BCE

Extract from the BCE 2013 Management Proxy Circular
Dated March 7, 2013

The Board of Directors' Letter to Shareholders

Approach to Executive Compensation

The Board OF DIRECTORS' LETTER TO SHAREHOLDERS

Dear fellow shareholders:

On behalf of the Compensation Committee and the Board, we are pleased to share with you our approach to executive compensation, including the framework we have used to make our compensation decisions for 2012.

Our annual "Say on Pay" advisory vote once again received overwhelming support with over 92% of the votes cast in favour of our executive compensation program. We appreciate this support and believe it reflects that our compensation philosophy aligns the interests of shareholders and management, especially by incorporating our dividend growth strategy into our long-term incentive performance criteria. In 2012, the dividend was again increased by $0.10 (over 4.5%) to reach $2.27 on an annual basis. Over the last five years, we have increased the dividend by 12% per year on average.

OUR APPROACH TO EXECUTIVE COMPENSATION

BCE is focused on a pay-for-performance approach to compensation for all team members, including our executive team. This philosophy supports the execution of Bell's Strategic Imperatives and our commitment to deliver ongoing and consistent returns to shareholders.

OUR APPROACH TO COMPENSATION IS SET TO ACHIEVE ONE ULTIMATE GOAL: TO CREATE SUSTAINED VALUE FOR YOU

As a result, our executive compensation policies and programs are designed to attract and retain the highest caliber of individuals at a competitive cost to the company, and to ensure that they are motivated to pursue our goal to create long-term sustainable shareholder value. We recognize that this must be done within an acceptable level of risk and we are responsible for ensuring our compensation policies and practices do not encourage undue risk-taking on the part of our executives.

OUR COMPENSATION DECISIONS FOR 2012

Base Salary

As a policy, salaries are reviewed from time to time and since 2006, annual base salaries have only been adjusted to reflect increases in responsibilities. To this effect, only one of our named executive officers has received an increase in 2012, Wade Oosterman, as a result of the addition of the Residential Services business unit to his other responsibilities in the Wireless business unit and all Brand management.

Short-Term Incentive Plan

Short-term incentive targets remained at their 2011 level of 100% of base salary for all of our executive officers except for our President and CEO whose target was increased from 125% to 150% of base salary to better align with the compensation offered to chief executive officers from our comparator group and peer companies.

Our short-term incentive plan is designed to reward a range of critical financial and operating metrics. The financial metrics used again in 2012 – EBITDA, Revenue and Free Cash Flow – are key indicators widely used to measure financial performance in the communications industry across North America. The operating metrics were based on the Strategic Imperatives that have guided the renewal of the Bell brand, our improved competitiveness and market performance, and an enhanced ability to return value to shareholders. A sixth strategic imperative was introduced in 2012 to reflect our recent acquisition of CTV: To Expand our Media Leadership. This combination of well-established financial measures aligned with our strategy provides the team with a clear and motivational compensation structure.

In 2012, the company surpassed most of its financial and operational targets, exceeding on Free Cash Flow and EBITDA targets while making significant progress on our Strategic Imperatives. The expansion of Fibe TV, the performance in our Wireless business, Bell Media profitability, our Wireline margins and the improvements in customer service resulted in a very strong year for our company and, therefore we were very pleased to approve a corporate performance index of 125% out of a possible 150%. This index accounts for 70% of the short-term incentives paid out to executive officers, while the remaining 30% accounts for personal performance.

Long-Term Incentive Plan

Our long-term incentive plan was very similar to 2011 when it was significantly redesigned and reintroduced performance vesting on a portion of the equity granted. The components of the grants made to our executives in 2012 were allocated as shown in the table below.

RESTRICTED SHARE UNITS (RSUs)	PERFORMANCE SHARE UNITS (PSUs)	STOCK OPTIONS
(50%)	(25%)	(25%)
100% vesting at the end of 3 years	Vesting at the end of 3 years contingent on earnings growth targets	100% vesting at the end of 3 years Option term: 7 years

To achieve 100% vesting of the PSUs at the end of 2014, earnings growth must be sufficient to provide the Board with the ability to increase the dividend by a target compound annual growth rate over the three-year performance period. The only change to the program is that, consistent with the company's financial guidance, the dividend payout ratio is now calculated on the basis of Free Cash Flow as opposed to adjusted Earnings per Share. This change was made because of modifications in International Financial Reporting Standards accounting of the pension plan which made the payout ratio to EPS less appropriate. Consequently, to achieve full vesting on performance share units, the dividend growth rate must remain within the dividend payout ratio (between 65% and 75%) of free cash flow. Prorated payment is made if the target is only partially attained. Values granted by job level under the 2012 long-term incentive plan were also similar to those of 2011.

MOVING FORWARD IN 2013

Following the thorough review of compensation practices introduced in 2011, and the usual benchmarking exercise conducted during the course of the year, we are confident that our current compensation structure is competitive and fully meets the objectives of our compensation philosophy. As such, we do not expect any major changes to our programs in 2013.

CONCLUSION

The responsibility for executive compensation rests with the Board, and we confirm that we fully understand the long-term implications of the executive compensation decisions we make and the programs we approve.

Members of the Compensation Committee will be present during the Annual General Shareholder Meeting, to be held on May 9, 2013, to answer any questions you may have about executive compensation.

Our approach to executive compensation supports the execution of the company's strategy, and we remain committed to developing the compensation policies and programs that will continue to produce the results that deliver value to you, our shareholders.

Thomas C. O'Neill
Chair of the Board

Ronald A. Brenneman
Chair of the Compensation Committee

March 7, 2013