ability to win customers away from our competitors. However, as customers increasingly choose to bundle services, our ability to acquire customers from our competitors will be adversely affected. Accordingly, high levels of penetration in the Canadian wireless market could challenge our expected future wireless revenue and EBITDA growth, and pressure us to find alternative sources of revenue and EBITDA.

The wireless telecommunications industry commits significant resources to research and development. A majority of this work is focused on the refinement of mainstream wireless standardization activities that result in highly successful technology such as HSPA+ and LTE. Some of this technology is transferable into competing or complementary technology tracks that can be standards-based, such as Wi-Fi and WiMAX, or provide proprietary vendor-specific solutions. Although these technology tracks have not gained significant revenue market share in Canada, we expect that continued development and refinement of the business model will increase competition.

Finally, if we fail to acquire sufficient spectrum in the upcoming auction of spectrum in the 700 MHz band for mobile and fixed wireless service, this could also adversely affect our competitive position. For more details on this auction and its potential effects, please refer to the section entitled *Our Regulatory Environment – Radiocommunication Act – 700 MHz Spectrum Auction*.

Internet

We compete with cable companies and Internet service providers to provide high-speed and dial-up Internet access and related services over different networks, with different strengths and technical capabilities, which could influence market dynamics. In particular, cable companies have focused on increased bandwidth and discounted bundle pricing to compete against us, which could adversely affect our ability to maintain ARPU performance and, consequently, our financial results. This focus could shift in the future based on market and technical realities and our flexibility to follow may be limited. As previously indicated, certain cable companies provide wireless service, enhancing their ability to leverage discounted bundles to retain existing customers and acquire new ones.

We have incurred significant capital expenditures in order to deploy next-generation fibre networks and offer higher Internet speeds. If we fail to make continued investments in our Internet networks that enable us to offer Internet services at increasingly higher speeds, and to offer a different range of products and services than our competitors, this would adversely affect our ability to compete, the pricing of our products and services, and our financial results. Furthermore, as penetration of the Canadian broadband Internet market reaches higher levels, acquiring new customers increasingly depends on our ability to win customers away from our competitors. However, as customers increasingly choose to bundle services, our ability to acquire customers from our competitors will be adversely affected.

Developments in wireless broadband services, such as the ability of LTE-based systems to deliver speeds of up to 75 Mbps and the intention of Industry Canada to auction additional spectrum that is capable of carrying LTE technology, may lead to increased wireless broadband substitution and, consequently, increased competition. This could have an adverse effect on the ability of our Internet access services business to acquire or retain subscribers and on its financial results.

In the high-speed Internet access services market, we compete with large cable companies such as Rogers, in Ontario, New Brunswick and Newfoundland and Labrador; Vidéotron, in Québec; Cogeco Cable, in Ontario and Québec; Shaw, in British Columbia, Alberta, Saskatchewan, Manitoba and Ontario; and EastLink, in every province with the exception of Saskatchewan.

TV

Competition for subscribers is based on the number and kinds of channels offered, the quality of the signal, set-top box features, availability of service in the region, price and customer service. Our TV services are fully digital and are offered both as an IP-based service (Bell Fibe TV) and as a DTH satellite-based service. Bell's DTH satellite-based service is offered throughout Canada and Bell Fibe TV is offered in most Toronto, Montréal and Québec City neighbourhoods, as well as in various other cities in the provinces of Ontario and Québec. The launch of our Bell Fibe TV service provides us with the opportunity to gain market share and enhance our competitive position in core urban markets.

Our competitors include large cable companies such as Rogers, in Ontario, New Brunswick and Newfoundland and Labrador; Vidéotron, in Québec; Cogeco Cable, in Ontario and Québec; Shaw, with its cable TV service, in British Columbia, Alberta, Saskatchewan, Manitoba and Ontario and with its Shaw Direct DTH satellite service, nationally; and EastLink, in every province except Saskatchewan. We also compete with traditional telephone companies that offer IP-based TV services such as TELUS, in Québec, British Columbia and Alberta; and MTS, in Manitoba. Most of the cable companies continue to upgrade their networks, operational systems and services, which improves their competitiveness. This could negatively affect our business and financial results.

In addition to the licensed broadcast distribution undertakings noted above, new unregulated TV services including OTT content offerings such as Netflix Inc. (Netflix), Apple TV and Google TV, as well as online channels offered by TV networks such as CBC.ca, available over high-speed Internet connections, are competing with traditional TV services and changing our traditional business model. The increased adoption of these alternative TV or OTT TV services by customers is driven in part by evolving technology, changing demographics and viewing preferences. Strategies adopted by newer wireless entrants could also accelerate adoption of alternative TV services and increase customer losses. In addition, the increased speed and bandwidth of networks create platforms for new competition and product substitution. There can be no certainty that we will be able to recover investments made to upgrade networks in light of new competition and product substitution. The continued growth and adoption by customers of these alternative TV services through the adoption of mobile TV and OTT TV services could negatively affect our business and financial performance.

Wholesale

The main competitors in our wholesale business include both traditional and emerging carriers. Traditional competitors include MTS and TELUS across Canada, both of which may wholesale some or all of the same products and services as Bell. Non-traditional competitors include electrical utility-based telecommunications providers, cable operators, domestic CLECs and U.S. or other international carriers for certain services. Despite intense competitive pressure, our new products and unregulated services markets continue to grow. However, growth of end-user technologies such as VoIP and Ethernet/IP is continuing to increase pressure on some of our legacy product lines.

Media

Bell Media's TV and radio broadcasting businesses and the advertising markets in which they operate are highly competitive. Bell Media's ability to compete successfully depends on a number of factors, including its ability to secure popular TV programs at cost-effective prices and to achieve high distribution levels. The financial success of Bell Media's conventional TV and radio broadcasting operations depends on obtaining revenues from advertising. In the case of Bell Media's specialty TV business, a substantial portion of its revenues comes from subscription fees derived from contractual arrangements with distributors.

Bell Media's conventional and specialty TV services compete principally for viewers and advertisers with other conventional Canadian TV stations (local and distant signals), specialty channels and U.S. conventional and specialty stations. New unregulated TV services including OTT content offerings, such as Netflix, Apple TV and Google TV, as well as online channels available over high-speed Internet connections, such as CBC. ca, and TV downloading also represent competition for share of viewership.

Bell Media's radio stations compete with other radio stations in their respective markets as well as with other media such as newspapers, magazines, TV, outdoor advertising and the Internet. Competition within the radio broadcasting industry occurs primarily in discrete local market areas among individual stations. On a national level, Bell Media competes generally with other large radio operators that also own and operate radio station clusters in various markets across Canada. New technologies, such as online music information services, music downloading, portable devices that store and play digital music and online music streaming services, provide competition for Bell Media radio stations' audience share as well.

The level of competitive activity in the TV and radio broadcasting industries could have an adverse impact on the level of audience acceptance for Bell Media's TV programs, specialty TV channels and radio stations, which in turn could have an adverse impact on revenues generated from advertising and subscription fees. Furthermore, the increasingly competitive media environment has resulted in content being made available through various platforms, such as OTT content offerings, in addition to TV broadcasting. This may result in an increase in Bell Media's operating costs as it seeks to respond to this competitive intensity by acquiring the rights to exhibit its content on multiple platforms.

OUR REGULATORY ENVIRONMENT

This section describes certain legislation that governs our businesses and provides highlights of recent regulatory initiatives and proceedings and government consultations that affect us. Bell Canada and Bell Aliant Regional Communications Inc. (Bell Aliant Regional) and several of their direct and indirect subsidiaries, including Bell Mobility, Bell ExpressVu, Limited Partnership, Bell Aliant LP, NorthernTel, Limited Partnership (NorthernTel), Télébec, Limited Partnership (Télébec) and Northwestel, are governed by the *Telecommunications Act*, the *Broadcasting Act*, the *Radiocommunication Act* and/or the *Bell Canada Act*. They are also subject to the *Competition Act*. Our business is affected by decisions made by various regulatory agencies, including the CRTC. The CRTC, an independent agency of the Government of Canada, is responsible for regulating Canada's telecommunications and broadcasting industries. Other aspects of the businesses of these companies are regulated in various ways by federal government departments, in particular Industry Canada, which also includes the Competition Bureau.

Although most of our telephony-based and wireless and Internet services are forborne from price regulation under the *Telecommunications Act*, the CRTC and federal government continue to play a significant role in regulatory matters such as broadcasting, approval of acquisitions, spectrum auctions and foreign ownership. Additionally, the CRTC is expected to increase its focus on consumers and Canadian content creators, which could lead to more stringent regulations and/or CRTC oversight limiting our flexibility in the marketplace. Failure to positively influence changes in any of these areas or to meet the required regulatory standards, adverse decisions by regulatory agencies or increasing regulation could have material negative financial, operational and competitive consequences for our business.

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 these objectives. It applies to several of the BCE group companies and partnerships, including Bell Canada, Bell Mobility, Bell Aliant LP, 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 services, 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. 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.

Changes to Canada's Telecommunications Foreign Ownership Rules

On June 29, 2012, amendments to the *Telecommunications Act* came into force. These amendments introduced changes to the foreign investment and control restrictions of the *Telecommunications Act* that were included in Bill C-38 (the *Jobs, Growth and Long-term Prosperity Act*). The amendments remove the existing foreign investment restrictions applicable to TCCs that have less than a 10% share of the total Canadian telecommunications market as measured by annual revenue. There are no changes to the foreign ownership restrictions applicable to broadcasters, such as licensed cable and satellite TV service providers, or programming licensees, such as Bell Media. These changes to the foreign ownership restrictions for TCCs could result in more foreign companies entering the Canadian market, including by way of the auction for 700 MHz spectrum to begin on November 19, 2013, since they would permit foreign-controlled entities to participate in the auction and could result in greater access to capital for our competitors or the arrival of new competitors with global scale, which would increase competitive pressure.

CRTC Proceeding to Consider the Adoption of a National Wireless Services Consumer Code

On October 11, 2012, at the request of the Public Interest Advocacy Centre, Bell Canada, TELUS Communications Company, Rogers and the Canadian Wireless Telecommunications Association, the CRTC issued Telecom Decision CRTC 2012-556 and Telecom Notice of Consultation CRTC 2012-557, in which it determined it is necessary to establish a mandatory code for wireless service providers addressing issues related to the clarity and content of mobile wireless contracts. The adoption of a single, national wireless code by the CRTC could have the benefit of streamlining compliance and operational costs across Canada. Wireless carriers, including Bell Mobility, have expressed concerns that the proliferation of at times inconsistent provincial regulatory rules has led to a patchwork of different rules that is confusing for consumers and increases compliance costs for national wireless service providers, which costs are ultimately passed onto consumers. However, depending on the scope and content of the code, there is a risk that the CRTC may impose more stringent regulation than exists today, which could have an adverse effect on our churn and financial performance.

The CRTC proceeding includes a public consultation which took place the week of February 11, 2013, with a decision expected before July 1, 2013.

Wholesale Services Framework Review

On February 28, 2013, the CRTC indicated that it would hold its upcoming framework review of wholesale telecommunications services in 2013, rather than during its 2014-15 fiscal year as it had originally planned. While the CRTC has provided no further information on the scope of this review, modifications to the regulatory regime applicable to Bell Canada's wholesale telecommunications services could have significant impacts on its wholesale telecommunications business and potentially, by extension, in certain retail markets.

Broadcasting Act

The *Broadcasting Act* defines 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 broadcasting licence or broadcasting distribution licence from the CRTC. The CRTC may exempt broadcasting undertakings from complying with certain licensing and regulatory requirements if the CRTC is satisfied that complying with those requirements will not materially affect the implementation of Canadian broadcasting policy. A corporation must also meet certain Canadian ownership 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 licensee. The CRTC may impose requirements, including the payment of certain benefits to the broadcasting system, as a condition of the transfer.

Bell TV's television distribution business and Bell Media's 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 in the *Broadcasting Act*, amendments to regulations or the adoption of new ones, or amendments to licences, could negatively affect Bell TV's or Bell Media's competitive positions or the cost of providing services.

Value for Signal (VFS) Fee

In Broadcasting Regulatory Policy CRTC 2010-167, the CRTC announced its intention to implement a regime under which conventional TV broadcasters can choose to either retain their existing regulatory protections or negotiate a VFS fee with distributors. Under the proposed regime, if broadcasters chose to negotiate a VFS fee, and negotiations failed, they would have had the right to require the distributor to delete any conventional signals that the broadcasters own and for which they have the exhibition rights. The CRTC also concluded that there was a legal uncertainty as to whether it had the jurisdiction to impose a VFS regime and referred the question of its jurisdiction in this area to the Federal Court of Appeal, which ruled that the CRTC does have jurisdiction. However, on December 13, 2012, the Supreme Court of Canada ruled that the CRTC does not have the jurisdiction under the *Broadcasting Act* to implement the proposed VFS regime. The Supreme Court also ruled that the proposed VFS regime is invalid because it conflicts with provisions of the *Copyright Act*. It is not possible to assess the net effect of the Supreme Court's decision on BCE partly because, even if the Supreme Court had ruled that the CRTC has the jurisdiction to adopt a VFS regime, the CRTC would have required a further proceeding to determine its details. In the wake of the Supreme Court's ruling, this is no longer necessary.

Radiocommunication Act

Industry Canada regulates the use of radio spectrum by Bell Canada, Bell Mobility and other wireless service providers under the *Radiocommunication Act*. Under the *Radiocommunication Act*, Industry Canada ensures that radio-communication 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 at term, there is no assurance that this will happen, or of the terms under which renewal will be granted. Industry Canada can revoke a company's licence at any time if the company 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 Industry Canada will agree. Should there be a disagreement, this could have a negative effect on our business and financial performance.

Decisions and Consultation on Transition to Broadband Radio Service in the 2500-2690 MHz Band

In March 2012, Industry Canada released its decisions on a policy and technical framework to further license spectrum in the 2500 MHz spectrum band. Specifically, the decisions address spectrum caps, spectrum packaging, block and tier sizes, as well as deployment requirements. Industry Canada anticipates that the auction for the 2500 MHz spectrum will be conducted in early 2014. Industry Canada chose to implement a 40 MHz spectrum cap that includes both paired and unpaired spectrum. Existing spectrum licensees in the 2500 MHz spectrum band will not be required to return spectrum if they are above the 40 MHz spectrum cap in a licensed area, and they will also be allowed to acquire additional spectrum, up to that cap, in licensed areas where they are currently below the cap.

This will give us the flexibility to bid for additional spectrum in areas where we are below the cap. Industry Canada will license spectrum in blocks of 10 + 10 MHz and unpaired spectrum will be licensed in blocks of 25 MHz in all areas. Licences will be granted on the basis of Tier 3 service areas with the exception of the Yukon, the Northwest Territories and Nunavut, which will be licensed on the basis of Tier 4 service areas. Industry Canada also announced that roll-out obligations will apply to licensees, with the details to be determined following a further consultation.

On October 9, 2012, Industry Canada initiated a further consultation seeking comments on licensing considerations related to auction format, rules and processes, as well as on conditions of licence. Our ability to acquire our preferred spectrum blocks in an auction may be affected by the auction strategies of other participants and the extent of entry of foreign entities into the auction process.

700 MHz Spectrum Auction

In November 2010, Industry Canada initiated a consultation to establish a policy and technical framework for the 700 MHz auction. In March 2012, Industry Canada released its decision resulting from this consultation. Rather than a spectrum set-aside, as it employed in the 2008 AWS auction, Industry Canada chose to implement spectrum caps such that Bell, and other larger licensees, will be limited to obtaining one paired spectrum block from most desirable 700 MHz blocks available (i.e. B, C, C1 and C2). In March 2013, Industry Canada released the licensing framework for the 700 MHz auction. The licensing framework finalizes the general rollout requirements and the additional rural deployment requirements which will apply in any area where a carrier holds two or more paired blocks of spectrum. The decision also finalizes the specific auction rules, conditions of licence and the treatment of associated entities. Industry Canada has scheduled the 700 MHz auction to begin on November 19, 2013.

Bell Canada Act

Under the *Bell Canada Act*, the CRTC must approve any sale or other disposal of Bell Canada voting shares that are held by BCE, unless the sale or disposal would result in BCE retaining at least 80% of all of the issued and outstanding voting shares of Bell Canada. Except in the ordinary course of business, the sale or other disposal of facilities integral to Bell Canada's telecommunications activities must also receive CRTC approval.

RISKS THAT COULD AFFECT OUR BUSINESS AND RESULTS

This section describes the principal risks that could have a material adverse effect on our business, financial position or results of operations, and cause actual results or events to differ materially from our expectations expressed in or implied by our forward-looking statements, in addition to the risks previously described under *Our Competitive Environment* and *Our Regulatory Environment* and those described elsewhere in this MD&A. A risk is the possibility that an event might happen in the future that could have a negative effect on our business, financial position or results of operations. The actual effect of any event could be materially different from what we currently anticipate. The risks described below 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 business, financial position or results of operations.

Regulatory initiatives or proceedings, pending or future litigation, changes in laws or regulations, government tax audits and other tax matters could have an adverse effect on our business and financial performance.

Our business is affected by decisions made by various regulatory agencies and government departments, including the CRTC, Industry Canada and the Competition Bureau. Refer to the section *Our Regulatory Environment* for more details concerning the potential adverse effect on our business and financial performance of certain regulatory initiatives and proceedings. In addition, we become involved in various legal proceedings as a part of our business. Plaintiffs within Canada are also able to launch class actions on behalf of a large group of people with increasing ease. Pending or future litigation, including an increase in class action claims which, by their nature, could result in sizeable damage awards and costs relating to litigation, could have an adverse effect on our business and financial performance. For a description of the principal regulatory initiatives and proceedings affecting us and the regulatory environment in which we operate, please see the section *Our Regulatory Environment*. For a description of the principal legal proceedings involving us, please see the section *Legal Proceedings* in the BCE 2012 AIF.

Changes in laws or regulations or in how they are interpreted, and the adoption of new laws or regulations, could negatively affect us. These include changes in tax laws or the adoption of new tax laws that result in higher tax rates or new taxes. They also include amendments to Canadian securities laws that introduced statutory civil liability for misrepresentations in continuous disclosure. These amendments have facilitated 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. Significant damages could be awarded by courts in these types of actions should they be successful. Such awards of damages and costs relating to litigation could adversely affect our financial performance.

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 taxes and the applicability of commodity taxes in many cases, however, require significant judgement 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 future income tax assets and liabilities and other liabilities and could, in certain circumstances, result in an assessment of interest and penalties.

Since 2010, consumer protection legislation has been amended in the provinces of Québec, Manitoba, Newfoundland and Labrador, and Nova Scotia. In Manitoba and Nova Scotia, these amendments introduce new requirements only for wireless service contracts; in Québec and Newfoundland and Labrador, the new requirements apply to wireless, wireline, Internet and digital TV service contracts. All these amendments relate to the form of the contract and how it may be amended, renewed or terminated, including the calculation of early termination fees, among other things. The adoption by provincial governments of increasingly stringent consumer protection laws could have an adverse effect on our business and financial results, including as a result of an increase in the number of class actions against us.

An Act to promote the efficiency and adaptability of the Canadian economy by regulating certain activities that discourage reliance on electronic means of carrying out commercial activities, and to amend the Canadian Radio-television and Telecommunications Commission Act, the Competition Act, the Personal Information Protection and Electronic Documents Act and the Telecommunications Act (commonly known as the Canada Anti-Spam Legislation) (CASL) received royal assent on December 15, 2010 but will not come into force until the related regulations are finalized, including the coming into force date. The CASL requires that commercial electronic messages be sent only if the recipient has provided prior consent and the message complies with certain formalities, including the ability to unsubscribe easily from subsequent messages. The CASL also requires that an organization have prior informed consent before downloading software to an end-user's computer. Industry Canada published draft CASL regulations on January 5, 2013, and comments were due by February 4, 2013. Penalties for non-compliance are considerable, including administrative monetary penalties of up to $10 million and a private right of action. The CRTC, which is responsible for the interpretation and enforcement of much of the CASL, has published interpretation bulletins about it and will be publishing further bulletins. Because the CASL creates deemed consent for commercial electronic messages where there is an existing business relationship, the effect of the CASL on the ability of the various BCE group companies to send messages to their existing customers is limited. However, the law in its current form may impose additional costs and

processes with respect to communicating with existing and prospective customers. Bell Canada continues to work with other interested stakeholders, Industry Canada and the CRTC in order to seek to ensure that the CASL is implemented in an effective manner while limiting the burden imposed on legitimate Canadian businesses. However, there can be no assurance that such objectives will be achieved. It is anticipated that the CASL will come into force in late 2013 or early 2014 and will include a transition period.

If we fail to maintain network operating performance, this could have an adverse effect on our reputation, business and financial performance.

Our residential and business customers require reliable speed, very high availability and dependable performance from our wireline, wireless and satellite networks. If we fail to provide reliable functional services, including as a result of a core network outage affecting a large number of customers, or to design processes and redundancies that ensure the highest standards of performance are associated with our brand in the context of increasing customer demand, or to test, implement and monitor appropriate response strategies and protocols to maintain service availability and consistency in the event of disastrous events, this could have an adverse effect on our reputation, financial performance and ability to retain existing customers and attract new ones.

The demand for TV and other bandwidth-intensive applications on the Internet, as well as the volume of wireless data-driven traffic, have been growing at unprecedented rates. It is expected that growth in such demand and traffic will further accelerate, especially, in the case of wireless data-driven traffic, due to the increasing adoption of smartphones and other mobile devices such as tablets. Such rapid growth could drive capacity pressures on our Internet and wireless networks and result in network performance issues. Consequently, we may need to incur significant capital expenditures beyond those expenditures already anticipated by our subscriber and traffic planning forecasts in order to provide additional capacity and reduce network congestion on our Internet and wireless networks. We may not be able to recover all or part of these costs from customers due to competitors' short-term pricing of comparable services. There is also a risk that our efforts to optimize network performance, in the face of increasing demand, through paced fibre and equipment deployment, traffic management and rate plan changes could be unsuccessful or generate adverse publicity, potentially resulting in an increase in our subscriber churn rate beyond our current expectations, and thereby compromising our efforts to attract new customers. This could have an adverse effect on our business and financial performance.

Our operations depend on how well we protect, maintain and replace our networks, equipment, facilities and other assets.

Our operations depend on how well we protect our wireline, wireless and satellite networks (including transport facilities, communications switches, routers, microwave links, cell sites and other equipment), facilities, electronic and physical records and other assets, as well as the information stored in our data centres, against damage from fire, natural disaster (including seismic and severe weather-related events such as ice, snow and wind storms, flooding, hurricanes, tornadoes and tsunamis), power loss, building cooling loss, unauthorized access or entry, cyber attacks (including hacking, computer viruses or other breaches of network or IT security), disabling devices, acts of war or terrorism, sabotage, vandalism and other events. The risk associated with protection of assets and services is increased in the case of certain important points of service provision where complete redundancy is not possible or has not yet been fully implemented. Global climate change could exacerbate certain of those threats, including the frequency and severity of weather-related events. Our operations also depend on the timely replacement, maintenance and upgrade of our networks, equipment, facilities and other assets. Any of the above-mentioned events, as well as the failure to complete the planned replacement, maintenance or upgrade of our networks, equipment, facilities and other assets due to factors beyond our control, could disrupt our operations (including through disruptions such as network failures, billing errors or delays in customer service), require significant resources, result in significant remediation costs or the theft, leakage or loss of sensitive competitive information, cause difficulty in accessing materials to defend legal cases or a loss of subscribers, or impair our ability to attract new subscribers, which in turn could have an adverse effect on our business and financial performance. Our operations also depend on our ability to protect the privacy of confidential customer and employee information stored in our data centres against theft. The theft of such information could adversely affect our reputation and customer relationships and expose us to claims of damages by customers and employees.

We need to anticipate technological change and invest in or develop new technologies, products and services that will gain market acceptance. Failure to understand evolving technologies and optimize network deployment timelines considering customer demand and competitor activities could have an adverse effect on our business and financial performance.

We operate in markets that are affected by constant technological change, evolving industry standards, changing customer needs, frequent introductions of new products and services, and short product life cycles. Rapidly evolving technology brings new service opportunities through transformational change or redeployment of existing infrastructure to new applications on an almost continuous basis. We must constantly secure and protect the relevance of our services and products and their positions in the value chain as market expectations evolve. We are challenged to generate more revenue from our media and telecom network assets by constant market and technological changes such as the proliferation of cheaper IP-based communications, OTT delivery mechanisms, the influence of global brands such as Apple, Google, Netflix, YouTube and Facebook, the introduction of cloud services and new technologies such as IP-based PVRs. Investment in our networks and in new technologies, products and services and our ability to launch, on a timely basis, such technologies, products and services that will gain market acceptance are critical to increasing the number of our subscribers and achieving our financial performance objectives.

Ongoing technology advancement, in conjunction with changing market demand and competition, continues to put significant pressure on our networks to deliver more bandwidth and higher speeds to our customers. Network buildouts require strategic capital investment within Bell's capital intensity target based on an understanding of market demographics, technology evolution and, in the case of wireless networks, spectrum needs and availability coupled with strong relationships with suppliers, municipalities and landlords for equipment deployments and network expansions. Failure to understand evolving technologies, or to evolve in the appropriate direction in an environment of constantly changing business models, or to optimize network deployment timelines considering customer demand and competitor activities could have an adverse impact on our business and financial results.

We may face additional risks as we develop new products, services and technologies, and update our networks to stay competitive. New technologies, for example, may quickly become obsolete or may need more capital than initially expected. Development could be delayed for reasons beyond our control, and substantial investments usually need to be made before new technologies prove to be commercially viable. There is also a risk that current regulations could be expanded to apply to new technologies, which could delay our launch of new services.

There is no assurance that we will be successful in developing, implementing or marketing new technologies, products, services or enhancements in a reasonable timeframe, or that they will gain market acceptance. New products or services that use new or evolving technologies could reduce demand for our existing offerings or cause prices for those services to decline, and could result in shorter estimated useful lives for existing technologies, which could increase depreciation and amortization expense.

Our business plan and subscriber acquisition targets assume that we will upgrade and deploy networks within predetermined schedules and within Bell's capital intensity target. There can be no assurance that we will meet our schedules or Bell's capital intensity target. In particular, the construction and deployment of networks require the issuance of municipal consents for the installation of network equipment on municipal property. There is no assurance that such municipal consents will be issued or that they will be issued in time to meet our expected deployment schedules.

The failure to upgrade and deploy our networks within our predetermined schedules and capital intensity target or to successfully develop, implement and market within a reasonable timeframe new technologies, products, services or enhancements that gain market acceptance, could have an adverse effect on our business and financial performance.

The failure to implement, on a timely basis, or maintain effective IT systems, and the complexity and costs of our IT environment, could have an adverse effect on our business and financial performance.

We currently use a very large number of highly complex interconnected operational and business support systems that are relevant to most aspects of our operations, including provisioning, networking, distribution, show production, billing and accounting. We also have various IT system and process change initiatives that are in progress or are proposed to be implemented. This is typical of incumbent telecommunications service providers that support a wide variety of legacy and emerging telephony, mobility, data and TV services. The development and launch of a new service typically requires significant systems development and integration. The associated developmental and ongoing operational costs are a significant factor in maintaining a competitive position and profit margins. As next-generation services are introduced, they should be designed to work with both legacy and next-generation support systems, which introduces uncertainty with respect to the costs and effectiveness of the solutions and the evolution of systems.

There can be no assurance that any of our proposed IT systems or process change initiatives will be successfully implemented, or that they will be implemented in accordance with anticipated timelines, or that sufficiently skilled personnel will be available to complete such initiatives. If we fail to implement and maintain effective IT systems on a timely basis, or fail to create and maintain an effective governance and operating framework to support the management of a largely outsourced staff, or fail to understand and streamline our significant number of legacy systems and proactively meet constantly evolving business requirements, this could have an adverse effect on our business and financial performance.

In addition, any of the events referred to above in the section entitled *Risks that Could Affect Our Business and Results – Our operations depend on how well we protect, maintain and replace our networks, equipment, facilities and other assets*, including, in particular, cyber attacks, sabotage, unauthorized access, fire and natural disasters, could cause damage to our IT systems and have an adverse effect on our business and financial performance.

Adverse economic conditions, adverse conditions in the financial markets or the level of retail and commercial activity could have a negative impact on demand for our products and services, potentially reducing revenues and profitability and threatening the ability of our customers to pay their expenses.

Our business is affected by general economic and financial conditions, consumer confidence and spending, and the demand for, and prices of, our products and services. 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 our wireline and wireless products and services. During these periods, customers may delay buying our products and services, reduce purchases or discontinue using them. Weak economic and financial conditions could lower our revenues and profitability and reduce cash flows from operations. Such conditions could also negatively affect the financial position and creditworthiness of our customers, which could increase uncertainty about our ability to collect receivables and potentially increase our bad debt expenses, which could adversely affect our financial performance.

A large part of Bell Media's revenue from its TV and radio broadcasting businesses is derived from the sale of advertising, the demand for which is affected by prevailing economic conditions as well as cyclical and seasonal variations. An economic

downturn tends to make it more difficult for Bell Media to maintain or increase advertising revenues. Certain advertisers have historically been sensitive to general economic cycles and, as a result, Bell Media's business and financial performance could be negatively affected by a downturn in the economy or a recession.

Our operational and financial objectives for 2013 may not be achieved should economic growth be slower than currently anticipated.

Strategic development is critical to the long-term success of any organization. Consequently, we continue to pursue our goal to be recognized by customers as Canada's leading communications company through focused execution of our six strategic imperatives. Should we fail to achieve any of our strategic imperatives, this could have an adverse effect on our future growth, business and financial results.

Executing on our strategic imperatives requires shifts in employee skills, capital investments to implement our strategies and operating priorities, and targeted cost reductions. If our management, processes or employees are not able to adapt to these changes or if required capital is not available on favourable terms, we may fail to achieve our strategic imperatives, which could have an adverse effect on our business, financial performance and growth prospects.

Our strategies require us to continue to transform our cost structure. Accordingly, we are continuing to implement several initiatives to reduce costs. 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 key 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. The inability to continue to reduce costs could have an adverse effect, in particular, on our wireline segment's profitability.

Improved customer service and an enhanced perception of Bell's service offerings by existing and potential customers are critical to increasing customer retention and ARPU and attracting new customers. There is a risk that we will not be able to retain existing customers or acquire new ones if our products, services and service experience do not meet customer demands. There is also a risk that the increasing complexity of our networks could hinder the effective management of our services and networks, which could adversely affect service levels. In particular, our new Bell Fibe TV service delivery platform is built upon a large number of complex sub-systems working together. The increased complexity in conjunction with the continuing growth of our Bell Fibe TV business could hinder our ability to efficiently manage and deliver service to our customers, and thus increase our costs of providing the service. Furthermore, the increasing number of smartphone users and our growing Bell Fibe TV customer base could require more support from our customer contact centres than currently anticipated, which could have an adverse effect on the quality of customer service and on our costs of providing this service.

Delays in the planned implementation of improvements within our customer contact centres could also adversely affect customer service and delay the achievement of cost reductions. There is a risk that customer service improvements will not be achieved or that, even if achieved, will not necessarily lead to an enhanced public perception of Bell's service offerings, the achievement of customer retention objectives or increased revenues. There is also a risk that customer service improvements will be more costly to implement than currently anticipated, which could adversely affect our financial performance. Finally, there is a risk that customer operations initiatives that we may implement will fail to reduce call volumes, which could lead to increased costs or reduced service levels, resulting in lower customer satisfaction.

If we are unable to achieve any or all of our strategic imperatives, our business and financial performance could be adversely affected.

We may be required to increase contributions to our post-employment benefit plans in the future.

The funding requirements of our post-employment benefit plans, based on 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. Changes in these factors could cause actual future contributions to significantly differ from our current estimates and could require us to increase contributions to our post-employment benefit plans in the future and, therefore, could have a negative effect on our liquidity and financial performance.

There is no assurance that 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 both public equity and debt securities. As a result, 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, therefore, could also significantly affect our cash funding requirements.

Our expected funding for 2013 is in accordance with the latest post-employment benefit plans valuations as of December 31, 2011 filed in June 2012, adjusted to reflect 2012 returns and market conditions at the end of 2012, and takes into account voluntary contributions of $500 million in 2009 and $750 million in each of 2010, 2011 and 2012. December 31, 2012 valuation results, to be filed with pension authorities by June 30, 2013, may impact actual funding for 2013.

Ineffective change management could adversely affect our business and our ability to achieve our strategic imperatives.

Corporate restructurings, system replacements and upgrades, process redesigns and the integration of business units and new business acquisitions must be carefully managed to ensure that we capture the intended benefits of such changes. Ineffective

change management may adversely affect our business and negatively impact the achievement of our strategic imperatives. There can be no assurance that planned efficiency initiatives will be completed or that such initiatives, once implemented, will provide the expected benefits or will not have a negative impact on our operations, financial performance, employee engagement or customer service.

The complexity of our product offerings and pricing plans could have an adverse effect on our business and financial performance.

Our product offerings and related pricing plans are vast and may be too complex for customers to fully evaluate or for Bell to effectively implement and manage. We rely on multiple billing systems, marketing databases and a myriad of rate plans, promotions and product offerings that create complexity in our operations and may lead to billing errors, adversely affect client satisfaction and retention, and limit our ability to initiate or respond quickly to marketplace changes or achieve targeted cost reductions.

Renegotiating collective bargaining agreements with employees could result in higher labour costs and work disruptions.

Approximately 46% of our employees are represented by unions and are covered by collective bargaining agreements. Renegotiating collective bargaining agreements could result in higher labour costs, project delays and work disruptions, including work stoppages or work slowdowns. There can be no assurance that should a strike or work disruption occur, it would not adversely affect service to our customers and, in turn, our customer relationships and financial performance. In addition, work disruptions experienced by our third-party suppliers and other telecommunications carriers to whose networks ours are connected, including work slowdowns or work stoppages due to strikes, could harm our business, including our customer relationships and financial performance.

The following collective agreements covering 100 or more employees will expire in 2013:

- the collective agreement between the Confédération des Syndicats Nationaux and Le Réseau des sports (RDS) Inc. covering approximately 155 employees will expire on April 10, 2013
- the collective agreement between the Communications, Energy and Paperworkers' Union of Canada (CEP) and Bell Canada covering approximately 5,700 clerical employees will expire on May 31, 2013
- the collective agreement between the Teamsters and Bell Aliant covering approximately 160 craft employees will expire on July 22, 2013
- the collective agreement between the CEP and CFPL-TV, a division of CTV Limited (now Bell Media Inc.), covering approximately 105 employees will expire on August 31, 2013
- the collective agreement between the CEP and Bell Canada covering approximately 100 operators will expire on November 24, 2013
- the collective agreement between the CEP and Bell Canada covering approximately 835 sales employees will expire on December 31, 2013
- the collective agreement between the International Brotherhood of Electrical Workers and Northwestel covering approximately 385 clerical and craft employees will expire on December 31, 2013
- the collective agreement between the CEP and CFCF Television, a division of Bell Media Inc., covering approximately 115 employees will expire on December 31, 2013.

In addition, the following describes the status of a collective agreement covering 100 or more employees that has already expired and for which a new collective agreement has not yet been ratified:

- the collective agreement between the CEP and Bell Aliant covering approximately 145 clerical employees expired on May 31, 2012. Following a federal mediation and conciliation services process which took place in February 2013, the CEP agreed to present a proposal from Bell Aliant to its members.

Our business depends on the performance of, and our ability to retain, our employees.

Our business depends on the efforts, abilities, engagement and expertise of our employees and, particularly, of our senior executives and other key employees. Competition for highly skilled management and customer service employees is intense in our industry. In addition, the increasing technical complexity of our businesses creates a challenging environment for hiring, retaining and developing skilled technical resources. If we fail to appropriately train, motivate, remunerate or deploy employees on initiatives that further our strategic imperatives, this could have an adverse impact on our ability to attract and retain talent and drive performance across the organization.

An important component of our retention strategy for our key personnel is our ability to provide clear, meaningful and challenging objectives that will drive performance and enhance their skills and expertise. Our senior executives and other key employees are important to our success because they have been instrumental in setting our strategic direction, operating our business, identifying, recruiting and training key personnel, and identifying business opportunities. The loss of one or more of these key individuals could impair our business until qualified replacements are found. There can be no assurance that these individuals could quickly be replaced with persons of equal experience and capabilities. Although we have compensation programs in place designed to help retain and motivate these individuals, we cannot prevent them from terminating their employment with us.

Finally, deterioration in employee morale and engagement resulting from staff reductions, reorganizations and ongoing cost reductions could also adversely affect our business and financial results.

We depend on key third-party suppliers to provide products and services that we need to operate our business.

We depend on key third-party suppliers over which we have no operational or financial control for certain products and services that are critical to our operations. These critical products and services may be available from only a limited number of

suppliers, some of which dominate their global market. We compete globally with other telecommunications service providers for access to critical products and services that are provided by such third-party suppliers. Access to such key products and services on a basis allowing us to meet customer demand is critical to our ability to retain existing customers and acquire new ones.

If, at any time, suppliers cannot provide us with critical products or services including, without limitation, IT services and customer contact centre services, as well as telecommunications equipment, software and maintenance services that comply with evolving telecommunications standards and are compatible with our equipment, IT systems and software, our business and financial performance could be adversely affected. In addition, if we are unable to obtain products or services that are essential to our operations on a timely basis and at an acceptable cost, or if telecommunications equipment and other products, such as handsets, that we sell or otherwise provide to customers, or the telecommunications equipment and other products that we use to provide services, have manufacturing defects, our ability to offer our products and services and to roll-out our advanced services, and the quality of our services and networks, may be negatively impacted. As well, network deployment and expansion could be impeded, and our business, strategy and financial performance could be adversely affected. These suppliers may be subject to litigation with respect to technology that we depend on for our service offerings. In addition, the business and operations of our suppliers and their ability to continue to provide us with products and services could be adversely affected by various factors including, without limitation, natural disasters (including seismic events and severe weather-related events such as ice, snow or wind storms, flooding, hurricanes, tornadoes and tsunamis), general economic and financial market conditions, the intensity of competitive activity, labour disruptions, the availability of and access to capital, bankruptcy or other insolvency proceedings, and changes in technological standards.

In addition, if we fail to optimize the supply chain with suppliers and vendors, or to ensure that effective governance and controls are applied to suppliers and vendors to ensure compliance with relevant laws and regulatory requirements and properly manage the contracting process, this could adversely affect service delivery as well as our overall business and financial performance. Our supply chain includes key channel partners such as dealers, third-party retailers and big box stores that are important elements of our sales strategy. Failure to maintain an effective and competitive operating relationship with these channel partners could impact our ability to service customer requirements and to maintain an appropriate presence in the marketplace among our direct competitors.

Our networks are connected with the networks of other telecommunications carriers and suppliers, and we rely on them to deliver some of our services. Temporary or permanent operational failures or service interruptions by these carriers and suppliers due to technical difficulties, strikes or other work disruptions, bankruptcies or other insolvency proceedings, or other events including, but not limited to, those referred to above in the section entitled *Risks that Could Affect Our Business and Results – Our operations depend on how well we protect, maintain and replace our networks, equipment, facilities and other assets*, could have an adverse effect on our networks, services, business and financial performance.

If we are unable to raise the capital we need, we may need to limit our capital expenditures or our investments in new businesses, or try to raise capital by disposing of assets.

We have significant cash requirements to implement our business plan and meet our financial obligations. These cash requirements may be adversely affected by the risks associated with the assumptions built into our business and financial plans, including contingent and off-balance sheet liabilities. Our ability to meet our cash requirements and provide for planned growth depends on us having access to adequate sources of capital and on our ability to generate cash flows from operations, which is subject to competitive, regulatory, technological, economic, financial and other risk factors described in this MD&A, most of which are not within our control. Also, our cash flows could be adversely impacted by the quality of, and our level of success in collecting, trade receivables through the use of our employees, systems and technology.

In general, our capital needs are funded from cash generated by our operations or investments, by borrowing from commercial banks, through debt and equity offerings in the capital markets, or by selling or otherwise disposing of assets, including securitized trade receivables.

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 largely on prevailing market conditions and the outlook for our business and credit ratings at the time capital is raised. Risk factors such as capital market disruptions, sovereign credit concerns in Europe, fiscal and public indebtedness issues in the United States, increased bank capitalization regulations, reduced bank lending in general or fewer banks as a result of reduced activity or consolidation, could reduce capital available or increase the cost of such capital. In addition, an increased level of debt borrowings could result in lower credit ratings, increased borrowing costs and a reduction in the amount of funding available to us, including through equity offerings. Business acquisitions could also adversely affect our outlook and credit ratings and have similar adverse consequences. In addition, participants in the public capital and bank credit markets have internal policies limiting their ability to invest in, or extend credit to, any single entity or entity group or to a particular industry.

Our bank credit facilities, including credit facilities supporting our commercial paper programs, are provided by various financial institutions. While it is our intention to renew such credit facilities from time to time, there are no assurances that these facilities will be renewed on favourable terms or in similar amounts, due to the risk factors mentioned above.

If we cannot raise the capital we need to implement our business plan or meet our financial obligations on acceptable terms, we may have to limit our ongoing capital expenditures, limit our investment in new businesses, or try to raise additional capital by selling or otherwise disposing of assets. Any of these could have an adverse effect on our cash flows from operations or on our growth prospects.

We may not be able to discontinue certain services as necessary to improve capital and operating efficiencies.

Legacy circuit-based infrastructures are difficult and expensive to operate and to maintain. We continue to migrate voice and data traffic from our legacy circuit-based infrastructures to newer and more efficient IP and packet-based infrastructures. As part of this transformation, we are also planning to discontinue certain services that depend on circuit-based infrastructure and for which there is now very low customer demand. This is necessary to improve capital and operating efficiencies. In some cases, this discontinuation could be delayed or prevented by customer complaints or regulatory actions. If we cannot discontinue these services and have to maintain the operational status of the affected legacy infrastructures longer than planned, we will not be able to achieve the expected efficiencies and related savings, which may have an adverse effect on our financial performance.

Satellites used by Bell TV are subject to significant operational risks that could have an adverse effect on Bell TV's business and financial performance.

Pursuant to a set of commercial arrangements between Bell TV and Telesat, Bell TV currently has four satellites under contract with Telesat, including Nimiq 6, which was successfully launched and brought into full service in mid-2012. Telesat operates or directs the operation of these satellites.

Satellites utilize highly complex technology and operate in the harsh environment of space and are therefore subject to significant operational risks while in orbit. These risks include in-orbit equipment failures, malfunctions and other problems commonly referred to as anomalies that could reduce the commercial usefulness of a satellite used by Bell TV. Acts of war or terrorism, magnetic, electrostatic or solar storms, and space debris or micrometeoroids could also damage the satellites used by Bell TV.

Any loss, failure, manufacturing defect, damage or destruction of these satellites, of Bell TV's terrestrial broadcasting infrastructure or of Telesat's tracking, telemetry and control facilities to operate the satellites could have an adverse effect on Bell TV's business and financial performance and could result in many customers terminating their subscriptions to Bell TV's DTH satellite TV service.

The theft of our DTH satellite TV services has an adverse effect on Bell TV's business and financial performance.

Bell TV faces a loss of revenue resulting from the theft of its DTH satellite TV services. As is the case for all other TV distributors, Bell TV has experienced, and continues to experience, ongoing efforts to steal its services by way of compromise or circumvention of Bell TV's signal security systems. The theft of Bell TV's services has an adverse effect on Bell TV's business and financial performance.

Bell Media's revenues are significantly dependent on the sale of advertising.

A large part of Bell Media's revenues from its TV and radio broadcasting businesses is derived from the sale of advertising. In addition to the previously discussed impact of prevailing economic conditions on the demand for advertising, most of Bell Media's advertising contracts are short-term and are cancellable on relatively short notice. Furthermore, as previously discussed, Bell Media's advertising revenues are also affected by competitive pressures and, as discussed below, technological changes.

There can be no assurance that Bell Media's TV and radio programming will be successful in attracting and retaining viewers and listeners given the unpredictability and volatility of viewer and listener preferences, competitive programming from other channels and stations, and an increasing number of alternative forms of entertainment. A significant number of advertisers base a substantial part of their purchasing decisions on audience ratings. If Bell Media's TV and radio ratings were to decrease substantially, Bell Media's advertising sales volumes and the rates that it charges to advertisers could be adversely affected.

New technology and increasing fragmentation in TV and radio markets could have an adverse effect on Bell Media's business and financial performance.

TV and radio advertising revenue depends largely on the potential audience size and the attractiveness of programming. The 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. New technologies and alternative distribution platforms such as VoD, personal video/audio platforms, video and audio services over mobile devices and the Internet, including OTT content offerings such as Netflix, and satellite radio could influence changes in consumer behaviour and patterns, resulting in a negative impact on the audience size for our broadcast services. In addition, the increasing use of PVRs could influence Bell Media's ability to generate TV advertising revenues as viewers are more capable of skipping broadcast advertising. As a result, there is no assurance that Bell Media will be able to maintain or increase its advertising revenues or its ability to reach or retain viewers with attractive programming.

Additionally, new technologies and changes in broadcasting standards could result in the need to invest in the improvement or replacement of our current equipment and platforms. This could require us to incur significant unplanned expenses.

Health concerns about radiofrequency emissions from wireless devices, as well as epidemics and other health risks, could have an adverse effect on our business.

Many studies have been performed over the past two decades to assess whether wireless networks, base stations or mobile phones pose a potential health risk. Some studies have indicated that radiofrequency emissions may be linked to certain medical

conditions, while other studies could not establish such a link between adverse health effects and low-level, long-term exposure to radiofrequency emissions. In May 2011, a working group of the International Agency for Research on Cancer (IARC) of the World Health Organization classified radiofrequency electromagnetic fields from wireless phones as possibly carcinogenic to humans. The IARC noted that a slight positive association has been observed between the use of mobile phones and certain brain cancers for which a causal interpretation is considered to be credible, but that chance, bias or confounding could not be ruled out with reasonable confidence. A 2012 study by the Norwegian Ministry of Health came to very similar conclusions. The IARC has classified 267 items as possibly carcinogenic to humans, including chloroform, coffee and nickel. The IARC called for additional research into long-term heavy use of mobile phones and, pending the availability of this additional research, recommended that pragmatic measures be taken to reduce exposure, such as the use of hands-free devices or texting. There can be no assurance that future health studies or government regulations concerning radiofrequency emissions will not have an adverse effect on our business and financial performance.

Increasing concern over the use of wireless phones and the possible related health risks is expected to put additional pressure on the wireless communications industry to demonstrate their safe use and could lead to additional government regulation, which could have a negative effect on our business. Actual or perceived health risks of using wireless communications devices could result in fewer new network subscribers, lower network usage per subscriber, higher churn rates, higher costs as a result of modifying handsets, relocating wireless towers or addressing incremental legal requirements, product liability lawsuits, or reduced outside financing being available to the wireless communications industry. In addition, public protest could result in a slower deployment of, or in our inability to deploy, new wireless networks, towers and antennas. We rely on our suppliers to ensure that the network equipment and customer equipment supplied to us meet all applicable safety requirements. Epidemics, pandemics and other health risks could also 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.

BCE is dependent on the ability of its subsidiaries, joint ventures and other companies in which it has an interest to pay dividends or otherwise make distributions to it.

BCE has no material sources of income or assets of its own, other than the interests that it has in its subsidiaries, joint ventures and other companies, including, in particular, its direct ownership of the equity of Bell Canada. BCE's cash flow and, consequently, its ability to service its indebtedness and to pay dividends on its equity securities are therefore dependent upon the ability of its subsidiaries, joint ventures and other companies in which it has an interest to pay dividends or otherwise make distributions to it.

BCE's subsidiaries, joint ventures and other companies in which it has an interest are separate and distinct legal entities and have no obligation, contingent or otherwise, to pay any dividends or make any other distributions to BCE. In addition, any right of BCE to receive assets of its subsidiaries, joint ventures and other companies in which it has an interest upon their liquidation or reorganization is structurally subordinated to the prior claims of creditors of such subsidiaries, joint ventures and other companies.

We cannot guarantee that BCE's dividend policy will be maintained or that dividends will be declared.

The board of directors of BCE reviews from time to time 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 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 are subject to the discretion of BCE's board of directors and, consequently, there can be no guarantee that BCE's dividend policy will be maintained or that dividends will be declared.

A major decline in the market price of BCE's securities may negatively impact our ability to raise capital, issue debt, retain employees, make strategic acquisitions or enter into joint ventures.

Differences between BCE's actual or anticipated financial results and the published expectations of financial analysts may contribute to volatility in BCE's securities. A major decline in the capital markets in general, or an adjustment in the market price or trading volumes of BCE's securities, may negatively affect our ability to raise capital, issue debt, retain senior executives and other employees, make strategic acquisitions or enter into joint ventures.

The failure to evolve practices to effectively monitor and control fraudulent activities could result in financial loss and brand degradation.

Economic volatility, the complexity of modern networks and the increasing sophistication of criminal organizations create challenges in monitoring, preventing and detecting fraudulent activities. Fraud affecting BCE has evolved beyond the traditional subscription fraud and now includes usage, technical, prepaid, distribution and occupational fraud. The failure to evolve practices to effectively monitor and control fraudulent activities could result in financial loss and brand degradation.

The expected timing and completion of the proposed acquisition of Astral is subject to CRTC approval, closing conditions and other risks and uncertainties. Accordingly, there can be no certainty that the transaction will be completed or that anticipated benefits will be realized.

The expected timing and completion of the proposed acquisition of Astral by BCE is subject to closing conditions, termination rights and other risks and uncertainties including, without limitation, approval by the CRTC. Refer to *About Our Business – Proposed Acquisition of Astral* and to Astral's Notice of Special Meeting of Shareholders and Management Information Circular dated April 19, 2012 (Circular) for a detailed description of the relevant closing conditions, termination rights and other risks and uncertainties applicable to the proposed transaction, subject

to the changes made to the information set out in the Circular by the amending agreement entered into by Astral and BCE on November 19, 2012, which agreement was filed by Astral with the Canadian securities regulatory authorities together with a related material change report.

BCE is proposing to acquire Astral to strengthen its competitive position in the communications industry, particularly in French-language broadcasting in Québec, and to create the opportunity to realize certain benefits. Achieving the anticipated benefits depends in part on successfully consolidating functions and integrating operations, procedures and personnel in a timely and efficient manner, as well as on BCE's ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with those of BCE. The consummation of the proposed transaction and integration require the dedication of substantial management effort, time and resources which may divert management's focus from other strategic opportunities and operational matters during this process. The consummation of the proposed transaction and the integration process may lead to greater-than-expected operational challenges and costs, expenses, liabilities, customer loss and business disruption for BCE and, consequently, the failure to realize, in whole or in part, the anticipated benefits.

In addition, BCE may be required to assume greater-than-expected liabilities due to undisclosed liabilities of Astral existing at the time of completion of the proposed transaction. Furthermore, BCE's consolidated financial results may, following completion of the proposed transaction, become more cyclical and more subject to risks affecting the media industry as a result of operating a larger media business.

The completion of the divestitures set forth in the consent agreement entered into with the Competition Bureau and in the proposal submitted to the CRTC, including the proposed sale to Corus of Astral's share of certain TV joint ventures and certain radio assets, and the proposed auction process for the sale of certain TV assets and radio stations, are subject to closing conditions, termination rights and other risks and uncertainties including without limitation, approval by the CRTC and the Competition Bureau. Accordingly, there can be no assurance that the proposed sale transactions will occur. In the case of the proposed sale transaction to Corus, there is also no assurance that it will occur on the terms and conditions currently contemplated, and such proposed sale could be modified, restructured or terminated. Unless the required divestitures can be completed by the time BCE's acquisition of Astral is completed, the assets to be divested will from that time be held in trust until completion of their respective divestiture processes.

Risk Management Practices

At BCE, the full board of directors is entrusted with the responsibility for identifying and overseeing the significant risks to which BCE's business is exposed and ensuring there are processes in place to effectively identify, monitor and manage them. These processes seek to mitigate rather than eliminate risk. A significant risk is generally defined as an exposure that has the potential to materially impact BCE's ability to meet or support its business objectives. The board of directors delegates responsibility for the execution of certain elements of the risk oversight program to board committees in order to ensure appropriate expertise, attention and diligence, with reporting to the board of directors in the ordinary course.

Management undertakes an enterprise-wide process to identify, classify, assess and report on BCE's significant risks and mitigation strategies. This work takes into account the results from an annual enterprise-wide online risk survey sent to all senior management at or above the vice-president level. For a detailed explanation of the material risks applicable to BCE and its affiliates, see the sections entitled *Our Competitive Environment*, *Our Regulatory Environment* and *Risks that Could Affect Our Business and Results*. Risk information is reviewed by committees of the board of directors and/or the full board throughout the year and business leaders present updates on the execution of business strategies, risks and mitigation activities.

The Audit Committee is responsible for ensuring that appropriate risk management processes are in place across the organization. The Audit Committee reviews a risk report on a semi-annual basis and regularly considers risks such as those relating to financial reporting, legal proceedings, physical security, performance of critical infrastructure, information security, privacy and records management, business continuity and the environment. The Audit Committee considers the effectiveness of the operation of BCE's internal control procedures and reviews reports from BCE's internal audit group and BCE's external auditors. As part of its risk management process activities, the Audit Committee ensures that significant risks identified are referred to a board committee or the full board for oversight, as appropriate. The Management Resources and Compensation Committee, which acts as the human resources committee of the board of directors, considers risks which include those relating to compensation, succession planning and health and safety practices, while an important focus for the Pension Fund Committee is risks associated with Bell Canada's post-employment benefit obligations. Oversight of certain other risks, such as our competitive and regulatory environment, customer service, strategy development, strategic network evolution, information technology and business integration is retained by the full board of directors.

BCE's internal audit group develops its annual plan leveraging a range of considerations which include a risk-based review of business activities, related processes and supporting controls. On a quarterly basis, the internal audit group reports to the Audit Committee on the results of internal audits and on specific areas identified for improvement. The internal audit group also seeks to promote effective risk management in BCE's lines of business and takes an active role in supporting them in fulfilling their risk reporting responsibilities to the board of directors.

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 standards 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 to the consolidated financial statements for more information about the accounting principles we use to prepare our consolidated financial statements.

Critical Accounting Estimates and Key Judgements

When preparing financial statements, management makes estimates and judgements 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 judgements are subject to measurement uncertainty and actual results could differ.

We consider the estimates and judgements described in this section to be an important part of understanding our financial statements because they require management to make assumptions about matters that were highly uncertain at the time the estimate and judgement were made, and changes to these estimates and judgements 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 judgements described in this section with the Audit Committee of our board of directors.

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 judgements 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 in 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 original assessment, we depreciate or amortize the remaining carrying value prospectively over the adjusted estimated useful lives.

As part of our annual review of the useful lives of property, plant and equipment and finite-life intangible assets, we changed the useful lives of fibre optic cable (excluding submarine cable) from 20 to 25 years, certain customer premise equipment from 3 and 8 years to 5 years, certain IT and network software from a range of 3 to 5 years to a range of 3 to 12 years, and certain broadcasting equipment from 15 to 20 years to better reflect their useful lives. The changes will be applied prospectively effective January 1, 2013 and will decrease depreciation and amortization expense for these assets for the year ended December 31, 2013, by approximately $100 million.

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

We make a number of estimates when calculating fair value 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*.

GOODWILL IMPAIRMENT

We perform an annual test for goodwill impairment in the fourth quarter for each of our cash generating units (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 assess goodwill impairment at the level of each CGU or group of CGUs likely to benefit from acquisition-related synergies within an operating segment.

We identify any potential impairment by comparing the carrying value of a CGU to its recoverable amount. The recoverable amount of a CGU is the higher of its fair value less costs to sell and its value in use. Fair value less costs to sell is 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 is less than its carrying value, the recoverable amount is determined for all its identifiable assets and liabilities. The excess of the recoverable amount of the CGU over the total of the amounts assigned to its assets and liabilities is the recoverable amount of goodwill.

An impairment charge is deducted from earnings for any excess of the carrying value of goodwill over its recoverable amount. Goodwill impairment losses may not be reversed.

We make a number of estimates when calculating the recoverable amount of goodwill using discounted future cash flows or other valuation methods. 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.

Any changes 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, when it will occur or how it will affect the asset values we have reported.

There was no goodwill impairment charge in 2012. In 2011, we recorded a $17 million goodwill impairment charge in *Other income* of a CGU within Bell Wireline that will cease operations in 2013.

DEFERRED TAXES

The amount of deferred tax assets, which is limited to the amount that is probable to be realized, is estimated with consideration given to the timing, sources and amounts of future taxable income.

ONEROUS CONTRACTS

A provision for onerous contracts is recognized when the unavoidable costs of meeting our obligations under the contract exceed the expected benefits to be received from 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.

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.

CONTINGENCIES

We become involved in various litigations as a part of our business. Pending litigations represent a potential cost to our business.

We accrue a potential loss if we believe the loss is probable 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 cash settlement would be deducted from cash from operating activities. We estimate the amount of the loss by analyzing potential outcomes and assuming various litigation and settlement strategies.

If the final resolution of a legal or regulatory matter results in a judgement against us or requires us to pay a large settlement, it could have a material effect on our consolidated financial statements in the period in which the judgement or settlement occurs. Any accrual would be charged to earnings and included in *Trade payables and other liabilities* or *Other non-current liabilities*. Any cash settlement would be deducted from cash from operating activities.

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 an actuarial valuation at least every three years to determine the actuarial present value of the post-employment benefit and OPEB obligations. The actuarial valuation uses management's assumptions for, among other things, the discount rate, the expected long-term rate of return on post-employment benefit plan assets, the rate of compensation increase, trends in healthcare costs and expected average remaining years of service of employees.

While we believe that these assumptions are reasonable, differences in actual results or changes in assumptions could materially affect post-employment benefit obligations and future net post-employment benefit plans cost.

We account for differences between actual and assumed results in benefit obligations and plan performance in other comprehensive income (OCI), which are then recognized immediately in the deficit.

The two most significant assumptions used to calculate the net post-employment benefit plans cost are the discount rate used to value the post-employment benefit obligations and the expected long-term rate of return on post-employment benefit plan assets.

Discount Rate

A discount rate is used to determine the present value of the future cash flows that we expect will be needed to settle post-employment benefit obligations. It is based on the yield on long-term high-quality corporate fixed-income investments, with maturities matching the estimated cash flows from the post-employment benefit plan. A lower discount rate results in higher post-employment benefit obligations and higher post-employment benefit plans deficit.

We determine the appropriate discount rate at the end of each year.

Expected Long-Term Rate of Return

The expected long-term rate of return used until the end of 2012 was a weighted average of estimated long-term returns on each of the major plan asset categories in our pension funds. Poor *fund performance results in a lower fair value of the plan assets and a higher post-employment benefit plans deficit.*

We determine the appropriate expected long-term rate of return at the end of each year.

Discount Rate Sensitivity Analysis

Starting in 2013, the expected long-term rate of return will be the same as the discount rate as required by International Accounting Standards (IAS) 19. The following table shows the impact of a 0.5% increase and a 0.5% decrease in the discount rate on the net post-employment benefit plans cost for 2013 and the employee benefit obligations at December 31, 2013.

	IMPACT ON NET POST-EMPLOYMENT BENEFIT PLANS COST FOR 2013 INCREASE (DECREASE)	IMPACT ON POST-EMPLOYMENT BENEFIT OBLIGATIONS AT DECEMBER 31, 2013 INCREASE (DECREASE)
Discount rate increased to 4.9%		
Bell Wireline	(60)	(1,139)
Bell Wireless	(3)	(24)
Bell Media	(2)	(33)
Bell Aliant	(16)	(296)
Total	(81)	(1,492)
Discount rate decreased to 3.9%		
Bell Wireline	56	1,212
Bell Wireless	2	24
Bell Media	2	35
Bell Aliant	15	315
Total	75	1,586

Judgements

MULTIPLE ELEMENT ARRANGEMENTS

Determining the amounts of revenue to be recognized for multiple element arrangements requires judgement to establish the separately identifiable components and the allocation of the total price between those components.

INCOME TAXES

The calculation of income taxes requires judgement in interpreting tax rules and regulations. There are transactions and calculations for which the ultimate tax determination is uncertain. Our tax filings also are subject to audits, 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 is currently available.

Management judgement is used to determine the amounts of deferred tax assets and liabilities and future tax liabilities to be recognized. In particular, judgement is required when assessing the timing of the reversal of temporary differences to which future income tax rates are applied.

Recent Changes To Accounting Standards

The IASB amended IFRS 7 – Financial Instruments: Disclosures to require quantitative and qualitative disclosures for transfers of financial assets where the transferred assets are not derecognized in their entirety or the transferor retains continuing managerial involvement. The amendment also requires disclosure of supplementary information if a substantial portion of the total amount of the transfer activity occurs in the days immediately preceding the end of a reporting period. This amendment came into effect for annual periods beginning on or after July 1, 2011. This amendment did not impact our disclosure since we were already in compliance.

Future Changes To Accounting Standards

IAS 19

In June 2011, the IASB amended IAS 19 – Employee Benefits. Annual finance expense for a funded benefit plan will include net interest expense or income, calculated by applying the discount rate to the net DB pension asset or liability, replacing the finance charge and expected return on plan assets, thereby reducing the current expected return on plan assets to a return that is equal to the discount rate. Entities will segregate changes in the DB pension obligation and in the fair value of plan assets into three components: service costs, net interest on the net DB pension liabilities (assets) and remeasurements of the net DB pension liabilities (assets). The amendments also eliminate the corridor approach for recognizing actuarial gains and losses and enhance disclosure about the risks arising from DB pension plans. The amendments to IAS 19 must be applied retrospectively, with certain exceptions, for annual periods beginning on or after January 1, 2013. We will apply the amended standard for the fiscal year commencing January 1, 2013.

The amended standard will not affect our consolidated statements of financial position or our consolidated statements of cash flows. The impact of the decrease in the return on plan assets, as a result of the amended standard, on our consolidated income statements and consolidated statements of comprehensive income are as follows.

FOR THE YEAR ENDED DECEMBER 31	2012	2011
Net post-employment benefit plans interest expense increase	**(242)**	(208)
Net earnings decrease	**(177)**	(150)
Other comprehensive loss decrease	**177**	150
Earnings per share decrease	**(0.22)**	(0.18)

The following changes to IFRS are not expected to have a significant impact on our financial statements.

IFRS 9

In November 2009, the IASB issued IFRS 9 – Financial Instruments, introducing new requirements for classifying and measuring financial assets. In October 2010, the IASB reissued IFRS 9, incorporating new requirements on accounting for financial liabilities, and carrying over from IAS 39 the requirements for derecognition of financial assets and financial liabilities. In December 2011, the IASB amended IFRS 9, deferring the mandatory effective date to annual periods beginning on or after January 1, 2015. The amendment also provides relief from restating comparative information and required disclosures in IFRS 7 – Financial Instruments: Disclosures.

IFRS 7

In December 2011, the IASB further amended IFRS 7 to require disclosures to better assess the effect or potential effect of offsetting arrangements in the statements of financial position. This amendment to IFRS 7 must be applied retrospectively for annual periods beginning on or after January 1, 2013.

IFRS 10

In May 2011, the IASB issued IFRS 10 – Consolidated Financial Statements, which establishes principles for the presentation and preparation of consolidated financial statements. Under IFRS 10, control is identified as the single basis of consolidation for all types of entities. IFRS 10 must be applied retrospectively for annual periods beginning on or after January 1, 2013.

IFRS 11

In May 2011, the IASB issued IFRS 11 – Joint Arrangements, which establishes principles for financial reporting by parties to an arrangement that is jointly controlled by two or more parties. IFRS 11 clarifies that joint control only exists when decisions about the relevant activities of an arrangement require the unanimous consent of the parties that control the arrangement collectively. IFRS 11 requires a joint venturer to account for its investment using the equity method. IFRS 11 must be applied retrospectively for annual periods beginning on or after January 1, 2013.

IFRS 12

In May 2011, the IASB issued IFRS 12 – Disclosure of Interests in Other Entities, which integrates and enhances the disclosure requirements for entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. IFRS 12 is effective for annual periods beginning on or after January 1, 2013.

IFRS 13

In May 2011, the IASB issued IFRS 13 – Fair Value Measurement, which establishes a single source of guidance for fair value measurement under IFRS. IFRS 13 defines fair value, provides guidance on measurement and introduces certain disclosure requirements. IFRS 13 must be applied prospectively for annual periods beginning on or after January 1, 2013.

IAS 1

In June 2011, the IASB amended IAS 1 – Presentation of Financial Statements, providing guidance on items contained in OCI and their classification within OCI. The amendments to IAS 1 must be applied retrospectively for annual periods beginning on or after July 1, 2012.

IAS 32

In December 2011, the IASB amended IAS 32 – Financial Instruments: Presentation, clarifying the application of the offsetting requirements of financial assets and financial liabilities. The amendments to IAS 32 must be applied retrospectively for annual periods beginning on or after January 1, 2014.

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 or U.S. securities laws is recorded, processed, summarized and reported within the time periods specified under such 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, 2012, 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* 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, 2012.

Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) under the U.S. *Securities Exchange Act of 1934* and under National Instrument 52-109. Our internal control over financial reporting is a process designed under the supervision of the CEO and CFO 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, 2012, based on the framework and criteria established in the *Internal Control – Integrated Framework* 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, 2012. There were no material weaknesses that have been identified by management as at December 31, 2012.

There have been no changes during the year ended December 31, 2012 in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

NON-GAAP FINANCIAL MEASURES

This section describes the non-GAAP financial measures we use in this MD&A to explain our financial results. It also provides reconciliations of the non-GAAP financial measures to the most comparable IFRS financial measures.

EBITDA

The term EBITDA does not have any standardized meaning under IFRS. Therefore, it is unlikely to be comparable to similar measures presented by other companies. We define EBITDA as operating revenues less operating costs, as shown in BCE's consolidated income statements. EBITDA for BCE's segments is the same as segment profit as reported in Note 3 to BCE's 2012 consolidated financial statements.

We use EBITDA to evaluate the performance of our businesses as it reflects their ongoing profitability. We believe that certain investors and analysts use EBITDA 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. EBITDA also is one component in the determination of short-term incentive compensation for all management employees. EBITDA has no directly comparable IFRS financial measure. Alternatively, the following table provides a reconciliation of net earnings to EBITDA.

	2012	2011
Net earnings	3,053	2,574
Severance, acquisition and other costs	133	409
Depreciation	2,674	2,538
Amortization	714	723
Finance costs		
Interest expense	865	853
Interest on post-employment benefit obligations	958	973
Expected return on post-employment benefit plan assets	(1,069)	(1,032)
Other income	(270)	(129)
Income taxes	825	720
EBITDA	7,883	7,629

Adjusted Net Earnings and Adjusted EPS

The terms Adjusted net earnings and Adjusted EPS do not have any standardized meaning according to IFRS. They are therefore unlikely to be comparable to similar measures presented by other companies.

We define Adjusted net earnings as net earnings attributable to common shareholders before severance, acquisition and other costs, and net (gains) losses on investments. We define Adjusted EPS as Adjusted net earnings per BCE common share.

We use Adjusted net earnings and Adjusted EPS, among other measures, to assess the performance of our businesses without the effects of severance, acquisition and other costs, and net (gains) losses on investments, net of tax and non-controlling interest. 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.

	2012		2011	
	TOTAL	PER SHARE	TOTAL	PER SHARE
Net earnings attributable to common shareholders	2,624	3.39	2,221	2.88
Severance, acquisition and other costs	94	0.12	282	0.37
Net gains on investments	(256)	(0.33)	(89)	(0.12)
Adjusted net earnings	2,462	3.18	2,414	3.13

Free Cash Flow

The term free cash flow does not have any standardized meaning according to IFRS. It is therefore unlikely to be comparable to similar measures presented by other companies.

We define free cash flow as cash flows from operating activities, excluding acquisition costs paid, plus dividends/distributions received from Bell Aliant, less capital expenditures, preferred share dividends, dividends/distributions paid by subsidiaries to non-controlling interest and Bell Aliant free cash flow.

We consider free cash flow to be an important indicator of the financial strength and performance of our business because it shows how much cash is available to repay debt and reinvest in our company. We present free cash flow consistently from period to period, which allows us to compare our financial performance on a consistent basis.

We believe that certain investors and analysts use free cash flow to value a business and its underlying assets.

The most comparable IFRS financial measure is cash flows from operating activities. The following table is a reconciliation of cash flows from operating activities to free cash flow on a consolidated basis.

	2012	2011
Cash flows from operating activities	**5,552**	4,869
Bell Aliant dividends/distributions to BCE	**191**	214
Capital expenditures	**(3,515)**	(3,256)
Cash dividends paid on preferred shares	**(133)**	(118)
Cash dividends/distributions paid by subsidiaries to non-controlling interest	**(340)**	(315)
Acquisition costs paid	**101**	70
Bell Aliant free cash flow	**(186)**	47
Free cash flow	**1,670**	1,511

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. 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 Chartered Professional Accountants, has audited the financial statements.

Management has prepared the financial statements according to International Financial Reporting Standards (IFRS). Under IFRS, 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 this 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 124 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) Siim A. Vanaselja
Executive Vice-President and Chief Financial Officer

(signed) Karyn A. Brooks
Senior Vice-President and Controller

March 7, 2013

REPORT OF INDEPENDENT REGISTERED CHARTERED PROFESSIONAL ACCOUNTANTS

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, 2012, and December 31, 2011, and the consolidated income statements and statements of comprehensive income, statements of changes in equity, and 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 judgement, 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, 2012 and December 31, 2011 and their financial performance and 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 of December 31, 2012, based on the criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 7, 2013 expressed an unqualified opinion on the Company's internal control over financial reporting.

(signed) Deloitte LLP[1]
Independent Registered Chartered Professional Accountants

Montréal, Canada

March 7, 2013

(1) CPA auditor, CA, public accountancy permit No. A104644

CONSOLIDATED INCOME STATEMENTS

FOR THE YEAR ENDED DECEMBER 31 (IN MILLIONS OF CANADIAN DOLLARS, EXCEPT SHARE AMOUNTS)	NOTE	2012	2011
Operating revenues	3	**19,975**	19,497
Operating costs	4	**(12,092)**	(11,868)
Severance, acquisition and other costs	5	**(133)**	(409)
Depreciation	12	**(2,674)**	(2,538)
Amortization	13	**(714)**	(723)
Finance costs			
Interest expense	6	**(865)**	(853)
Interest on post-employment benefit obligations	20	**(958)**	(973)
Expected return on post-employment benefit plan assets	20	**1,069**	1,032
Other income	7	**270**	129
Earnings before income taxes		**3,878**	3,294
Income taxes	8	**(825)**	(720)
Net earnings		**3,053**	2,574
Net earnings attributable to:			
Common shareholders		**2,624**	2,221
Preferred shareholders		**139**	119
Non-controlling interest		**290**	234
Net earnings		**3,053**	2,574
Net earnings per common share			
Basic	9	**3.39**	2.88
Diluted	9	**3.39**	2.88
Average number of common shares outstanding – basic (millions)		**774.3**	771.4

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31 (IN MILLIONS OF CANADIAN DOLLARS)	NOTE	2012	2011
Net earnings		**3,053**	2,574
Other comprehensive loss, net of income taxes			
Net change in value on available-for-sale financial assets, net of income taxes of nil for 2012 and 2011		**1**	(101)
Net change in value on derivatives designated as cash flow hedges, net of income taxes of ($1) million and ($11) million for 2012 and 2011, respectively		**(10)**	29
Actuarial losses on post-employment benefit plans, net of income taxes of $462 million and $253 million for 2012 and 2011, respectively	20	**(1,229)**	(686)
Other comprehensive loss		**(1,238)**	(758)
Total comprehensive income		**1,815**	1,816
Total comprehensive income attributable to:			
Common shareholders		**1,475**	1,442
Preferred shareholders		**139**	119
Non-controlling interest		**201**	255
Total comprehensive income		**1,815**	1,816

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(IN MILLIONS OF CANADIAN DOLLARS)	NOTE	DECEMBER 31, 2012	DECEMBER 31, 2011
ASSETS			
Current assets			
Cash		**117**	130
Cash equivalents		**10**	45
Trade and other receivables	10	**2,910**	3,113
Current tax receivable		**36**	43
Inventory	11	**392**	427
Prepaid expenses		**301**	262
Other current assets		**145**	152
Total current assets		**3,911**	4,172
Non-current assets			
Property, plant and equipment	12	**20,007**	18,785
Intangible assets	13	**8,087**	8,013
Deferred tax assets	8	**244**	329
Investments in associates and joint ventures	14	**897**	307
Other non-current assets	15	**637**	629
Goodwill	16	**7,185**	7,185
Total non-current assets		**37,057**	35,248
Total assets		**40,968**	39,420
LIABILITIES			
Current liabilities			
Trade payables and other liabilities	17	**3,915**	4,077
Interest payable		**128**	134
Dividends payable		**453**	415

	NOTE	2012	2011
Current tax liabilities		113	47
Debt due within one year	18	2,136	2,106
Total current liabilities		6,745	6,779
Non-current liabilities			
Long-term debt	19	13,886	12,721
Deferred tax liabilities	8	761	881
Post-employment benefit obligations	20	3,422	2,719
Other non-current liabilities	21	1,429	1,561
Total non-current liabilities		19,498	17,882
Total liabilities		26,243	24,661
Commitments and contingencies	25		
EQUITY			
Equity attributable to BCE shareholders			
Preferred shares	23	3,395	3,115
Common shares	23	13,611	13,566
Shares subject to cancellation	23	–	(50)
Contributed surplus	23	2,557	2,527
Accumulated other comprehensive (loss) income		(6)	5
Deficit		(5,682)	(5,385)
Total equity attributable to BCE shareholders		13,875	13,778
Non-controlling interest		850	981
Total equity		14,725	14,759
Total liabilities and equity		40,968	39,420

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2012 (IN MILLIONS OF CANADIAN DOLLARS)	NOTE	ATTRIBUTABLE TO BCE SHAREHOLDERS PREFERRED SHARES	COMMON SHARES	SHARES SUBJECT TO CANCEL-LATION	CONTRI-BUTED SURPLUS	ACCUMU-LATED OTHER COMPREHEN-SIVE (LOSS) INCOME	DEFICIT	TOTAL	NON-CONTROL-LING INTEREST	TOTAL EQUITY
Balance at January 1, 2012		3,115	13,566	(50)	2,527	5	(5,385)	13,778	981	14,759
Net earnings		–	–	–	–	–	2,763	2,763	290	3,053
Other comprehensive loss		–	–	–	–	(11)	(1,138)	(1,149)	(89)	(1,238)
Total comprehensive (loss) income		–	–	–	–	(11)	1,625	1,614	201	1,815
Preferred shares issued	23	280	–	–	–	–	(3)	277	–	277
Common shares issued under stock option plan	23	–	43	–	(4)	–	–	39	–	39
Common shares issued under employee savings plan	23	–	48	–	–	–	–	48	–	48
Common shares repurchased and cancelled	23	–	(46)	–	(3)	–	(58)	(107)	–	(107)
Common shares subject to cancellation	23	–	–	50	–	–	–	50	–	50
Other share-based payments		–	–	–	37	–	(3)	34	5	39
Dividends declared on BCE common and preferred shares		–	–	–	–	–	(1,858)	(1,858)	–	(1,858)
Dividends declared by subsidiaries to non-controlling interest		–	–	–	–	–	–	–	(348)	(348)
Equity securities issued by subsidiaries to non-controlling interest		–	–	–	–	–	–	–	11	11
Balance at December 31, 2012		3,395	13,611	–	2,557	(6)	(5,682)	13,875	850	14,725

FOR THE YEAR ENDED DECEMBER 31, 2011 (IN MILLIONS OF CANADIAN DOLLARS)	NOTE	PREFERRED SHARES	COMMON SHARES	SHARES SUBJECT TO CANCEL-LATION	CONTRI-BUTED SURPLUS	ACCUMU-LATED OTHER COMPREHEN-SIVE (LOSS) INCOME	DEFICIT	TOTAL	NON-CONTROL-LING INTEREST	TOTAL EQUITY
Balance at January 1, 2011		2,770	12,691	–	2,579	66	(7,952)	10,154	14	10,168
Net earnings		–	–	–	–	–	2,340	2,340	234	2,574
Other comprehensive loss		–	–	–	–	(74)	(705)	(779)	21	(758)
Total comprehensive (loss) income		–	–	–	–	(74)	1,635	1,561	255	1,816
Preferred shares issued	23	345	–	–	–	–	(11)	334	–	334
Common shares issued under stock option plan	23	–	172	–	(20)	–	–	152	–	152
Common shares repurchased and cancelled	23	–	(61)	–	(4)	–	(78)	(143)	–	(143)
Common shares subject to cancellation	23	–	–	(50)	–	–	–	(50)	–	(50)
Other share-based payments		–	–	–	26	–	3	29	8	37
Common shares issued for the acquisition of CTV	23, 27	–	764	–	–	–	–	764	–	764
Acquisition of CTV	27	–	–	–	–	–	–	–	215	215
Dividends declared on BCE common and preferred shares		–	–	–	–	–	(1,698)	(1,698)	–	(1,698)
Dividends/distributions declared by subsidiaries to non-controlling interest		–	–	–	–	–	–	–	(284)	(284)
Equity securities issued by subsidiaries to non-controlling interest		–	–	–	–	–	–	–	394	394
Equity transaction with non-controlling interest		–	–	–	(54)	–	–	(54)	48	(6)
Conversion of fund unit liability(1)		–	–	–	–	13	2,716	2,729	331	3,060
Balance at December 31, 2011		3,115	13,566	(50)	2,527	5	(5,385)	13,778	981	14,759

(1) On January 1, 2011, when Bell Aliant changed from an income fund structure to a corporate structure, the Bell Aliant trust units (fund units) were exchanged one-for-one into common shares.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31 (IN MILLIONS OF CANADIAN DOLLARS)	NOTE	2012	2011
Cash flows from operating activities			
Net earnings		3,053	2,574
Adjustments to reconcile net earnings to cash flows from operating activities			
Severance, acquisition and other costs	5	133	409
Depreciation and amortization	12, 13	3,388	3,261

Net post-employment benefit plans cost	20	114	182
Net interest expense	6, 7	859	832
Gains on investments	7	(256)	(89)
Income taxes	8	825	720
Contributions to post-employment benefit plans	20	(1,192)	(1,491)
Payments under other post-employment benefit plans	20	(73)	(75)
Severance and other costs paid		(232)	(438)
Acquisition costs paid		(101)	(70)
Interest paid		(835)	(795)
Income taxes paid (net of refunds)		(280)	(130)
Net change in operating assets and liabilities		149	(21)
Cash flows from operating activities		5,552	4,869
Cash flows used in investing activities			
Capital expenditures		(3,515)	(3,256)
Business acquisitions	27	(13)	(680)
Increase in investments		(593)	(12)
Other investing activities		28	64
Cash flows used in investing activities		(4,093)	(3,884)
Cash flows used in financing activities			
Increase in notes payable and bank advances		377	30
Reduction in securitized trade receivables		(15)	(318)
Issue of long-term debt		1,055	2,314
Repayment of long-term debt		(946)	(2,350)
Issue of common shares		39	152
Issue of preferred shares	23	280	345
Issue of equity securities by subsidiaries to non-controlling interest		11	403
Repurchase of common shares	23	(107)	(143)
Cash dividends paid on common shares		(1,683)	(1,520)
Cash dividends paid on preferred shares		(133)	(118)
Cash dividends/distributions paid by subsidiaries to non-controlling interest		(340)	(315)
Other financing activities		(45)	(61)
Cash flows used in financing activities		(1,507)	(1,581)
Net (decrease) increase in cash		(13)	1
Cash at beginning of period		130	129
Cash at end of period		117	130
Net decrease in cash equivalents		(35)	(597)
Cash equivalents at beginning of period		45	642
Cash equivalents at end of period		10	45

Notes TO CONSOLIDATED FINANCIAL STATEMENTS

We, *us*, *our*, *BCE* and *the company* mean either BCE Inc. or, collectively, BCE Inc., its subsidiaries, joint ventures and associates; *Bell* means our Bell Wireline, Bell Wireless and Bell Media segments on an aggregate basis; and *Bell Aliant* means either Bell Aliant Inc. or, collectively, Bell Aliant Inc. and its subsidiaries, joint ventures 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, Building A, 8th floor, Verdun, Québec, Canada. BCE is a communications and media company providing wireline, wireless, Internet and television (TV) services to residential, business and wholesale customers in Canada. Our Bell Media segment provides specialty TV, digital media, conventional TV and radio broadcasting services to customers across Canada. The consolidated financial statements (financial statements) were approved by BCE's board of directors on March 7, 2013.

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

The financial statements are presented in Canadian dollars, the company's functional currency.

B) Basis of Consolidation

We consolidate the financial statements of all our subsidiaries. Subsidiaries are entities we control, where control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or sold during the year are consolidated from the date of acquisition and up to the date of disposal. Where necessary, adjustments are made to the financial statements of subsidiaries to conform their accounting policies with 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 loss of control are accounted for as equity transactions, with no effect on net earnings or on other comprehensive income.

At December 31, 2012, BCE owned 44.1% of Bell Aliant, with the remaining 55.9% publicly held. BCE has the right to appoint a majority of the board of directors of Bell Aliant and, therefore, controls Bell Aliant.

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
- advertising revenue, net of agency commissions, when advertisements are aired or posted on the Internet
- 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.

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* on 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.

Multiple-Element Arrangements

We enter into arrangements that may include the sale of a number of products and services together, notably in our wireless and video product lines and to our business customers. When two or more products or services have value to our customers on a stand-alone basis, we separately account for each product or service according to the methods previously described. The total price to the customer is allocated to each product or service based on its relative fair value. When an amount allocated to a delivered item is contingent upon the delivery of additional items or meeting specified performance conditions, the amount allocated to that delivered item is limited to the non-contingent amount.

If the conditions to account separately for each product or service are not met, we recognize revenue proportionately over the term of the sale agreement.

Subcontracted Services

We may enter into arrangements with subcontractors and others who provide services to our customers. When we act as the principal in these arrangements, we recognize revenue based on the amounts billed to our customers. Otherwise, we recognize the net amount that we retain as revenue.

D) Share-Based Payments

Our equity-settled, share-based payment arrangements include stock option plans, restricted share units (RSUs), deferred share units (DSUs) and employee savings plans (ESPs).

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. 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 paid and the amounts previously credited to contributed surplus.

RSUs

For each RSU granted, we recognize compensation expense equal to the market value of a BCE common share at the date of grant based on the number of RSUs expected to vest, recognized over the term of the vesting period, with a corresponding credit to contributed surplus for equity-settled RSUs and a corresponding credit to a liability for cash-settled RSUs. Additional RSUs 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 that are expected to vest and, for cash-settled RSUs, changes in the market value of BCE common shares. The effect of these changes is recognized in the period of the change. Upon settlement of the equity-settled RSUs, 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 are settled either in BCE common shares, in cash, in DSUs, or through a combination of these, depending on the terms of the grant.

DSUs

DSUs issued are recognized at 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.

ESPs

We recognize our contributions under our ESPs as compensation expense. Employer ESP contributions accrue over a two-year vesting period. We credit contributed surplus for the ESP expense recorded over the vesting period, based on management's estimate of the accrued contributions that are expected to vest. We adjust the deficit for any difference between the cost of shares purchased at the time of settlement and the amount previously credited to contributed surplus.

E) Income Taxes

Income tax expense is comprised of current and deferred taxes. It is recognized in the income statements, except to the extent that the expense relates to items recognized in other comprehensive income or directly in equity.

A current or non-current tax liability/asset is the estimated tax payable/receivable on taxable earnings for the current or past periods. We also record future tax liabilities, which are included in *Other non-current liabilities*.

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 basis
- the carryforward of unused tax losses and credits, to the extent they can be used in the future.

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 end of the reporting date.

Deferred tax is provided on temporary differences arising from investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by us 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 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 identification for major equipment held for resale and the weighted average cost formula for all other inventory. We maintain inventory valuation reserves for inventory that is slow-moving or obsolete, calculated using an inventory ageing analysis.

I) Property, Plant and Equipment

We record property, plant and equipment at historical cost, except for certain assets that were valued at deemed cost on the changeover to IFRS. Historical cost includes expenditures that are attributable directly to the acquisition or construction of the asset, including the purchase cost, labour and overhead.

Borrowing costs are capitalized for qualifying assets if the time to build or develop is in excess of one year. We initially measure and record asset retirement obligations 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 recorded asset retirement obligation and record a corresponding amount in interest expense to reflect the passage of time. Gains or losses on the sale or retirement of property, plant and equipment are recognized in *Other income*.

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 liability at the lower of the fair value of the leased asset or the present value of the minimum 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 and the liability is measured at amortized cost using the effective interest method.

All other leases are classified as operating leases. Lease payments are expensed on a straight-line basis over the term of the lease.

J) Intangible Assets

Finite-life Intangible Assets

Finite-life intangible assets are carried 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, labour and overhead.

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. Programs and feature films under licence agreements are recorded as assets and liabilities for rights acquired and 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. 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.

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, if needed. Land and assets under construction or development are not depreciated.

	ESTIMATED USEFUL LIFE
Property, plant and equipment	
Network infrastructure and equipment	2 to 50 years
Buildings	10 to 50 years
Finite-life intangible assets	
Software	2 to 7 years
Customer relationships	5 to 30 years
Program and feature film rights	Up to 5 years

L) Investments in Associates and Joint Ventures

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.

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 by comparing their recoverable amount to their carrying amount.

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.

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 also is remeasured to fair value. The excess of the purchase consideration and any previously-held equity interest over the fair value of identifiable net assets acquired is goodwill. If the fair value of identifiable net assets acquired exceeds the purchase consideration and any previously-held equity interest, the difference is recognized in earnings 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 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 quarterly, indicate that their carrying amount may not be recoverable. For the purpose of impairment tests, assets 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 to sell and its value in use. Previously recognized impairment losses, other than those attributable to goodwill, are reviewed 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) 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 assess goodwill impairment at the level of each CGU or group of CGUs likely to benefit from acquisition-related synergies within an operating segment.

We identify any potential impairment by comparing the carrying value of a CGU to its recoverable amount. The recoverable amount of a CGU is the higher of its fair value less costs to sell and its value in use. Fair value less costs to sell is 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 is less than its carrying value, the recoverable amount is determined for all its identifiable assets and liabilities. The excess of the recoverable amount of the CGU over the total of the amounts assigned to its assets and liabilities is the recoverable amount of goodwill.

An impairment charge is deducted from earnings for any excess of the carrying value of goodwill over its recoverable amount. Goodwill impairment losses are not reversed.

RECOVERABLE AMOUNT

The value in use for our CGUs is determined by discounting five-year cash flow projections from business plans approved by senior management. The projections reflect management's expectations of revenue, EBITDA, capital expenditures, working capital and operating cash flows, based on past experience and future expectations of operating performance.

Cash flows beyond the five-year period are extrapolated using perpetuity growth rates of up to 1.5%. None of the perpetuity growth rates exceed the long-term historical growth rates.

The pre-tax discount rates, ranging from 7.0% to 9.1%, are applied to the five-year pre-tax cash flow projections and are derived from the weighted average cost of capital for each CGU or group of CGUs.

O) Financial Instruments

Derivatives Used as Economic Hedges

Derivatives not designated as hedging instruments are marked to market each reporting period. These derivatives are used to manage cash flow exposures related to share-based payment plans and capital expenditures. The changes in fair value of these financial assets and liabilities are recognized in *Other income* in the income statements.

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, plus related transaction costs. Investments in publicly-traded and privately-held investments are adjusted to fair value at each reporting date. The corresponding unrealized gains and losses are recorded in other comprehensive income and are reclassified to *Other income* in the income statements when realized or when an impairment is determined. Equity income from investments is recorded in *Other income* in the income statements.

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.

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 and foreign currency risk. 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 exposure it hedges 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.

We assess the effectiveness of a derivative in managing an identified risk when hedge accounting is initially applied, and on an ongoing basis thereafter. If a hedge becomes ineffective, we stop using hedge accounting.

FAIR VALUE HEDGES

Our fair value hedges consist of interest rate swaps used to manage the effect of changes in interest rates relating to fixed-rate long-term debt. These swaps involve exchanging interest payments without exchanging the notional amount on which the payments are based. We record the exchange of payments as an adjustment to interest expense on the hedged debt. We include the related net receivable or payable from counterparties in *Other current assets* or *Trade payables and other liabilities* for swaps that mature within one year and in *Other non-current assets* or *Other non-current liabilities* for swaps that have a maturity of more than one year. Changes in the fair value of these derivatives and the related long-term debt are recognized in *Other income* in the income statements and offset, unless a portion of the hedging relationship is ineffective.

CASH FLOW HEDGES

Our cash flow hedges are used to mitigate foreign currency risk on certain long-term debt instruments and purchase commitments, as well as interest rate risk related to future debt issuances. We use foreign currency forward contracts to manage the exposure to anticipated transactions denominated in foreign currencies. Changes in the fair value of these derivatives are recognized in our consolidated statements of comprehensive income (statements of comprehensive income), except for any ineffective portion, which is recognized immediately in earnings. Realized gains and losses in *Accumulated other 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*.

Q) Post-employment Benefit Plans

Defined Benefit (DB) Pension Plans and Other Post-Employment Benefit (OPEB) Plans

We maintain DB 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. The 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 and future service.

We provide OPEBs to some of our employees, including:

- healthcare and life insurance benefits during retirement. The provision of such benefits is being phased out 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 dependants, from the time their employment ends until their retirement starts, under certain circumstances.

We accrue our obligations and related costs under post-employment benefit plans, net of the fair value of the benefit plan assets. Pension and OPEB costs are determined using:

- the projected unit credit method, prorated on years of service, which takes into account future pay levels
- a discount rate based on market interest rates of high-quality corporate bonds with maturities that match the timing of benefits expected to be paid under the plans
- management's best estimate of the plans' expected investment performance, pay increases, retirement ages of employees and expected healthcare costs.

The expected long-term rate of return is a weighted average rate of our forward-looking view of long-term returns on each of the major plan asset categories in our pension funds. We value post-employment benefit plan assets at fair value using current market values.

The expense relating to our post-employment benefit plans is shown in operating costs, interest on post-employment benefit obligations and expected return on post-employment benefit plan assets. Post-employment benefit plans current service cost is included in operating costs. Interest on our post-employment benefit obligations and the expected return on post-employment benefit plan assets are recognized in net earnings. Interest on our post-employment benefit obligations represents the accretion of interest on the obligations under the post-employment benefit plans and the expected return on post-employment benefit plan assets is based on market conditions that existed at the beginning of the year.

Actuarial gains and losses for all post-employment benefit plans are recorded in other comprehensive income 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 obligations and OPEB obligations. The most recent actuarial valuation of our significant pension plans was December 31, 2011.

Defined Contribution (DC) Pension Plans

We maintain DC 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 time value of money and risks specific to the obligation. The obligation increases as a result of the passage of time resulting in interest expense.

S) Using Estimates and Key Judgements

When preparing financial statements, management makes estimates and judgements 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 judgements are subject to measurement uncertainty and actual results could differ. Our more significant estimates and judgements are described below.

Estimates

USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT AND FINITE-LIFE INTANGIBLE ASSETS

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.

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

We make a number of estimates when calculating fair value 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.

GOODWILL IMPAIRMENT

We make a number of estimates when calculating the recoverable amount of goodwill using discounted future cash flows or other valuation methods. 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.

ONEROUS CONTRACTS

A provision for onerous contracts is recognized when the unavoidable costs of meeting our obligations under the contract exceed the expected benefits to be received from 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.

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.

CONTINGENCIES

We become involved in various litigation matters as a part of our business. Pending litigations represent a potential cost to our business.

We accrue a potential loss if we believe the loss is probable 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 cash settlement would be deducted from cash from operating activities. We estimate the amount of the loss by analyzing potential outcomes and assuming various litigation and settlement strategies.

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, the expected long-term rate of return on post-employment benefit plan assets, the rate of compensation increase, trends in healthcare costs and expected average remaining years of service of employees.

The two most significant assumptions used to calculate the net post-employment benefit plans cost are the discount rate used to value the post-employment benefit obligations and the expected long-term rate of return on post-employment benefit plan assets.

Discount Rate

A discount rate is used to determine the present value of the future cash flows that we expect will be needed to settle post-employment benefit obligations. It is based on the yield on long-term, high-quality corporate fixed income investments, with maturities matching the estimated cash flows from the post-employment benefit plan. A lower discount rate results in higher post-employment benefit obligations and higher post-employment benefit plans deficit. We determine the discount rate at the end of each year.

Expected Long-Term Rate of Return

The expected long-term rate of return is a weighted average of estimated long-term returns on each of the major plan asset categories in our pension funds. Poor fund performance results in a lower fair value of plan assets and a higher post-employment benefit plans deficit. We determine the expected long-term rate of return at the end of each year.

Judgements

MULTIPLE ELEMENT ARRANGEMENTS

Determining the amounts of revenue to be recognized for multiple element arrangements requires judgement to establish the separately identifiable components and the allocation of the total price between those components.

INCOME TAXES

The calculation of income taxes requires judgement in interpreting tax rules and regulations. There are transactions and calculations for which the ultimate tax determination is uncertain. Our tax filings also are subject to audits, 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 judgement is used to determine the amounts of deferred tax assets and liabilities and future tax liabilities to be recognized. In particular, judgement is required when assessing the timing of the reversal of temporary differences to which future income tax rates are applied.

T) Recent Changes to Accounting Standards

The IASB amended IFRS 7 – Financial Instruments: Disclosures to require quantitative and qualitative disclosures for transfers of financial assets where the transferred assets are not derecognized in their entirety or the transferor retains continuing

managerial involvement. The amendment also requires disclosure of supplementary information if a substantial portion of the total amount of the transfer activity occurs in the days immediately preceding the end of a reporting period. This amendment came into effect for annual periods beginning on or after July 1, 2011. This amendment did not impact our disclosure since we were already in compliance.

U) Future Changes to Accounting Standards

IAS 19

In June 2011, the IASB amended IAS 19 – Employee Benefits. Annual finance expense for a funded benefit plan will include net interest expense or income, calculated by applying the discount rate to the net DB pension asset or liability, replacing the finance charge and expected return on plan assets, thereby reducing the current expected return on plan assets to a return that is equal to the discount rate. Entities will segregate changes in the DB pension obligation and in the fair value of plan assets into three components: service costs, net interest on the net DB pension liabilities (assets) and remeasurements of the net DB pension liabilities (assets). The amendments also eliminate the corridor approach for recognizing actuarial gains and losses and enhance disclosure about the risks arising from DB pension plans. The amendments to IAS 19 must be applied retrospectively, with certain exceptions, for annual periods beginning on or after January 1, 2013. We will apply the amended standard for the fiscal year commencing January 1, 2013.

The amended standard will not affect our consolidated statements of financial position or our consolidated statements of cash flows. The impact of the decrease in the return on plan assets, as a result of the amended standard, on our consolidated income statements and consolidated statements of comprehensive income are as follows.

FOR THE YEAR ENDED DECEMBER 31	2012	2011
Net post-employment benefit plans interest expense increase	**(242)**	(208)
Net earnings decrease	**(177)**	(150)
Other comprehensive loss decrease	**177**	150
Earnings per share decrease	**(0.22)**	(0.18)

The following changes to IFRS are not expected to have a significant impact on our financial statements.

IFRS 9

In November 2009, the IASB issued IFRS 9 – Financial Instruments, introducing new requirements for classifying and measuring financial assets. In October 2010, the IASB reissued IFRS 9, incorporating new requirements on accounting for financial liabilities, and carrying over from IAS 39 the requirements for derecognition of financial assets and financial liabilities. In December 2011, the IASB amended IFRS 9, deferring the mandatory effective date to annual periods beginning on or after January 1, 2015. The amendment also provides relief from restating comparative information and required disclosures in IFRS 7 – Financial Instruments: Disclosures.

IFRS 7

In December 2011, the IASB further amended IFRS 7 to require disclosures to better assess the effect or potential effect of offsetting arrangements in the statements of financial position. This amendment to IFRS 7 must be applied retrospectively for annual periods beginning on or after January 1, 2013.

IFRS 10

In May 2011, the IASB issued IFRS 10 – Consolidated Financial Statements, which establishes principles for the presentation and preparation of consolidated financial statements. Under IFRS 10, control is identified as the single basis of consolidation for all types of entities. IFRS 10 must be applied retrospectively for annual periods beginning on or after January 1, 2013.

IFRS 11

In May 2011, the IASB issued IFRS 11 – Joint Arrangements, which establishes principles for financial reporting by parties to an arrangement that is jointly controlled by two or more parties. IFRS 11 clarifies that joint control only exists when decisions about the relevant activities of an arrangement require the unanimous consent of the parties that control the arrangement collectively. IFRS 11 requires a joint venturer to account for its investment using the equity method. IFRS 11 must be applied retrospectively for annual periods beginning on or after January 1, 2013.

IFRS 12

In May 2011, the IASB issued IFRS 12 – Disclosure of Interests in Other Entities, which integrates and enhances the disclosure requirements for entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. IFRS 12 is effective for annual periods beginning on or after January 1, 2013.

IFRS 13

In May 2011, the IASB issued IFRS 13 – Fair Value Measurement, which establishes a single source of guidance for fair value measurement under IFRS. IFRS 13 defines fair value, provides guidance on measurement and introduces certain disclosure requirements. IFRS 13 must be applied prospectively for annual periods beginning on or after January 1, 2013.

IAS 1

In June 2011, the IASB amended IAS 1 – Presentation of Financial Statements, providing guidance on items contained in other comprehensive income and their classification within other comprehensive income. The amendments to IAS 1 must be applied retrospectively for annual periods beginning on or after July 1, 2012.

IAS 32

In December 2011, the IASB amended IAS 32 – Financial Instruments: Presentation, clarifying the application of the offsetting requirements of financial assets and financial liabilities. The amendments to IAS 32 must be applied retrospectively for annual periods beginning on or after January 1, 2014.

Note 3 SEGMENTED INFORMATION

The accounting policies used in our segment reporting are the same as those we describe in Note 2, *Significant Accounting Policies*. Our earnings are reported in four segments: *Bell Wireline*, *Bell Wireless*, *Bell Media* and *Bell Aliant*. 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 also allocate severance, acquisition and other costs and depreciation and amortization to the segments. Substantially all of our finance costs, expected return on post-employment benefit plan assets and other income are managed on a total company basis and, accordingly, are not reflected in segment results. The inter-segment eliminations eliminate any intercompany transactions included in each segment's results.

Our operations and most of our assets are located in Canada.

The Bell Wireline segment provides local telephone, long distance, Internet, data, video and other services and products to Bell Canada's residential, small and medium-sized business and large enterprise customers, primarily in the urban areas of Ontario and Québec. Satellite video services are provided nationwide. Also included in this segment is our wholesale business, which buys and sells local telephone, long distance, data and other services from or to resellers and other carriers.

The Bell Wireless segment provides wireless voice and data communication products and services to Bell Canada's residential, small and medium-sized business and large enterprise customers across Canada.

On April 1, 2011, BCE acquired the remaining 85% of CTV Inc. (CTV) common shares that we did not already own. CTV is reported as a separate segment, Bell Media, which also includes certain assets that we transferred to it from our wireline business. The Bell Media segment provides specialty TV, digital media, conventional TV and radio broadcasting services to customers across Canada.

The Bell Aliant segment provides voice, data, Internet, TV, video, wireless and value-added business solutions to residential and business customers in the Atlantic provinces and in rural and regional areas of Ontario and Québec.

Segmented Information

FOR THE YEAR ENDED DECEMBER 31, 2012	NOTE	BELL WIRELINE	BELL WIRELESS	BELL MEDIA	INTER-SEGMENT ELIMINATIONS	BELL	BELL ALIANT	INTER-SEGMENT ELIMINATIONS	BCE
Operating revenues									
External customers		9,907	5,519	2,022	–	17,448	2,527	–	19,975
Inter-segment		313	54	161	(334)	194	234	(428)	–
Total operating revenues		10,220	5,573	2,183	(334)	17,642	2,761	(428)	19,975
Operating costs	4	(6,300)	(3,463)	(1,622)	334	(11,051)	(1,469)	428	(12,092)
Segment profit(1)		3,920	2,110	561	–	6,591	1,292	–	7,883
Severance, acquisition and other costs	5	(86)	(11)	(20)	–	(117)	(16)	–	(133)
Depreciation and amortization		(2,231)	(484)	(109)	–	(2,824)	(564)	–	(3,388)
Finance costs									
Interest expense									(865)
Interest on post-employment benefit obligations									(958)
Expected return on post-employment benefit plan assets									1,069
Other income									270
Earnings before income taxes									3,878
Goodwill allocated by groups of CGUs	16	2,521	2,302	1,393	–	6,216	969	–	7,185
Indefinite-life intangible assets allocated by groups of CGUs	13	2,403	1,314	1,511	–	5,228	339	–	5,567
Capital expenditures		2,193	637	93	–	2,923	592	–	3,515

(1) The chief operating decision maker uses only one measure to make decisions and assess segment performance, being operating revenues less operating costs.

FOR THE YEAR ENDED DECEMBER 31, 2011	NOTE	BELL WIRELINE	BELL WIRELESS	BELL MEDIA	INTER-SEGMENT ELIMINATIONS	BELL	BELL ALIANT	INTER-SEGMENT ELIMINATIONS	BCE
Operating revenues									
External customers		10,308	5,191	1,455	–	16,954	2,543	–	19,497
Inter-segment		313	40	87	(261)	179	232	(411)	–
Total operating revenues		10,621	5,231	1,542	(261)	17,133	2,775	(411)	19,497
Operating costs	4	(6,466)	(3,408)	(1,208)	261	(10,821)	(1,458)	411	(11,868)
Segment profit(1)		4,155	1,823	334	–	6,312	1,317	–	7,629
Severance, acquisition and other costs	5	(189)	(13)	(165)	–	(367)	(42)	–	(409)
Depreciation and amortization		(2,195)	(433)	(81)	–	(2,709)	(552)	–	(3,261)
Finance costs									
Interest expense									(853)
Interest on post-employment benefit obligations									(973)
Expected return on post-employment benefit plan assets									1,032
Other income									129
Earnings before income taxes									3,294
Goodwill allocated by groups of CGUs	16	2,521	2,302	1,393	–	6,216	969	–	7,185
Indefinite-life intangible assets allocated by groups of CGUs	13	1,314	2,058	1,511	–	4,883	339	–	5,222
Capital expenditures		1,973	619	91	–	2,683	573	–	3,256

(1) The chief operating decision maker uses only one measure to make decisions and assess segment performance, being operating revenues less operating costs.

Revenues by Product

FOR THE YEAR ENDED DECEMBER 31	2012	2011
Revenues		
Local and access	2,632	2,852

Long distance	801	903
Data[(1)]	5,647	5,642
Wireless	5,081	4,769
Media	2,022	1,455
Equipment and other	1,265	1,333
Total external revenues	17,448	16,954
Inter-segment revenues	194	179
Bell	17,642	17,133
Bell Aliant	2,761	2,775
Inter-segment eliminations	(428)	(411)
BCE	19,975	19,497

(1) In 2012, we have included TV service revenues in data revenues to align with the reporting practices of our peers. As a result, we have reclassified 2011 revenues by product.

Note 4 OPERATING COSTS

FOR THE YEAR ENDED DECEMBER 31	NOTE	2012	2011
Labour costs			
Wages, salaries and related taxes and benefits		(4,099)	(4,037)
Post-employment benefit plans service cost (net of capitalized amounts)	20	(225)	(241)
Other labour costs[(1)]		(894)	(911)
Less:			
Capitalized labour		878	830
Total labour costs		(4,340)	(4,359)
Cost of revenues[(2)]		(5,875)	(5,631)
Other operating costs[(3)]		(1,877)	(1,878)
Total operating costs		(12,092)	(11,868)

(1) Other labour costs include contractor 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, bad debt expense, taxes other than income taxes, information technology costs, professional service fees and rent.

Included in operating costs is $227 million and $229 million of research and development expenses for 2012 and 2011, respectively.

Note 5 SEVERANCE, ACQUISITION AND OTHER COSTS

FOR THE YEAR ENDED DECEMBER 31	2012	2011
Severance costs	(107)	(191)
Acquisition and other costs	(26)	(218)
Total severance, acquisition and other costs	(133)	(409)

Severance Costs

Severance costs consist of payments to employees related to involuntary and voluntary workforce reduction initiatives.

Acquisition and Other Costs

Acquisition costs consist of transaction costs, such as legal and bankers' fees, related to completed or potential acquisitions, employee severance costs related to the purchase or sale of a business and the costs to integrate acquired companies into Bell's operations, when the integration costs are significant.

Other costs consist of real estate costs for relocating employees and closing real estate facilities that are no longer needed because of workforce reduction initiatives, as well as certain other costs.

Acquisition and other costs for the year ended December 31, 2011 include $164 million relating to the CRTC tangible benefits obligation described in Note 27, *Acquisition of CTV*.

Note 6 INTEREST EXPENSE

FOR THE YEAR ENDED DECEMBER 31	2012	2011
Interest expense on long-term debt	(792)	(774)
Interest expense on other debt	(92)	(91)
Capitalized interest	19	12
Total interest expense	(865)	(853)

Included in interest expense on long-term debt is $158 million and $144 million of interest on finance leases for 2012 and 2011, respectively.

Capitalized interest was calculated using an average rate of 5.25% and 5.70% for 2012 and 2011, respectively, which represents the weighted average interest rate on our outstanding long-term debt.

Note 7 OTHER INCOME

FOR THE YEAR ENDED DECEMBER 31	NOTE	2012	2011
Gains on investments		256	89
Net mark-to-market gain on economic hedges		22	75
Losses on disposal/retirement of software, plant and equipment		(36)	(45)
Interest income		6	21
Impairment of assets		3	(33)
Equity income	14	1	24
Other		18	(2)
Other income		270	129

Gains on Investments

In December 2012, Inukshuk Limited Partnership (Inukshuk), a joint venture owned 50% by BCE, sold certain spectrum licences and network equipment to its owners at fair market value. BCE and the non-related venturer each purchased 50% of the assets having a fair market value of $1,181 million and a carrying value of $250 million. As a result, BCE recorded:

- a gain on investment of $233 million representing BCE's 50% share of the Inukshuk gain relating to the assets sold to the non-related venturer
- spectrum licences and network equipment of $358 million representing the fair value of the assets purchased less BCE's share of the Inukshuk gain
- a decrease of $125 million in its investment in Inukshuk representing the carrying value of the assets sold.

A gain of $89 million was realized in 2011 on our previously held 15% equity interest in CTV at the acquisition date. As a result, we reclassified unrealized gains of $89 million from *Accumulated other comprehensive income* to *Other income*.

Impairment of Assets

Impairment charges of $33 million in 2011 consist mainly of:

- a $17 million goodwill impairment of a CGU within Bell Wireline that will cease operations in 2013
- an impairment charge of $14 million relating to our Calgary Westwinds campus that is under a finance lease, resulting from an arrangement to sublease the premises in their entirety. The charge was determined by comparing the carrying value of our leasehold interest to its fair value less costs to sell, based on the expected future discounted cash flows using a discount rate of 3.8% for the period of March 1, 2011 to November 1, 2028.
  The carrying value of our leasehold interest was $67 million prior to the impairment. In June 2012, the sublessee occupied the property and assumed the majority of our lease obligation and the asset now is considered sold.

Note 8 INCOME TAXES

The following table shows the significant components of income taxes deducted from net earnings.

FOR THE YEAR ENDED DECEMBER 31	2012	2011
Current taxes		
Current taxes	(817)	(758)
Resolution of uncertain tax positions	131	158
Change in estimate relating to prior periods	48	63
Effect of change in provincial corporate tax rate	2	–
Other	–	12
Deferred taxes		
Deferred taxes relating to the origination and reversal of temporary differences	(30)	(79)
Effect of change in provincial corporate tax rate	(37)	–
Change in estimate relating to prior periods	(39)	(28)
Recognition and utilization of loss carryforwards	(130)	(75)
Resolution of uncertain tax positions	52	–
Other	(5)	(13)
Total income taxes	(825)	(720)

The following table reconciles the amount of reported income taxes in the income statements with income taxes calculated at statutory income tax rates of 26.6% in 2012 and 28.2% in 2011. The decrease in the statutory income tax rate is explained by a federal rate reduction of 1.5% that became effective on January 1, 2012. Our statutory income tax rate is the combined Canadian rates applicable in the jurisdictions in which we do business.

FOR THE YEAR ENDED DECEMBER 31	2012	2011
Earnings before income taxes	3,878	3,294
Applicable tax rate	26.6%	28.2%
Income taxes computed at applicable statutory rates	(1,032)	(929)
Non-taxable portion of gains on investments	66	25
Resolution of uncertain tax positions	183	158
Effect of change in provincial corporate tax rate	(35)	–
Change in estimate relating to prior periods	9	35
Other	(16)	(9)
Total income taxes	(825)	(720)
Average effective tax rate	21.3%	21.9%

The following table shows aggregate current and deferred taxes relating to items recognized outside the income statements.

AT DECEMBER 31	2012		2011		
	OTHER COMPREHENSIVE INCOME	DEFICIT	OTHER COMPREHENSIVE INCOME	DEFICIT	NON-CONTROLLING INTEREST
Current taxes	231	2	267	1	–
Deferred taxes	230	3	(25)	6	4
Total income tax recovery	461	5	242	7	4

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.

NET DEFERRED TAX LIABILITY	NON-CAPITAL LOSS CARRY-FORWARDS	POST-EMPLOYMENT BENEFIT PLANS	INDEFINITE-LIFE INTANGIBLE ASSETS	PROPERTY, PLANT AND EQUIPMENT AND FINITE-LIFE INTANGIBLE ASSETS	INVESTMENT TAX CREDITS	PARTNERSHIP INCOME DEFERRAL(1)	OTHER	TOTAL
January 1, 2011	219	836	(808)	(284)	(137)	(104)	253	(25)
Income statement	(75)	(55)	(43)	(98)	31	7	38	(195)
Other comprehensive income	–	(14)	–	–	–	–	(11)	(25)
Deficit	–	–	–	–	–	–	6	6
Acquisition of CTV	90	23	(361)	(51)	–	–	63	(236)
Non-controlling interest	–	–	–	–	–	–	4	4
Other	–	–	–	–	–	–	(81)	(81)
December 31, 2011	234	790	(1,212)	(433)	(106)	(97)	272	(552)
Income statement	(130)	(24)	(57)	(20)	46	9	(13)	(189)
Other comprehensive income	–	231	–	–	–	–	(1)	230
Deficit	–	–	–	–	–	–	3	3
Other	–	–	–	–	–	–	(9)	(9)
December 31, 2012	104	997	(1,269)	(453)	(60)	(88)	252	(517)

(1) The taxation year end of certain of Bell Aliant's corporate subsidiaries differs from the partnership year end. This results in a deferral of partnership income for tax purposes.

At December 31, 2012, BCE had $484 million of non-capital loss carryforwards. We:

- recognized a deferred tax asset of $104 million, of which $86 million relates to Bell Media, for approximately $400 million of the non-capital loss carryforwards. These non-capital loss carryforwards expire in varying annual amounts from 2025 to 2032.
- did not recognize a deferred tax asset for approximately $84 million of non-capital loss carryforwards. This balance expires in varying annual amounts from 2016 to 2030.

At December 31, 2012, BCE had $772 million of unrecognized capital loss carryforwards which can be carried forward indefinitely.

At December 31, 2011, BCE had $965 million of non-capital loss carryforwards. We:

- recognized a deferred tax asset of $234 million, of which $116 million related to Bell Aliant, for approximately $870 million of the non-capital loss carryforwards. These non-capital loss carryforwards expire in varying annual amounts from 2026 to 2031.
- did not recognize a deferred tax asset for approximately $95 million of non-capital loss carryforwards. This balance expires in varying annual amounts from 2016 to 2030.

At December 31, 2011, BCE had $1,278 million of unrecognized capital loss carryforwards which can be carried forward indefinitely.

Note 9 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.

FOR THE YEAR ENDED DECEMBER 31	2012	2011
Net earnings attributable to common shareholders – basic	2,624	2,221
Dividends declared per common share (in dollars)	2.2200	2.0450
Weighted average number of common shares outstanding (in millions)		
Weighted average number of common shares outstanding – basic	774.3	771.4
Assumed exercise of stock options(1)	0.3	0.4
Weighted average number of common shares outstanding – diluted	774.6	771.8

(1) The calculation of the assumed exercise of stock options includes the effect of the average unrecognized future compensation cost of dilutive options. It does not include anti-dilutive options which are options that will not be exercised because their exercise price is higher than the average market value of a BCE common share. The number of excluded options was 2,651,928 in 2012 and 17,070 in 2011.

Note 10 TRADE AND OTHER RECEIVABLES

FOR THE YEAR ENDED DECEMBER 31	2012	2011
Trade receivables(1)	2,975	3,021
Allowance for doubtful accounts	(97)	(105)
Allowance for revenue adjustments	(90)	(74)
ITCs	25	176
Other accounts receivable	97	95
Total trade and other receivables	2,910	3,113

(1) The details of securitized trade receivables are set out in Note 18, Debt Due Within One Year.

Note 11 INVENTORY

FOR THE YEAR ENDED DECEMBER 31	2012	2011
Work in progress	70	64
Finished goods	347	391
Provision	(25)	(28)
Total inventory	392	427

The total amount of inventories subsequently recognized as an expense in cost of revenues was $2,385 million in 2012 and $2,380 million in 2011.

Note 12 PROPERTY, PLANT AND EQUIPMENT

FOR THE YEAR ENDED DECEMBER 31, 2012	NETWORK INFRASTRUCTURE AND EQUIPMENT	LAND AND BUILDINGS	ASSETS UNDER CONSTRUCTION	TOTAL(1)
COST				
January 1, 2012	50,241	4,134	1,164	55,539
Additions	2,576	54	1,529	4,159
Transfers	1,191	49	(1,491)	(251)
Retirements and disposals	(539)	(32)	–	(571)
December 31, 2012	53,469	4,205	1,202	58,876
ACCUMULATED DEPRECIATION				
January 1, 2012	34,851	1,903	–	36,754
Depreciation	2,526	148	–	2,674
Retirements and disposals	(486)	(29)	–	(515)
Other	(52)	8	–	(44)
December 31, 2012	36,839	2,030	–	38,869
NET CARRYING AMOUNT				
At January 1, 2012	15,390	2,231	1,164	18,785
At December 31, 2012	16,630	2,175	1,202	20,007

(1) Includes assets under finance leases.

FOR THE YEAR ENDED DECEMBER 31, 2011	NETWORK INFRASTRUCTURE AND EQUIPMENT	LAND AND BUILDINGS	ASSETS UNDER CONSTRUCTION	TOTAL(1)
COST				
January 1, 2011	47,709	3,851	870	52,430
Additions	1,734	72	1,493	3,299
Acquisition through business combinations	170	251	33	454
Transfers	1,024	(21)	(1,232)	(229)
Retirements and disposals	(396)	(19)	–	(415)
December 31, 2011	50,241	4,134	1,164	55,539
ACCUMULATED DEPRECIATION				
January 1, 2011	32,873	1,782	–	34,655
Depreciation	2,400	138	–	2,538
Retirements and disposals	(342)	(18)	–	(360)
Other	(80)	1	–	(79)
December 31, 2011	34,851	1,903	–	36,754
NET CARRYING AMOUNT				
At January 1, 2011	14,836	2,069	870	17,775
At December 31, 2011	15,390	2,231	1,164	18,785

(1) Includes assets under finance leases.

Finance Leases

BCE's significant finance leases are for satellites and office premises. The office leases have a typical lease term of 15 years. The leases for satellites, used to provide programming to our Bell TV customers, have lease terms ranging from 12 to 15 years. The satellite leases are non-cancellable.

The following table shows additions to and the net carrying amount of assets under finance leases.

FOR THE YEAR ENDED DECEMBER 31	ADDITIONS 2012	ADDITIONS 2011	NET CARRYING AMOUNT 2012	NET CARRYING AMOUNT 2011
Network infrastructure and equipment	**814**	263	**1,596**	913
Land and buildings	**–**	5	**596**	634
Total	**814**	268	**2,192**	1,547

The following table provides a reconciliation of our minimum future lease payments to the present value of our finance lease obligations.

AT DECEMBER 31, 2012	2013	2014	2015	2016	2017	THEREAFTER	TOTAL
Minimum future lease payments	548	431	267	236	235	1,837	3,554
Less:							
Future finance costs	(162)	(147)	(134)	(125)	(116)	(525)	(1,209)
Present value of future lease obligations	386	284	133	111	119	1,312	2,345

Note 13 INTANGIBLE ASSETS

YEAR ENDED DECEMBER 31, 2012	FINITE-LIFE SOFTWARE	FINITE-LIFE CUSTOMER RELATION-SHIPS	FINITE-LIFE OTHER	FINITE-LIFE PROGRAM AND FEATURE FILM RIGHTS	FINITE-LIFE TOTAL	INDEFINITE-LIFE BRAND	INDEFINITE-LIFE SPECTRUM AND OTHER LICENCES	INDEFINITE-LIFE BROADCAST LICENCES	INDEFINITE-LIFE TOTAL	TOTAL INTANGIBLE ASSETS
COST										
January 1, 2012	**5,788**	**847**	**278**	**364**	**7,277**	**2,242**	**1,687**	**1,293**	**5,222**	**12,499**
Additions	**225**	**–**	**–**	**437**	**662**	**–**	**345**	**–**	**345**	**1,007**
Transfers	**354**	**–**	**–**	**–**	**354**	**–**	**–**	**–**	**–**	**354**
Retirements and disposals	**(418)**	**–**	**(8)**	**–**	**(426)**	**–**	**–**	**–**	**–**	**(426)**
Amortization included in operating costs	**–**	**–**	**–**	**(538)**	**(538)**	**–**	**–**	**–**	**–**	**(538)**
December 31, 2012	**5,949**	**847**	**270**	**263**	**7,329**	**2,242**	**2,032**	**1,293**	**5,567**	**12,896**
ACCUMULATED AMORTIZATION										
January 1, 2012	**4,140**	**274**	**72**	**–**	**4,486**	**–**	**–**	**–**	**–**	**4,486**
Amortization	**642**	**51**	**21**	**–**	**714**	**–**	**–**	**–**	**–**	**714**
Retirements and disposals	**(411)**	**–**	**(8)**	**–**	**(419)**	**–**	**–**	**–**	**–**	**(419)**
Other	**28**	**–**	**–**	**–**	**28**	**–**	**–**	**–**	**–**	**28**
December 31, 2012	**4,399**	**325**	**85**	**–**	**4,809**	**–**	**–**	**–**	**–**	**4,809**
NET CARRYING AMOUNT										
January 1, 2012	**1,648**	**573**	**206**	**364**	**2,791**	**2,242**	**1,687**	**1,293**	**5,222**	**8,013**
December 31, 2012	**1,550**	**522**	**185**	**263**	**2,520**	**2,242**	**2,032**	**1,293**	**5,567**	**8,087**

YEAR ENDED DECEMBER 31, 2011	FINITE-LIFE SOFTWARE	FINITE-LIFE CUSTOMER RELATION-SHIPS	FINITE-LIFE OTHER	FINITE-LIFE PROGRAM AND FEATURE FILM RIGHTS	FINITE-LIFE TOTAL	INDEFINITE-LIFE BRAND	INDEFINITE-LIFE SPECTRUM AND OTHER LICENCES	INDEFINITE-LIFE BROADCAST LICENCES	INDEFINITE-LIFE TOTAL	TOTAL INTANGIBLE ASSETS
COST										
January 1, 2011	5,210	846	218	–	6,274	2,024	1,687	–	3,711	9,985
Additions	244	–	–	330	574	–	–	–	–	574
Acquisition through business combinations	70	–	65	416	551	218	–	1,293	1,511	2,062
Transfers	336	3	(5)	–	334	–	–	–	–	334
Retirements and disposals	(72)	(2)	–	–	(74)	–	–	–	–	(74)
Amortization included in operating costs	–	–	–	(382)	(382)	–	–	–	–	(382)
December 31, 2011	5,788	847	278	364	7,277	2,242	1,687	1,293	5,222	12,499
ACCUMULATED AMORTIZATION										
January 1, 2011	3,505	224	55	–	3,784	–	–	–	–	3,784
Amortization	656	50	17	–	723	–	–	–	–	723
Retirements and disposals	(70)	(2)	–	–	(72)	–	–	–	–	(72)
Other	49	2	–	–	51	–	–	–	–	51
December 31, 2011	4,140	274	72	–	4,486	–	–	–	–	4,486
NET CARRYING AMOUNT										
January 1, 2011	1,705	622	163	–	2,490	2,024	1,687	–	3,711	6,201
December 31, 2011	1,648	573	206	364	2,791	2,242	1,687	1,293	5,222	8,013

Note 14 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Q9 Networks Inc. (Q9)

In October 2012, an investor group comprising BCE, Ontario Teachers' Pension Plan Board (Teachers'), Providence Equity Partners LLC (Providence) and Madison Dearborn Partners LLC (Madison Dearborn) completed its acquisition of Canadian data centre operator Q9. Of the $1.1 billion purchase price, Teachers', Providence and Madison Dearborn together contributed $430 million and BCE provided $185 million of the equity funding. New debt financing by Q9 also funded a portion of the acquisition price. Our 35.3% ownership in Q9 is accounted for using the equity method.

Concurrent with the closing, BCE and its partners settled the reverse break-fee proceedings initiated in 2008 after the termination of the proposed privatization of BCE. Under the settlement, BCE received certain non cash considerations, including increased equity ownership in Q9, and an option at a favourable valuation to acquire the partners' entire equity interest in Q9 in the future.

Maple Leaf Sports and Entertainment Ltd. (MLSE)

In August 2012, BCE, together with the BCE Master Trust Fund (Master Trust), in a joint ownership arrangement with Rogers Communications Inc. (Rogers), acquired a net 75% ownership position in MLSE. BCE's net cash contribution totalled $398 million.

Through a co-investment arrangement with BCE, the Master Trust, an independent trust that holds pension fund investments serving the pension obligations of BCE group pension plans, contributed $135 million toward the MLSE acquisition. BCE and the Master Trust own an aggregate 37.5% interest in MLSE through a holding company controlled by BCE in which BCE and the Master Trust hold approximate interests of 75% and 25%, respectively. BCE recorded an investment in MLSE totalling $533 million and a liability of $135 million for BCE's obligation to repurchase the Master Trust's interest at a price not less than an agreed minimum price should the Master Trust exercise its put option. BCE accounts for the 37.5% interest in MLSE using the equity method. The obligation to repurchase is recorded in *Other non-current liabilities* and is marked to market each reporting period. The gain or loss is recorded in *Other income*.

As required by the terms of the National Hockey League's approval of the MLSE acquisition, BCE's governance rights with respect to our ownership interest in the Montreal Canadiens Hockey Club were modified. While our ownership interest in the Montreal Canadiens Hockey Club remains unchanged, we no longer have the ability to exercise significant influence over its operations. As such, the investment was reclassified from investment in associates to AFS investments and is included in *Other non-current assets*.

Summarized financial information in respect to BCE's associates and joint ventures are tabled below.

FOR THE YEAR ENDED DECEMBER 31	ASSOCIATES AND JOINT VENTURES[(1)] 2012	2011
Assets	**4,136**	1,338
Liabilities	**2,198**	582
Total net assets	**1,938**	756
BCE's share of net assets	**897**	307
Revenues	**546**	490
Expenses	**(534)**	(407)
Total net earnings	**12**	83
BCE's share of net earnings	**1**	24

(1) *For a list of associates and joint ventures please see Note 26,* Related Party Transactions.

Note 15 OTHER NON-CURRENT ASSETS

FOR THE YEAR ENDED DECEMBER 31	NOTE	2012	2011
Post-employment benefit plan assets	20	**106**	31
AFS publicly-traded and privately-held investments		**96**	41
Long-term notes and other receivables		**41**	49
Westwinds campus held for sale	7	**–**	57
Derivative assets		**219**	203
Other		**175**	248
Total other non-current assets		**637**	629

Note 16 GOODWILL

The following table provides details about the changes in the carrying amounts of goodwill for the years ended December 31, 2012 and 2011.

	NOTE	BELL WIRELINE	BELL WIRELESS	BELL MEDIA	BELL ALIANT	CONSOLIDATED
Balance at January 1, 2011		**2,535**	**2,302**	**–**	**969**	**5,806**
Acquisitions and other		**3**	**–**	**1,393**	**–**	**1,396**
Impairment	7	**(17)**	**–**	**–**	**–**	**(17)**
Balance at December 31, 2011 and 2012		**2,521**	**2,302**	**1,393**	**969**	**7,185**

Note 17 TRADE PAYABLES AND OTHER LIABILITIES

FOR THE YEAR ENDED DECEMBER 31	NOTE	2012	2011
Trade payables and accruals		**2,028**	2,088
Compensation payable		**608**	578
Deferred revenues		**719**	685
Taxes payable		**136**	106
Severance and other costs payable		**51**	115
CRTC deferral account obligation	22	**53**	63
CRTC tangible benefits obligation	22, 27	**62**	62
Other current liabilities		**258**	380
Total trade payables and other liabilities		**3,915**	4,077

Note 18 DEBT DUE WITHIN ONE YEAR

FOR THE YEAR ENDED DECEMBER 31	NOTE	WEIGHTED AVERAGE INTEREST RATE	2012	2011
Bank advances		2.67%	**221**	–
Notes payable		1.15%	**477**	321
Total bank advances and notes payable			**698**	321
Loan secured by trade receivables		1.79%	**935**	950
Long-term debt due within one year[(1)]				
Bell Canada		5.31%	**401**	808
Bell Aliant		5.38%	**100**	32
			501	840
Net unamortized premium/discount			**8**	2
Unamortized debt issuance costs			**(6)**	(7)
Total long-term debt due within one year	19		**503**	835
Total debt due within one year			**2,136**	2,106

(1) *Included in long-term debt due within one year is the current portion of finance leases of $386 million at December 31, 2012 and $293 million at December 31, 2011.*

Restrictions

Some of the 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.

Securitized Trade Receivables

The Bell Canada and Bell Aliant securitized trade receivables are recorded as floating rate revolving loans secured by certain trade receivables and expire on May 13, 2014 and November 30, 2016, respectively.

The following table provides further details on the securitized trade receivables.

FOR THE YEAR ENDED DECEMBER 31	BELL CANADA 2012	BELL CANADA 2011	BELL ALIANT 2012	BELL ALIANT 2011
Average interest rate[(1)]	**1.82%**	1.88%	**1.51%**	1.58%
Pledged trade receivables	**2,058**	2,125	**181**	187

(1) *Bell and Bell Aliant's interest rates differ since the terms and conditions of the revolving loans are different.*

Bell Canada and Bell Aliant continue to service these trade receivables. The buyers' interest in the collection of these trade receivables ranks ahead of the interests of Bell Canada and Bell Aliant, which means that Bell Canada and Bell Aliant are exposed to certain risks of default on the amounts securitized. Bell Canada and Bell Aliant have provided various credit enhancements in the form of overcollateralization and subordination of their retained interests.

The buyers will reinvest the amounts collected by buying additional interests in the Bell Canada and Bell Aliant trade receivables until the securitized trade receivables agreements expire. The buyers and their investors have no further claim on Bell Canada's and Bell Aliant's other assets if customers do not pay amounts owed.

Credit Facilities

Bell Canada and Bell Aliant may issue notes under their commercial paper programs up to the net available amount of their committed revolving bank credit facilities. The total amount of these committed revolving bank credit facilities may be drawn at any time.

The table below is a summary of our total bank credit facilities at December 31, 2012.

	TOTAL AVAILABLE	DRAWN	LETTERS OF CREDIT	COMMERCIAL PAPER OUTSTANDING	NET AVAILABLE
Committed credit facilities					
Bell Canada[1]					
Revolving facility supporting commercial paper program	2,500	–	280	475	1,745
Other	53	–	6	–	47
Bell Aliant[1]					
Revolving facility	750	221	192	–	337
Other	138	–	138	–	–
Total committed credit facilities	3,441	221	616	475	2,129
Non-committed credit facilities					
Bell Canada	288	–	131	–	157
Bell Aliant	18	–	1	–	17
Total non-committed credit facilities	306	–	132	–	174
Total committed and non-committed credit facilities	3,747	221	748	475	2,303

(1) Bell Canada's $2,500 million supporting committed revolving bank credit facility expires in November 2017 and Bell Aliant's $750 million supporting committed revolving bank credit facility expires in June 2016.

In addition, Bell Canada has a $2,000 million three-year unsecured committed bank credit facility to be used exclusively to fund a portion of the proposed Astral Media Inc. (Astral) acquisition. See Note 25, *Commitments and Contingencies*.

Note 19 LONG-TERM DEBT

	NOTE	WEIGHTED AVERAGE INTEREST RATE	MATURITY	DECEMBER 31, 2012	DECEMBER 31, 2011
Bell Canada					
Debentures					
1997 trust indenture		4.77%	2014–2035	7,350	6,850
1976 trust indenture		9.59%	2014–2054	1,250	1,250
Subordinated debentures		8.21%	2026–2031	275	275
Finance leases		7.70%	2013–2047	2,272	1,898
Other				227	266
Total – Bell Canada				11,374	10,539
CTV Specialty Television Inc.					
Notes		6.08%	2014	300	300
Finance leases		3.72%	2014–2017	15	6
Total – CTV Specialty Television Inc.				315	306
Bell Aliant					
Debentures, notes and bonds		5.40%	2013–2037	2,632	2,636
Finance leases and other		4.40%	2013–2017	58	55
Total – Bell Aliant				2,690	2,691
Total debt				14,379	13,536
Net unamortized premium/discount				51	63
Unamortized debt issuance costs				(41)	(43)
Less:					
Amount due within one year	18			(503)	(835)
Total long-term debt				13,886	12,721

All debentures and subordinated debentures have been issued in Canadian dollars and bear a fixed rate of interest. Interest payments on debt which has a principal amount of $700 million have been swapped from fixed to floating. See Note 22, *Financial and Capital Management* for additional details.

Restrictions

Some of the 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.

Bell Canada

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 in each series.

On February 11, 2013, Bell Canada redeemed early its 10.0% Series EA debentures, issued under its 1976 trust indenture, having an outstanding principal amount of $150 million which was due on June 15, 2014. We incurred a $17 million charge for the premium costs on early redemption which will be included in *Other income*.

On June 18, 2012, Bell Canada issued 3.35% Series M-25 debentures under its 1997 trust indenture, with a principal amount of $1 billion, which mature on June 18, 2019.

On December 15, 2011, Bell Canada repaid upon maturity its 6.90% Series M-12 debentures under its 1997 trust indenture, with an outstanding principal amount of $250 million.

On May 19, 2011, Bell Canada issued 3.65% Series M-23 debentures under its 1997 trust indenture, with a principal amount of $500 million, which mature on May 19, 2016, and 4.95% Series M-24 debentures under its 1997 trust indenture, with a principal amount of $500 million, which mature on May 19, 2021.

On March 16, 2011, Bell Canada issued 4.40% Series M-22 debentures under its 1997 trust indenture, with a principal amount of $1 billion, which mature on March 16, 2018.

Finance Leases

A new satellite was placed in service on June 15, 2012. In the second quarter of 2012, Bell Canada recorded a finance lease obligation of $476 million and an asset of $572 million, including $96 million of capitalized launch and setup costs.

CTV Specialty Television Inc.

The CTV Specialty Television Inc. (CTV Specialty) notes and revolving credit facility are secured by all present and future assets of CTV Specialty and its wholly-owned subsidiaries. At December 31, 2012, the carrying value of CTV Specialty assets exceeded the amounts owing.

Bell Aliant

All outstanding debentures, notes and bonds are issued under trust indentures and are unsecured with the exception of Télébec, Limited Partnership's debentures of $100 million, which are secured by a mortgage on a property located in the province of Québec. All debentures, notes and bonds are issued in series and certain series are redeemable at Bell Aliant's option prior to maturity at the prices, times and conditions specified in each series.

On April 26, 2011, Bell Aliant issued 4.88% medium-term notes, with a principal amount of $300 million, which mature on April 26, 2018. The net proceeds were used to partially redeem early its 4.72% medium-term notes with a principal amount of $300 million. The remaining outstanding principal amount of $105 million was redeemed on September 26, 2011. We incurred a $4 million charge for the premium cost of early redemption which is included in *Other income*.

Note 20 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 OPEBs. The costs of these plans are tabled below.

Components of Post-employment Benefit Plans Service Cost

FOR THE YEAR ENDED DECEMBER 31	2012	2011
DB pension	(214)	(220)
DC pension	(72)	(61)
OPEBs	(6)	(5)
Plan amendment gain on OPEBs	24	–
Less:		
Capitalized benefit plans cost	43	45
Total post-employment benefit plans service cost included in operating costs	(225)	(241)
Other net benefits (cost) income recognized in Severance, acquisition and other costs	(44)	13
Total post-employment benefit plans service cost	(269)	(228)

Components of Post-employment Benefit Plans Financing Cost

	DB PENSION PLANS		OPEB PLANS		TOTAL	
FOR THE YEAR ENDED DECEMBER 31	2012	2011	2012	2011	2012	2011
Interest on obligations	(877)	(887)	(81)	(86)	(958)	(973)
Expected return on post-employment benefit plan assets	1,056	1,018	13	14	1,069	1,032
Post-employment benefit plans net financing income (cost)	179	131	(68)	(72)	111	59

The statements of comprehensive income include the following amounts before income taxes.

	2012	2011
Cumulative losses recognized directly in equity, January 1	(2,297)	(1,358)
Actuarial losses in other comprehensive income(1)	(1,846)	(962)
Decrease in the effect of the asset limit	155	23
Cumulative losses recognized directly in equity, December 31	(3,988)	(2,297)

(1) The cumulative actuarial losses recognized in the statements of comprehensive income are $4,240 million in 2012 and $2,394 million in 2011.

Components of Post-employment Benefit (Obligations) Assets

The following table shows the change in post-employment benefit obligations and fair value of plan assets.

	DB PENSION PLANS		OPEB PLANS		TOTAL	
	2012	2011	2012	2011	2012	2011
Post-employment benefit obligations, beginning of year	(17,472)	(16,298)	(1,638)	(1,608)	(19,110)	(17,906)
Current service cost	(214)	(220)	(6)	(5)	(220)	(225)
Interest on obligations	(877)	(887)	(81)	(86)	(958)	(973)
Actuarial losses(1)	(1,996)	(647)	(81)	(9)	(2,077)	(656)
Net curtailment (loss) gain	(44)	13	24	–	(20)	13
Business combinations	–	(420)	–	(1)	–	(421)
Benefit payments	1,069	992	75	77	1,144	1,069
Employee contributions	(7)	(8)	–	–	(7)	(8)
Other	(1)	3	–	(6)	(1)	(3)
Post-employment benefit obligations, end of year	(19,542)	(17,472)	(1,707)	(1,638)	(21,249)	(19,110)
Fair value of plan assets, beginning of year	16,384	14,835	207	209	16,591	15,044
Expected return on plan assets(2)	1,056	1,018	13	14	1,069	1,032
Actuarial gains (losses)	229	(244)	2	(14)	231	(258)
Business combinations	–	329	–	–	–	329
Benefit payments	(1,069)	(992)	(75)	(77)	(1,144)	(1,069)
Employer contributions	1,120	1,435	73	75	1,193	1,510
Employee contributions	7	8	–	–	7	8
Transfers to DC pension plans	–	(5)	–	–	–	(5)
Fair value of plan assets, end of year	17,727	16,384	220	207	17,947	16,591
Plan deficit	(1,815)	(1,088)	(1,487)	(1,431)	(3,302)	(2,519)
Effect of asset limit	(14)	(169)	–	–	(14)	(169)
Post-employment benefit obligations, end of year	(1,829)	(1,257)	(1,487)	(1,431)	(3,316)	(2,688)
Post-employment benefit assets included in other non-current assets	106	31	–	–	106	31
Post-employment benefit obligations	(1,935)	(1,288)	(1,487)	(1,431)	(3,422)	(2,719)

(1) The actuarial losses include experience losses of $12 million in 2012 and experience gains of $90 million in 2011.
(2) The actual return on plan assets was $1,300 million in 2012 and $774 million in 2011.

Selected Historical Information

FOR THE YEAR ENDED DECEMBER 31	2010
Present value of post-employment benefit obligations	(17,906)
Fair value of plan assets	15,044
Plan deficit	(2,862)
Experience adjustments arising on plan liabilities	(69)
Experience adjustments arising on plan assets	560

Funded Status of Post-employment Benefit Plans Cost

The following table shows the funded status of our post-employment benefit obligations.

	FUNDED		PARTIALLY FUNDED(1)		UNFUNDED(2)		TOTAL	
FOR THE YEAR ENDED DECEMBER 31	2012	2011	2012	2011	2012	2011	2012	2011
Present value of post-employment benefit obligations	(19,007)	(17,005)	(1,868)	(1,735)	(374)	(370)	(21,249)	(19,110)
Fair value of plan assets	17,697	16,360	250	231	–	–	17,947	16,591
Plan deficit	(1,310)	(645)	(1,618)	(1,504)	(374)	(370)	(3,302)	(2,519)

(1) *The partially funded plans consist of supplementary executive retirement plans (SERPs) for eligible employees and OPEBs. The company partially funds the SERPs through letters of credit and a retirement compensation arrangement account with Canada Revenue Agency. Certain paid-up life insurance benefits are funded through life insurance contracts.*
(2) *Our unfunded plans consist of post-employment benefit plans, which are pay-as-you-go.*

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		OPEB PLANS	
FOR THE YEAR ENDED DECEMBER 31	2012	2011	2012	2011
Post-employment benefit obligations				
Discount rate	**4.4%**	5.1%	**4.4%**	5.1%
Rate of compensation increase	**3.0%**	3.0%	**3.0%**	3.0%
For the year ended December 31				
Net post-employment benefit plans cost				
Discount rate	**5.1%**	5.5%	**5.1%**	5.5%
Expected return on plan assets	**6.8%**	7.0%	**6.8%**	7.0%
Rate of compensation increase	**3.0%**	3.0%	**3.0%**	3.0%

We assumed an annual cost of living indexation rate of 1.75% for our DB pension plans for 2012 and 2011.

We assumed the following trend rates in healthcare costs:

- an annual increase of 4.5% in the cost per person of covered healthcare benefits for 2012 and the foreseeable future
- an annual increase of 5.0% for retirees under age 65 and 4.5% for retirees over age 65 in the cost of medication for 2012 and the foreseeable future.

Assumed trend rates in healthcare costs have a significant effect on the amounts reported for the healthcare plans.

The following table shows the effect of a 1% change in the assumed trend rates in healthcare costs.

	1% INCREASE	1% DECREASE
Effect on post-employment benefits – total service and interest cost	6	(5)
Effect on post-employment benefits – post-employment benefit obligations	149	(127)

DISCOUNT RATE SENSITIVITY ANALYSIS

Starting in 2013, the expected long-term rate of return will be the same as the discount rate as required by IAS 19. The following table shows the impact of a 0.5% increase and a 0.5% decrease in the discount rate on the net post-employment benefit plans cost for 2013 and the post-employment benefit obligations at December 31, 2013.

	IMPACT ON NET POST-EMPLOYMENT BENEFIT PLANS COST FOR 2013 INCREASE (DECREASE)	IMPACT ON POST-EMPLOYMENT BENEFIT OBLIGATIONS AT DECEMBER 31, 2013 INCREASE (DECREASE)
Discount rate increased to 4.9%		
Bell Wireline	(60)	(1,139)
Bell Wireless	(3)	(24)
Bell Media	(2)	(33)
Bell Aliant	(16)	(296)
Total	(81)	(1,492)
Discount rate decreased to 3.9%		
Bell Wireline	56	1,212
Bell Wireless	2	24
Bell Media	2	35
Bell Aliant	15	315
Total	75	1,586

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 while maximizing returns within our guidelines. The expected rate of return assumption is based on our target asset allocation policy and the expected future rates of return on these assets.

The following table shows the allocation of our post-employment benefit plan assets at December 31, 2012 and 2011, target allocations for 2012 and the expected long-term rate of return by asset class.

	WEIGHTED AVERAGE TARGET ALLOCATION	PERCENTAGE OF TOTAL PLAN ASSETS FAIR VALUE AT DECEMBER 31		WEIGHTED AVERAGE EXPECTED LONG-TERM RATE OF RETURN
ASSET CATEGORY	2012	2012	2011	2012
Equity securities	**35% – 55%**	**41%**	40%	**10.0%**
Debt securities	**45% – 65%**	**59%**	60%	**3.5%**
Total/average		**100%**	100%	**6.8%**

Equity securities included approximately $10 million of BCE common shares, or 0.06% of total plan assets, at December 31, 2012 and approximately $9 million of BCE common shares or 0.05% of total plan assets, at December 31, 2011.

Debt securities included approximately $14 million of Bell Canada and Bell Aliant debentures, or 0.08% of total plan assets, at December 31, 2012 and approximately $19 million of Bell Canada and Bell Aliant debentures, or 0.12% of total plan assets, at December 31, 2011.

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.

We contribute to the DC pension plans as employees provide service.

The following table shows the amounts we contributed to the DB pension and DC pension plans and the payments made to beneficiaries under OPEB plans.

	PENSION PLANS		OPEB PLANS	
FOR THE YEAR ENDED DECEMBER 31	2012	2011	2012	2011
Bell Canada	**(989)**	(1,055)	**(64)**	(66)
Bell Media	**(45)**	(30)	**–**	–
Bell Aliant	**(158)**	(406)	**(9)**	(9)
Total	**(1,192)**	(1,491)	**(73)**	(75)
Comprised of:				
Contributions to DB pension plans(1)	**(1,120)**	(1,435)	**(73)**	(75)
Contributions to DC pension plans	**(72)**	(56)	**–**	–

(1) *Includes voluntary contributions of $850 million in 2012 and $1,065 million in 2011.*

We expect to contribute approximately $250 million to our DB pension plans in 2013, subject to actuarial valuations being completed. We expect to pay approximately $85 million to beneficiaries under post-employment benefit plans and to contribute approximately $75 million to the DC pension plans in 2013.

Note 21 OTHER NON-CURRENT LIABILITIES

FOR THE YEAR ENDED DECEMBER 31	NOTE	2012	2011
CRTC deferral account obligation	22	284	304
Long-term disability benefits obligation(1)		236	220
Deferred revenue on long-term contracts		98	129
Future tax liabilities		136	326
MLSE financial liability	14	135	–
CRTC tangible benefits obligation	22, 27	112	174
Other		428	408
Total other non-current liabilities		1,429	1,561

(1) In 2012, the long-term disability benefits obligation was reclassified from Post-employment benefit obligations *to* Other non-current liabilities. *The related income statement and cash flow statement amounts also have been reclassified.*

Note 22 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 against various financial risks that include credit risk, liquidity risk, interest rate risk, foreign currency 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. We do not use derivative instruments for speculative purposes, as such we are not exposed to any significant liquidity risks relating to them.

The following derivative instruments were outstanding at December 31, 2012 and 2011:

- foreign currency forward contracts that hedge foreign currency risk on a portion of our long-term debt due within one year
- foreign currency forward contracts that manage the foreign currency risk of certain purchase commitments
- interest rate swaps that hedge interest rate risk on a portion of our long-term debt
- interest rate locks on future debt issuances
- forward contracts on BCE common shares that mitigate the cash flow exposure related to share-based payment plans.

In 2012, we recognized a loss of $33 million on the hedging instrument for our fair value hedge of certain long-term debt and a gain on the long-term debt of $31 million. In 2011, we recognized a gain of $36 million on the hedging instrument and a loss on the long-term debt of $42 million.

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 on 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. We regularly monitor our credit risk and credit exposure. There was minimal credit risk relating to derivative instruments at December 31, 2012 and 2011. We deal with institutions that have investment-grade credit ratings and as such we expect that they will be able to meet their obligations.

The following table provides the change in allowance for doubtful accounts for trade receivables.

AT DECEMBER 31	2012	2011
Balance, beginning of the year	(105)	(95)
Additions	(126)	(105)
Use	134	100
Acquisition through business combinations	–	(5)
Balance, end of the year	(97)	(105)

For many of our customers, 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.

AT DECEMBER 31	2012	2011
Trade receivables not past due	2,140	2,132
Trade receivables past due and not impaired		
Under 60 days	351	359
60 to 120 days	364	385
Over 120 days	23	40
Trade receivables, net of allowance for doubtful accounts	2,878	2,916

Liquidity Risk

We generate enough cash from our operating activities to fund our operations and fulfill our obligations as they become due.

We have sufficient committed bank facilities in place should our cash requirements exceed cash generated from our operations.

Financial liabilities that are due within one year have been classified as current in the statements of financial position.

The following table is a maturity analysis for recognized financial liabilities at December 31, 2012 for each of the next five years and thereafter.

AT DECEMBER 31, 2012	NOTE	2013	2014	2015	2016	2017	THEREAFTER	TOTAL
Long-term debt		116	1,877	1,377	1,217	1,149	6,298	12,034
Notes payable and bank advances	18	698	–	–	–	–	–	698
Minimum future lease payments under finance leases	12	548	431	267	236	235	1,837	3,554
Loan secured by trade receivables	18	935	–	–	–	–	–	935
Interest payable on long-term debt, notes payable, bank advances and loan secured by trade receivables		687	595	532	471	419	4,627	7,331
MLSE financial liability		–	–	–	–	135	–	135
Net interest receipts on derivatives		(28)	(25)	(24)	(22)	(11)	–	(110)
Total		2,956	2,878	2,152	1,902	1,927	12,762	24,577

Market Risk

CURRENCY EXPOSURES

We use cross-currency swaps and foreign currency forward contracts to hedge debt that is denominated in foreign currencies. We also use foreign currency forward contracts to manage foreign currency risk related to anticipated transactions, including certain purchase commitments.

The effect on net earnings of a 10% increase or decrease in the Canadian/US dollar exchange rate was $11 million at December 31, 2012, with all other variables held constant. The effect on other comprehensive income of a 10% change in the Canadian/US dollar exchange rate on the value of our foreign currency forward contracts was $42 million at December 31, 2012, with all other variables held constant.

The following table provides further details on our outstanding cross-currency swaps and foreign currency forward contracts as at December 31, 2012 and 2011.

	TYPE OF HEDGE	BUY CURRENCY	AMOUNTS TO RECEIVE IN USD	SELL CURRENCY	AMOUNTS TO PAY IN CAD	MATURITY	HEDGED ITEM
At December 31, 2012	**Cash flow**	**USD**	**408**	**CAD**	**400**	**2013**	**Purchase commitments**
	Cash flow	**USD**	**117**	**CAD**	**116**	**2014**	**Purchase commitments**
	Cash flow	**USD**	**50**	**CAD**	**51**	**2015 – 2017**	**Purchase commitments**
	Economic	**USD**	**14**	**CAD**	**24**	**2013**	**Debt due within one year**
			589		**591**		
At December 31, 2011	Cash flow	USD	659	CAD	668	2012	Purchase commitments
	Cash flow	USD	380	CAD	373	2013	Purchase commitments
	Cash flow	USD	70	CAD	70	2014 – 2017	Purchase commitments
	Economic	USD	200	CAD	194	2012	Purchase commitments
	Economic	USD	14	CAD	24	2013	Long-term debt
			1,323		1,329		

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. The effect on net earnings and other comprehensive income of a 100 basis point increase or decrease in interest rates was $18 million and $23 million, respectively, at December 31, 2012, with all other variables held constant. The interest rate locks, which mature in 2013, are cash flow hedges, with a notional amount of $750 million, for the issuance of 5 year term debt whereby the Government of Canada yield is locked in at an average rate of 1.36%. The following table shows interest rate swaps outstanding at December 31, 2012 and 2011.

	TYPE OF HEDGE	NOTIONAL AMOUNT	RECEIVE INTEREST RATE	PAY INTEREST RATE	MATURITY	HEDGED ITEM
At December 31, 2011 and 2012	Fair value	700	5.00%	3-month CDOR(1) + 0.42%	2017	Long-term debt

(1) Canadian dollar offered rate

EQUITY PRICE EXPOSURES

We use equity forward contracts to economically hedge the cash flow exposure of BCE's common shares related to share-based payment plans. See Note 24, *Share-Based Payments* for details on our share-based payment arrangements.

The effect on net earnings of a 10% change in the market price of BCE's common shares was $41 million at December 31, 2012, with all other variables held constant.

Fair Value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Certain fair value estimates are affected by assumptions we make about the amount and timing of estimated 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, trade payables and accruals, compensation payable, interest payable and short-term obligations approximates fair value because 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.

	DECEMBER 31, 2012		DECEMBER 31, 2011	
	CARRYING VALUE	**FAIR VALUE**	CARRYING VALUE	FAIR VALUE
CRTC deferral account obligation	**337**	**352**	367	387
CRTC tangible benefits obligation	**174**	**178**	236	239
Long-term debt	**13,607**	**16,123**	12,743	14,668

The fair value of hedged long-term debt carried at fair value is $782 million (2011 – $813 million), valued using observable market data. All other assets, liabilities and derivatives carried at fair value are individually immaterial.

Capital Management

We have various capital policies, procedures 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.

In order to meet our objectives of maintaining a net debt to Adjusted EBITDA(1)(2) ratio of between 1.5 and 2.0 times and an Adjusted EBITDA to net interest expense(3) ratio greater than 7.5 times, we monitor our capital structure and make adjustments, including to our dividend policy, as required. At December 31, 2012, we had marginally exceeded our net debt to Adjusted EBITDA ratio by 0.15. This increase over our internal ratio does not create risk to our investment-grade credit rating.

(1) We define net debt as debt due within one year plus long-term debt and 50% of preferred shares less cash and cash equivalents.
(2) Adjusted EBITDA, as also defined in our credit agreement, is EBITDA including dividends/distributions from Bell Aliant to BCE.
(3) Net interest expense excludes interest on post-employment benefit obligations and includes 50% of preferred dividends.

On February 6, 2013, the board of directors of BCE approved an increase in the annual dividend on BCE's common shares of 2.6% from $2.27 to $2.33 per common share. In addition, the board of directors declared a quarterly dividend of $0.5825 per common share, payable on April 15, 2013 to shareholders of record at March 15, 2013.

In 2012, the board of directors of BCE approved an increase in the annual dividend on BCE's common shares as follows:

- 4.6%, from $2.17 per common share to $2.27 per common share in August 2012.

In 2011, the board of directors of BCE approved increases in the annual dividend on BCE's common shares as follows:

- 5.1%, from $1.97 per common share to $2.07 per common share in May 2011
- 4.8%, from $2.07 per common share to $2.17 per common share in December 2011.

The details of BCE's 2011 normal course issuer bid (NCIB) program are set out in Note 23, *Share Capital*.

The following table summarizes some of our key ratios used to monitor and manage Bell Canada's capital structure. These ratios are calculated for BCE, excluding Bell Aliant.

AT DECEMBER 31	**2012**	2011
Net debt to Adjusted EBITDA	**2.15**	2.02
Adjusted EBITDA to net interest expense	**8.81**	8.94

Note 23 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, 2012. BCE's articles of amalgamation, as amended, describe the terms and conditions of these shares in detail.

						NUMBER OF SHARES		STATED CAPITAL	
SERIES	ANNUAL DIVIDEND RATE	CONVERTIBLE INTO	CONVERSION DATE	REDEMPTION DATE	REDEMPTION PRICE	AUTHORIZED	ISSUED AND OUTSTANDING	DEC. 31, 2012	DEC. 31, 2011
Q	floating	Series R	December 1, 2015	At any time	$25.50	8,000,000	–	**–**	–
R	4.49%	Series Q	December 1, 2015	December 1, 2015	$25.00	8,000,000	8,000,000	**200**	200
S	floating	Series T	November 1, 2016	At any time	$25.50	8,000,000	3,606,225	**90**	90
T	3.393%	Series S	November 1, 2016	November 1, 2016	$25.00	8,000,000	4,393,775	**110**	110
Y	floating	Series Z	December 1, 2017	At any time	$25.50	10,000,000	8,772,468	**219**	203
Z	3.152%	Series Y	December 1, 2017	December 1, 2017	$25.00	10,000,000	1,227,532	**31**	47
AA	3.45%	Series AB	September 1, 2017	September 1, 2017	$25.00	20,000,000	10,144,302	**259**	257
AB	floating	Series AA	September 1, 2017	At any time	$25.50	20,000,000	9,855,698	**251**	253
AC	4.60%	Series AD	March 1, 2013	March 1, 2013	$25.00	20,000,000	9,244,555	**236**	236
AD	floating	Series AC	March 1, 2013	At any time	$25.50	20,000,000	10,755,445	**274**	274
AE	floating	Series AF	February 1, 2015	At any time	$25.50	24,000,000	1,422,900	**36**	36
AF	4.541%	Series AE	February 1, 2015	February 1, 2015	$25.00	24,000,000	14,577,100	**364**	364
AG	4.50%	Series AH	May 1, 2016	May 1, 2016	$25.00	22,000,000	10,841,056	**271**	271
AH	floating	Series AG	May 1, 2016	At any time	$25.50	22,000,000	3,158,944	**79**	79
AI	4.15%	Series AJ	August 1, 2016	August 1, 2016	$25.00	22,000,000	10,754,990	**269**	269
AJ	floating	Series AI	August 1, 2016	At any time	$25.50	22,000,000	3,245,010	**81**	81
AK	4.15%	Series AL	December 31, 2016	December 31, 2016	$25.00	25,000,000	25,000,000	**625**	345
AL[1]	floating	Series AK	December 31, 2021			25,000,000	–	**–**	–
								3,395	3,115

(1) If Series AL Preferred Shares are issued, BCE may redeem such shares at $25.00 per share on December 31, 2021 and on December 31 every five years thereafter (collectively, a Series AL conversion date) and at $25.50 per share on any date after December 31, 2016, which is not a Series AL conversion date.

Voting Rights

All of the issued and outstanding preferred shares at December 31, 2012 are non-voting, except under special circumstances, when the holders are entitled to one vote per share.

Entitlement to Dividends

Holders of Series R, T, Z, AA, AC, AF, AG, AI and AK 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, AD, AE, AH and AJ shares are entitled to floating adjustable cumulative monthly dividends. The floating dividend rate on these shares is calculated every month, as set out in BCE's articles of amalgamation, as amended.

Conversion Features

All of the issued and outstanding preferred shares at December 31, 2012 are convertible at the holder's option into another associated series of preferred shares on a one-for-one basis according to the terms set out in BCE's articles of amalgamation, as amended.

Redemption Features

BCE may redeem each of Series R, T, Z, AA, AC, AF, AG, AI and AK shares at $25.00 per share on the applicable redemption date and every five years after that date. BCE may redeem each of Series Q, if issued, and Series S, Y, AB, AD, AE, AH and AJ shares at $25.50 per share at any time.

Conversion of Preferred Shares

On March 1, 2013, BCE converted 4,415,295 of its 9,244,555 Cumulative Redeemable First Preferred Shares, Series AC (Series AC Preferred Shares), on a one-for-one basis, into Cumulative Redeemable First Preferred Shares, Series AD (Series AD Preferred Shares). In addition, on March 1, 2013, 240,675 of BCE's 10,755,445 Series AD Preferred Shares were converted, on a one-for-one basis, into Series AC Preferred Shares. As a result, 5,069,935 Series AC Preferred Shares and 14,930,065 Series AD Preferred Shares remain outstanding.

For the five-year period beginning on March 1, 2013, the Series AC Preferred Shares will pay a quarterly fixed dividend based on an annual dividend rate of 3.550%. The Series AD Preferred Shares will continue to pay a monthly floating adjustable cash dividend.

On December 1, 2012, BCE converted 1,108,623 of its 1,873,670 Cumulative Redeemable First Preferred Shares, Series Z (Series Z Preferred Shares), on a one-for-one basis, into Cumulative Redeemable First Preferred Shares, Series Y (Series Y Preferred Shares). In addition, on December 1, 2012, 462,485 of BCE's 8,126,330 Series Y Preferred Shares were converted, on a one-for-one basis, into Series Z Preferred Shares.

On September 1, 2012, BCE converted 2,957,474 of its 10,081,586 Cumulative Redeemable First Preferred Shares, Series AA (Series AA Preferred Shares), on a one-for-one basis, into Cumulative Redeemable First Preferred Shares, Series AB (Series AB Preferred Shares). In addition, on September 1, 2012, 3,020,190 of BCE's 9,918,414 Series AB Preferred Shares were converted, on a one-for-one basis, into Series AA Preferred Shares.

On November 1, 2011, 1,794,876 of BCE's 5,720,209 Cumulative Redeemable First Preferred Shares, Series T (Series T Preferred Shares) were converted, on a one-for-one basis, into Cumulative Redeemable First Preferred Shares, Series S (Series S Preferred Shares). In addition, on November 1, 2011, 468,442 of BCE's 2,279,791 Series S Preferred Shares were converted, on a one-for-one basis, into Series T Preferred Shares.

On August 1, 2011, 3,245,010 of BCE's 14,000,000 Cumulative Redeemable First Preferred Shares, Series AI (Series AI Preferred Shares) were converted, on a one-for-one basis, into Cumulative Redeemable First Preferred Shares, Series AJ (Series AJ Preferred Shares).

On May 1, 2011, 370,067 of BCE's 10,051,751 Cumulative Redeemable First Preferred Shares, Series AG (Series AG Preferred Shares) were converted, on a one-for-one basis, into Cumulative Redeemable First Preferred Shares, Series AH (Series AH Preferred Shares). In addition, on May 1, 2011, 1,159,372 of BCE's 3,948,249 Series AH Preferred Shares were converted, on a one-for-one basis, into Series AG Preferred Shares.

Dividends on all series of preferred shares will be paid as and when declared by the board of directors of BCE.

Issuance of Preferred Shares

On July 5, 2011, BCE issued 13,800,000 Cumulative Redeemable First Preferred Shares, Series AK (Series AK Preferred Shares) for total gross proceeds of $345 million. Issuance costs were $11 million. On January 4, 2012, BCE issued 11,200,000 additional Series AK Preferred Shares for total gross proceeds of $280 million. Issuance costs were $8 million.

Common Shares and Class B Shares

BCE's articles of amalgamation provide for an unlimited number of voting common shares and non-voting Class B shares, all without par value. The common shares and the Class B shares rank equally in the payment of dividends and in the distribution of assets if BCE is liquidated, dissolved or wound up, after payments due to the holders of preferred shares. No Class B shares were outstanding at December 31, 2012 and 2011.

The following table provides details about the outstanding common shares of BCE.

		DECEMBER 31, 2012		DECEMBER 31, 2011	
	NOTE	NUMBER OF SHARES	STATED CAPITAL	NUMBER OF SHARES	STATED CAPITAL
Outstanding, beginning of year		**775,444,200**	**13,566**	752,267,409	12,691
Shares issued under employee stock option plan[(1)]	24	**1,296,962**	**43**	5,090,918	172
Shares issued upon acquisition of CTV	27	**–**	**–**	21,729,239	764
Shares issued under ESP		**1,102,022**	**48**	–	–
Shares repurchased and cancelled		**(2,461,539)**	**(46)**	(3,500,466)	(61)
Treasury shares		**–**	**–**	(142,900)	–
Outstanding, end of year		**775,381,645**	**13,611**	775,444,200	13,566

(1) Includes a $4 million reclassification in 2012 ($20 million in 2011) from contributed surplus relating to the exercise of employee stock options.

2011 NCIB Program

	DECEMBER 31, 2012		DECEMBER 31, 2011	
	NUMBER OF SHARES	TOTAL COST	NUMBER OF SHARES	TOTAL COST
Common shares repurchased and cancelled	**(1,381,539)**	**(57)**	(3,500,466)	(143)
Common shares subject to cancellation in 2011 and cancelled in 2012	**(1,222,900)**	**(50)**	1,222,900	50
Private purchase agreement	**(1,080,000)**	**(44)**	1,080,000	44
Treasury shares	**(142,900)**	**(6)**	142,900	6

In December 2011, BCE announced its plan to repurchase up to $250 million of its outstanding common shares through a NCIB. In December 2011, BCE repurchased and cancelled a total of 3,500,466 common shares for a total cost of $143 million. An additional 1,381,539 common shares were purchased and cancelled under the 2011 NCIB for a total of $57 million during the first quarter of 2012.

In January 2012, BCE settled a $44 million liability related to an agreement with a financial institution to purchase an additional 1,080,000 common shares. Also in January 2012, we cancelled and paid for 142,900 common shares that were purchased in December 2011 for a total cost of $6 million. All of these common shares were included in outstanding common shares as at December 31, 2011 and were cancelled in January 2012.

The NCIB program was complete in March 2012.

Contributed Surplus

Contributed surplus resulted from the distribution of fund units to the holders of BCE common shares by way of a return of capital upon the conversion of Bell Aliant from a corporate structure to an income fund in 2006 and premium in excess of par value upon the issuance of BCE common shares.

Note 24 SHARE-BASED PAYMENTS

The following share-based payment amounts are included in the income statements as operating costs.

FOR THE YEAR ENDED DECEMBER 31	2012	2011
ESPs	**(32)**	(24)
RSUs	**(30)**	(16)
Deferred share plans – Bell Aliant	**(11)**	(10)
Other[(1)]	**(7)**	(4)
Total share-based payments	**(80)**	(54)

(1) Includes DSUs and stock options.

Description of the Plans

ESPs

ESPs are 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 regular 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.

Each participating company decides on its maximum percentage contribution. For Bell Canada, employees can contribute up to 12% of their annual earnings. Bell Canada contributes up to 2%.

Employer contributions to the plan are subject to employees holding their shares for a two-year vesting period. Dividends related to employer contributions are also subject to the two-year vesting period.

The trustee of the ESP buys BCE common shares for the participants on the open market, by private purchase or from treasury. BCE determines the method the trustee uses to buy the shares.

At December 31, 2012, 12,411,790 common shares were authorized for issuance under the ESP.

The following table summarizes the status of unvested ESPs at December 31, 2012 and 2011.

NUMBER OF ESPs	2012	2011
Unvested contributions, January 1	**1,029,621**	360,081
Contributions[(1)]	**699,063**	758,371
Dividends credited	**43,865**	29,803
Vested	**(328,073)**	(36,743)
Forfeited	**(154,190)**	(81,891)
Unvested contributions, December 31	**1,290,286**	1,029,621

(1) The weighted average fair value of the ESPs contributed was $42 and $37 in 2012 and 2011, respectively.

RSUs

RSUs are granted to executives and other key employees. The value of an RSU at the grant date is equal to the value of one BCE common share. Dividends in the form of additional RSUs 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 key employees are granted a specific number of RSUs for a given performance period based on their position and level of contribution. RSUs 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.

The following table summarizes outstanding RSUs at December 31, 2012 and 2011.

NUMBER OF RSUs	2012	2011
Outstanding, January 1	**1,257,523**	3,956,697
Granted[(1)]	**1,243,846**	1,284,626
Dividends credited	**112,550**	152,214
Settled	**(59,491)**	(4,011,709)
Forfeited	**(86,023)**	(124,305)
Outstanding, December 31	**2,468,405**	1,257,523

Vested, December 31	–	21,871

(1) *The weighted average fair value of the RSUs granted was $40 and $36 in 2012 and 2011, respectively.*

Stock Options

Under BCE's long-term incentive plans, BCE may grant options to executives to buy BCE common shares. The subscription price of a grant is based on the higher of:

- the volume-weighted average of the trading price on the trading day immediately prior to the effective date of the grant
- the volume-weighted average of the trading price for the last five consecutive trading days ending on the trading day immediately prior to the effective date of the grant.

At December 31, 2012, 28,641,835 common shares were authorized for issuance under these plans.

Options vest fully after three years of continuous employment from the date of grant. All options become exercisable when they vest and can be exercised for a period of up to ten years from the date of grant. 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.

The following table summarizes BCE's outstanding stock options at December 31, 2012 and 2011.

		2012		2011	
	NOTE	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE ($)	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE ($)
Outstanding, January 1		**4,027,309**	**$33**	8,491,226	$32
Granted		**2,681,201**	**$40**	2,443,954	$36
Exercised[(1)]	23	**(1,296,962)**	**$30**	(5,090,918)	$30
Expired		**(4,850)**	**$28**	(1,604,969)	$40
Forfeited		**(96,342)**	**$37**	(211,984)	$35
Outstanding, December 31		**5,310,356**	**$37**	4,027,309	$33
Exercisable, December 31		**420,822**	**$30**	1,725,634	$30

(1) *The weighted average share price for options exercised was $42 and $38 in 2012 and 2011, respectively.*

The following table provides additional information about BCE's stock option plans at December 31, 2012.

	STOCK OPTIONS OUTSTANDING		
RANGE OF EXERCISE PRICES	NUMBER	WEIGHTED AVERAGE REMAINING LIFE	WEIGHTED AVERAGE EXERCISE PRICE ($)
$20 – $29	**65,822**	**1.7**	**$29**
$30 – $39	**2,592,606**	**4.5**	**$35**
$40 or more	**2,651,928**	**6.1**	**$40**
	5,310,356	**5.3**	**$37**

ASSUMPTIONS USED IN STOCK OPTION PRICING MODEL

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.

	2012
Weighted average fair value per option granted ($)	**3**
Weighted average share price ($)	**40**
Weighted average exercise price ($)	**40**
Dividend yield	**5.4%**
Expected volatility	**21%**
Risk-free interest rate	**1.4%**
Expected life (years)	**4.5**

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.

DSUs

Eligible bonuses and RSUs may be paid in the form of DSUs when executives or other key employees elect to or are required to participate in the plan. The value of a DSU at the issuance date is equal to the value of one BCE common share. For non-management directors, compensation is paid in DSUs until the minimum share ownership requirement is met or as elected by the directors thereafter. There are no vesting requirements relating to DSUs. Dividends in the form of additional DSUs 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. DSUs are settled when the holder leaves the company.

The following table summarizes the status of outstanding DSUs at December 31, 2012 and 2011.

NUMBER OF DSUs	2012	2011
Outstanding, January 1	**3,351,526**	3,477,365
Issued[(1)]	**196,363**	287,360
Dividends credited	**173,569**	160,972
Settled	**(415,597)**	(574,171)
Outstanding, December 31	**3,305,861**	3,351,526

(1) *The weighted average fair value of the DSUs issued was $40 and $36 in 2012 and 2011, respectively.*

Note 25 COMMITMENTS AND CONTINGENCIES

Commitments

The following table is a summary of our contractual obligations at December 31, 2012 that are due in each of the next five years and thereafter.

	2013	2014	2015	2016	2017	THEREAFTER	TOTAL
Operating leases	229	201	176	139	107	489	1,341
Commitments for property, plant and equipment and intangible assets	166	28	10	14	–	–	218
Purchase obligations	1,628	1,300	1,149	384	275	923	5,659
Astral acquisition[(1)]	3,553	–	–	–	–	–	3,553
Total	5,576	1,529	1,335	537	382	1,412	10,771

(1) *Includes CRTC tangible benefits of $174.6 million.*

BCE's significant operating leases are for office premises and retail outlets with lease terms ranging from 1 to 30 years. These leases are non-cancellable and are renewable at the end of the lease period. Rental expense relating to operating leases was $269 million in 2012 and $253 million in 2011.

Purchase obligations consist of contractual obligations under service and product contracts, for both operating and capital expenditures. Our commitments for capital expenditures include investments to expand and update our networks, and to meet customer demand.

Proposed Acquisition of Astral

On March 16, 2012, BCE announced the signing of a definitive agreement to acquire all of the issued and outstanding shares of Astral. Astral is a media company that operates specialty and pay TV channels, radio stations, digital media properties and out-of-home advertising platforms in Québec and across the rest of Canada. The transaction was valued at approximately $3.38 billion, including net debt of $380 million. On May 24, and May 25, 2012, the transaction was approved by over 99% of Astral shareholders and by the Québec Superior Court, respectively.

To partially fund the proposed acquisition of Astral, on June 13, 2012, Bell Canada entered into an unsecured committed credit agreement with a syndicate of lenders, maturing three years after the closing of the Astral acquisition, under which $2 billion is currently available.

On October 18, 2012, the CRTC issued Broadcasting Decision CRTC 2012-574 denying BCE's original application to acquire Astral. On November 19, 2012, Astral and BCE amended the terms of the proposed transaction and subsequently submitted a new proposal to the CRTC for approval. The new application outlines a number of divestitures and other commitments designed to address the concerns outlined in the CRTC's October 2012 decision.

The new proposal also includes a revised package of tangible benefits in an amount of $174.6 million to create programming, promote Canadian talent, connect communities and enhance consumer participation. The CRTC tangible benefits will be recorded as an acquisition cost in Severance, Acquisition and Other Costs upon closing.

The CRTC announced that it will hold a public hearing commencing the week of May 6, 2013 to consider the new proposal for BCE's acquisition of Astral. On March 4, 2013, BCE received Competition Bureau clearance for its proposed acquisition of Astral based on a consent agreement under which BCE is required to divest the same TV services and radio stations identified in BCE's revised proposal to the CRTC.

On March 4, 2013, BCE reached an agreement with Corus Entertainment Inc. (Corus) whereby Corus will acquire Astral's share of six TV joint ventures as well as two Astral radio stations in Ottawa. Valued at $400.6 million, the Corus transaction is also subject to applicable regulatory approvals.

As a result of the amendments made to the terms of the original definitive agreement between Astral and BCE, BCE's regulatory covenants have been modified and the outside date for completion of the transaction was postponed to June 1, 2013 with each of Astral and BCE having the right to further postpone it to July 31, 2013, if required to obtain the remaining necessary regulatory approvals. A break-up fee of $150 million is payable by BCE to Astral should the proposed transaction not close before the outside date for failure to obtain regulatory approvals.

Contingencies

We become involved in various legal proceedings as a part of our business. While we cannot predict the final outcome of the legal proceedings pending at December 31, 2012, based on the information currently available and management's assessment of the merits of such legal proceedings, management believes that the resolutions of these legal proceedings will not have a material and negative effect on our financial statements. We believe that we have strong defences and we intend to vigorously defend our positions.

Note 26 RELATED PARTY TRANSACTIONS

Subsidiaries

The following table shows BCE's significant subsidiaries at December 31, 2012. 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 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.

	OWNERSHIP PERCENTAGE	
SUBSIDIARY	2012	2011
Bell Canada	**100.0%**	100.0%
Bell Mobility Inc.	**100.0%**	100.0%
Bell Aliant Inc.	**44.1%**	44.1%
Bell ExpressVu Limited Partnership	**100.0%**	100.0%
Bell Media Inc.	**100.0%**	100.0%

Transactions with Joint Ventures and Associates

During 2012 and 2011, BCE provided and received services in the normal course of business and on an arm's length basis to and from its joint ventures and associates. Our joint ventures are comprised of MLSE, Inukshuk, Enstream Inc., and Dome Productions Partnership. Our associates are comprised of Summerhill Ventures LLP, Q9, Viewer's Choice Canada Inc., The NHL Network Inc., Cirque du Soleil Media Limited Partnership and, until August 2012, the Montreal Canadiens Hockey Club and the Bell Centre.

BCE recognized revenues and incurred expenses with our associates and joint ventures of $11 million (2011 – $21 million) and $72 million (2011 – $78 million), respectively.

See Note 7, *Other Income* for additional transactions with Inukshuk.

BCE Master Trust Fund

Bimcor Inc. (Bimcor), a wholly-owned subsidiary of Bell Canada, is the administrator of the Master Trust. Bimcor recognized management fees of $13 million and $11 million from the Master Trust for 2012 and 2011, respectively. The details of BCE's post-employment benefit plans are set out in Note 20, *Post-employment Benefit Plans*. Additionally, in 2012, BCE completed a co-investment arrangement with the Master Trust with respect to MLSE for which the details are set out in Note 14, *Investments in Associates and Joint Ventures*.

Compensation of Key Management Personnel and Board of Directors

The following table includes compensation of the key management personnel and board of directors for the years ended December 31, 2012 and 2011 included in our income statements. Key management personnel are the company's Chief Executive Officer (CEO) and the executives who report directly to the CEO.

FOR THE YEAR ENDED DECEMBER 31	2012	2011
Wages, salaries and related taxes and benefits	**(22)**	(22)
Termination benefits	**–**	(2)
Post-employment benefit plans and OPEBs	**(3)**	(3)
Share-based payments	**(17)**	(12)
Key management personnel and board of directors compensation expense	**(42)**	(39)

Note 27 ACQUISITION OF CTV

On April 1, 2011, BCE acquired the remaining 85% of CTV common shares that we did not already own. We acquired CTV because it allows us to better leverage content across multiple platforms.

The purchase price allocation was completed in 2011 and included certain estimates. The following table summarizes the fair value of the consideration given and the fair value assigned to each major class of asset and liability.

	TOTAL
Cash	**713**
Issuance of BCE common shares[(1)]	**597**
Purchase consideration	**1,310**
Fair value of previously held interest	**221**
Non-controlling interest	**215**
Total cost to be allocated	**1,746**
Trade and other receivables	**462**
Prepaid expenses	**52**

Property, plant and equipment	454
Finite-life intangible assets	551
Indefinite-life intangible assets	1,511
Other non-current assets	35
Trade payables and other liabilities	(419)
Debt due within one year	(1,039)
Long-term debt	(762)
Deferred tax liabilities	(236)
Post-employment benefit obligations	(92)
Other non-current liabilities	(197)
	320
Cash and cash equivalents	33
Fair value of net assets acquired	353
Goodwill(2)	1,393

(1) In 2011, we issued 21,729,239 common shares with a fair value of $764 million based on the market price of BCE common shares on the acquisition date, of which $597 million was purchase consideration and $167 million was for the repayment of certain acquired debt.
(2) Goodwill arises principally from the ability to leverage media content, the reputation of assembled workforce and future growth. Goodwill is not deductible for tax purposes.

As part of its approval of the acquisition, the CRTC ordered BCE to spend $239 million over seven years to benefit the Canadian broadcasting system. The present value of this tangible benefits obligation, amounting to $164 million, net of $57 million assumed by CTV's previous shareholders, was recorded as an acquisition cost in *Severance, acquisition and other costs* in 2011. Total acquisition costs relating to CTV, including the tangible benefits obligation and a pension curtailment gain of $13 million, amounted to $160 million for the year ended December 31, 2011.

The acquisition date fair value of our previously held 15% AFS equity interest in CTV immediately before the acquisition was $221 million, resulting in a gain on remeasurement of $89 million, which was reclassified from *Accumulated other comprehensive income* to *Other income* in 2011.

Revenues of $1,507 million and net earnings of $165 million are included in the income statements in 2011 from the date of acquisition.

BCE's consolidated operating revenues and net earnings for the year ended December 31, 2011 would have been $19,952 million and $2,557 million, respectively, had the CTV acquisition occurred on January 1, 2011. These pro forma amounts reflect the elimination of intercompany transactions, financing related to the acquisition, the amortization of certain elements of the purchase price allocation and related tax expense.

Glossary

Adjusted EPS

Earnings per share before severance, acquisition and other costs, and net (gains) losses on investments.

ARPU

Average revenue per unit expressed as a rate per month for the year.

Binomial Option Pricing Model

The binomial option pricing model is the financial model we use to calculate the weighted average fair value of a stock option granted using five key assumptions: stock dividend yield, expected stock volatility, risk-free interest rate, vesting period and expected life of the stock option.

Book Value per Share

Total equity attributable to BCE shareholders excluding preferred shares divided by the number of common shares outstanding.

Capital Intensity

Capital expenditures divided by operating revenues.

Churn

The rate at which existing subscribers cancel their services. Churn is calculated as the number of subscribers disconnected divided by the average subscriber base.

Cost of Acquisition (COA)

COA is also referred to as subscriber acquisition costs. This measure is expressed per gross activation. It includes costs associated with acquiring a customer such as hardware subsidies, marketing and distribution costs.

Curtailment

A curtailment is a significant reduction in plan benefits that can result when a defined benefit pension plan is amended or restructured. Types of curtailments include a reduction in the expected number of years of future service of active employees or the elimination of the right to earn defined benefits for some or all of the future service of employees.

EBITDA

We define EBITDA as operating revenues less operating costs.

EBITDA Margin

EBITDA divided by operating revenues.

Free Cash Flow

We define free cash flow as cash flows from operating activities, excluding acquisition costs paid, plus dividends/distributions received from Bell Aliant, less capital expenditures, preferred share dividends, dividends/distributions paid by subsidiaries to non-controlling interest and Bell Aliant free cash flow.

Goodwill

Goodwill may be created when we acquire a business. It is calculated by deducting the fair value of the net assets acquired from the consideration given, and represents the value of factors that contribute to greater earning power, such as a good reputation, customer loyalty or intellectual capital.

Market Capitalization

This is BCE's common share price at the end of the year multiplied by the number of common shares outstanding.

Price to Book Ratio

BCE's common share price at the end of the year divided by the book value per share.

Price to Cash Flow Ratio

BCE's common share price at the end of the year divided by cash flow per common share. Cash flow per common share is cash flow from operating activities excluding interest on fund unit liability less capital expenditures, divided by the average number of common shares outstanding.

Price to Earnings Ratio

BCE's common share price at the end of the year divided by earnings per share.

Return on Equity

Net earnings attributable to common shareholders divided by total average equity attributable to owners of the parent excluding preferred shares.

Total Debt to Total Assets

Total long-term debt (including debt due within one year) divided by total assets.

Total Debt to Total Equity

Total debt (excluding notes payable and bank advances) divided by total equity.

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 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).

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, 2012, based on the framework and criteria established in *Internal Control – Integrated Framework* 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, 2012. There were no material weaknesses that have been identified by management in internal control over financial reporting as at December 31, 2012.

Our internal control over financial reporting as at December 31, 2012 has been audited by Deloitte LLP, Independent Registered Chartered Professional Accountants, who also audited our consolidated financial statements for the year ended December 31, 2012. Deloitte LLP issued an unqualified opinion on the effectiveness of our internal control over financial reporting.

(signed) George A. Cope
President and Chief Executive Officer

(signed) Siim A. Vanaselja
Executive Vice-President and Chief Financial Officer

(signed) Karyn A. Brooks
Senior Vice-President and Controller

March 7, 2013

REPORT OF INDEPENDENT REGISTERED CHARTERED PROFESSIONAL ACCOUNTANTS

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, 2012, based on the criteria established in *Internal Control – Integrated Framework* 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 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 generally accepted accounting principles. 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 generally accepted accounting principles, 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 the 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.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on the criteria established in *Internal Control – Integrated Framework* 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, 2012 of the Company and our report dated March 7, 2013 expressed an unqualified opinion on those financial statements.

(signed) Deloitte LLP [1]
Independent Registered Chartered Professional Accountants

Montréal, Canada

March 7, 2013

(1) CPA auditor, CA, public accountancy permit No. A104644

Exhibit 99.4

Code of Business Conduct

What we do is who we are

Our Moral Compass

Policy Contact: corporate.secretariat@bell.ca

TABLE OF CONTENTS

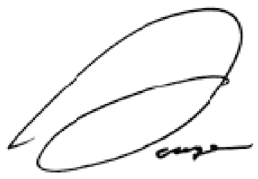
A Message from the President and Chief Executive Officer

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 more than 130 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

1. POLICY OVERVIEW

1.1. Summary

The Bell Canada Code of Business Conduct (referred to as the "**Code**") explains the fundamental values and standards of behaviour that our shareholders, customers and suppliers expect from us in all aspects of our business.

In our daily activities, we have a fundamental responsibility to address a broad spectrum of issues. These include: 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.

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 the commitment of Bell Canada 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 the Company serves.

1.2. Scope

While the Code, from time to time, refers to "**employees of the Company**" or "**employees of Bell**", the Code applies to all employees and executives of BCE Inc., Bell Canada and their subsidiaries that are not public companies (collectively referred to as the employees of the **"Company**" or "**Bell**"), as well as to all persons serving as members of the Board of Directors of BCE Inc. and Bell Canada.

1.3. Objectives

The Code is intended for every employee and executive of the Company as well as members of the Board of Directors. 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 applicable laws, regulations and Company 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 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.

1.4. Annual Reviews and Sign Off

To demonstrate our commitment to and support of these shared values and standards, all employees, 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.

2. POLICY DETAILS

2.1. Our Principles of Ethical Conduct

2.1.1 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 and 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 is basic to ethical conduct. Bell and its employees are subject to, and 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 and regulations, laws prohibiting the corruption of foreign officials, as well as lobbying, environmental 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 that the communications industry is evolving so rapidly and so unpredictably.

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 the following 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 the Company's reputation, or our own.

It also means we have a duty to report illegal acts or violations of Company rules, policies or the Code to management. Turning a blind eye to wrongdoing – in effect condoning such behaviour – is itself unethical.

Any breach of the Code or Company 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 Company policy or commit an illegal act will face immediate discipline, up to and including dismissal, as well as possible civil or criminal prosecution.

2.1.2 Getting Help with Ethical Issues – 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.

Start by speaking with your manager. If this won't meet your needs you can contact **our confidential and anonymous Business Conduct Help Line at https://www.clearviewconnects.com/ on a 24/7 basis or by calling 1-866-298-2942 (toll free)**

2.1.3 Reporting a Misconduct or Violation of the Code

As part of the Company'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 but not limited to, accounting, internal accounting controls or auditing matters by an employee of Bell or by any Business Unit of Bell.

An unethical behaviour may be reported to your immediate manager. However, if such reporting is either inappropriate, does not provide the necessary level of

confidentiality or if you otherwise prefer, the unethical behaviour could be reported to the Business Conduct Help Line which can be reached on an anonymous 24/7 basis at https://www.clearviewconnects.com/ or by calling 1-866-298-2942 (toll free) or to the Chief Legal Officer or to the Chair of the Audit Committee.

Any submission made by an employee of the Company regarding an unethical behaviour shall be treated on a **confidential** basis. The employee's identity shall be treated anonymously and confidentially, unless specifically permitted to be disclosed by the employee or unless required by law. Anonymous and confidential submissions shall 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, including but not limited to, lower compensation or inferior terms and conditions of employment that are directly related to the disclosure of such unethical behaviour.

Please also see the Complaint Procedures for Accounting and Auditing Matters on the Corporate Policies & Ethics Program intranet site.

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, the Company will not allow retaliation for reports made in good faith.

2.2. 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 company 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 the Personnel Security Policy and the associated directives, practices, procedures and standards including Background Security Check
- 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 Company policies and taking prompt and decisive disciplinary action when it has been established that the Code has been violated.

2.3. Penalties for Violations

Disciplinary action up to and including dismissal will be taken should an employee, manager or executive:

- violate a Company policy; disregard proper procedures or ask others to violate Company 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.

2.4. Conflicts of Interest

2.4.1 Overview

As employees, managers and executives, our business loyalty rests in placing the Company's interests – including those of its customers and shareholders – before our personal interests.

A conflict of interest arises whenever we allow, or appear to allow, personal interests or relationships to impair our judgment and ability to make decisions with integrity and honesty. By thinking of ourselves first, we may act in a way that is damaging, or potentially damaging, to the Company. We may also harm our personal reputation.

We must not use our position to influence or bypass Company procedures for personal gain nor for the benefit of our family, friends, colleagues or anyone else.

How Can I Tell If I Am In a Conflict of Interest?

- **If you are not sure about a particular situation obtain the guidance you need (see below). Start by asking yourself the following questions:**
  - Am I following proper Company procedures?
  - Do I stand to potentially gain personally from my actions?
  - Can my actions potentially result in a financial or other advantage for myself, a near relative (which would include, but is not limited to, a spouse, sibling, parent, child, or in-law) or friend?
  - Am I uncomfortable discussing this with my manager or fellow employees?
  - 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 https://www.clearviewconnects.com/ or by calling 1-866-298-2942 (toll free).

Where an actual or potential conflict of interest may exist employees **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).

2.4.2 Conflict of Interest Guidelines for Executives and External Directorships

2.4.2.1. Definition

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 the company'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 the Company 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 the Company 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 the Company's best interests in the performance of his/her functions as an executive,
  - place the executive or the Company in an equivocal, embarrassing or ethically questionable position in the eyes of the public or any external monitoring body, or

- reflect unfavourably on the integrity of the executive or the Company;
- 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 Company business to benefit himself/herself or any of his/her near relatives, by selling or making available such information to interests outside the Company, 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; and/or
- 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 the Company'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.

2.4.2.2. External Directorships

As a general rule, executives are allowed to be appointed to an external board of directors ("**external directorship**"), meaning joining the board of directors of a company other than BCE, Bell Canada and their respective subsidiaries, other controlled entities and joint ventures ("**BCE group companies**") provided that such election:

- will not create conflicts of interest either for the executive or for any BCE group companies (see discussion above),
- will contribute to the development of the executive or will benefit the BCE group companies 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 the Company.

2.4.3 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 the Company'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 the Company – 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
- if you transact business on behalf of the Company with a near relative, friend or co-habitant
- 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.

For additional instructions or assistance please contact the Business Conduct Help Line, which can be reached on a 24/7 basis at https://www.clearviewconnects.com/ or by calling **1-866-298-2942** (toll free).

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."

2.4.4 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 the Company'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.

2.4.5 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 the Company. However, we must ensure that our outside employment or other activities do not conflict, or appear to conflict, with the Company'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 the Company or operate a business or promote a third party's line of products or services that compete with those offered by the Company,
- use the Company'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 the Company fully and competently,
- contribute to or support any political group or political activity on behalf of the Company, unless specifically authorized by the appropriate Company 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 their own.

2.5. Loans, Gifts and Entertainment

2.5.1 Loans from the Company

We do not accept, whether directly or indirectly, any loan or guarantee of obligations from the Company that are for our personal benefit.

2.5.2 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 the Company 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 Company 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 to Consider

- **Factors which you and your manager should consider when assessing the proper course of action include:**
- Is the Company 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 the Company?
- 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?

2.6. 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 the Company 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. The Company'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 the Company 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 Program intranet site.

Beyond standard penalties for non-compliance with the Code which were previously outlined, the Company may refer the matter to the appropriate regulatory and legal authorities, which could lead to penalties, fines or imprisonment.

2.7. Lobbying on behalf of the Company

Broadly speaking, lobbying involves reaching out to a public office holder (like an MPP, a federal Minister or in some cases a mayor) in order to further the Company'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, the Company may refer the matter to the appropriate regulatory and legal authorities, which could lead to penalties, fines or imprisonment.

2.8. Improper Influence on the Conduct of Audits

Employees are prohibited from coercing, manipulating, misleading or fraudulently influencing the Company'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 the Company's financial statements misleading in any way.

2.9. Insider Trading

2.9.1 Overview

Securities legislation imposes restrictions with respect to the purchase and sale of shares and other securities, as well as "tipping", when a person has knowledge of information not yet known to the public and which generally could affect the market price of the securities of a given company. Securities of a company include, for example, equity securities such as common and preferred shares, debt securities such as debentures and notes, and options.

It is illegal for you to buy or sell securities of BCE Inc., its subsidiaries and associated companies or any other company that is a public company, with knowledge of undisclosed material information obtained in the course of your employment or "tip" others concerning such information. In particular, you should be careful to avoid inadvertently disclosing confidential information to spouses, family members and others

who live in your households, or to business partners, friends and others as this could be considered "tipping".

Members of the board of directors and executives of BCE Inc. and Bell Canada 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.

2.9.2 Material Information

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. For instance, such information could be used by investors to buy, sell or otherwise trade in BCE Inc. shares, as well as the securities of third parties with which the Company has dealings, to the unfair disadvantage of others.

Examples of material information include (note: this list is not exhaustive and may include other types of information which may be material at any particular time depending upon the circumstances):

Corporate Structure and Acquisitions and Dispositions

- company restructuring plans
- proposals, negotiations or agreements for the acquisition of securities or assets of other companies (including the possibility of a takeover bid for or merger with another company) and dispositions of existing investments
- changes in share ownership that may affect control of BCE Inc. or Bell Canada

Capital Structure

- the possibility of a public offering of securities, stock splits or private sales of securities
- a change, or proposed or planned change, in dividend rates or dividend policy
- a planned or possible repurchase of securities
- the possible initiation of a proxy fight

Financial Results

- annual and quarterly financial results (such as earnings and revenues)
- internal financial guidance (such as with respect to revenues, EBITDA, earnings, free cash flow and capital intensity)
- a significant contingent liability
- significant shifts in operating or financial circumstances, such as: cash-flow reductions, major write-offs, work-force adjustments; or the proposed shutdown of any significant service facility

Business and Operations

- business plans
- senior management changes
- significant litigation or regulatory proceedings
- disputes with customers, suppliers or contractors
- new products and services
- sales results
- research and development of new technology
- confidential information provided by third parties
- significant new contracts or changes in existing contractual relationships or loss of business
- a government investigation
- negotiations with unions

Credit Arrangements

- a default or expected default under a loan agreement, indenture or significant contract
- changes in rating agency decisions
- changes in credit ratings, including downgrades
- borrowing or lending a significant amount of funds

Can I use information I obtain by accident or overheard?

No. Even when you obtain material information by accident, such as by overhearing a discussion of a planned acquisition, you are prohibited by law from buying shares of BCE Inc. or the target company because the information is material and non-public. In addition, you cannot suggest to your spouse, near relative or friend that they buy or sell shares of BCE Inc. or the target company while in possession of such material confidential information as this would be considered tantamount to divulging that confidential information to someone outside the Company for personal gain or the gain of someone else. Such shares could only be purchased one complete business day after BCE Inc. or the company being acquired issues a press release publicly announcing the planned acquisition.

2.9.3 Trading and Tipping

There are severe penalties provided by law that may be imposed against you personally, as well as the potential for damage to the Company's good name, as a result of unlawful trading and tipping.

In the course of business operations, you may become aware of undisclosed material information about BCE Inc., Bell Canada or any other company. Unless you are certain that this information has been officially disclosed, **you are prohibited from:**

- trading in securities of any company to which the information relates; or
- disclosing such information (otherwise than in the necessary course of business and on a confidential basis) to another person – a "tippee" – regardless of whether the tippee is related to you or is a friend. **Note that trading or tipping by the tippee is also illegal**.

If undisclosed material information exists at the time you trade and subsequent disclosure of that information affects the security's price, you may have to face the difficult task of proving you were not aware of the information. In the case of trading by a family member, or other persons close to you, you may have to prove that you did not disclose such information – a very difficult burden of proof!

If you were in possession of undisclosed material information at the time you or other persons close to you traded, the fact that such trade was based on factors other than undisclosed material information, or that you considered yourself under duty (as a trustee, for example) to trade or disclose information, will not absolve you from liability, even in the absence of intent to defraud or to take unfair advantage.

2.9.4 Recommended Time to Purchase or Sell BCE Inc. Securities

Assuming you are not otherwise aware of undisclosed material information, the **recommended time to purchase or sell BCE Inc. securities is during the period beginning on the second business day following the day of announcement of BCE Inc.'s and Bell Canada's financial results for a quarter and ending on the last day of the next quarter (i.e. the last day of the third month of the quarter (e.g. June 30) during which the announcement is made (e.g. first Thursday of May) (sometimes called the "Window Period").** This will help minimize the risk of an unintentional violation of these prohibitions, and the appearance of a violation (intentional or

not). BCE Inc.'s earnings press releases are generally issued on the fifth Thursday following the end of a quarter. All employees are required to keep accurate records of their securities transactions and may be asked to report to BCE Inc. or Bell Canada their holdings and investment transactions.

2.9.5 Short Sales, Calls and Puts

As an employee of the Company, 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 is subject to undue speculation and abuse and is therefore prohibited.

Puts and calls are also subject to the same abuse and therefore similar restrictions also 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., Bell Canada or their affiliates where such were granted by BCE Inc., Bell Canada or their 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.

In summary, you cannot sell short securities of BCE Inc. or its affiliates, and you may not sell call options or buy put options over the same securities. You must exercise great caution in your trading in order to avoid inadvertent breaches of these restrictions.

2.10.Public Disclosure of Material Information

Only authorized executives of BCE Inc./Bell Canada can decide the timing and content of public disclosures regarding BCE Inc. or Bell Canada. Examples include public filings with securities regulatory authorities or the issuance of BCE Inc. or Bell Canada news releases.

Information is deemed public when official announcements have been publicized and the public has had the opportunity to evaluate the information. Even after the Company has officially released material information, it is important to be sure that sufficient time has elapsed to enable the information to be disseminated to, and considered by, investors. **As a rule of thumb, one complete business day is considered sufficient for this purpose. An employee must not attempt to "beat the market" by trading simultaneously with, or shortly after, the official release of public information**.

If you are not an authorized spokesperson, you must not respond under any circumstances (including on a "no-name basis" 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. Contact information for spokespersons can be found in the Company's Disclosure Policy available on the Corporate Policies & Ethics Program intranet site.

2.11. Confidentiality of Customer and Employee Information

2.11.1 Customer Privacy

The Company 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 the Company or its customers, except when disclosure is authorized or legally mandated. Even seemingly mundane information might be of use to competitors, or harmful to the Company 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.

With the exception of listed name, address and telephone number, all information kept by the Company about its residential and business customers is confidential and cannot be divulged 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 the Company to substantive reputational harm and financial liability.

Where the customer is an identifiable individual, we are required to comply with the *Personal Information Protection and Electronic Documents Act*, a federal law that requires us to identify the purposes for which we collect personal information and obtain the consent of our customers before collecting, using or disclosing this information. Customers can also access all personal information about them (including customer care logs and notes) that we may hold, subject only to certain narrow exceptions, within 30 days of a customer request. Accordingly, we should avoid non-factual entries or inappropriate language or comments when creating such records.

Bell and Bell Mobility are also subject to a CRTC restriction on the disclosure of confidential customer information. This restriction applies to all telecommunications services, whether tariffed or forborne, and all customers, whether they are individuals, corporations, or other business entities.

Unless a customer provides explicit consent or disclosure is pursuant to a legal power such as a search warrant, the Company may not disclose a customer's confidential personal and business information to anyone other than:

- the customer **or** a person whom the Company reasonably believes is acting on behalf of the customer (e.g. the executor of a customer's estate),
- another telephone company, for the purpose of providing the customer with efficient and cost-effective telephone service, where the information is required only for that purpose and will be kept confidential (e.g. the exchange of call detail information for the settlement of inter-provincial toll calls),
- a company, for the purpose of supplying the customer with telephone or telephone-directory related services, where the information is required only for that purpose and will be kept confidential (e.g. a firm retained by the Company to do telephone installation on its behalf),
- an agent retained by the Company to evaluate the customer's creditworthiness or to collect the customer's account, where the information is required for and will be used only for that purpose, and
- a public authority, if there is imminent danger to life or property which could be avoided or minimized by disclosure of the information, or

- an affiliate involved in supplying the customer with telecommunications and/or broadcasting services, provided the information is required for that purpose and disclosure is made on a confidential basis with the information to be used only for that purpose.

2.11.2 Interception of Private Communications

Communications between the Company 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.

2.11.3 Business Customer Contracts & Proposals

Maintaining customer privacy is also crucial when dealing with contracts, proposals and quotations. We must be vigilant to not share business customer information – such as business plans, names of telecom 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 to that customer's competitor. Also, unless a business customer provides explicit consent, we do not share information about business customers with other affiliates or partners, 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.

2.11.4 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. They also reflect the rights and obligations set out in the *Personal Information Protection and Electronic Documents Act*.

These documents state that the Company collects personal information **only** for the following purposes:

- to establish and maintain responsible commercial relations and provide ongoing service
- to understand customer needs and eligibility for products and services
- to recommend particular products and services to meet customer needs
- to develop, enhance, market or provide products and services
- to manage and develop Bell's business and operations, including personnel and employment matters and
- to meet legal and regulatory requirements.

Personal information must not be used for any other purpose without the consent of the customer.

The Bell Privacy Ombudsman oversees compliance with these privacy policies. Contact: privacy@bell.ca.

The *Bell Privacy Policy* and other privacy-related documents are available by: i) following the "privacy" link on www.bell.ca or ii) on the Bellnet policies page Corporate Policies & Ethics Program.

I am a customer service representative for the residential market. A caller identifying himself as the spouse of a wireless customer requested billing details for the spouse's account, indicating that he looked after bill payments for the family. Should I provide the information?

- If the caller is not explicitly listed on the account as an authorized co-user, the information should not be provided. Account details, particularly for wireless accounts, can be very sensitive information and is often sought in the context of matrimonial disputes. Advise the caller to have the account holder of record contact the Company to have the spouse added to the account as an authorized co-user. This approach applies equally to wireline, Internet, and satellite accounts.

2.11.5 Employee Privacy

The Company 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 held 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 Company equipment or using Company 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).

The Company reserves the right to monitor or search any and all Company 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 the Company
- to search for specific business information
- to comply with legal warrants or other obligations, or,
- to conduct security investigations such as in the event the Company suspects an employee of fraud, theft, undeclared conflict of interest or other situation which may cause prejudice to an employee or the Company or its reputation.

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.

2.12. Information Classification and Records Management

The purpose of the Information Classification and Records Management Policy is to ensure that the company's information is properly classified so records are adequately managed to comply with legal requirements and business needs. It establishes a framework for the management, preservation, security, accessibility, storage and destruction of records created or received in the course of day-to-day operations. The policy applies to all forms of records irrespective of who has prepared them; whether they are in paper, electronic or other media format no matter whether they reside on Bell's premises, servers and infrastructure or not.

Employees are responsible for:

- safekeeping and protecting records under their care in accordance with the policy
- ensuring that the business records they keep or generate are accurate and complete
- 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
- ensuring they preserve relevant data and documents and comply with any further instructions or directions when they are notified of actual or impending litigation or are subject to a legal hold and/or are involved in a regulatory investigation.

Bell's business and operational units are responsible for identifying records produced by their departments and attributing a retention period to such records based on the applicable retention periods (if any) found in the Record Retention Schedule. Records that are not subject to a specific retention period shall be destroyed as per the directives contained in the Information Classification and Records Management Policy.

2.12.1 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 to verify.

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.

For the complete policy and important restrictions, see the Information Classification and Records Management Policy and Records Retention Schedule (which provides minimum periods of record retention and destruction schedules) available on the Corporate Policies & Ethics Program intranet site and for the instructions about storing, retrieving or deleting paper records, see the Records Management section available on the Corporate Security intranet site.

2.12.2 Confidential Information

It is essential that we safeguard Company records and information (in any format) that contain confidential information. This can include information entrusted to the Company by a third party, which must be handled according to instructions provided by the information owner.

Unauthorized disclosure, transmission, misappropriation or misuse of confidential information can have serious consequences for the Company. Such disclosure is strictly prohibited and should be reported immediately. Using this information for purposes other than furthering the Company's best interests is not only unethical, it may be illegal if it involves the disclosure of material non-public information. Using any confidential or for "internal use " information about the Company for personal purposes, or failing to safeguard such information, is strictly prohibited.

Confidential information is information about our business that is not 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:

- products and services
- marketing strategies, pricing, bids and proposals
- rate applications
- information about new technology
- business plans
- customer records
- human resources information
- major reorganization plans
- internal audit reports and significant corporate security matters
- training material
- passwords and encryption keys
- licenced computer software programs (even routine programs)
- legal proceedings
- undisclosed financial results

To protect confidential information, whether originated by or entrusted to the Company, we must:

- classify and label records with the appropriate security classification: **Confidential, For Internal Use or Public.** For further information, see the Information Classification and Records Management policy
- ensure that confidential information is stored and transmitted securely per the policy.
- avoid unauthorized disclosure of confidential information by checking that computer terminals, telephones and faxes are secure. Do not store confidential information on laptops, PDAs, etc. outside of secure company premises without appropriate protection/encryption.
- avoid discussion of such information in public places (including by phone in taxis, trains and airplanes), with family members or friends who might pass the information on to others deliberately or unintentionally, or with business colleagues when our conversations might be overheard.

2.12.3 Post employment obligations

- Your obligation to protect Bell's confidential information continues after one's employment with Bell has terminated. Upon termination of employment or contract, or reassignment all confidential information and documents, including electronic records, and all third party information entrusted to Bell must be returned and you must not disclose any such information. This continuing obligation is particularly important in the case of a departing employee who subsequently works for one of Bell's competitors.

How do I tell if a document (paper or electronic) is confidential if it is not marked as such?

- You should 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 should be treated as Confidential until the proper classification is determined.

The unauthorized disclosure of, or known failures in safeguards which protect, Confidential information is to be reported to Bell's National Incident Center (NIC) at 1-866-714-0911 or cni-nic@bell.ca.

2.13. 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.

2.13.1 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 upselling
- 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
- don't offer to waive charges, cut special deals or grant discounts that are not authorized.

2.13.2 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 anti-competitive 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.

2.14. Dealing with Competitors

2.14.1 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 or network 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.

2.14.2 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. That person has an obligation to protect his current or 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 the Company. It is essential that former employees of competitors do not disclose to anyone their previous employer's confidential information.

Similarly, if you become aware that confidential or proprietary information about a competitor is circulating through the company, you must not use such confidential or proprietary information and must immediately report it to your manager or other person (see section 2.1.3).

Our business unit recently hired someone who was employed with one of our competitors. 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 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 the Company. You must respect the employee's personal integrity as well as his obligation to his former employer. Inducing an employee to disclose such confidential information is a violation of the Code

And If you become aware that this person is disclosing a competitor's confidential information to Bell employees, should you report it?

- Yes you must report this fact to your immediate supervisor or through the Business Conduct Help Line at https://www.clearviewconnects.com/ or by calling 1-866-298-2942 – and you must not use such confidential information.
- Bell's reputation could be significantly harmed by such disclosure and taking immediate steps to contain the confidential information is critical. Failure to report is a violation of the Code

2.14.3 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.

2.14.4 When a Competitor is a Customer

When providing competitors with network facilities, 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 the Company 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.

2.15. Safeguarding Company Assets

2.15.1 Overview

We all have a responsibility to be accountable for and safeguard Company assets from loss, damage, theft, vandalism, sabotage or unauthorized use, copying, disclosure or disposal. The improper use and/or reporting of assets could seriously undermine the Company's integrity, adversely affect our business strategies and decisions and weaken investor confidence. It could also constitute a criminal offence.

The Company's assets include but are not limited to, offices and office equipment, 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 Company-owned vehicles and the use of Employee's vehicle for Company purposes.

Access to and use of these assets must be authorized, adequately controlled and based on business needs. We should not use Company 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 wilful action by others, both outside and within the Company, which may result in personal injury, property damage, theft, loss, abuse or unauthorized access to physical or logical assets, and intellectual property (including data).

To best safeguard the tools and equipment used as part of their functions, employees can consult the Bell Security Charter and Corporate Security policies, available on the Corporate Policies & Ethics Program intranet site.

Loss or theft of company assets, property damage and malfunctioning doors and locks are to be reported to Bell's National Incident Center (NIC) at 1-866-714-0911 or at cni-nic@bell.ca.

2.15.2 Corporate Credit Cards and Company 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 Expense Management intranet site. We should, whenever possible, use the services of suppliers with whom Bell has negotiated agreements (e.g. travel agents, car-rental agencies, taxi companies, hotels).

2.15.3 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 Program intranet site.

2.15.4 Electronic Procurement and Electronic Processing of Expense Reports

The Company 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 Tier one level above the employee submitting the reports.***

Employees are expected to safeguard Company assets and comply with Company policies, including the Policy on Authorizations and the Company's policies on travel and credit card usage.

The Policy on Authorizations is available at Corporate Policies & Ethics Program intranet site.

2.15.5 Business Books and Records

The Company's books and records contain information essential to effective and efficient operations. They form the basis upon which key decisions about the Company are made by our executives, financial analysts, shareholders, investors, and regulators.

Because they are so crucial to the Company 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 the Company'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 the Company meets its book and record keeping obligations.

2.15.6 Standard Contracts and Agreements

Contracts and agreements represent some of the greatest exposures faced by the Company. If you are in a position to develop or sign contracts you must take necessary steps to protect the interests of the Company by ensuring that only Bell standard form template contracts are used and that the contract is reviewed by appropriate departments such as, Legal, Regulatory, Corporate Security, Corporate Responsibility & Environment, Risk Advisory Services and Insurance. **Standard contracts must not be modified without prior Law Department approval.**

2.15.7 IS/IT and Network Security

Computers and computer networks form the backbone of our telecommunications network and operations infrastructure. For this reason, every effort must be made to protect the Company'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
- users are accountable for use of computer systems and access codes and passwords must be kept confidential

- the use of the Company's computer system or network for personal use or other non-Company purposes is prohibited unless specifically authorized by the Company or a manager in direct line of authority
- follow Company rules regarding the purchase and use of computer software
- guard against computer viruses that may damage the Company's computer systems
- report any breach of computer security, policies and standards.

For further information on information security, malicious software, and other policies and directives relevant to securing your computers, contact Corporate Security or visit the Corporate Security intranet site.

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 Bell Canada intranet site helpdesk or the Bell Customer Service Desk at 1-888-920-8888.

2.15.8 Personal Use of Company-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 Company-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 the Company in any way. Abuse of Company-provided Internet or e-mail may result in disciplinary action.

The law strictly prohibits the use of software on unlicensed computers. You must verify and respect the manufacturer's conditions of license or agreement under which the software was acquired. Copying software onto your computer may be a violation of the software company's licensing agreement as well as copyright laws, and placing the Company at risk of prosecution for copyright infringement.

I'm attending an important sales meeting next week and I have to prepare a presentation using slides and fairly complicated charts. My friend has the software I need to put the presentation together, and he's offered to lend me his diskettes so I can install the program on my computer. Can I go ahead?

- No. The law strictly prohibits the use of software on unlicensed computers. By copying your colleague's software into your computer, you may be breaking the software company's licensing agreement as well as copyright laws, and placing the Company at risk of prosecution for copyright infringement. You should speak to your group's computer administrator to discuss your computer needs.

For further details, the Acceptable Use of IT Resources Policy is available on the Corporate Policies & Ethics Program intranet site.

2.15.9 Visible ID

All employees, consultants and contractors must wear a valid, designated ID card at all times while on Company premises. Visitors must wear a valid, designated visitor's card while on Company premises and employees should challenge anyone on Company premises not wearing one.

2.16.Social Media

Social media 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 Program intranet site) to ensure we can maximize the value of social media while upholding the reputation of Bell and our team. All team members are required to respect the principles and values outlined in the Bell Code of Business Conduct while navigating through the social media world.

- As a general rule, always remember that you are responsible for what you say or post online. Facebook, LinkedIn, Twitter and other websites are public so never assume that anything you say or post is private.
- If you participate in social media sites, it is important to recognize that, unless you have prior approval through the Social Media team, you are not authorized to speak on behalf of Bell and its related subsidiaries. Rather, you are expressing your personal views and should not give the appearance that you are a company spokesperson.
- If you are not already authorized to speak on Bell's behalf and believe it is a necessary part of your role, please email social.info@bell.ca. The Social Media team will coordinate all requests for approval with Bell's executive leadership team.
- **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 may not post any comment that would include confidential information concerning our customers, suppliers or team members.
- **Respect the reputation of our company and team members**: Misleading, disparaging or untruthful comments about our company, products, services or team members can seriously undermine our brand and ability to support customers. Do not post comments or participate in online campaigns that could potentially jeopardize our reputation. Speak respectfully about all members of your team, including your superiors.
- As with any company policy, violations may be serious and require a disciplinary response, up to and including termination of employment.
- **Correcting negative or inaccurate comments about Bell**: If you see an inaccurate post about a Bell product or service on Facebook, Twitter or another social forum, please

send an email to social.info@bell.ca.

Questions: If you have any questions regarding these Guidelines or Bell's Internet Use Policy, please email corporate.secretariat@bell.ca or call the Business Conduct Help Line at 1-866-298-2942.

A complete copy of the Bell's Social Media Guidelines is available from the Corporate Policies and Ethics Program intranet site. Additional related corporate policies, such as Bell's Internet and Email Policy and Bell Media's Social Media Policy for CTV News and on-air talent are available from the Corporate Policies and Ethics Program intranet site.

2.17. Intellectual Property

2.17.1 Overview

Intellectual property such as patents, copyrights, trade-marks, domain names, inventions, integrated circuit topographies, industrial designs, trade secrets and confidential information are strategic assets of the Company and must not be disclosed to or used by third parties without first ensuring that appropriate legal safeguards are in place. Failure to do so could result in the Company losing its right in a trade secret or patent.

Intellectual property rights also reside in and protect know-how, business methods and processes, computer software, computer operating systems, written materials (including paper or

electronic form), inventions, graphics, photographs and audiovisual works, whether developed internally within the Company or obtained from third parties.

In addition to protecting the Company's intellectual property, we also have a responsibility to avoid infringing third party intellectual property rights, as detailed in the intellectual Property Policy referred to below.

Trade-marks, including the Company's logo and its various trade names, are among the Company's most valuable assets. Every employee has a responsibility to preserve, protect and enhance the value of these assets. You should immediately report any infringement or misuse of such trade-marks or trade names to the **Branding and Identity Hot Line** via http://www.brand.bell.ca/en or by calling **(514) 870-2347** or by sending an email to info.branding@bell.ca.

2.17.2 Ownership of Intellectual Property Developed While Working for the Company

All intellectual property conceived or made during or after working hours in the course of our employment with the Company or which are within the scope of the Company's business interests, are rightly the exclusive property of the Company.

Employees are prohibited from applying for patents or other intellectual property registrations in regards to intellectual property that belongs to the Company, nor can the Company's intellectual property be used for personal purposes or gain. We must fully disclose to the Company all intellectual property that we conceived or created during or after working hours in the course of our employment with the Company or which is within the scope of the Company's business interests. Each employee thereby assigns all rights in and to all such intellectual property or inventions, including rights under the *Copyright Act* (to the extent such intellectual property rights are not automatically owned by the Company pursuant to applicable law), in their entirety, without limitation to the Company or BCE Inc. upon their connection or creation by each employee.

In the event the Company decides to use, sell, license or otherwise commercially exploit any of its intellectual property assets or to apply for protection, registration or enforcement of such rights, we would be expected to co-operate in the preparation and execution of any related documentation.

Upon termination of employment or contract, or reassignment, we must return all tangible and intangible property of the Company or entrusted to the Company still in our possession or custody (including any intellectual property assets).

2.17.3 Developing Patents and Other IP

You may apply to be released from your obligation to assign specific intellectual property rights to the Company. Each case will be examined on its own merit by the Legal Department. To avoid misunderstandings, some employees working in certain positions may be required to sign a formal Assignment of Rights Agreement as a reminder of their obligations pursuant to this Code and other policies of the Company. Failure to do so, however, does not relieve you of the obligations towards the Company pursuant to this Code and other applicable policies.

For additional information, please consult the Intellectual Property Policy intranet site.

2.18. A Work Environment Based on Trust and Mutual Respect

2.18.1 Overview

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.

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.

2.18.2 Diversity and Employment Equity

Diversity is defined as an unwavering respect for each other's uniqueness, including, but not limited to: culture, ethnicity, gender, 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 can contribute to their fullest potential.

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. The Company is required to comply with employment equity legislation through workforce practices free of barriers to recruiting, retaining and promoting members of these designated groups. Employment Equity 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 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 allows the Company 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 (CDC course L744) and "Respect in the Workplace" (CDC courses D223 and D224) training are available to help support an inclusive work environment. Information is available at the following link: Diversity and Human Rights.

2.18.3 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 shareholders.

This specifically includes discrimination based on race, national or ethnic origin, color, religion, age, sex (including pregnancy or childbirth), sexual orientation, marital status, family status, physical or mental disability, conviction for which a pardon has been granted. Though the spirit of the law is the same, some of the grounds for discrimination may slightly differ for companies that are subject to provincial legislation.

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 **9-1-1**) 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.

2.18.4 Reasonable Accommodation

Accommodation is a 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.

2.18.5 Health and Safety Policy

Bell regards health and safety as a corporate priority. Bell will ensure that effective policies and practices are in place to protect the health and safety of its employees, contractors, customers and the public. Reflecting the value Bell attaches to health and safety, this policy statement outlines the company's commitment and how it will be met.

Where employees are concerned, Bell expects each person to take personal responsibility for their health and safety by working safely at all times. To this end, Bell will:

- provide a healthy and safe work environment to reduce the risk of illness or injury;
- meet or exceed all health and safety legal requirements;
- provide proper supervision, training and equipment; and
- work with the joint union/management Health and Safety Committees to resolve issues at that level.

Mindful of the safety of its contractors, customers and the public, Bell will also:

- ensure business decisions made at all levels of the organization take into account the Company's health and safety commitments;
- cooperate with the government and various other organizations on health and safety matters; and
- ensure that all contractors, sub-contractors and third parties that have been granted the right to access Bell sites have received training on health and safety matters pertaining to their job, use the proper equipment and follow the proper procedures. Bell will also ensure that they follow all legal and contractual guidelines as outlined in their contracts and will monitor them accordingly.

For additional information on occupational health and safety policies, programs, procedures, and legislation (Canada Labour Code Part II and the Health and Safety regulations) consult the Human Resources intranet site at the following link: Health, Safety and Wellness.

2.18.6 Corporate Security – Emergency Management

Employees may encounter various emergency situations that can directly affect them or the Company. To this end, the Company 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 the Emergency Response directive and associated procedures, employees and business units will be ready to respond during emergencies.

In the event of a life-threatening emergency begin by calling 9-1-1 (or local emergency service). All emergencies and emergency conditions including unplanned evacuations, or potentially service impacting situations in proximity to company critical facilities are to be reported to Bell's National Incident Centre (NIC) at 1-866-714-0911 or cni-nic@bell.ca.

Evidence of serious criminal activity such as evidence of child pornography or terrorism, found on Bell or customer premises or systems, are to be reported to Bell's National Incident Center (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 the telecommunication network are to be reported to 1-888-570-1091. For information on Bell's Emergency Management Directive, and procedures, consult the Corporate Security intranet site.

2.18.7 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 Company 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 at: link: Health, Safety and Wellness.

2.18.8 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 Company vehicle.

2.18.9 Workplace Violence Prevention

We all have a right to work in an environment free from violence and threats. The Company 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 promotes a "zero tolerance" approach under which violence of any kind is not tolerated and may result in disciplinary measures up to and including termination for just cause.

Bell's policy Preventing Violence in the Workplace is available on the Human Resources intranet site.

2.19. Protecting the Environment

2.19.1 Overview

The Company 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 telecommunications 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 this policy and understand their responsibilities in putting it into practice.

2.19.2 Managing Environmental Risks and Opportunities

As per the Company's Environmental Policy, it is every employee's responsibility to make environment an integral part of his daily decisions and actions. Whether it is through the company's operations, through the provisioning of services to our clients, through commercial agreements linking the Company to third parties, or through execution of daily administrative functions, environmental aspects must be diligently addressed. This approach allows us to limit our liabilities, to reduce operational costs and to contribute to improving the company's reputation by exercising a leading position on issues that are increasingly important to the general public.

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.

2.19.3 Environmental Training

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.

The training is available either face-to-face or on-line, depending on the employee's organizational group and access to on-line training.

You can contact the Enviro-Line to know the name of your environmental coordinator, who will inform you on required training based on your job responsibilities: enviroline@bell.ca or telephone: 1-877-235-5368.

The on-line training site is available at the following address: http://formation.enviro.int.bell.ca/.

2.19.4 Reporting Environmental Incidents

An environmental incident is an unforeseen situation that can have a negative impact on the environment and may need to be reported to the government authorities.

Whether it is a small spill or leak, a fire in a hazardous material recovery warehouse or a customer complaint such as relating to noise, contaminated property resulting from Bell operations etc., employees must report all environmental incidents no matter what type, cause or seriousness.

The Corporate Responsibility and Environment group must be immediately notified of all environmental incidents involving the company, whether or not they are an emergency and regardless of where they occur. A member of the team will provide employees with the necessary guidance and will ensure reporting to governmental authorities as required. T**he Enviro-Line at 1-877-235-5368 can be reached 24 hrs per day**.

For inquiries, support, or to raise concerns with environmental issues, please contact your CR&E group via Enviro-Line (1-877-235-5368) or enviroline@bell.ca.

3. ROLES AND RESPONSIBILITIES

3.1. Annual Review

All employees are expected to review the Code at least once a year and certify that they have done so by signing form BC3684, "Code of Business Conduct/Annual Record of Review" (attachment 2A). This form is kept in every employee's personnel file.

Members of the Board of Directors of Bell Canada and BCE Inc., as well as all executives, are expected to certify each year that they have reviewed, understand and comply with the Code (attachment 1A).

3.2. Reporting Conflicts of Interest

If there is an actual or potential conflict of interest, employees must also complete form BC3684(A), "*Disclosure of a Conflict of Interest or Potential Conflict of Interest"* and forward it to the Corporate Secretary's Office at corporate.secretariat@bell.ca. Form 3684(A) is found at attachment 2B and is also available on the Human Resources intranet site Your Workplace; Your Workplace Values at address: http://rhr.int.bell.ca/

3.3. 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** above.

3.4. Board of Directors, Corporate Governance Committee and the 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.

3.5. 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.

4. APPENDICES

4.1. Supporting procedures

The Code of Business Conduct annual review is included in the annual performance process. These procedures are located in the Career & Development Centre intranet site under Objective Performance.

4.2. Reference to Attachments

Attachment 1A	Certification of the Members of the Boards of Directors of BCE Inc. and Bell Canada and executives under the Code of Business Conduct;
Attachment 2A	Form BC 3684 – Employee Annual Record of Review
Attachment 2B	Form BC 3684A – Disclosure of Conflict of Interest or Potential Conflict of Interest
Attachment 3	Additional Resources
General Circulars (GC)	General Circulars provide detail for adherence to Bell policies, standards and procedures. They can be ordered through Xerox by faxing your request to 1-418-692-0011
Bell Privacy Policy	Corporate Policies & Ethics Program intranet site
Corporate Security Policies and Practices	Corporate Policies & Ethics Program intranet site and the Corporate Security intranet site

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,
- 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 judgement 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.

Attachment 2A: **Form BC 3684**

EMPLOYEE ANNUAL RECORD OF REVIEW

Employee

Family name	Given names	Employee number

Policy on conflict of interest

Employees owe their first business allegiance to the Company, and therefore they must remain free of interests or relationships which are harmful or detrimental to the Company'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 the Company'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 the Company'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 the Company with respect to the matter.

Annual certification

I have reviewed, fully understand and follow the 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 the Company. 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. BC 3684A, Declaration of conflict of interest or potential conflict of interest form is available as Attachment 2B of this 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.

Attachment 2B: **Form BC 3684A**

DISCLOSURE OF CONFLICT OF INTEREST OR POTENTIAL CONFLICT OF INTEREST

Note to immediate manager: Please file original in employee's personnel file. A copy should also be sent to the Corporate Secretary's Office at corporate.secretariat@bell.ca.

Employee

Family name	Given names	Employee number

I am directly or indirectly involved in other business or employment, which may give rise to or is at present in conflict with, or potential conflict with, the best interests of the Company:

I have direct or indirect investment, business involvements or relationships, which may give rise to or is at present in conflict with, or potential conflict with, the best interests of the Company:

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 am not to share such information. 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.

Signature:		Manager's signature:	
Title:		Title:	
Organization code:		Organization code:	
Phone number:		Phone number:	
Date:		Date:	

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 call the Business Conduct Help Line at https://www.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 the Company's accounting, internal accounting controls or auditing matters, you may report the matter to your manager or call the Business Conduct Help Line at https://www.clearviewconnects.com/ or by calling **1-866-298-2942** (toll free).

You may also contact the following resources:

- The Code of Business Conduct or for additional information (forms, training) access the Human Resources intranet site (HR Policies - Workplace)
- Industrial Relations Consultants intranet site
- Corporate Security intranet site:
- Life-threatening emergencies call **9-1-1**
- Loss or theft of company assets, internal fraud, criminal activity, property damage, unauthorized disclosure of Confidential information, known failures in security safeguards, malfunctioning doors and locks, emergency conditions and service impacting situations are to be reported to Bell's National Incident Center (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 the telecommunication network are to be reported on **1-888-570-1091**
- Emergency Response System (non life-threatening emergencies) at **1-866-714-0911** or at cninic.ca
- 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
- Intellectual Property Policy Group at Legal and Regulatory – Regulatory Affairs intranet site
- Corporate Secretary's Office intranet site or at 514-786-8424
- Occupational Health and Safety at (**514) 870-5848**
- Office of the Bell Privacy Ombudsman for Customer related privacy issues at privacy@bell.ca or for privacy related information visit:
- External Privacy link on www.bell.ca
- Internal Privacy related information on the Regulatory Affairs intranet site at Legal and Regulatory – Regulatory Affairs – Privacy
- Privacy in the Workplace for Employees is available at link: Privacy, Human Rights & Diversity
- **Bell employees**
  - In Ontario, E-mail: privacy.coordinator@bell.ca
  - In Québec, E-mail: coord.rens.pers@bell.ca
- **Bell Mobility employees**
  - E-mail: Coordonateur-protectiondesrenseignementspersonnels@mobility.com
- **Bell ExpressVu employees**
  - E-mail: privacycoordinator@expressvu.com

5. POLICY OR PRACTICE DETAILS

Issuing BU	Law & Regulatory Department
Policy sponsor	Executive Vice-President and Chief Legal & Regulatory Officer
Policy owner	Corporate Secretary's Office
Primary contact	Corporate Secretary's Office

Required approvals	Board of Directors, Corporate Governance Committee, Corporate Secretary
FIRST RELEASE	1995
Review cycle	Annually

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

Date	Change owner	Changed by	Description
2008	Alain Dussault	Alain Dussault	Changes to reflect 100 Day Plan
2009	Alain Dussault	Alain Dussault	Annual update
2010	Alain Dussault	Alain Dussault	Annual update
Feb. 2011	Alain Dussault	Alain Dussault	Update
August 2011	Alain Dussault	Alain Dussault	Annual update
August 2012	Alain Dussault	Alain Dussault	Annual update

Exhibit 99.5

CONSENT OF INDEPENDENT REGISTERED CHARTERED PROFESSIONAL ACCOUNTANTS

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. 333-176092 on Form F-9 and to the use of our reports dated March 7, 2013, relating to the consolidated financial statements of BCE Inc. and the effectiveness of BCE Inc.'s internal control over financial reporting, and to such reports appearing in and being incorporated by reference in this Annual Report on Form 40-F of BCE Inc. for the year ended December 31, 2012.

(signed) Deloitte LLP[1]
Independent Registered Chartered Professional Accountants

Montréal, Canada
March 13, 2013

[1] CPA auditor, CA, public accountancy permit No. A104644

Exhibit 99.31

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

---

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 13, 2013

(signed) George A. Cope

George A. Cope
President and Chief Executive Officer
BCE Inc.

CERTIFICATIONS

I, Siim A. Vanaselja, 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

---

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 13, 2013

(signed) Siim A. Vanaselja

Siim A. Vanaselja
Executive Vice-President and Chief Financial Officer
BCE Inc.

Exhibit 99.32

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, 2012 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 13, 2013

(signed) George A. Cope
George A. Cope
President and Chief Executive Officer
BCE Inc.

Date: March 13, 2013

(signed) Siim A. Vanaselja
Siim A.Vanaselja
Executive Vice-President and Chief Financial Officer
BCE Inc.