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

FORM 40-F

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

OR

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

For the fiscal year ended: December 31, 2017
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 of agent for service in the United States)

Copies of all correspondence should be sent to:

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

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

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

Title of each class Name of each exchange on which registered
Common shares New York Stock Exchange

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

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

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

X Annual Information Form

X Audited Annual Financial Statements

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

Common Shares 900,996,640
First Preferred Shares
Series R 8,000,000
Series S 3,513,448
Series T 4,486,552
Series Y 8,081,491
Series Z 1,918,509
Series AA 11,398,396
Series AB 8,601,604
Series AC 5,069,351
Series AD 4,985,351
Series AE 9,292,133
Series AF 6,707,867
Series AG 9,014,649

Telecom Services Inc. (MTS), which we acquired on March 17, 2017. The contribution of the acquired MTS operations to our consolidated financial statements for the year ended December 31, 2017 was approximately 3% of consolidated revenues and 3% of consolidated net earnings. Additionally, at December 31, 2017, the current assets and current liabilities represented approximately 7% and 2% of our consolidated non-current assets and non-current liabilities, respectively. The design and evaluation of the disclosure controls and procedures of MTS will be completed for the first quarter of 2018. Further details related to the acquisition of MTS are disclosed in Note 3 Business Acquisitions and Dispositions, in the BCE 2017 Financial Statements. Based on that evaluation, which excluded the disclosure controls and procedures of MTS, the CEO and CFO concluded that our disclosure controls and procedures were effective as of December 31, 2017.

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, 2017 (the “BCE 2017 Financial Statements”), see pages 114 to 163 of the BCE 2017 Annual Report (the “BCE 2017 Annual Report”), which BCE 2017 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, 2017 (the “BCE 2017 MD&A”), see pages 28 to 111 of the BCE 2017 Annual Report, which BCE 2017 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 of December 31, 2017, management evaluated, under the supervision of and with the participation of the CEO and the CFO, the effectiveness of our disclosure controls and procedures, as defined in Rule 13a-15(e) under the Exchange Act, and under National Instrument 52-109 – Certification of Disclosure in Issuers’ Annual and Interim Filings. The CEO and CFO have limited the scope of their design and evaluation of our disclosure controls and procedures to exclude the disclosure controls and procedures of Manitoba Telecom Services Inc. (MTS), which we acquired on March 17, 2017. The contribution of the acquired MTS operations to our consolidated financial statements for the year ended December 31, 2017 was approximately 3% of consolidated revenues and 3% of consolidated net earnings. Additionally, at December 31, 2017, the current assets and current liabilities of the acquired MTS operations represented approximately 2% and 4% of our consolidated current assets and current liabilities, respectively, and their non-current assets and non-current liabilities represented approximately 7% and 2% of our consolidated non-current assets and non-current liabilities, respectively. The design and evaluation of the disclosure controls and procedures of MTS will be completed for the first quarter of 2018. Further details related to the acquisition of MTS are disclosed in Note 3 Business Acquisitions and Dispositions, in the BCE 2017 Financial Statements.
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 112 of the BCE 2017 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 independent registered public accounting firm concerning the effectiveness of BCE’s internal control over financial reporting appearing at page 113 of the BCE 2017 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, 2017 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 BCE’s Audit Committee (Audit Committee), the board of directors of BCE determined that the current Chair of the Audit Committee, Mr. P.R. Weiss, and Mr. D.F. Denison, Ms. K. Lee and Ms. M.F. Leroux are qualified as “audit committee financial experts”, 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 and management, including the CEO, CFO, Controller and Treasurer. The Code of Conduct is available in the governance section of BCE’s website at 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, Canada H3E 3H3.

In 2017, amendments were adopted to the Code of Conduct in order to:

- update the section entitled Conflicts of Interest as it relates to the obligation, and method, of disclosing actual or potential conflicts of interest
- update the section entitled Political Activities to clarify the scope of the policy as it relates to lobbying on behalf of Bell Canada
- update the section entitled Hiring Consultants or Contractors as it relates to the pre-qualification process of contractors performing high risk work
- update the section entitled Protecting the Environment to reorganize some of its content

In addition to these changes, certain other technical, administrative and non-substantive amendments were made to clarify the Code of Conduct and update various references.

A copy of the Code of Conduct, as amended, has been posted on BCE’s website at BCE.ca and is included as Exhibit 99.4 to this annual report on Form 40-F.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

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

In 2017 and 2016, no audit-related, tax or other services were submitted to BCE’s Audit Committee for approval pursuant to the pre-approval requirement waiver provision set out in paragraph (e)(7)(i)(C) of Rule 2-01 of Regulation S-X.

OFF-BALANCE SHEET ARRANGEMENTS

Please see the sections entitled “Contractual obligations” and “Indemnifications and guarantees (off-balance sheet)” at page 85 of the BCE 2017 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 85 of the BCE 2017 MD&A contained in Exhibit 99.2 (which section is incorporated by reference in this annual report on Form 40-F) for a tabular disclosure and discussion of contractual obligations.
IDENTIFICATION OF THE AUDIT COMMITTEE

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

MINE SAFETY DISCLOSURE

Not applicable.

UNDERTAKING

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

WEBSITE INFORMATION

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

SUMMARY OF SIGNIFICANT DIFFERENCES FROM NYSE CORPORATE GOVERNANCE RULES

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

SIGNATURES

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

BCE Inc.

By: (signed) Glen LeBlanc

Glen LeBlanc
Executive Vice-President and Chief Financial Officer

Date: March 14, 2018

LIST OF EXHIBITS TO FORM 40-F

Annual Information Form of BCE Inc. for the year ended December 31, 2017 Exhibit 99.1
Annual audited consolidated financial statements of BCE Inc. for the year ended December 31, 2017 and the related management's discussion and analysis of financial condition and results of operations Exhibit 99.2
Management report on internal control over financial reporting and the Report of Independent Registered Public Accounting Firm thereon Exhibit 99.3
Code of Business Conduct Exhibit 99.4
Consent of Independent Registered Public Accounting Firm Exhibit 99.5
Bell Canada Unaudited Selected Summary Financial Information Exhibit 99.6
Exhibit to 2017 Annual Financial Statements – Earnings Coverage Exhibit 99.7
Certifications of the Chief Executive Officer and the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 Exhibit 99.31
Certification of the Chief Executive Officer and the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 Exhibit 99.32
XBRL Instance Document Exhibit 101
In this Annual Information Form, we, us, our and BCE mean, as the context may require, either BCE Inc. or, collectively, BCE Inc., Bell Canada, their subsidiaries, joint arrangements and associates. Bell means, as the context may require, either Bell Canada or, collectively, Bell Canada, its subsidiaries, joint arrangements and associates. MTS means, as the context may require, until March 17, 2017, either Manitoba Telecom Services Inc. or, collectively, Manitoba Telecom Services Inc. and its subsidiaries; and Bell MTS means, from March 17, 2017, the combined operations of MTS and Bell Canada in Manitoba. Bell Aliant means, until December 31, 2014, collectively, Bell Aliant Inc., its subsidiaries and associates.

Each section of BCE’s 2015, 2016 and 2017 management’s discussion and analysis of financial condition and results of operations (BCE 2015 MD&A, BCE 2016 MD&A and BCE 2017 MD&A, respectively) and each section of BCE’s 2017 consolidated financial statements that is referred to in this Annual Information Form is incorporated by reference herein. The BCE 2015 MD&A, BCE 2016 MD&A, BCE 2017 MD&A and BCE 2017 consolidated financial statements have been filed with the Canadian provincial securities regulatory authorities (available at sedar.com) and with the United States (U.S.) Securities and Exchange Commission (available at sec.gov). They are also available on BCE’s website at BCE.ca.

All dollar figures are in Canadian dollars, unless stated otherwise. The information in this Annual Information Form is as of March 8, 2018, unless stated otherwise, and except for information in documents incorporated by reference that have a different date.
Caution regarding forward-looking statements

Certain statements made in this Annual Information Form are forward-looking statements. These statements include, without limitation, statements relating to our network deployment and capital investment plans, BCE’s dividend growth objective, 2018 annualized common share dividend and common share dividend payout policy, the expected timing and completion of the proposed acquisition of French-language specialty channels Séries+ and Historia, our business outlook, objectives, plans and strategic priorities, and 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 U.S. Private Securities Litigation Reform Act of 1995.

Unless otherwise indicated by us, forward-looking statements in this Annual Information Form describe our expectations as at March 8, 2018 and, accordingly, are subject to change after that date. Except as may be required by Canadian securities laws, we do not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Forward-looking statements, by their very nature, are subject to inherent risks and uncertainties and are based on several assumptions, both general and specific, which give rise to the possibility that actual results or events could differ materially from our expectations expressed in, or implied by, such forward-looking statements and that our business outlook, objectives, plans and strategic priorities may not be achieved. As a result, we cannot guarantee that any forward-looking statement will materialize and we caution you against relying on any of these forward-looking statements. Forward-looking statements are presented in 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, as at March 8, 2018. Refer in particular to the sections of the BCE 2017 MD&A entitled Business outlook and assumptions on pages 44, 45, 61, 62, 69, 70, 76 and 77 of BCE’s annual report for the year ended December 31, 2017 (BCE 2017 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 risk factors that could cause actual results or events to differ materially from those expressed in, or implied by, the previously mentioned forward-looking statements and other forward-looking statements contained in this Annual Information Form include, but are not limited to:

- the intensity of competitive activity, including from new and emerging competitors, and the resulting impact on the cost of retaining existing customers and attracting new ones, as well as on our market share, service volumes and pricing strategies
- the level of technological substitution and the presence of alternative service providers contributing to reduced utilization of our traditional wireline services
- regulatory initiatives, proceedings and decisions, government consultations and government positions that affect us and influence our business, including, in particular, those relating to mandatory access to networks, spectrum auctions, approval of acquisitions, broadcast licensing and foreign ownership requirements
- the inability to protect our physical and non-physical assets, including networks, IT systems, offices, corporate stores and sensitive information, from events and attacks such as cyber threats, damage from fire and natural disasters
- the adverse effect of the fundamental separation of content and connectivity, which is changing our television (TV) and media ecosystems and may accelerate the disconnection of TV services and the reduction of TV spending, as well as the fragmentation of, and changes in, the advertising market
- competition with global competitors, in addition to traditional Canadian competitors, for programming content, which could drive significant increases in content acquisition costs and challenge our ability to secure key content

- the failure to optimize network and IT deployment or upgrade timelines, accurately assess the potential of new technologies, or invest and evolve in the appropriate direction
- the failure to continue to invest in a disciplined and strategic manner in next-generation capabilities, including real-time information-based customer service strategies
- the inability to drive a positive customer experience resulting, in particular, from the failure to embrace new approaches and challenge operational limitations
- the complexity in our operations resulting from multiple technology platforms, billing systems, marketing databases and a myriad of rate plans, promotions and product offerings
- the failure to maintain optimal network operating performance in the context of significant increases in capacity demands on our Internet and wireless networks
- the failure to implement or maintain highly effective IT systems supported by an effective governance and operating framework
- the risk that we may need to incur significant capital expenditures beyond our capital intensity target in order to provide additional capacity and reduce network congestion
the failure to generate anticipated benefits from our corporate restructurings, system replacements and upgrades, process redesigns and the integration of business acquisitions

• events affecting the functionality of, and our ability to protect, test, maintain and replace, our networks, IT systems, equipment and other facilities

• in-network and other operational risks to which the satellites used to provide our satellite TV services are subject

• the failure to attract and retain employees with the appropriate skill sets and to drive their performance in a safe and secure environment

• labour disruptions

• the inability to access adequate sources of capital and generate sufficient cash flows from operations to meet our cash requirements, fund capital expenditures or provide for planned growth

• uncertainty as to whether dividends will be declared by BCE’s board of directors or whether BCE’s dividend payout policy will be maintained

• the inability to manage various credit, liquidity and market risks

• pension obligation volatility and increased contributions to post-employment benefit plans

• higher taxes due to new tax laws or changes thereto or in the interpretation thereof, and the inability to predict the outcome of government audits

• the failure to reduce costs as well as unexpected increases in costs

• the failure to evolve practices to effectively monitor and control fraudulent activities, including unauthorized use of our content and the theft of our TV services

• events affecting the continuity of supply of products and services that we need to operate our business and to comply with various obligations from our third-party suppliers, outsourcers and consultants

• the failure of our procurement and vendor management practices to address risk exposures associated with existing and new supplier models

• the quality of our products and services and the extent to which they may be subject to manufacturing defects or fail to comply with applicable government regulations and standards

• security and data leakage exposure if security control protocols applicable to our cloud-based solutions are bypassed

• unfavourable resolution of legal proceedings and, in particular, class actions

• unfavourable changes in applicable laws and the failure to proactively address our legal and regulatory obligations

• health concerns about radiofrequency emissions from wireless communications devices

• the inability to maintain customer service and keep our key networks operational in the event of epidemics, pandemics and other health risks

• the inability to recognize and adequately respond to climate change concerns or public and governmental expectations on environmental matters

• the expected timing and completion of the proposed acquisition of French-language specialty channels Séries+ and Historia, which is subject to approval by the Canadian Radio-television and Telecommunications Commission (CRTC) and the Competition Bureau.

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 in this Annual Information Form and the BCE 2017 MD&A and, in particular, in section 5, Business risks of the BCE 2017 MD&A, on pages 97 to 102 of the BCE 2017 Annual Report.

We caution readers that the risks previously described are not the only ones that could affect us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also have a material adverse effect on our financial position, financial performance, cash flows, business or reputation.

Except as otherwise indicated by us, forward-looking statements do not reflect the potential impact of any special items or of any dispositions, monetizations, mergers, acquisitions, other business combinations or other transactions that may be announced or that may occur after March 8, 2018. The financial impact of these transactions and special items can be complex and depends on facts particular to each of them. We therefore cannot describe the expected impact in a meaningful way or in the same way we present known risks affecting our business.

2 Corporate structure

2.1 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, (a) a certificate and articles of amalgamation dated July 26, 2006, to implement a plan of amalgamation providing for the exchange of Bell Canada preferred shares for BCE Inc. preferred shares, (b) 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 to consolidate outstanding BCE Inc. common shares, (b) a certificate and articles of amendment dated January 25, 2007 to implement a plan of arrangement providing for the exchange of Bell Canada preferred shares for BCE Inc. preferred shares, (c) a certificate and articles of amendment dated June 29, 2011 to create two additional series of BCE Inc. Cumulative Redeemable First Preferred Shares (first preferred shares), and (d) certificates and articles of amendment dated September 22, 2014 and November 11, 2014 to create six additional series of BCE Inc. first preferred shares. BCE Inc.’s head and registered offices are located at 1, Carrefour Alexander-Graham-Bell, Building A, 8th Floor, Verdun, Québec H3E 3B3.

2.2 Subsidiaries

The table below shows BCE Inc.’s main subsidiaries at December 31, 2017, which are all incorporated in Canada, 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 that have not been included in the table as 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, 2017.

<table>
<thead>
<tr>
<th>SUBSIDIARY</th>
<th>PERCENTAGE OF VOTING SECURITIES THAT BCE INC. BENEFICIALLY HELD AT DECEMBER 31, 2017(1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bell Canada</td>
<td>100%</td>
</tr>
<tr>
<td>Bell Mobility Inc.</td>
<td>100%</td>
</tr>
<tr>
<td>Bell Media Inc.</td>
<td>100%</td>
</tr>
</tbody>
</table>

(1) BCE Inc. beneficially owns all the voting securities of: (i) Bell Mobility Inc. (Bell Mobility) through Bell Canada, which in turn beneficially owns all the voting securities of Bell Mobility through its wholly-owned subsidiary, Bell Mobility Holdings Inc.; and (ii) Bell Media Inc. (Bell Media) through Bell Canada.

3 Description of our business

3.1 General summary

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

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

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

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

• a 28% indirect equity interest in Maple Leaf Sports & Entertainment Ltd. (MLSE), a sports and entertainment company that owns several sports teams as well as real estate and entertainment assets in Toronto.
2.3 Strategic imperatives

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

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

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

Additional information regarding our strategic imperatives can be found in section 2, Strategic imperatives of the BCE 2017 MD&A, on pages 49 to 43 of the BCE 2017 Annual Report.
applications. Bell’s new Global IoT connectivity solutions offer our customers uninterrupted worldwide network access and the ability to manage all of their international devices remotely from a single web platform.

**NEXT-GENERATION TV AND HIGH-BANDWIDTH INTERNET SERVICES**

Our strategic imperative to invest in broadband networks and services is focused on the deployment of high-speed fibre access through our fibre-to-the-road (FTTb) and fibre-to-the-premises (FTTP) initiatives. Our FTTP initiative encompasses both the deployment of fibre-to-the-road (FTTb) and fibre-to-the-building (FTTB). At December 31, 2017, our expanding FTTN and FTTP broadband fibre network covered approximately 9.3 million premises (homes and business locations) in Ontario, Quebec, the Atlantic provinces and Manitoba. As discussed in more detail below, our broadband fibre network enables the delivery of Bell’s next-generation IPTV services. Fibe TV and Alt TV. It also enables the delivery of Bell’s next-generation fibre-optic high-speed Internet service, marketed as Fibe Internet and Virgin Internet, offering speeds of up to 100 megabits per second (Mbps) with FTTN or 1 Gigabit per second (Gbps) with FTTP through our Gigabit Fibe service. Refer to section 3.5, Networks – Wireline – High-speed fibre deployment in this Annual Information Form for more details concerning the deployment of our fibre-optic high-speed Internet services.

Bell’s next-generation IPTV service targets areas in Ontario, Quebec, the Atlantic provinces and Manitoba, where cable providers have long been dominant, providing us with the opportunity to gain significant market share through offering a comprehensive multi-product bundle of communications services to customers. Delivered over our advanced high-speed fibre-optic network, our IPTV service expands TV choice and competition in several markets and offers a varying experience superior to that of cable.

Bell’s Fast TV service, built on a next-generation IPTV platform, offers a wide range of flexible programming options and innovative features such as: the Fibe TV wireless receiver, which enables customers to enjoy the Fibe TV service throughout the house without the hassle of running fibre cables through the house; the Restart and Look Back features, enabling customers to rewind and watch TV shows already in progress from the beginning or up to 30 hours after they started; and the Trending feature, which lists the five most-watched shows in both English and French among all Fibe TV customers at any given time and allows the customer to switch to watch live or Restart from the beginning. We also offer the Bell Fibe TV app, which brings the rich Fibe TV viewing experience to tablets, smartphones and computers using a web browser with access to more than 500 live and on-demand channels at home or on the go, which allows customers to seamlessly transfer a channel being viewed from a mobile device to TV, or resume what is being watched on TV on a mobile device, and allows customers to control their TVs with their mobile devices. Fibe TV further allows access to Netflix directly from customer TV receivers, providing a seamless experience. Available in Ontario and Quebec, our Fibe TV service became the first Canadian TV service offered on Apple TV. In 2017, various additional Bell TV improvements and features were introduced. Fibe TV customers in Ontario and Quebec can watch their personal video recorder (PVR) recordings on the go on their tablets, smartphones and laptops with the Fibe TV app. We also launched the Fibe Alt TV app, a completely new way to watch live and on-demand TV. With no traditional TV set-top box required, Alt TV is accessed through the Fibe TV app and offers up to 500 live and on-demand channels on tablets, smartphones and Apple TV (4th generation). Alt TV offers access to two TV streams at a time and customers can add individual channels to build their own Alt TV packages. Like Bell’s Fibe TV service, Alt TV operates as a licensed broadcast service on the privately managed Bell Fibre broadband network for in-home viewing, and on mobile or wireless fidelity (Wi-Fi) networks outside the home.

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 screens and platforms and achieving a competitive cost structure. Ownership of Bell Media enables us to maximize strategic and operating synergies, including the efficiency of our content and advertising spend.

**INCUMBENT WIRELINE SERVICE PROVIDER WITH MARKET LEADERSHIP POSITION**

Our leadership in broadband Internet and TV and our broad portfolio of product and service offerings serve as a foundation for the other products and services we offer. This provides us with a significant number of established customer relationships to drive uptake of new products and services, either through bundled offerings or on a standalone basis, and allows us to improve customer retention. Bell’s Fast TV is driving strong multi-product bundle sales as we continue to expand our market share in communities across Ontario, Quebec, the Atlantic provinces and Manitoba.

Our business markets team maintains a leadership position, having established relationships with a majority of Canada’s largest 100 corporations. Our team continues to deliver network-centric business solutions to large business and public sector clients, including data hosting and cloud computing services, which are key to business communications today and increase the value of connectivity services.

**OUR SIGNIFICANT MEDIA ASSETS**

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 screens and platforms and achieving a competitive cost structure. Ownership of Bell Media enables us to maximize strategic and operating synergies, including the efficiency of our content and advertising spend.

Bell Media’s assets in TV, radio, digital media and OOH advertising are a key competitive advantage, as indicated below:

- We own and operate 35 conventional TV stations, including CTV, Canada’s highest-rated TV network based on viewership.
- We own and operate 30 specialty and pay TV channels, including TSN, Space, Discovery and RDS, Canada’s leading French-language specialty channel among viewers aged 25 to 54.
- In 2017, our 106 licensed radio stations in 54 markets across Canada reached on average 17.4 million listeners per week from coast to coast.
- We own and operate the most successful Canadian-owned online media business in Canada’s digital landscape.

**3. Marketing and distribution channels**

**BELL WIRELESS AND BELL WIRELINE**

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

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

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 our markets. Promoting the Bell brands is complemented by our other brand marketing efforts, reinforcing awareness of all our services and capitalizing on the size and breadth of our customer base across all product lines.

The Bell brands play a key role in product positioning. Our branding is straightforward and directly supports our strategy of delivering a better customer experience at every level.

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

We deliver our 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 530 retail locations
- national retailers such as Best Buy, Walmart, Loblaw’s and Glentel’s WIRELESSWAVE, Tbooth wireless and WIRELESS etc., as well as a network of regional and independent retailers in all

---

BCE Inc. 2017 ANNUAL INFORMATION FORM 7
For small business customers, our residential and small business team offers a wide range of services, including Business Fibe Internet, Bell Total Connect, Business Phone and TV, along with many other communications solutions, all designed for companies that typically have fewer than 20 employees. Small business solutions are sold through dedicated call centre representatives and our bell.ca website, as well as our retail network and door-to-door sales representatives.

Communications solutions, other than wireless, for mid-sized and large business customers are delivered by our business markets team. Our products and services are sold through dedicated sales representatives, call centres, certified resellers and competitive bids.

By combining products and services, including professional services, into fully managed, end-to-end information and technology solutions, we have been successful in procuring both mid-sized and large enterprise customers with complex communications requirements. We continue to differentiate ourselves in the marketplace by enhancing our customer service levels and offering solutions designed to provide superior service, performance, availability and security. We deliver expertise in key solution areas, including Internet, private networks and broadcasts, voice and unified communications, data centres, customer contact and security solutions.

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

Our wholesale business’ communications products and services are delivered by our wholesale team. They are sold through our dedicated sales representatives, web portals and call centres.

**Bell Media**

Bell Media’s TV and OOH customer base is comprised primarily of large advertising agencies, which place advertisements with Bell Media on behalf of their customers. Bell Media also has contracts with a variety of broadcasting distribution undertakings (BDUs), under which monthly subscription fees for specialty and pay 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 and pay TV channels are delivered through distribution arrangements with BDUs, and its radio programming is 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. CraveTV is available directly to all Canadians with access to the Internet, including via in-app purchase on AppleTV, as well as to customers of numerous Canadian BDUs. CraveTV streams on IPTV-enabled set-top boxes, mobile apps, the web, Chromecast, select Samsung Smart TVs and Apple TV. Finally, Bell Media’s OOH business delivers its services through an inventory of OOH faces and street furniture equipment in the key markets of British Columbia, Alberta, Manitoba, Ontario, Quebec and Nova Scotia.

**3.5 Networks**

The telecommunications industry is evolving rapidly as it continues to move from multiple service-specific networks to Internet protocol (IP)-based integrated communications networks that can carry voice, data and video traffic. We continue to work with key vendor partners to expand our national multi-service IP-enabled networks.

Our communications networks provide wireless and wireless voice, data and video services to customers across Canada. Our infrastructure includes:

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

**WIRELESS**

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

**HSPA+ NETWORK**

Our wireless HSPA+ network offered high-speed mobile access to 99% of the Canadian population at December 31, 2017, and covered 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 to more than 230 destinations. The vast majority of the site connectivity for the new HSPA+ network was built with high-speed fibres and an all-IP architecture for enhanced reliability.

**4G LTE NETWORK**

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

Our LTE wireless network reached 99% of the Canadian population coast to coast at December 31, 2017 with downloads speeds ranging from 75 Mbps to 150 Mbps (expected average download speeds of 12 to 40 Mbps), LTE currently accounts for 85% of our total wireless data traffic.

**LTE-A NETWORK SERVICE**

With Dual-band LTE-A technology, Bell can deliver speeds of up to 260 Mbps (expected average download speeds of 18 to 74 Mbps).

By assigning three radio channels or carriers to one user, we can deliver, with Tri-band LTE-A technology, mobile data speeds of up to 355 Mbps (expected average download speeds of 25 Mbps to 100 Mbps). We have launched Tri-band LTE-A in certain cities and areas in Ontario, Quebec, the Atlantic provinces and Manitoba.

In April 2017, Bell announced that its LTE network was the first in North America capable of delivering Quad Band LTE-A service, offering customers access to the fastest mobile data speeds available. Quad Band technology leverages multiple bands of wireless spectrum to boost top Tri-band LTE-A mobile data speeds from 335 Mbps (expected average download speeds of 25 to 100 Mbps) to 550 Mbps (expected average download speeds of 25 to 150 Mbps). Bell’s LTE-A network provides service to 87% of the population in Canada. In addition, our Tri-band LTE-A footprint now covers 34% of Canadians. Combined with enhanced 256 QAM (quadrature amplitude modulation) technology, Bell’s Quad Band LTE-A network delivers mobile data speeds of up to 750 Mbps, with expected average download speeds of 25 to 230 Mbps in select areas. Bell’s Quad Band service has now expanded to 23% of Canadians, encompassing 91 cities. As the handset ecosystem matures, Bell’s advanced wireless services (AWS)-3 and 2500 MHz spectrum licences will enable upgrades of carrier aggregation that will support four and five simultaneous carriers.
In addition to our LTE and HSPA+ networks, we operate a regional 3G code division multiple access (CDMA) network that covered 96% of the Ontario and Québec population, approximately 97% of the Atlantic Canada population and approximately 96% of the Manitoba population at December 31, 2017. The Western CDMA Network, which covered British Columbia, Alberta and Saskatchewan, was decommissioned during the second quarter of 2017.

The CDMA network shares sites, towers, antennas and the HSPA+ and LTE networks. As most of our development and network enhancement focus has been on the HSPA+/LTE networks, traffic is migrating off our CDMA network and onto the independently operated HSPA+/LTE networks. We began decommissioning our CDMA network in 2014 in a way that did not impact existing customers, by turning off coverage that overlapped with that of our network partners. Once the CDMA network is retired, the related spectrum will be repurposed to deliver additional LTE capacity. CDMA accounts for less than 0.01% of our total wireless data traffic and less than 1% of voice traffic. We are currently working with our existing CDMA customers to migrate their service to HSPA+ or LTE. Decommissioning of the remaining CDMA network is expected to be substantially completed in 2019.

**Wi-Fi Locations**

Bell manages 6,500 Wi-Fi access points at enterprise customer locations.

**Wireline**

**Voice and Data Network**

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

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

To improve reliability and increase network capacity to support rapidly growing volumes of wireless and Internet usage carried on our networks, for several years we have been upgrading our fibre-based national backbone network with the deployment of 100 gigabit technologies. As of December 31, 2017, key traffic routes spanning more than 22,000 kilometres across Canada and into the U.S. had been upgraded. To satisfy continued growth, Bell has begun the next phase of the national backbone network upgrade with the deployment of 200 gigabit of Dense Wavelength Division Multiplexing (DWDM) technologies able to support 400 gigabit.

**High-speed fibre deployment**

Our strategic imperative to invest in broadband networks and services is focused on the deployment of high-speed fibre access through our FTTH and FTTP initiatives. Over the past few years, we have upgraded our access infrastructure by deploying fibre closer to our customers using FTTH with pair bonding technology, and overlaying FTTH with FTTP. In addition, Bell continues to deploy FTTP to all new urban and suburban housing developments in Ontario, Quebec, the Atlantic provinces and Manitoba, in addition to Bell’s ongoing deployment of FTTH to multi-dwelling units and business locations. In our view, FTTP in which optical fibre cables are used to connect each and every location, is an ideal network architecture to support future bandwidth-demanding IP services and applications.

On March 27, 2017, Bell announced an $854 million investment to bring direct fibre links and the fastest Internet speeds available to 1.1 million residences and business locations throughout Montreal, representing the largest-ever communications infrastructure project in Quebec. More than 90% of Bell’s network in the city is on aerial structures already in place, which will help to speed the deployment of FTTP connection. Bell’s broadband FTTP network enables Gigabit Fibre Internet service that is already available in 14% of locations in Montreal. Gigabit Fibre currently delivers download speeds of up to 1 Gbps and 40 Gbps in the future. Montreal will join a growing number of centres across Quebec that are fully wired with Bell fibre, including Quebec City, where fibre deployment was launched in 2012.

In 2016, we introduced Home Internet under the Virgin Mobile brand for eligible customers in Ontario. The new high-speed Internet service offers existing Virgin Mobile customers fast download speeds of up to 50 Mbps and upload speeds of up to 10 Mbps together with large monthly data bandwidth limits. Virgin Mobile Home Internet was subsequently made available to Quebec customers in 2016.

In June 2015, Bell announced a $1.14 billion investment to roll out fibre to more than 1 million homes and businesses across the city of Toronto to enable its Gigabit Fibre Internet service. At the end of 2017, approximately 60% of Bell’s Toronto Fibre build program was completed. In February 2018, we announced the expansion of FTTP direct fibre connections throughout the population and fast-growing GTA. Bell’s fibre plan will deliver Gigabit Internet speeds and other broadband Fibre service innovations to more than 1.3 million homes and businesses in the region.

The new Bell Gigabit Fibre Internet service was launched in August 2015 to more than 1.3 million homes and businesses across Ontario and Quebec. As at December 31, 2017, approximately 3.7 million homes and businesses across Ontario, Quebec, Atlantic Canada and Manitoba had the capability of receiving Gigabit Fibre service.

Our residential fibre-optic Internet service, marketed as Fibe Internet, is enabled by our FTTH and FTTP networks. We also offer DSL-based Internet service in areas where Fibe Internet is not available, with download speeds of up to 5 Mbps.

Additionally, since Bell Aliant’s launch of its IPTV service in the Atlantic provinces in 2005, Bell’s launch of its IPTV service in Ontario and Quebec in 2015, and the acquisition of MTS IPTV subscribers in 2017, we have continued to deploy our next-generation IPTV services in areas in Ontario, Quebec, the Atlantic provinces and Manitoba where cable providers had long been dominant. As of December 31, 2017, our IPTV service was available in approximately 7.1 million homes in major cities and municipalities across Ontario, Quebec, the Atlantic provinces and Manitoba.

**DTH Satellite TV Service**

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

### 3.6 Employees

The table below shows the number of BCE employees as at December 31, 2017 and 2016.

<table>
<thead>
<tr>
<th>NUMBER OF EMPLOYEES AT DECEMBER 31</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bell Wireless</td>
<td>6,742</td>
<td>6,182</td>
</tr>
<tr>
<td>Bell Wireless</td>
<td>10,452</td>
<td>9,227</td>
</tr>
<tr>
<td>Bell Media</td>
<td>6,485</td>
<td>6,701</td>
</tr>
<tr>
<td>Total</td>
<td>23,679</td>
<td>21,009</td>
</tr>
</tbody>
</table>

(1) The total number of BCE employees at the end of 2017 was 51,679 up from 48,090 at December 31, 2016, due primarily to the integration of MTS employees.

Approximately 45% of BCE employees are represented by unions and are covered by collective agreements.

The following collective agreements covering 250 or more employees were ratified in 2017 or early 2018:

- The collective agreement between Unifor and Bell Canada covering approximately 3,800 craft and services employees expired on November 30, 2016. A new collective agreement was ratified on February 23, 2017.
- The collective agreement between the International Brotherhood of Electrical Workers (IBEW) and Northeastel Inc. (Northeastel) covering approximately 350 craft and clerical employees expired on December 31, 2016. A new collective agreement was ratified on January 30, 2017.
- The collective agreement between Unifor and Bell Media (CTV Agincourt) covering approximately 550 employees expired on December 31, 2016. A new collective agreement was ratified on June 28, 2017.
- The collective agreement between Unifor Atlantic Communications Locals (ACL) and Bell Canada covering approximately 1,000 clerical and craft employees expired on December 13, 2017. A new collective agreement was ratified on February 28, 2018.
- The collective agreement between Unifor and Bell Canada covering approximately 4,550 clerical and craft employees expired on November 30, 2017. A new collective agreement was ratified on March 7, 2018.

The following collective agreements covering 250 or more employees will expire in 2018:

- The collective agreements between Unifor and Bell Technical Solutions covering approximately 4,500 craft employees will expire on May 6, 2018, and bargaining began on December 6, 2017.
- The collective agreement between Unifor and Bell Media (CTV Toronto Specialties) covering approximately 725 employees will expire on May 31, 2018.
- The collective agreement between Unifor and Bell Canada covering approximately 375 sales employees will expire on December 31, 2018.
3.7 Corporate responsibility

GENERAL

We are committed to the highest standards of corporate responsibility and 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 2008 we adopted a resolution to support the United Nations Global Compact, a set of universal principles addressing human rights, labour, environment and anti-corruption. These principles serve as the foundation of our corporate responsibility approach.

An officer-level committee mandated by the BCE board of directors oversees issues related to environmental matters. The responsibilities of this committee have, over time, expanded, and now BCE's corporate responsibility strategy, including health and safety, security, environmental and compliance risks and opportunities, is overseen by the Health & Safety, Security, Environment and Compliance Oversight Committee (HSEC). This cross-functional committee is co-chaired by the Executive Vice-President – Corporate Services and the Chief Legal & Regulatory Officer and Executive Vice-President – Corporate Development and seeks to ensure that relevant risks are adequately recognized and mitigation activities are well integrated and aligned across the organization and supported with sufficient resources.

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

The policies include, among others:

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

In 2017, BCE was listed on the Best 50 Corporate Citizens in Canada by Corporate Knights and continues to be listed on socially responsible investment indices such as the FTSE4Good Index, the Jantzi Social Index, the United Nations Global Compact 100 (GC 100) and the Euronext Vigeo World 120 index. The latter index includes the 120 most advanced companies in the European, North American and Asia Pacific regions, and distinguishes companies achieving the best environmental, social and governance performances. BCE was also identified as a Prime Responsible Social and Environmental Investment by sealon research, was selected for inclusion in the Ethibel EXCELLENCE Investment Register and is a component of the STOXX Global ESG Leaders indices, an innovative series of environmental, social and governance (ESG) equity indices.

We recognize that risks and opportunities exist related to climate change. In 2017, we became a member of the Responsible Business Alliance (RBA) (http://www.responsiblebusiness.org), a non-profit membership organization comprised of electronics, retail, auto and toy companies committed to supporting the rights and wellbeing of workers and communities worldwide to help reveal the risk in the investment portfolios of these investors. BCE attained CDP Leadership status and made the list of the top 10 highest-scoring Canadian companies in 2017.

In addition, we consider the exploitation and trade of minerals that fuel armed conflicts and lead to human rights abuses as unacceptable. We monitor industry best practices and integrate them into our procurement programs on a continuing basis, as controls for conflict-free sourcing are being established globally.

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

ENVIRONMENT

Bell Canada’s environmental policy affirms:

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

The policy is reviewed annually and contains principles that support our goals, ranging from exercising due diligence to meet or exceed the environmental legislation that applies to us, to preventing pollution and promoting cost-effective initiatives that minimize use of resources and waste. For example, Bell Canada’s in-house stewardship program ensures our customers have access to a responsible way to dispose of electronic waste. We complemented this by supporting provincial industry-led stewardship programs across the country.

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 seeking to prevent and correct problems, when needed. It has an environmental management and review system in place that:

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

In 2009, Bell Canada obtained the ISO 14001 certification for its environmental management system (registration number: 0068926-00). Bell Canada was the first telecommunications company in Canada to obtain this certification, which covers Bell Canada’s landline, wireless, TV and Internet services, broadband services, data hosting, cloud computing, radio broadcasting services and digital media services in addition to related administrative functions. Bell Canada has continuously maintained the certification since 2009, and was recertified in 2015 for another three-year cycle. Forty-six buildings leased or owned by Bell Canada across the country are certified LEED NC Gold and our 720 King Street West location in Toronto is certified LEED EB Gold. BCE's strong showing in sustainable indices, such as Ethibel and FTSE4Good, reflects the effectiveness of our ISO 14001 certified environmental management system, energy-saving measures and waste reduction initiatives, including the Bell Blue Box mobile recycling program.
COMMUNITY

We are committed to advancing the cause of mental health across Canada through Bell Let’s Talk. Mental illness affects all Canadians, yet this major health issue remains significantly underfunded, misunderstood and stigmatized. With one in five Canadians expected to suffer from mental illness during his or her lifetime, everyone has a family member, friend or colleague who has struggled with mental illness. The impact on the Canadian economy is staggering, with an estimated $8 billion each year in lost productivity costs due to absenteeism and presenteeism. In any given year, at least 500,000 employed Canadians are unable to work due to mental health problems.

In 2010, Bell announced Bell Let’s Talk, a five-year, $50 million investment supporting an extensive range of programs to enhance mental health in every aspect of Canadian life. Bell Let’s Talk has four action pillars: anti-stigma, enhanced care and access, new research and workplace leadership. It is the largest-ever corporate effort to promote mental health in Canada. Five years later, in 2015 Bell announced the extension of Bell Let’s Talk for another five years and an increase in its total funding commitment for Canadian mental health to at least $100 million. Since its launch, Bell Let’s Talk has funded more than 780 mental health partners across Canada, from large health care institutions and universities to small community organizations in every region.

Bell Let’s Talk initiatives have included the introduction of annual community funds supporting grassroots mental health initiatives across Canada and for military families, as well as dedicated funds for Canada’s northern territories and Indigenous mental health in Manitoba; the world’s first university chair in anti-stigma studies at Queen’s University; funding and implementation of the world’s first voluntary standard on workplace mental health; Canada’s first biobank of biological, social and psychological data at the Institut universitaire en santé mentale de Montréal; the Bell Gateway Building at the Centre for Addiction and Mental Health (CAMH), the first mental health facility named for a corporation; and the first university-certified workplace mental health training program. More than 10,000 Bell managers across Canada have received training in mental health support and more than 1,000 internal workplace events have taken place since 2010 in support of ending the stigma of mental illness and building resiliency.

In 2017, Bell Let’s Talk provided funding to several new mental health projects including a $1 million investment to Strongest Families Institute, matched by combined funding from the governments of New Brunswick, Newfoundland and Labrador, Nova Scotia and Prince Edward Island to expand services for youth mental health, helping families across Atlantic Canada. Additional commitments in 2017 included: $300,000 to the Fondation Santé Sud de Lanaudière and the Fondation pour la Santé du Nord de Lanaudière to introduce a new group therapy program for people with Borderline Personality Disorder, and create a specialized team to support those living with co-occurring disorders; $250,000 to McGill University’s Montreal Neurological Institute to help increase access to care by developing culturally relevant training for patients, families and care providers for people from diverse cultural backgrounds; a joint $250,000 gift with Northwestel to support the implementation of safeTALK, a half-day awareness training program, across Nunavut, led by Embrace Life Council; a joint $200,000 gift with Unirch to Ma Mawi Wi Chi Ita Centre and CMHA Manitoba and Winnipeg to support the launch of the Strengthening Wellness Education to Love Life (SWELL) program; and $150,000 to St. John Ambulance to create a standardized, world-class St. John Ambulance Mental Health First Aid module that will be integrated into Emergency, Standard and AED (Automated External Defibrillator) training courses across Canada. Bell Let’s Talk also partnered with Queen’s University to renew the Queen’s Bell Canada Mental Health and Anti-Stigma Research Chair, with another investment of $1,000,000 to provide the leadership and collaboration within the university and across the wider community for the development and adoption of best practices in stigma reduction.

Bell’s Let’s Talk partners also include CAMH, Université Laval, Sunnybrook Health Sciences Centre, the Jewish General Hospital, Royal Ottawa Hospital, Hôpital Charles-LeMoyne, the University of British Columbia, the Douglas Mental Health University Institute, CHU de Québec, Concordia University, Brain Canada, Kids Help Phone, Université de Montréal, Fondation CERVO and McGill University.

The 2017 Bell Let’s Talk Community Fund program gave $1 million in grants to 70 organizations from across the country that have demonstrated dedication and commitment to help increase access to mental health care for those living with mental health issues. From the Hamlet of Avril in Nunavut to the University of Prince Edward Island, each unique program will positively impact many people living in local communities. In January 2018, Bell announced that it is doubling its annual Bell Let’s Talk Community Fund to $2 million for community organizations nationwide.

In November 2017, Bell was honored with the highest level of recognition from the Canada Awards for Excellence, in recognition of its long term focus on excellence in psychological health and safety in the workplace, and leadership in its approach to continuous and positive improvements in the integration of mental health into our culture and systems.

Because the challenge of stigma remains the primary reason that an estimated two-thirds of people with mental health problems do not receive the help they need, Bell continues to invite Canadians to talk about the issue. The 2018 Bell Let’s Talk Day awareness campaign featured personal stories from Canadians of all ages from all walks of life living with mental illness or providing support for those who do. On Bell Let’s Talk Day, January 31, 2018, Canadians joined the conversation about mental health, while also generating new funding for Canadian mental health programs. With 138,383,995 text messages, mobile calls and long distance calls by our customers, and Bell Let’s Talk interactions on Twitter, Facebook, Instagram and Snapchat made that day, Bell’s five-cent donation per text, call and interaction means that it has committed a further $6,919,199.75 to support mental health programs across the country.

Adding this amount to the original Bell Let’s Talk commitment of $50 million in 2010, along with the results of the first seven Bell Let’s Talk Days, Bell has now committed $93,423,628.80 to improving Canadian mental health.

To learn more, please visit Bell.ca/LetsTalk.

Between mental health and its other initiatives, Bell contributed more than $25 million in charitable gifts and logged more than 260,000 hours in volunteer time.

3 Competitive environment

A discussion of our competitive environment can be found in section 3.3, Principal business risks and the various subsections entitled Competitive landscape and industry trends and Principal business risks of the BCE 2017 MD&A, on pages 45 and 46, 60 to 62, 68, 69 and 71, and 74 to 77 of the BCE 2017 Annual Report.

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

3 Regulatory environment

A discussion of the legislation that governs our businesses, as well as government consultations and recent regulatory initiatives and proceedings affecting us, can be found in section 8, Regulated environment of the BCE 2017 MD&A, on pages 91 to 96 of the BCE 2017 Annual Report.

More information with respect to the Canadian ownership restrictions on BCE’s common shares can be found in section 5.1, BCE securities in this Annual Information Form.
4 General development of our business – three-year history

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

4.1 Transactions

ACQUISITION OF ALARMFORCE INDUSTRIES INC.

On January 5, 2018, BCE announced the completion of its acquisition of AlarmForce Industries Inc. (AlarmForce). The transaction was completed through a plan of arrangement under which BCE acquired all the issued and outstanding common shares of AlarmForce for a total aggregate consideration of approximately $181 million, paid in a combination of cash and BCE common shares. BCE directly or indirectly funded the approximately $181 million cash component with available liquidity and issued 22,531 BCE common shares to fund the equity component. The share consideration was based on BCE's 20-day volume weighted price of $61.60 per common share, ending December 27, 2017 (five business days prior to the effective date of the transaction). Subsequent to the acquisition of AlarmForce, on January 5, 2018, BCE sold AlarmForce’s approximate 36,000 customer accounts in British Columbia, Alberta and Saskatchewan to TELUS Communications Inc. for total proceeds of approximately $87 million subject to customary closing adjustments.

AlarmForce provides security alarm monitoring, personal emergency response monitoring, video surveillance and related services to residential and commercial subscribers. The acquisition of AlarmForce supports our strategic expansion in the Connected Home marketplace.

AlarmForce will be included in our Bell Wireline segment in our consolidated financial statements.

The fair values of AlarmForce's assets and liabilities have not yet been determined.

PROPOSED ACQUISITION OF SÉRIE+ AND HISTORIA SPECIALITY CHANNELS

On October 17, 2017, BCE entered into an agreement with Corus Entertainment Inc. (Corus) to acquire French-language specialty channels Série+ and Historia. The transaction is valued at approximately $200 million. Subject to closing conditions, including approval by the CRTC and the Competition Bureau, the transaction is expected to close in mid-2018.

Série+ is a fiction channel, offering locally produced dramas as well as foreign series. Historia broadcasts a suite of locally produced original content including documentaries, reality series and drama series.

The acquisition of Série+ and Historia is expected to further enhance our competitiveness in the Quebec media landscape.

ACQUISITION OF MTS

On March 17, 2017, BCE completed the acquisition of MTS originally announced on May 2, 2016, purchasing all of the issued and outstanding common shares of MTS for a total consideration of $2.933 billion, and assumed outstanding net debt of $972 million. BCE acquired all of the issued and outstanding common shares of MTS for $40 per share, which was paid 55% through the issuance of BCE common shares and 45% in cash. The cash component of $1.339 billion was funded through debt financing and BCE issued approximately 27.6 million common shares for the equity portion of the transaction. The combined companies’ Manitoba operations are now known as Bell MTS. On April 1, 2017, BCE completed the divestiture of approximately one-quarter of postpaid wireless subscribers and 15 of the retail locations previously held by MTS, as well as certain Manitoba network assets, to TELUS Communications Inc. for total proceeds of $332 million.

Subsequent to the acquisition of MTS, on March 17, 2017, BCE transferred Xplornet Communications Inc. (Xplornet) a total of 40 MHz of 700 MHz AWS-1 and 2500 MHz wireless spectrum which was previously held by MTS. BCE has also agreed to transfer to Xplornet wireless customers once Xplornet launches its mobile wireless service.

On April 1, 2017, MTS Inc. amalgamated with Bell Canada.

With the completion of the acquisition of MTS, our wireless, high-speed Internet, TV and NAS subscriber bases increased by 476,932 (418,427 postpaid), 229,470, 108,107 (104,661 IPTV) and 419,816 (223,663 residential and 196,153 business) subscribers, respectively. This resulted into a 5% increase in Bell’s total broadband service subscribers.

OTHER KEY COMPLETED TRANSACTIONS

In addition to the above transactions, in line with our strategic imperatives, we have concluded certain other transactions from 2015 to 2017 that have influenced the general development of our business.

More information with respect to these transactions is provided in the table below:

<table>
<thead>
<tr>
<th>TRANSACTION</th>
<th>KEY CHARACTERISTICS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition of Cieslok Media Ltd. (Cieslok) (2017)</td>
<td>• On January 3, 2017, Bell Media acquired all of the issued and outstanding common shares of Cieslok for a total cash consideration of $161 million. Cieslok specializes in large-format outdoor advertising in key urban areas across Canada. • The acquisition will contribute to growing and strengthening our digital presence in OOH advertising.</td>
</tr>
<tr>
<td>Acquisition of Q9 Networks Inc. (Q9) (2016)</td>
<td>• On August 9, 2016, BCE announced its agreement to acquire all equity not already owned by BCE in Q9, a Toronto-based data centre operator providing outsourced hosting and other data solutions to Canadian business and government customers. Q9 had previously been acquired in October 2012 by an investor group comprised of BCE, Ontario Teachers’ Pension Plan Board, Providence Equity Partners LLC and funds managed by Madison Dearborn Partners LLC. BCE held a 35.4% stake in Q9 and acquired the remaining 64.6% equity interest from its fellow investors. The transaction was valued at approximately $680 million, including Q9 net debt but excluding BCE’s prior ownership interest. The transaction closed on October 3, 2016. • The acquisition supports BCE’s ability to compete against domestic and international providers in the growing outsourced data services sector. • On January 1, 2017, various entities of the Q9 group of companies, as well as certain former Bell Aliant Inc. subsidiaries, amalgamated with Bell Canada.</td>
</tr>
<tr>
<td>National expansion of HBO and TMN (2016)</td>
<td>• On November 15, 2015, BCE announced a transaction with Corus whereby Bell Media would pay Corus a total consideration of $211 million for Corus to waive its HBO content rights in Canada and wind down the operations of its Movie Central and Encore Avenue Pay TV services in Western and Northern Canada, thereby allowing Bell Media to become the solo holder of HBO Canada nationally across all platforms and to expand TMN into a national pay TV service. • In December 2015, Bell Media paid a deposit of $21 million to Corus and in January 2016 completed the final payment of $197 million for a total consideration of $218 million. TMN was successfully launched nationally on March 1, 2016 and Movie Central and Encore Avenue’s operations ceased on the same day.</td>
</tr>
<tr>
<td>Acquisition of Gentel (2015)</td>
<td>• On November 28, 2014, BCE announced the signing of a definitive agreement to acquire all of the issued and outstanding shares of Gentel, a Canadian-based dual-carrier, multi-brand mobile products distributor offering wireless products and services from Bell Mobility and Rogers Communications Inc. (Rogers). On December 24, 2014, BCE further announced that it would divest 55% of its ownership interest in Gentel to Rogers following the closing of BCE's acquisition of Gentel. • On May 20, 2015, BCE completed the acquisition of all of the issued and outstanding common shares of Gentel for a total consideration of $592 million, of which $296 million ($284 million, net of cash on hand) was paid in cash and the balance through the issuance of 5,046,908 BCE common shares. Immediately following closing of the acquisition, BCE repaid Gentel’s outstanding debt in the amount of approximately $112 million and provided $5 million in an exchange for additional Gentel common shares. Subsequently, also on May 20, 2015, BCE divested 55% of its ownership interest in Gentel to Rogers for a total cash consideration of approximately $473 million ($407 million, net of divested cash and transaction costs).</td>
</tr>
</tbody>
</table>

4.2 Corporate initiatives

UPGRADE, EXPANSION AND TRANSFORMATION OF OUR NETWORK
Our competitive landscape continues to evolve with web-based and over-the-top (OTT) players penetrating the telecommunications space. With this evolution comes the demand from consumers for faster access to services and content. With data consumption greater than ever before, we continue to invest heavily in our LTE wireless and wireless fibre networks to keep up with the capacity to ensure customers are provided with the best possible experience. One of our key objectives in the past 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 upgraded our access infrastructure by deploying fibre-optic technology closer to our customers, which made possible the expansion of our Bell Fibre Internet and TV services, and enabled us to launch our new Gigabit Fibre Internet service in August 2015. During this period, we also made substantial investments in our wireless networks, which led to the expansion of our 4G LTE wireless network and the subsequent rollout of our Dual-band, Tri-band and Quad Band LTE-A networks since 2015. Refer to section 3.5, Networks in this Annual Information Form for a detailed description of developments relating to our wireless and wireless networks during the three-year period ended December 31, 2017.

Most recently, we launched a project seeking to transform our network, systems and processes with three main objectives: (a) to become more agile in our service delivery and operations, including self-serve and instant-on capabilities for our customers; (b) to ensure best quality and best customer experience; and (c) to develop a new network infrastructure that enables a competitive cost structure with rapidly growing capacity needs. We are leveraging new technologies, including network functions virtualization, software-defined networks and cloud technologies. These technologies offer unprecedented levels of flexibility, automation and elastic capacity. 5G, IoT, enhanced Internet, communication and video services, as well as the next generation of enterprise cloud applications, all depend heavily on these capabilities. We work closely with our partners and are leveraging these connections by contributing to industry associations that are accelerating this evolution, such as the open source software and hardware initiatives. We are also focusing on transforming our organization and some key development and operational processes to meet our objectives.
5.2 Bell Canada debt securities

As of December 31, 2017, Bell Canada has issued, or assumed, in the case of Bell MTS Inc., long-term debt securities as summarized in the table below:

As part of the acquisition of MTS, on March 17, 2017, Bell Canada assumed all of Bell MTS Inc.’s previously Manitoba Telecom Services Inc. public debt in the aggregate principal amount of $625 million issued under its trust indentures. More specifically, Bell Canada assumed Bell MTS Inc.’s 5.625% Series B Notes in the principal amount of $200 million, due December 16, 2019, issued under Bell MTS Inc.’s trust indenture dated May 1, 2009, as amended, and Bell MTS Inc.’s 4.59% Series 9 Notes in the principal amount of $200 million, due October 1, 2018, and 4.00% Series 10 Notes in the principal amount of $225 million, due May 27, 2024, issued under Bell MTS Inc.’s trust indenture dated August 1, 2011, as amended. BCE Inc. guaranteed the full and timely payment of the above-mentioned Bell MTS Inc. Notes.

On May 12, 2017, Bell Canada redeemed, prior to maturity, all of its outstanding $350 million principal amount of 4.37% Debentures, Series M-35, due September 13, 2017, at a price equal to $1,011.110 per $1,000 of principal amount of debentures plus $1,184 for accrued and unpaid interest. On October 9, 2017, Bell Canada redeemed, prior to maturity, all of its outstanding $300 million principal amount of 4.88% Debentures, Series M-36, due April 28, 2018, at a price equal to $1,017.480 per $1,000 of principal amount of debentures plus $22.241 for accrued and unpaid interest. On October 30, 2017, Bell Canada redeemed, prior to maturity, $1 billion principal amount of its 4.40% medium-term debentures (MTN Debentures), Series M-22, due March 16, 2018, at a price equal to $1,011.150 per $1,000 of principal amount of debentures plus $5.304 per $1,000 of principal amount for 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 in Note 20, Long-term debt of the BCE 2017 consolidated financial statements on pages 145 and 146 of the BCE 2017 Annual Report.

Bel MTS Inc. issues 4.55% Series 1 and 4.55% Series 2 Subordinated debentures, which are callable at $1,011.150 per $1,000 principal amount on February 27, 2027, and September 13, 2027, respectively.

As at December 31, 2018, Bell Canada had Notes outstanding provided that at no time shall such aggregate principal amount of Notes exceed $3.5 billion in Canadian currency, which equals the amount available under Bell Canada’s supporting committed lines of credit.

As of March 8, 2018, BCE had no debt securities outstanding.
Our capital structure

RATINGS FOR BCE PREFERRED SHARES

<table>
<thead>
<tr>
<th>PREFERRED SHARES</th>
<th>RATING AGENCY</th>
<th>RATING</th>
<th>HIGHEST QUALITY</th>
<th>LOWEST QUALITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>BCE preferred shares</td>
<td>DBRS</td>
<td>Pfd-3 (high)</td>
<td>AAA</td>
<td>D</td>
</tr>
<tr>
<td></td>
<td>S&amp;P</td>
<td>P-1 (Canadian scale)</td>
<td>A-1 (High)</td>
<td>D</td>
</tr>
<tr>
<td></td>
<td></td>
<td>BBB- (Global scale)</td>
<td>A-1+</td>
<td>D</td>
</tr>
</tbody>
</table>

As of March 8, 2018, BCE and Bell Canada’s credit ratings have stable outlooks from DBRS, Moody’s and S&P.

GENERAL EXPLANATION

SHORT-TERM DEBT SECURITIES

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

<table>
<thead>
<tr>
<th>RATING AGENCY</th>
<th>HIGHEST QUALITY</th>
<th>LOWEST QUALITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>DBRS</td>
<td>R-1 (high)</td>
<td>D</td>
</tr>
<tr>
<td>Moody’s</td>
<td>P-1</td>
<td>NP</td>
</tr>
<tr>
<td>S&amp;P (Canadian scale)</td>
<td>A-1 (High)</td>
<td>D</td>
</tr>
<tr>
<td>S&amp;P (Global scale)</td>
<td>A-1+</td>
<td>D</td>
</tr>
</tbody>
</table>

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

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

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

LONG-TERM DEBT SECURITIES

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

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

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

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

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

<table>
<thead>
<tr>
<th>RATING AGENCY</th>
<th>HIGHEST QUALITY</th>
<th>LOWEST QUALITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>DBRS</td>
<td>Pfd-1 (high)</td>
<td>D</td>
</tr>
<tr>
<td>S&amp;P (Canadian scale)</td>
<td>P-1 (High)</td>
<td>D</td>
</tr>
<tr>
<td>S&amp;P (Global scale)</td>
<td>AA</td>
<td>D</td>
</tr>
</tbody>
</table>

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 relevant market, compared to preferred shares issued by other issuers in the relevant market.

EXPLANATION OF RATING CATEGORIES RECEIVED FOR OUR SECURITIES

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

The explanations and corresponding rating categories provided below are subject to change by the applicable rating agencies.

<table>
<thead>
<tr>
<th>RATING CATEGORY</th>
<th>DESCRIPTION OF SECURITIES</th>
<th>EXPLANATION OF RATING CATEGORY RECEIVED</th>
</tr>
</thead>
<tbody>
<tr>
<td>DBRS</td>
<td>Short-term debt</td>
<td>R-2 (high)</td>
</tr>
<tr>
<td>S&amp;P</td>
<td></td>
<td>BBB (High)</td>
</tr>
<tr>
<td></td>
<td>Long-term debt</td>
<td>BBB (high)</td>
</tr>
<tr>
<td></td>
<td>Long-term subordinated debt</td>
<td>BBB (low)</td>
</tr>
<tr>
<td></td>
<td>Preferred shares</td>
<td>Pfd-3</td>
</tr>
</tbody>
</table>

Protection of dividends and principal is still considered acceptable, but the company is more vulnerable to future events.
The common and first preferred shares of BCE are listed on the TSX under the respective symbols set out in the tables below. BCE’s common shares are also listed on the New York Stock Exchange (NYSE) under the symbol BCE.

The tables below and on the next page show the range in share price per month and volume traded on the TSX in 2017 for BCE’s common shares and each series of BCE’s first preferred shares.

Our capital structure

5.4 Trading of our securities

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

The tables below and on the next page show the range in share price per month and volume traded on the TSX in 2017 for BCE’s common shares and each series of BCE’s first preferred shares.

Our capital structure
6 Dividends and dividend payout policy

The board of directors of BCE reviews from time to time the adequacy of BCE’s common share dividend payout policy. BCE's common share dividend payout policy is currently set to a target dividend payout ratio of 65% to 75% of free cash flow. Our objective is to seek to achieve dividend growth while maintaining our dividend payout ratio within the target range and while balancing our strategic business priorities, including continuing to invest in strategic wireless and wireless network infrastructure and maintaining investment-grade credit ratings. For additional information, refer to section 1.4, Capital markets strategy of the BCE 2017 MD&A, on pages 35 to 37 of the BCE 2017 Annual Report.

The table below describes the increases in BCE’s common share dividend starting with the quarterly dividend payable on April 15, 2015.

<table>
<thead>
<tr>
<th>Date of Dividend</th>
<th>Amount of Increase</th>
<th>Effective Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>April 15, 2015</td>
<td>Quarterly dividend</td>
<td>Quarterly dividend payable on April 15, 2015</td>
</tr>
<tr>
<td>May 2015</td>
<td>Quarterly dividend</td>
<td>Quarterly dividend payable on April 15, 2015</td>
</tr>
<tr>
<td>June 2015</td>
<td>Quarterly dividend</td>
<td>Quarterly dividend payable on April 15, 2015</td>
</tr>
<tr>
<td>July 2015</td>
<td>Quarterly dividend</td>
<td>Quarterly dividend payable on April 15, 2015</td>
</tr>
<tr>
<td>August 2015</td>
<td>Quarterly dividend</td>
<td>Quarterly dividend payable on April 15, 2015</td>
</tr>
<tr>
<td>September 2015</td>
<td>Quarterly dividend</td>
<td>Quarterly dividend payable on April 15, 2015</td>
</tr>
<tr>
<td>October 2015</td>
<td>Quarterly dividend</td>
<td>Quarterly dividend payable on April 15, 2015</td>
</tr>
<tr>
<td>November 2015</td>
<td>Quarterly dividend</td>
<td>Quarterly dividend payable on April 15, 2015</td>
</tr>
<tr>
<td>December 2015</td>
<td>Quarterly dividend</td>
<td>Quarterly dividend payable on April 15, 2015</td>
</tr>
</tbody>
</table>

Dividends and dividend payout policy

Dividends on BCE’s first preferred shares are, if declared, payable quarterly, except for dividends on Series R, Series T, Series S, Series Y, Series Z, Series AA, Series AB, Series AC, Series AE, Series AF, Series AG, Series AH, Series AJ, Series AK, Series AL, Series AM, Series AN, Series AD and Series AF first preferred shares, which, if declared, are payable monthly.


<table>
<thead>
<tr>
<th>Date of Dividend</th>
<th>Amount of Increase</th>
<th>Effective Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 2017</td>
<td>Quarterly dividend</td>
<td>Quarterly dividend payable on May 15, 2017</td>
</tr>
<tr>
<td>June 2017</td>
<td>Quarterly dividend</td>
<td>Quarterly dividend payable on June 15, 2017</td>
</tr>
<tr>
<td>July 2017</td>
<td>Quarterly dividend</td>
<td>Quarterly dividend payable on July 15, 2017</td>
</tr>
<tr>
<td>August 2017</td>
<td>Quarterly dividend</td>
<td>Quarterly dividend payable on August 15, 2017</td>
</tr>
<tr>
<td>September 2017</td>
<td>Quarterly dividend</td>
<td>Quarterly dividend payable on September 15, 2017</td>
</tr>
<tr>
<td>October 2017</td>
<td>Quarterly dividend</td>
<td>Quarterly dividend payable on October 15, 2017</td>
</tr>
<tr>
<td>November 2017</td>
<td>Quarterly dividend</td>
<td>Quarterly dividend payable on November 15, 2017</td>
</tr>
<tr>
<td>December 2017</td>
<td>Quarterly dividend</td>
<td>Quarterly dividend payable on December 15, 2017</td>
</tr>
</tbody>
</table>

Our directors and executive officers

7.1 Directors
The table below lists BCE’s directors, where they lived, the date they were elected or appointed and their principal occupation on March 8, 2018.

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

### Directors

<table>
<thead>
<tr>
<th>NAME</th>
<th>RESIDENCE</th>
<th>COUNTRY OF RESIDENCE</th>
<th>DATE ELECTED OR APPOINTED</th>
<th>PRINCIPAL OCCUPATION/OFFICE AT BCE/BELL CANADA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barry K. Allen</td>
<td>Florida, United States</td>
<td>Florida, United States</td>
<td>May 2009</td>
<td>Operating Partner, Providence Equity Partners LLC (a private equity firm focused on media, entertainment, communications and information investments), since September 2007</td>
</tr>
<tr>
<td>Sophie Brochu</td>
<td>Québec, Canada</td>
<td>Québec, Canada</td>
<td>May 2010</td>
<td>President and Chief Executive Officer, Emergica (a diversified energy company), since February 2007</td>
</tr>
<tr>
<td>Robert E. Brown</td>
<td>Québec, Canada</td>
<td>Québec, Canada</td>
<td>May 2009</td>
<td>Corporate director, since October 2009</td>
</tr>
<tr>
<td>George A. Cope</td>
<td>Ontario, Canada</td>
<td>Ontario, Canada</td>
<td>July 2008</td>
<td>President and Chief Executive Officer, BCE and Bell Canada, since July 2008</td>
</tr>
<tr>
<td>David F. Denison</td>
<td>Ontario, Canada</td>
<td>Ontario, Canada</td>
<td>October 2012</td>
<td>Corporate director, since June 2012, and Chartered Professional Accountant</td>
</tr>
<tr>
<td>Robert P. Dexter</td>
<td>Nova Scotia, Canada</td>
<td>Nova Scotia, Canada</td>
<td>November 2014</td>
<td>Chair and Chief Executive Officer of Maritime Travel Inc. (an integrated travel company), since July 1979</td>
</tr>
<tr>
<td>Mirko Bibic</td>
<td>Ontario, Canada</td>
<td>Ontario, Canada</td>
<td>July 2013</td>
<td>Corporate director, since July 2013</td>
</tr>
<tr>
<td>Katherine Lee</td>
<td>Ontario, Canada</td>
<td>Ontario, Canada</td>
<td>August 2016</td>
<td>Chief Executive Officer of 3 Angels Holdings Limited (a real estate holding company), since April 2016, and Chartered Professional Accountant</td>
</tr>
<tr>
<td>Monique F. Leroux</td>
<td>Québec, Canada</td>
<td>Québec, Canada</td>
<td>April 2015</td>
<td>Corporate director, since April 2016, and Chartered Professional Accountant</td>
</tr>
<tr>
<td>Gordon M. Nixon</td>
<td>Nova Scotia, Canada</td>
<td>Nova Scotia, Canada</td>
<td>November 2014</td>
<td>Chair of the board of directors, BCE and Bell Canada, since April 2016, and corporate director, since September 2014</td>
</tr>
<tr>
<td>Calvin Rovinescu</td>
<td>Québec, Canada</td>
<td>Québec, Canada</td>
<td>April 2015</td>
<td>President and Chief Executive Officer, Air Canada (an airline company), since April 2008</td>
</tr>
<tr>
<td>Karen Silver</td>
<td>Ontario, Canada</td>
<td>Ontario, Canada</td>
<td>April 2017</td>
<td>Corporate director, since October 2016</td>
</tr>
<tr>
<td>Robert C. Simmonds</td>
<td>Ontario, Canada</td>
<td>Ontario, Canada</td>
<td>May 2015</td>
<td>Chair, Lenbrook Corporation (a national distributor of electronics components and radio products), since April 2002</td>
</tr>
<tr>
<td>Paul R. Weiss</td>
<td>Ontario, Canada</td>
<td>Ontario, Canada</td>
<td>May 2009</td>
<td>Corporate director, since April 2008, and Chartered Professional Accountant</td>
</tr>
</tbody>
</table>

### Past Occupation

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

<table>
<thead>
<tr>
<th>NAME</th>
<th>RESIDENCE</th>
<th>PROVINCE/COUNTRY OF RESIDENCE</th>
<th>DATE ELECTED OR APPOINTED</th>
<th>PRINCIPAL OCCUPATION/OFFICE AT BCE/BELL CANADA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paul R. Weiss</td>
<td>Ontario, Canada</td>
<td>Ontario, Canada</td>
<td>May 2009</td>
<td>Corporate director, since April 2008, and Chartered Professional Accountant</td>
</tr>
</tbody>
</table>

### Committees of the Board

The table below lists the committees of BCE’s board of directors and their members on March 8, 2018.

<table>
<thead>
<tr>
<th>COMMITTEES</th>
<th>MEMBERS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit</td>
<td>Paul R. Weiss (Chair), David F. Denison, Robert P. Dexter, Ian Greenberg, Katherine Lee, Monique F. Leroux, Robert C. Simmonds</td>
</tr>
<tr>
<td>Corporate Governance</td>
<td>Barry K. Allen (Chair), Sophie Brochu, Robert E. Brown, Monique F. Leroux, Robert C. Simmonds</td>
</tr>
<tr>
<td>Management Resources and Compensation</td>
<td>Robert E. Brown (Chair), Barry K. Allen, Sophie Brochu, Ian Greenberg, Calvin Rovinescu</td>
</tr>
<tr>
<td>Pension Fund</td>
<td>David F. Denison (Chair), Robert P. Dexter, Katherine Lee, Calvin Rovinescu, Karen Silver, Paul R. Weiss</td>
</tr>
</tbody>
</table>

### 7.2 Executive Officers

The table below lists BCE’s and Bell Canada’s executive officers, where they lived and the office they held at BCE and/or Bell Canada on March 8, 2018.

<table>
<thead>
<tr>
<th>NAME</th>
<th>PROVINCE/COUNTRY OF RESIDENCE</th>
<th>OFFICE HELD AT BCE/BELL CANADA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mirko Bibic</td>
<td>Ontario, Canada</td>
<td>Chief Legal &amp; Regulatory Officer and Executive Vice-President – Corporate Development (BCE and Bell Canada)</td>
</tr>
<tr>
<td>Mirko Bibic</td>
<td>Ontario, Canada</td>
<td>President – The Source (Bell Canada)</td>
</tr>
<tr>
<td>Michael Cote</td>
<td>Ontario, Canada</td>
<td>Executive Vice-President and Chief Information Officer (Bell Canada)</td>
</tr>
<tr>
<td>George A. Cope</td>
<td>Ontario, Canada</td>
<td>President and Chief Executive Officer (BCE and Bell Canada)</td>
</tr>
<tr>
<td>Stephen Few</td>
<td>Ontario, Canada</td>
<td>Executive Vice-President and Chief Technology Officer (Bell Canada)</td>
</tr>
<tr>
<td>David G. Naylor</td>
<td>Ontario, Canada</td>
<td>President – Bell Residential &amp; Small Business (Bell Canada)</td>
</tr>
<tr>
<td>Bill Purcell</td>
<td>Ontario, Canada</td>
<td>President – Bell Mobility (Bell Canada)</td>
</tr>
<tr>
<td>Glen LeBlanc</td>
<td>Nova Scotia, Canada</td>
<td>Executive Vice-President and Chief Financial Officer (BCE and Bell Canada)</td>
</tr>
<tr>
<td>Bernard C. Deschamps</td>
<td>Ontario, Canada</td>
<td>Executive Vice-President – Corporate Services (BCE and Bell Canada)</td>
</tr>
<tr>
<td>Randy LeBlanc</td>
<td>Ontario, Canada</td>
<td>President – Bell Media (Bell Canada)</td>
</tr>
<tr>
<td>Thomas Lille</td>
<td>Ontario, Canada</td>
<td>President – Bell Business Markets (Bell Canada)</td>
</tr>
<tr>
<td>Martin Tremblay</td>
<td>Ontario, Canada</td>
<td>Group President (BCE and Bell Canada)</td>
</tr>
<tr>
<td>Martine Turcotte</td>
<td>Quebec, Canada</td>
<td>Vice Chair – Quebec (BCE and Bell Canada)</td>
</tr>
<tr>
<td>John Watson</td>
<td>Ontario, Canada</td>
<td>Executive Vice-President – Customer Experience (Bell Canada)</td>
</tr>
</tbody>
</table>

### Past Occupation

All of our executive officers have held their present positions or other executive positions with BCE or Bell Canada during the past five years or longer, except for:

<table>
<thead>
<tr>
<th>NAME</th>
<th>PROVINCE/COUNTRY OF RESIDENCE</th>
<th>OFFICE HELD AT BCE/BELL CANADA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Glen LeBlanc</td>
<td>Vancouver, British Columbia</td>
<td>Executive Vice-President and Chief Financial Officer of Bell Aliant Inc. from 2010 to December 2014</td>
</tr>
<tr>
<td>Randy LeBlanc</td>
<td>Vancouver, British Columbia</td>
<td>President and Chief Executive Officer of Universal Music Canada from 1998 to August 2015</td>
</tr>
</tbody>
</table>

### 7.3 Directors’ and Executive Officers’ Share Ownership

As at December 31, 2017, BCE’s directors and executive officers as a group beneficially owned, or exercised control or direction over, directly or indirectly, 616,446 common shares (or less than 0.1%) of BCE.
8 Legal proceedings

In the ordinary course of our business, we become involved in various claims and legal proceedings seeking monetary damages and other relief. In particular, because of the nature of our consumer-facing business, we are exposed to class actions pursuant to which substantial monetary damages may be claimed. This section describes important legal proceedings in which we were involved as of March 8, 2018. This list is not comprehensive and we are involved in a number of other legal proceedings. Due to the inherent risks and uncertainties of the litigation process, we cannot predict the final outcome of any of the claims and legal proceedings. Subject to the foregoing, and based on information currently available and management’s assessment of the merits of the claims and legal proceedings pending as of March 8, 2018, management believes that the ultimate resolution of these claims and legal proceedings is unlikely to have a material and negative effect on our financial statements or operations. We believe that we have strong defences and we intend to vigorously defend our positions.

PURPORTED CLASS ACTION CONCERNING INDEXATION RATE OF PENSION PAYMENTS

On January 16, 2018, a statement of claim was filed in the Ontario Superior Court against Bell Canada, Bell Mobility, Bell Media and Expertech Network Installation Inc. alleging that the indexation rate under the Bell Canada Pension Plan is not properly calculated for the year 2017. The action seeks to certify a class action consisting of all persons, wherever resident, who are or were members of the Bell Canada Pension Plan, or otherwise entitled to benefits thereunder, and were entitled to receive indexed pension payments as of January 1, 2017, together with the spouses, estates, heirs, beneficiaries, and representatives of those who died. The action seeks damages in the amount of $150 million or any greater amount determined by the court, for breach of contract under the Bell Canada Pension Plan, as well as for breach of fiduciary and trust duties under the Pension Benefits Standards Act of 1985.

PURPORTED CLASS ACTION CONCERNING PROMOTIONAL PRICING

On July 4, 2016, an application for authorization to institute a class action was filed in the Quebec Superior Court against Bell Canada and 23 other defendants (including telecommunications companies, banks and other service providers) on behalf of all customers in Quebec who, since July 4, 2013, were provided a service either for free or at a discounted price for a fixed period of time, after which a regular price applied unless the customers sent a notice indicating that they did not wish to obtain the service at the regular price (regardless of the disclosure made to customers of the temporary nature of the free or discounted period). The plaintiff alleges that such practice violates the Quebec Consumer Protection Act. The action seeks unspecified compensatory damages as well as punitive damages. The action has not yet been authorized as a class action.

PATENT INFRINGEMENT LAWSUIT CONCERNING 4G LTE WIRELESS COMMUNICATIONS SYSTEMS

On February 18, 2016, a claim was filed in the Federal Court against Bell Canada and BCE Inc. by Wi-LAN Inc. The claim alleges that the defendants, by making, using and selling 4G LTE wireless communications systems, including wireless products and services, infringe three patents owned by Wi-LAN Inc. This claim seeks declaratory and injunctive relief as well as unspecified damages or an accounting of profits. On June 9, 2016, the claim was amended to remove Bell Canada and BCE Inc. as defendants and add Bell Mobility as the sole defendant. The defendant intends to exercise all available indemnity recourses from third parties that provide the intellectual property upon which the defendant’s wireless communications systems are based.

CLASS ACTION CONCERNING SERVICE FEE MODIFICATIONS

On November 27, 2015, an application for authorization to institute a class action was filed in the Quebec Superior Court against Bell Canada, Bell ExpressVu and Bell Mobility on behalf of all customers whose monthly fees for wireline telephone services, Internet services, Fibre TV services, satellite TV services or wireless postpaid services were unilaterally modified at any time since November 2012. The plaintiff alleges that the notices provided by the defendants on the price increases or reductions of the bundle discount were not compliant under the Quebec Consumer Protection Act. The action seeks the reimbursement, since November 2012, of the monthly price increases and/or reductions of the bundle discount, and payment of punitive damages in the amount of $100 per class member. On July 10, 2017, the court authorized the action to proceed as a class action.

PURPORTED CLASS ACTION CONCERNING RELEVANT ADVERTISEMENTS INITIATIVE

On April 14 and 16, 2015, respectively, an application for authorization to institute a class action was filed against Bell Canada and Bell Mobility in the Quebec Superior Court and a statement of claim was filed against Bell Canada and Bell Mobility pursuant to the Class Proceedings Act (Ontario) in the Ontario Superior Court (collectively, the Actions). Together, the Actions seek to certify a national class consisting of Bell Mobility customers who subscribed to mobile data services between November 16, 2013 and April 13, 2015. The plaintiffs seek damages for breach of contract, breach of the Telecommunications Act of Canada, breach of the Quebec Consumer Protection Act, misleading inducement, wrongful representation, breach of warranty, unlawful disclosure of personal information pursuant to their “Relevant Advertisements Initiative”. Unspecified punitive damages are also sought in the Quebec action. On November 16, 2017, the court stayed the Quebec action. The Actions have not yet been certified as class actions.

PURPORTED CLASS ACTION CONCERNING CELLULAR USAGE AND HEALTH RISK

In July 2013, BCE Inc., Bell Canada, Bell Mobility and Bell Aliant Inc. (subsequently replaced by Bell Aliant LP and now Bell Mobility as successor to the Bell Aliant LP wireless business) were served with a statement of claim previously filed pursuant to the Class Proceedings Act (British Columbia) in the Supreme Court of British Columbia. The action was brought against more than 25 defendants, including wireless carriers and device manufacturers, and seeks certification of a national class encompassing all persons in Canada, including their estates and spouses, who have used cellular phones for at least one hour a day for a total of 1,800 hours. The action also seeks certification of a subclass of such persons who have been diagnosed with a brain tumour (as well as their estates and spouses). The statement of claim alleges that the defendants that are wireless carriers are liable to the purported class on the basis of, among other things, negligence in the design and testing of cellular phones, failure to provide adequate warnings of health risks associated with cellular telephone use, and failure to warn about the health risks associated with cellular phones, negligent misrepresentation, deceit, breach of warranty and breach of competition, consumer protection and trade practices legislation. The plaintiffs seek unspecified damages, including reimbursement of defendants’ revenue earned from selling cellular phones to class members, and punitive damages. The lawsuit has not yet been certified as a class action. On September 3, 2014, the Supreme Court of British Columbia ordered the removal of BCE Inc. and Bell Canada as defendants.

IP INFRINGEMENT LAWSUITS CONCERNING IPTV SYSTEMS

On April 23, 2013, a claim was filed in the Federal Court against Bell Canada and Bell Aliant LP (now Bell Canada) by Mediabase Corp. and NorthVu Inc. The claim alleges that the defendants, through their development and use of IPTV systems, infringed on a patent owned by NorthVu Inc. and licensed to Mediabase Corp. In addition to declaratory and injunctive relief, the plaintiffs seek damages in the form of unpaid royalties in relation to the defendants’ revenues from their IPTV services (the plaintiffs estimate that the monetary value of these royalties exceed $360 million) or an accounting of the defendants’ profits, as well as punitive damages. On January 4, 2017, the Federal Court dismissed the action on the basis that Bell Canada did not infringe the patent and that the claims of punitive damages were without merit. On February 3, 2017, the plaintiffs appealed the decision, which appeal is scheduled to be heard by the Federal Court of Appeal on May 20, 2018. Plaintiff NorthVu Inc. discontinued its appeal, leaving Mediabase Corp. as the sole appellant. Bell Canada intends to exercise all available indemnity recourses from third parties that provide the intellectual property upon which its IPTV services are based.

On April 2, 2014, a claim was filed in the Federal Court against Bell Canada, Bell Aliant LP (now Bell Canada) and TELUS Communications Company by Two-Way Media Ltd. The claim alleged that the defendants, by making, constructing, using and selling their IPTV systems, infringed on patents owned by Two-Way Media Ltd. In addition to declaratory and injunctive relief, the plaintiffs sought unspecified damages or an accounting of the defendants’ profits, as well as punitive damages. Bell Canada exercised all available indemnity recourses from third parties that provide the intellectual property upon which its IPTV services are based. In October 2014, the defendants filed a counterclaim seeking a declaration that the patents of Two-Way Media Ltd. are invalid. On April 7, 2017, an out-of-court settlement was entered into.

On January 19, 2018, a claim was filed in the Federal Court against BCE Inc., Bell Canada, Bell Aliant Regional Communications Inc., Bell MTS Inc., and Northerntel L.P. by Rovi Guides, Inc. and Tivo Solutions Inc. Separate and similar actions have been filed by the same plaintiffs against other Canadian telecommunications and cable companies. The claim alleges that the defendants, through their development and use of IPTV systems, have infringed patents owned by the plaintiffs. The claim also alleges that the defendants have, through their marketing and customer support activities, induced users to infringe the patents. In addition to declaratory and injunctive relief, the plaintiffs seek damages in the form of unpaid royalties in relation to the defendants’ revenues from their IPTV services or an accounting of the defendants’ profits. Bell Canada intends to exercise all available indemnity recourses from third parties that provide the intellectual property upon which its IPTV services are based.

CLASS ACTIONS CONCERNING INCREASE TO LATE PAYMENT CHARGES

On October 28, 2010, an application for authorization to institute a class action was filed in the Quebec Superior Court against Bell Canada and Bell Mobility on behalf of all physical persons and corporations who were charged late payment charges since May 2010. The plaintiffs allege 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 Quebec with respect to home phone, wireless and Internet services.

On January 10, 2012, another application for the authorization to institute an identical class action was filed in the Quebec Superior Court against Bell ExpressVu with respect to TV services, later amended to add Bell Canada as defendant. On December 19, 2014, the court authorized the action to proceed as a class action.
CLASS ACTIONS CONCERNING ROUNDING-UP OF MINUTES

On July 25, 2008, a class action was filed against BCE Inc. in the Ontario Superior Court of Justice on behalf of all its residential long distance customers in Canada who, since July 2002, have had their call times rounded up to the next full minute for billing purposes (the First Rounding-Up Action). On August 18, 2008, a similar class action (the Second Rounding-Up Action) was filed against Bell Mobility in the same court on behalf of all Canadian Bell Mobility customers who, since July 2002, have had their wireless airtime rounded up to the next full minute. Both actions allege that BCE Inc. and Bell Mobility misrepresented and did not disclose that they round up to the next full minute when calculating long distance call time or wireless airtime. The class actions seek reimbursement of all amounts received by BCE Inc. and Bell Mobility as a result of the round-up of portion of per minute charges for residential long distance calls and wireless airtime. Each action originally claimed general damages of $20 million, costs of $1 million for administering the distribution of damages and $5 million in punitive damages.

On January 15, 2014, the Second Rounding-Up Action was amended to include an allegation of breach of contract and to increase claimed general damages to $500 million and claimed punitive damages to $20 million, without setting out the basis for the increases. The Second Rounding-Up Action was certified by the court on November 25, 2014.

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

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

CLASS ACTION CONCERNING WIRELESS SYSTEM ACCESS FEES

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

OTHER

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

9 Interest of management and others in material transactions

To the best of our knowledge, there were no current or nominated directors or executive officers or any associate or affiliate of a current or nominated 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.

10 Interest of experts

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

11 Transfer agent and registrar

The transfer agent and registrar for the common shares and preferred shares of BCE in Canada is AST Trust Company (Canada) at its principal offices in Montréal, Québec; Toronto, Ontario; Calgary, Alberta; and Vancouver, British Columbia; and in the U.S. is American Stock Transfer & Trust Company, LLC at its principal office in Brooklyn, New York.

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

The register for Bell MTS’ notes assumed by Bell Canada is kept at the principal office of Computershare Trust Company of Canada (Computershare) in Montréal, and facilities for registration, exchange and transfer of the notes are maintained at Computershare’s offices in Montréal, Toronto and Calgary.

12 For more information

This Annual Information Form as well as BCE’s annual and quarterly reports and news releases are available on BCE’s website at BCE.ca.

Additional information, including information about directors’ and officers’ remuneration and securities authorized for issuance under equity compensation plans, is contained in BCE’s management proxy circular for its most recent annual meeting of shareholders that involved the election of directors.

Additional information relating to BCE is available on SEDAR at sedar.com and on EDGAR at sec.gov. Additional financial information is provided in BCE’s audited consolidated financial statements and the related management’s discussion and analysis for BCE’s most recently completed financial year, contained in the BCE 2017 Annual Report. You may ask for a copy of the annual and quarterly management’s discussion and analysis of BCE by contacting the Investor Relations group of BCE at Building A, 8th Floor, 1, Camille Alexander-Graham-Bell, Verdun, Québec H3E 3B3 or by sending an e-mail to investor.relations@bce.ca.

Shareholder inquiries 1-800-561-0934

Investor relations 1-800-339-6353

BCE Inc. 2017 ANNUAL INFORMATION FORM

Schedule 1 - Audit Committee information
D.F. Denison, FCPA, FCA  Mr. Denison has been a director of BCE since October 2012. Mr. Denison is a corporate director with extensive experience in the financial services industry. He served as Chair of the BCE Board of Directors from September 2016 to September 2019.

MEMBERS’ FINANCIAL LITERACY, EXPERTISE AND SIMULTANEOUS SERVICE

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

The BCE board of directors has determined that all the members of the Audit Committee during 2017 were, and all current members of the Audit Committee are, financially literate and independent, and that the current Chair of the Audit Committee, Mr. P.R. Weiss, and Mr. D.F. Denison, Ms. K. Lee and Ms. M.F. Leroux are qualified as “audit committee financial experts”. The table below outlines the relevant education and experience of all members of the Audit Committee, whether during 2017 or currently.

RELEVANT EDUCATION AND EXPERIENCE

P.R. Weiss, FCPA, FCA (Chair)  Mr. Weiss has been a director of BCE 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 Corporation and a member of the board of trustees and audit committee Chair of Choices Properties REIT. He was a director and audit committee member of The Empire Life Insurance Company until May 2014 and was a director and audit committee member of ING Bank of Canada until November 2012. He is a past Chair of Souperpete Theatre Company and of Toronto Rehab Foundation. For over 40 years, until his retirement in 2008, he was with KPMG LLP (an accounting firm). He served as Managing Partner of the Bachelor of Canadian Audit Practice, 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. He is a Chartered Professional Accountant and a Fellow of CPA Ontario.

D.F. Denison, FCPA, FCA  Mr. Denison has been a director of BCE since October 2012. Mr. Denison is a corporate director with extensive experience in the financial services industry. He served as President and Chief Executive Officer of the Canada Pension Plan Investment Board from 2005 to 2012. Prior to that, Mr. Denison was President of Fidelity Investments Canada Limited (a financial services provider). He has also held a number of senior positions in the investment banking, asset management and consulting sectors in Canada, the U.S. and Europe. Mr. Denison serves as a member of the Investment Board and International Advisory Committee of the Government of Singapore Investment Corporation, the China Investment Corporation International Advisory Council and co-chairs the University of Toronto Investment Committee. He is a director of Royal Bank of Canada. He is Chair of Hydro One Limited. Mr. Denison earned bachelor’s degrees in Mathematics and Education from the University of Toronto, is a Chartered Professional Accountant and a Fellow of CPA Ontario. He was named an Officer of the Order of Canada in 2014 and received an honoursary Doctor of Laws degree from York University in 2018.

R.P. Dexter  Mr. Dexter has been a director of BCE since November 2014. He is Chairman and Chief Executive Officer of Maritime Travel Inc. (an integrated travel company) since 1979. He holds both a bachelor’s degree in Commerce and a bachelor’s degree in Law from Dalhousie University and was appointed Queen’s Counsel in 1995. Mr. Dexter has over 20 years of experience in the communications sector, having served as a director of Tel-Tel Limited from 1997 to 1999 prior to joining the Allant, and later the Bell Aliant boards until October 2014. He is also a counsel to the law firm Stewart McKelvey and Chairman of Sobey’s Inc. and Empire Company Limited from 2004 to 2016.

Mr. Dexter is also a director of High Liner Foods Incorporated and Chairman of Wajax Corporation. He is a past audit committee member of each of these companies, as well as a past audit committee member of Bell Aliant.

Greenberg  Mr. Greenberg has been a director of BCE since July 2013. He is a corporate director and one of four founders who founded Astral. From 1995 until July 2015, Mr. Greenberg was President and Chief Executive Officer of Astral. He is Chair of Coplex Inc., a member of the Broadcasting Hall of Fame and a recipient of the prestigious Ted Rogers Award and Valma Rogers Graham Award for his unique contribution to the Canadian broadcasting system. With his brothers, he also received the Eleanor Roosevelt Humanities Award for their active support of numerous industry and charitable organizations. Mr. Greenberg was a member of the Canadian Council of Chief Executives and a governor of Montreal’s Jewish General Hospital.

K. Lee  Ms. Lee has been a director of BCE since August 2015 and is Chief Executive Officer of 3 Angels Holdings Limited, a real estate holding company, since April 2016. Ms. Lee served as President and Chief Executive Officer of GE Capital Canada from 2010 to February 2015. Prior to this role, Ms. Lee served as Chief Executive Officer of GE Capital Canada from 2007 to 2010, building it from a full equity operating company. Ms. Lee joined GE in 1994, where she held a number of positions, including Director, Mergers & Acquisitions for GE Capital’s Pension Fund Advisory Services based in San Francisco, and Managing Director of GE Capital Real Estate Korea based in Seoul, Korea. Ms. Lee earned a Bachelor of Commerce degree from the University of Toronto. She is a Chartered Professional Accountant and Chartered Accountant. She is active in the community, championing women’s networks and Asia-Pacific firms. Ms. Lee is also a director of Cofers International Group Inc.

M.F. Leroux, FCPA, FCA  Ms. Leroux is Chair of Investissement Québec and a member of the Canada-U.S. Council for Advancement of Women Entrepreneurs and Business Leaders. She is also Strategic Advisor, Fiera Capital Corporation, and Vice-Chair (Canada) of the Trilateral Commission. Ms. Leroux was Chair, President and CEO of Desjardins Group (the leading cooperative financial group in Canada) from March 2008 to April 2018. Prior to that, Ms. Leroux was CFO of Desjardins, Senior Vice-President of Royal Bank of Canada, COO of Quebecor Inc. and Partner of EY Canada. She is a director of Lallemand Investments Inc. and the Rideau Hall Foundation. From 2015 to 2017, Ms. Leroux was President of the International Co-operative Alliance, a global organization representing co-operatives across 150 countries. In 2018, Ms. Leroux will co-Chair the 87th Business Advisory Forum in Quebec City. A fellow of the Institute of Corporate Directors and a recipient of the Woodward Wilson Award (U.S.) and of the Outstanding Achievement Award and Fellowship of the CPA Order. Ms. Leroux is a Member of the Order of Canada, an Officer of the Ordre national du Québec and a Chevalier of the Légion d’honneur (France). She received honorary doctorates from eight Canadian universities and is an “honorary citizen” of the City of Liévin. With a special interest for youth and education, Ms. Leroux lends her time and support to a host of not-for-profit organizations. In 2018, Ms. Leroux will be inducted in the Canadian Business Hall of Fame.

R.C. Simmonds  Mr. Simmonds has been a director of BCE since May 2011. He is a seasoned Canadian telecommunications executive who has served in public company roles from 1994 to 2006. From 1985 until 2000, he served as Chair of Clearnet Communications Inc., a Canadian wireless competitor that launched two all-new digital mobile networks. He became Chair 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 Chair of the Mobile and Personal Communications Committee of the Radio Advisory Board of Canada, a body that provides unbiased and technically expert advice to the federal Department of Innovation, Science and Economic Development, and is a past Chair of the Canadian Wireless Telecommunications Association. A member of the Order of Canada, a Fellow of the Royal Society of Canada’s Telecommunications Hall of Fame and recipient of the Engineering Medal for Entrepreneurship from Professional Engineers Ontario, Mr. Simmonds earned a B.A.Sc. in Engineering Science (Electrical) at the University of Toronto. In October 2013, Mr. Simmonds became a Fellow of the Wireless World Research Forum (an organization dedicated to long-term research in the wireless industry) in recognition of his contribution to the industry.

The NYSE governance rules followed by BCE require that if an audit committee member serves simultaneously on the audit committee of more than three public companies, the board of directors must determine and disclose that this simultaneous service does not impair the ability of the member to effectively serve on the Audit Committee. In addition to serving on the BCE’s Audit Committee, Ms. Monique F. Leroux currently serves on the audit committee of three public companies, Alimentation Couche-Tard Inc., Michelgan Group and S&P Global Inc. The Board has reviewed the Audit Committee service of Ms. Leroux and has concluded that these other activities do not impair her ability to effectively serve on the Audit Committee. This conclusion is based on, the following considerations among others:

- she is not involved in full-time professional activities other than serving on various boards of directors and not-for-profit organizations
- she has extensive accounting and financial knowledge and experience, which serves the best interests of the corporation and assists the Audit Committee in the discharge of its duties
- she makes valuable contributions to the corporation’s Audit Committee, and
- she attended 100% of Board and committee meetings, including the Audit Committee, in 2017.

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 states that:

- 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 responsibility for assessing and reporting on the effectiveness of internal controls
- BCE’s enterprise risk management processes
The amounts of $13.4 million for 2017 and $11.1 million for 2016 reflect fees billed in those fiscal years without taking into account the pre-approval amounts. The amounts of $12.2 million for 2017 and $10.8 million for 2016 reflect fees billed in those fiscal years after taking into account the pre-approval amounts.

**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.

<table>
<thead>
<tr>
<th>Services</th>
<th>2017 (IN $ MILLIONS)</th>
<th>2016 (IN $ MILLIONS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit fees (1)</td>
<td>10.0</td>
<td>8.5</td>
</tr>
<tr>
<td>Audit-related fees (2)</td>
<td>2.1</td>
<td>1.7</td>
</tr>
<tr>
<td>Tax fees (3)</td>
<td>0.5</td>
<td>0.5</td>
</tr>
<tr>
<td>All other fees (4)</td>
<td>0.0</td>
<td>0.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>13.4</strong></td>
<td><strong>11.1</strong></td>
</tr>
</tbody>
</table>

(1) These fees include professional services provided by the external auditors for statutory audits of the annual financial statements, the audit of the effectiveness of internal control over financial reporting, the review of interim financial reports, the review of financial accounting and reporting matters, the review of securities offering documents, other regulatory audits and translations 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.

(4) These fees include any other fees for permitted services not included in any of the above-stated categories. In 2016, the fees are for a subscription to Bersin HR Management.

(5) The amounts of $13.4 million for 2017 and $11.1 million for 2016 reflect fees billed in those fiscal years without taking into account the year in which those services relate. Total fees for services provided for each fiscal year amounted to $10.4 million in 2017 and $9.2 million in 2016.
B. Oversight of the Shareholders’ Auditor

1. Review and discuss with management, the shareholders’ auditor and internal audit, monitor, report and, when 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 independence, objectivity and professional skepticism of the shareholders’ auditor;
   e. any material issues raised by the most recent internal quality-control review, or peer review of the shareholders’ auditor firm, or by any inquiry or investigation by governmental or professional authorities, issued in the reporting year, respecting one or more independent audits carried out by the shareholders’ auditor firm in Canada and the United States, limited to the Public Company Accounting Oversight Board and all steps taken to deal with any such issues.

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

3. 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 major financial risk exposures including fraud prevention;
   b. the Corporation’s major operational risk exposures including the Corporation’s business continuity plans, work stoppage and disaster recovery plans;
   c. the Corporation’s major vendor oversight risk exposures;
   d. the Corporation’s major security risks, including the physical, information and cyber security as well as security trends that may impact the Corporation’s operations and business; and
   e. the Corporation’s major legal and compliance risks including regulatory, privacy and records management, 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 remediating any material deficiencies related to:
   a. security policies, including the physical safeguarding of corporate assets and security of networks and information systems; and
   b. environmental policy and environmental management systems.

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

E. Oversight of the Corporation’s Risk Management

1. Review, monitor, report and, where appropriate, provide recommendations to the Board of Directors on the following:
   a. the Corporation’s processes for identifying, assessing, mitigating and, where required, reporting strategic, operational, regulatory and general risks exposures and the steps the Corporation has taken to monitor and control such exposures, including:
      – the Corporation’s major financial risk exposures including fraud prevention;
      – the Corporation’s major operational risk exposures including the Corporation’s business continuity plans, work stoppage and disaster recovery plans;
      – the Corporation’s major vendor oversight risk exposures;
      – the Corporation’s major security risks, including the physical, information and cyber security as well as security trends that may impact the Corporation’s operations and business; and
      – the Corporation’s major legal and compliance risks including regulatory, privacy and records management, environmental risks, and environment trends that may impact the Corporation’s operations and business.
   b. Review, monitor, report and, where appropriate, provide recommendations to the Board of Directors on the Corporation’s compliance with internal policies and the Corporation’s progress in remediating any material deficiencies related to:
      a. security policies, including the physical safeguarding of corporate assets and security of networks and information systems; and
      b. environmental policy and environmental management systems.

2. 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. Journalistic Independence

1. Consider and approve, on recommendation from the Chief Executive Officer, the appointment and termination of the President, CTV News.

2. At least annually, obtain and review a report by the President, CTV News regarding compliance with the Corporation’s Journalistic Independence Policy.

G. Compliance with Legal Requirements

1. Review and discuss with management, the shareholders’ auditor and internal audit, monitor, report and, where 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.
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, as the context may require, either BCE Inc. or, collectively, BCE Inc., Bell Canada, their subsidiaries, joint arrangements and associates. Bell means, as the context may require, either Bell Canada or, collectively, Bell Canada, its subsidiaries, joint arrangements and associates. MTs means, as the context may require, until March 17, 2017, either Manitoba Telecom Services Inc. or, collectively, Manitoba Telecom Services Inc. and its subsidiaries; and Bell MTs means, from March 17, 2017, the combined operations of MTS and Bell Canada in Manitoba.

All amounts in this MD&A are in millions of Canadian dollars, except where noted. Please refer to section 10.2, Non-GAAP financial measures and key performance indicators (KPIs) on pages 108 to 110 for a list of defined non-GAAP financial measures and key indicators.

Please refer to BCE’s audited consolidated financial statements for the year ended December 31, 2017 when reading this MD&A.

In preparing this MD&A, we have taken into account information available to us up to March 8, 2018, the date of this MD&A, unless otherwise stated.

You will find additional information relating to BCE, including BCE’s audited consolidated financial statements for the year ended December 31, 2017, BCE’s annual information form for the year ended December 31, 2017, dated March 8, 2018 (BCE 2017 AIF) and recent financial reports, on BCE’s website at BCE.ca, on SEDAR at sedar.com and on EDGAR at sec.gov.

This MD&A comments on our business operations, performance, financial position and other matters for the two years ended December 31, 2017 and 2016.

Forward-looking statements are typically identified by the words anticipate, believe, could, could, expect, intend, may, plan, potential, possible, reflect, should, strive, think, 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 (U.S.) Private Securities Litigation Reform Act of 1995.

Unless otherwise indicated by us, forward-looking statements in BCE’s 2017 annual report, including in this MD&A, describe our expectations as at March 8, 2018 and, accordingly, are subject to change after that date. Except as may be required by Canadian securities laws, we do not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Forward-looking statements, by their very nature, are subject to inherent risks and uncertainties and are based on several assumptions, both general and specific, which give rise to the possibility that actual results or events could differ materially from our expectations expressed in, or implied by, such forward-looking statements and that our business outlook, objectives, plans and strategic priorities may not be achieved. As a result, we cannot guarantee that any forward-looking statement will materialize and we caution you against relying on any of these forward-looking statements. Forward-looking statements are presented in BCE’s 2017 annual report, including in this MD&A, for the purpose of assisting investors and others in understanding our objectives, strategic priorities and business outlook as well as our anticipated operating environment. Readers are cautioned, however, that such information may not be appropriate for other purposes.

We have made certain economic, market and operational assumptions in preparing the forward-looking statements contained in BCE’s 2017 annual report and, in particular, but without limitation, the forward-looking statements contained in the previously mentioned sections of this MD&A. These assumptions include, without limitation, the assumptions described in the various sections of this MD&A and all such forward-looking statements are made pursuant to the safe harbour provisions of applicable Canadian securities laws and of the United States (U.S.) Private Securities Litigation Reform Act of 1995.

Important risk factors including, without limitation, competitive, regulatory, economic, financial, operational, technological and other risks that could cause actual results or events to differ materially from those expressed in, or implied by, the previously-mentioned forward-looking statements and other forward-looking statements contained in BCE’s 2017 annual report, and in particular in this MD&A, include, but are not limited to, the risks described or referred to in section 5, Business risks, which section is incorporated by reference in this cautionary statement.

We caution readers that the risks described in the previously mentioned section and in other sections of this MD&A are not the only ones that could affect us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also have a material adverse effect on our financial position, financial performance, cash flows, business or reputation. Except as otherwise indicated by us, forward-looking statements do not reflect the potential impact of any special items or of any dispositions, monetizations, mergers, acquisitions, other business combinations or other transactions that may be announced or that may occur after March 8, 2018. The financial impact of these transactions and special items can be complex and depends on facts particular to each of them. We therefore cannot describe the expected impact in a meaningful way, or in the same way we present known risks affecting our business.
Our goal is to be recognized by customers as Canada’s leading communications company. Our primary business objectives are to grow our subscribers profitably and to maximize revenues, operating profit, free cash flow and return on invested capital by further enhancing our position as the foremost provider in Canada of comprehensive communications services to residential, business and wholesale customers and as Canada’s premier content creation company. We seek to take advantage of opportunities to leverage our networks, infrastructure, sales channels, and brand and marketing resources across our various lines of business to create value for both our customers and other stakeholders. Our strategy is centered on our disciplined focus and execution of six strategic imperatives. The six strategic imperatives that underlie BCE’s business plan are:

1. Adjusted EBITDA, adjusted net earnings and free cash flow are non-GAAP financial measures and do not have any standardized meaning under International Financial Reporting Standards (IFRS). Therefore, they are unlikely to be comparable to similar measures presented by other issuers. See section 10.2, Non-GAAP financial measures and key performance indicators (KPIs) – Adjusted EBITDA and adjusted EBITDA margin, Adjusted net earnings and adjusted EPS and Free cash flow and dividend payout ratio in this MD&A for more details, including reconciliations to the most comparable IFRS financial measure.

2. As a result of the acquisition of MTS on March 17, 2017, our wireless, high-speed Internet, TV and NAS subscriber statistics increased by 416,602 (92,407 postpaid), 204,471 (94,180 FTV) and 199,121 (94,233 residential and 104,888 business) subscribers, respectively. Subsequently, in Q2 2017, Bell’s wireless subscriber base reflects the divestiture of 104,833 postpaid subscribers to TELUS Communications Inc. (TELUS) and the acquisition of 10,723 postpaid subscribers to TELUS’s competitor BCE’s acquisition of TELUS. Following the divestiture and acquisition, Bell’s wireless subscriber base in Q2 2017 also reflected the removal of 7,268 subscribers (2,450 postpaid and 4,818 prepaid) due to the decommissioning of the code division multiple access (CDMA) network in western Canada.

3. Following a review of customer accounts by a wholesale reseller, we adjusted our high-speed Internet subscriber base at the beginning of Q1 2017 to remove 3,751 non-revenue generating units.

4. LTE covered 99% of the Canadian population coast to coast, while LTE-A covered approximately 87% of the Canadian population as of December 31, 2017.

5. LTE-A provides mobile Internet data access speeds as fast as 750 Megabits per second (Mbps) (expected average download speeds of 25 to 230 Mbps), while LTE offers speeds up to 150 Mbps (typical speeds of 12 to 40 Mbps).

6. International voice and roaming capabilities in more than 230 destinations.

### OUR PRODUCTS AND SERVICES

**Bell Wireless**

**SEGMENT DESCRIPTION**

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

**OUR BRANDS INCLUDE**

**BELL**

**OUR NETWORKS AND REACH**

We hold licensed national wireless spectrum, with holdings across various spectrum bands, totaling more than 4,600 million Megahertz (MHz) per Population (MHz-pop), corresponding to a weighted-average of approximately 138 MHz-pop of spectrum across Canada.

The vast majority of our cell towers are connected by fibre, the latest in network infrastructure technology, for a more reliable connection. Our Fourth Generation (4G) Long-Term Evolution (LTE) and LTE Advanced (LTE-A) nationwide wireless broadband networks are compatible with global standards and deliver high-quality and reliable voice and high-speed data services to virtually all of the Canadian population.

- LTE covered 99% of the Canadian population coast to coast, while LTE-A covered approximately 87% of the Canadian population as of December 31, 2017.
- Expansion of our LTE and LTE-A services is supported by continued repurposing of wireless spectrum to increase capacity and coverage.
- In-building coverage improvements to deliver a stronger signal.
- LTE-A provides mobile Internet data access speeds as fast as 750 Megabits per second (Mbps) (expected average download speeds of 25 to 230 Mbps), while LTE offers speeds up to 150 Mbps (typical speeds of 12 to 40 Mbps).
- Reverts to the High-speed packet access plus (HSPA+) network outside LTE coverage areas, with speeds up to 42 Mbps (typical speeds of 7 to 14 Mbps).
- International voice and roaming capabilities in more than 230 destinations.

We manage 6,500 wireless fidelity (Wi-Fi) access points at enterprise customer locations. More than 2,400 retail points of distribution across Canada, including approximately 1,400 Bell-branded stores and The Source locations, Glentel-operated stores (WIRELESSWAVE, Tbooth wireless and WIRELESS etc.) as well as other third-party dealer and retail locations.
Bell Media

## SEGMENT DESCRIPTION

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

## OUR BRANDS INCLUDE

- CraveTV
- Crave
- TSN
- CTV
- discovery
- STARZ
- BNN
- Crave

Bell Wireline

## SEGMENT DESCRIPTION

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

<table>
<thead>
<tr>
<th>OUR NETWORKS AND REACH</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extensive local access network in Ontario, Quebec, the Atlantic provinces and Manitoba, as well as in Canada's Northern Territories</td>
</tr>
<tr>
<td>Largest fibre network in Canada, spanning over 240,000 kilometres (km)</td>
</tr>
<tr>
<td>Broadband fibre network, consisting of fibre-to-the-node (FTTN) and fibre-to-the-premise (FTTP) locations, covering 9.2 million homes and businesses in Ontario, Quebec, the Atlantic provinces and Manitoba. Our FTTP direct fibre-footprint encompassed more than 3.7 million homes and commercial locations at the end of 2017, representing the largest FTTP footprint in Canada.</td>
</tr>
<tr>
<td>Largest Internet protocol (IP) multi-protocol label switching footprint of any Canadian provider, enabling us to offer business customers a virtual private network (VPN) service for IP traffic and to optimize bandwidth for real-time voice and TV</td>
</tr>
<tr>
<td>Largest data centre footprint in Canada with 28 locations in eight provinces, enabling us to offer data centre co-location and hosted services to business customers across Canada</td>
</tr>
<tr>
<td>Largest fibre network in Canada, spanning over 240,000 kilometres (km)</td>
</tr>
<tr>
<td>Includes wireline-related product sales from The Source</td>
</tr>
</tbody>
</table>

## OUR PRODUCTS AND SERVICES

### RESIDENTIAL

- TV: Bell Fibe TV (our IPTV service) and direct-to-home (DTH) satellite TV provide extensive content options with Full High-definition (HD) and 4K Resolution (4K) Whole Home personal video recorder (PVR), 4K Ultra HD programming and on-demand content. Our IPTV service also offers consumers innovative features, including wireless receivers, the Fibe TV app, Restart and access to CraveTV, Netflix and YouTube. We also offer Fibe All TV, an app-based live TV streaming service offering up to 500 live and on-demand channels on laptops, smartphones, tablets and Apple TV with no traditional TV set-top box (STB) required.
- Internet: high-speed Internet access through fibre optic broadband technology or digital subscriber line (DSL) with a wide range of options, including Whole Home Wi-Fi, unlimited usage, security services and mobile Internet. Our fibre optic Internet service, marketed as Fibe Internet, offers speeds up to 100 Mbps with FTTN or 1 Gigabit per second (Gbps) with FTTP.
- Home Phone: local telephone service, long distance and advanced calling features
- Home Security: home security and monitoring services from AlarmForce Industries Inc. (AlarmForce) in Ontario and Québec, from Bell Aliant NextGen Home Security in Atlantic Canada and from AAA Security, a Bell MTS company, in Manitoba
- Bundles: multi-product bundles of TV, Internet and home phone services with monthly discounts

### BUSINESS

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

Bell Wireline

## SEGMENT DESCRIPTION

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

<table>
<thead>
<tr>
<th>OUR BRANDS INCLUDE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bell</td>
</tr>
<tr>
<td>BellAliant</td>
</tr>
<tr>
<td>BellMTS</td>
</tr>
<tr>
<td>Fibe</td>
</tr>
<tr>
<td>NorthWestel</td>
</tr>
<tr>
<td>Source</td>
</tr>
<tr>
<td>BNN</td>
</tr>
<tr>
<td>CraveTV</td>
</tr>
</tbody>
</table>
proceeds of $323 million.

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

On March 17, 2017, BCE completed the acquisition of MTS originally announced on May 2, 2016, purchasing all of the issued and outstanding common shares of MTS for a total consideration of $2,933 million and assumed component of $1,339 million was funded through debt financing and BCE issued approximately 27.6 million common shares for the equity portion of the transaction. The combined companies’ Manitoba operations are now known as Bell MTS. On April 1, 2017, BCE completed the divestiture of approximately one-quarter of postpaid wireless subscribers and 15 retail locations previously held by MTS, as well as certain Manitoba network assets, to TELUS for total proceeds of $323 million.

At the end of 2017, our team included 51,679 employees dedicated to driving shareholder return and improving customer service.

BELL CODE OF BUSINESS CONDUCT

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

1.3 Key corporate developments

MTS ACQUISITION COMPLETED

On March 17, 2017, BCE completed the acquisition of MTS originally announced on May 2, 2016, purchasing all of the issued and outstanding common shares of MTS for a total consideration of $2,933 million and assumed component of $1,339 million was funded through debt financing and BCE issued approximately 27.6 million common shares for the equity portion of the transaction. The combined companies’ Manitoba operations are now known as Bell MTS. On April 1, 2017, BCE completed the divestiture of approximately one-quarter of postpaid wireless subscribers and 15 retail locations previously held by MTS, as well as certain Manitoba network assets, to TELUS for total proceeds of $323 million.
ACQUISITION OF ALARMFORCE

BCE completed its $182 million acquisition of AlarmForce, one of Canada's largest home and business security companies, on January 5, 2018. Combining Bell's residential services brand, broadband network connectivity, distribution, installation and customer service capabilities with AlarmForce's innovative technology and customer base accelerates our competitiveness in the fast-growing Connected Home marketplace.

Bell also offers monitoring and other Connected Home services with Bell Aliant NetGen Home Security in Atlantic Canada and AAA Security, a Bell MTS company, in Manitoba. Also on January 5, 2018, BCE sold AlarmForce's approximately 35,000 customer accounts in British Columbia, Alberta and Saskatchewan to TELUS for total proceeds of approximately $67 million, subject to customary closing adjustments.

RECOGNITION OF BELL'S ENVIRONMENTAL LEADERSHIP

As part of Canada’s Top 100 Employers program, Bell was named one of Canada’s Greenest Employers for 2017. The award recognizes Bell’s ongoing commitment to minimize the environmental impact of our operations and our success in reducing waste and saving energy across our network infrastructure, information technology (IT) systems, buildings and vehicle fleet. Key factors that contributed to Bell's win include:

- Our ISO 14001 certified environmental management system. Bell was the first Canadian communications company to achieve this international standard.
- The Blue Box mobile recycling program, which has recovered more than 1.4 million phones since 2010 and donates proceeds to the Canadian Mental Health Association.
- Bell buildings have received BOMA BEST certifications for environmental performance, including our Montreal campus, which is the largest Leadership in Energy and Environmental Design (LEED) certified building in Quebec.
- Telematics systems in 85% of Bell vehicles provide vital engine information that supports more fuel efficient driving practices.

RECOGNITION OF BELL’S ENVIRONMENTAL LEADERSHIP

On March 8, 2017, BCE announced the nomination of Karen Sheriff for election to the Board of Directors of BCE (BCE Board or Board) and the retirement of Ronald Brenneman from the BCE Board at BCE’s annual general shareholders meeting, held on April 26, 2017. One of Canada’s most successful telecommunications executives, Ms. Sheriff was most recently President and Chief Executive Officer (CEO) of Q9 Networks Inc. (Q9), from January 2015 to October 2016. Prior to her role at Q9, she was President and CEO of Bell Aliant from 2008 to 2014, following more than nine years in senior leadership positions at BCE.

1.4 Capital markets strategy

We seek to deliver sustainable shareholder returns through consistent dividend growth. This objective is underpinned by continued growth in free cash flow and a strong balance sheet, supporting a healthy level of ongoing capital investment on advanced broadband networks and services that are essential to driving the long-term growth of our business.

DIVIDEND GROWTH AND PAYOUT POLICY

<table>
<thead>
<tr>
<th>Dividend growth</th>
<th>2018 dividend increase</th>
<th>Dividend payout policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>+107% since Q4 2008</td>
<td>+5.2% to $0.12 per common share</td>
<td>65%-75% of free cash flow</td>
</tr>
</tbody>
</table>

On February 8, 2018, we announced a 5.2%, or 15 cents, increase in the annualized dividend payable on BCE’s common shares for 2018 to $3.02 per share from $2.87 per share in 2017, starting with the quarterly dividend payable on April 13, 2018. This represents BCE’s 14th increase to its annual common share dividend, representing a 107% increase, since the fourth quarter of 2008. This is BCE’s 10th consecutive year of 5% or better dividend growth, while maintaining the dividend payout ratio(1) within the target policy range of 65% to 75% of free cash flow.

Our objective is to seek to achieve dividend growth while maintaining our dividend payout ratio within the target range and balancing our strategic business priorities. BCE’s dividend payout policy and the declaration of dividends are subject to the discretion of the BCE Board and, consequently, there can be no guarantee that BCE’s dividend policy will be maintained or that dividends will be increased or declared.

(1) Dividend payout ratio is a non-GAAP financial measure and does not have any standardized meaning under IFRS. Therefore, it is unlikely to be comparable to similar measures presented by other issuers. See section 10.2, Non-GAAP financial measures and key performance indicators (KPIs). Free cash flow and dividend payout ratio for more details.

USE OF EXCESS CASH(1)

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

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

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

In 2017, BCE’s excess cash of $906 million, down from $921 million in 2016, was directed towards a $100 million voluntary contribution to fund certain of BCE’s DB pension plans and various acquisitions that support our strategic imperatives, including MTS.

On February 8, 2018, we announced a NCIB program totaling $175 million, under which BCE may purchase for cancellation up to 3,500,000 common shares (subject to a maximum aggregate purchase price of $175 million) over the twelve-month period starting February 13, 2018 and ending no later than February 12, 2019. The repurchase of common shares represents an appropriate use of funds for offsetting share dilution resulting from the exercise of stock options, and will be funded from cash on hand.

TOTAL SHAREHOLDER RETURN PERFORMANCE

<table>
<thead>
<tr>
<th>Five-year total shareholder return (2)</th>
<th>One-year total shareholder return (3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>+80.8%</td>
<td>+9.2%</td>
</tr>
</tbody>
</table>

FIVE-YEAR CUMULATIVE TOTAL VALUE OF A $100 INVESTMENT (3)

<table>
<thead>
<tr>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>$100</td>
<td>$100</td>
<td>$110</td>
<td>$115</td>
<td>$110</td>
<td>$120</td>
</tr>
</tbody>
</table>
We monitor capital by utilizing a number of measures, including net debt(1) to adjusted EBITDA, adjusted EBITDA to net interest expense(1), and dividend payout ratio. BCE’s adjusted EBITDA to net interest expense ratio remains significantly above our internal target range of greater than 7.5 times adjusted EBITDA, providing good predictability in our debt service costs and protection from interest rate volatility for the foreseeable future.

As a result of financing a number of strategic acquisitions made since 2010, including CTIV Inc., Astral Media Inc., MLS, Bell Aliant Inc. (Bell Aliant), Q9 and MTS, voluntary pension plan funding contributions to reduce our pension solvency deficit; wireless spectrum purchases; as well as the incremental debt that was assumed as a result of the privatization of Bell Aliant and the acquisition of MTS, our net debt leverage ratio(1) has increased above the limit of our internal target range of 2.0 to 2.5 times adjusted EBITDA. That ratio is expected to improve over time and return within the net debt leverage target range through growth in free cash flow and applying a portion of excess cash to the reduction of BCE’s indebtedness.

We also seek to maintain investment-grade credit ratings with stable outlooks. BCE’s long-term debt credit rating of BBB (high) by DBRS Limited (DBRS), Ba1 by Moody’s Investors Service (Moody’s) and BBB+ by Standard & Poor’s Ratings Services (S&P), all with stable outlooks.

BCE’s adjusted EBITDA to net interest expense ratio remains significantly above our internal target range of greater than 7.5 times adjusted EBITDA, providing good predictability in our debt service costs and protection from interest rate volatility for the foreseeable future.

1.5 Corporate governance and risk management

CORPORATE GOVERNANCE PHILOSOPHY

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

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

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

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

RISK GOVERNANCE FRAMEWORK

BOARD OVERSIGHT

BCE’s full Board is entrusted with the responsibility for identifying and overseeing the principal risks to which our business is exposed and seeking to ensure there are processes in place to effectively identify, monitor and manage them. These processes seek to mitigate rather than eliminate risk. A risk is the possibility that an event might happen in the future that could have a negative effect on our financial position, financial performance, cash flows, business or reputation. While the Board has overall responsibility for risk, the responsibility for certain elements of the risk oversight program is delegated to Board committees in order to ensure that they are treated with appropriate expertise, attention and diligence. The committees report to the Board in the ordinary course of business.

Risk information is reviewed by the Board or the relevant committee throughout the year, and business leaders present regular updates on the execution of business strategies, risks and mitigation activities.

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

(1) Net debt, net debt leverage ratio and adjusted EBITDA to net interest expense ratio 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 issuers. See and/or, Note 10, Non-GAAP financial measures and key performance indicators (KPIs) - net debt, net debt leverage ratio and Adjusted EBITDA to net interest expense ratio in the MD&A for more details.
There is a strong culture of risk management at BCE that is actively promoted by the Board and the company’s President and CEO at all levels within the organization. It has become a part of how the company operates on a day-to-day basis and is woven into its structure and operating principles, guiding the implementation of the organization’s strategic imperatives.

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

**RISK MANAGEMENT FRAMEWORK**

While the Board is responsible for BCE’s risk oversight program, operational business units are central to the proactive identification and management of risk. They are supported by a range of corporate support functions that provide independent expertise to reinforce implementation of risk management approaches in collaboration with the operational business units. The Internal Audit function provides a further element of expertise and assurance, working to provide insight and support for the operational business units and corporate support functions, while also providing the Audit Committee with an independent perspective on the state of risk and control within the organization. Collectively, these elements can be thought of as a “three lines of defence” approach to risk management. Although the risk management framework described in this section is aligned with industry best practices, there can be no assurance that it will be sufficient to prevent the occurrence of events that could have a material adverse effect on our financial position, financial performance, cash flows, business or reputation.

**FIRST LINE OF DEFENCE – OPERATIONAL BUSINESS UNITS**

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

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

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

**SECOND LINE OF DEFENCE – CORPORATE SUPPORT FUNCTIONS**

BCE is a very large enterprise with 51,670 employees, as of December 31, 2017, multiple business units and a diverse portfolio of risks that is constantly evolving based on internal and external factors. In a large organization, it is common to manage certain functions centrally for efficiency, scale and consistency. While the first line of defense is often central to identification and management of business risks, in many instances operational management works collaboratively with, and also relies on, the corporate functions that make up the second line of defense for support in these areas. These corporate functions include Finance, Corporate Security and Corporate Risk Management, as well as Legal and Regulatory, Corporate Responsibility, Human Resources, Real Estate and Procurement.

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

Corporate Security function: This function is responsible for all aspects of security, which requires a deep understanding of the business, the risk environment and the external stakeholder environment. Based on this understanding, Corporate Security sets the standards of performance required across the organization through security policy definitions and monitors the organization’s performance against these policies. In high and emerging risk areas such as cybersecurity, Corporate Security leverages its experience and competence and, through collaboration with the operational business units, develops strategies intended to seek to mitigate the organization’s risks. For instance, we have implemented security awareness training and policies and procedures that seek to mitigate cybersecurity threats. We further rely on security assessments to identify risks, projects and implementation controls with the objective of ensuring that systems are deployed with the appropriate level of control based on risk and technical capabilities, including access management, vulnerability management, security monitoring and testing, to help identify and respond to attempts to gain unauthorized access to our information systems and networks. However, there is no assurance that our implemented safeguards will prevent the occurrence of material cyber security breaches, intrusions or attacks, or that any insurance we may have will cover the costs, damages, liabilities or losses that could result therefrom.

Corporate Risk Management function: This function works across the company to gather information and report on the organization’s assessment of its principal risks and the related exposures. Annually, senior management participates in a risk survey that provides an important reference point in the overall risk assessment process.

In addition to the activities described above, the second line of defense is also critical in building and operating the oversight mechanisms that bring focus to relevant areas of risk and reinforce the bridges between the first and second lines of defense. This is complementary to the activities described above and helps to ensure that there is a clear understanding of emerging risks, their relevance to the organization and the proposed mitigation plans. To further coordinate efforts between the first and second lines of defense, BCE has established a Health and Safety, Security, Environment and Compliance Oversight Committee. A significant number of BCE’s most senior leaders are members of this committee, the purpose of which is to oversee BCE’s strategic security (including cybersecurity), compliance and, environmental, health and safety risks and opportunities. This cross-functional committee seeks to ensure that relevant risks are adequately recognized and mitigation activities are well integrated and aligned across the organization and are supported with sufficient resources.

**THIRD LINE OF DEFENCE – INTERNAL AUDIT FUNCTION**

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

**2 Strategic imperatives**

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

**2.1 Invest in broadband networks and services**

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

**2017 PROGRESS**

- Expanded our 4G LTE wireless network to reach 99% of the Canadian population coast to coast with download speeds ranging from 75 Mbps to 150 Mbps (expected average download speeds of 12 to 40 Mbps)
- Continued the rollout of our LTE-A wireless network, providing service to approximately 87% of the Canadian population at data speeds up to 260 Mbps (expected average download speeds of 18 to 74 Mbps). In addition, our
In our business markets, we remain focused on expanding our broadband network and strengthening our delivery of integrated solutions to Canadian businesses, while continuing to manage the transformation of broadband services that contribute to the ongoing shift of our operating mix away from legacy wireline voice services.

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

Our strategy is to:

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

Our 2018 FOCUS included:

- Acquired 36% of total new postpaid gross and net activations among the three national wireless carriers, while achieving leading service revenue, ARPU and adjusted EBITDA growth of 10.7%, 3.5% and 9.1%, respectively
- Expanded our smartphone and tablet lineup with 40 new devices, including Apple’s iPhone X, 8 and 8 Plus and Apple Watch Series 3 with built-in cellular, the Samsung Galaxy S8 and S8+, the Samsung Galaxy Note8, Google’s Pixel 2 and Pixel 2 XL, and the LG G6, adding six of the leading 4G LTE and LTE-A devices
- Launched Lucky Mobile, an easy and low-cost prepaid wireless service for budget-conscious Canadians with monthly plans starting at just $20 for unlimited local calling
- Became the Government of Canada’s primary wireless supplier for the next six years, with options to renew
- Launched the Innovations in Agriculture program at the University of Manitoba, providing students with opportunities to develop innovative IoT technologies for application in agriculture and food science
- Launched the First Canadian wireless provider to support the LTE network capabilities of the Apple Watch Series 3. In addition to providing Voice over LTE (VoLTE) technology, Bell launched NumberShare, a service that enables customers to pair their Apple Watch Series 3 with their iPhone using the same phone number
- Continued to grow our business by expanding our fibre footprint to 91% of the Canadian population
- Deployed Quad-band LTE-A to approximately 65% of the Canadian population enabling theoretical speeds up to 750 Mbps (average expected speeds of 25 to 230 Mbps)
- Increased LTE-A peak theoretical speeds to 950 Mbps with 4x4 MIMO (Multiple Input Multiple Output) technology in select urban areas covering approximately 40% of the Canadian population
- Continued to expand our FTTP direct fibre footprint, reaching more than 3.7 million homes and businesses in seven provinces, including approximately 80% of homes and businesses in the city of Toronto. Forty percent of our long-term broadband fibre program was completed at the end of 2017. FTTP enables symmetric Internet download and upload speeds of up to 1 Gbps and will enable the delivery of even faster speeds in the future
- Launched Fibe TV app and offers up to 500 live and on-demand channels on laptops, smartphones, tablets and Apple TV 4th Generation.
- Launched Fibe Alt TV, Canada’s first widely available app-based live TV service, providing a completely new way to watch live and on-demand television. With no traditional TV STB required, Alt TV is accessed through the Fibe TV app and offers up to 500 live and on-demand channels on laptops, smartphones, tablets and Apple TV 4th Generation.
- Launched NumberShare, a service that enables customers to pair their Apple Watch Series 3 with their iPhone using the same phone number
- Leverage Lucky Mobile’s low-cost prepaid wireless service
- Continue to increase the number of postpaid smartphone subscribers using our 4G LTE and LTE-A networks
- Deployed Quad-band LTE-A to approximately 65% of the Canadian population enabling theoretical speeds up to 750 Mbps (average expected speeds of 25 to 230 Mbps)
- Deployed FTTP direct fibre connections throughout the Greater Toronto and 905 geographic region. Bell’s fibre plan will deliver Gigabit Internet speeds and other broadband fibre services to millions of homes and businesses in the region
- Leverage Lucky Mobile to grow prepaid subscriber market share, while providing Canadians with affordable wireless service options
- Expand LTE technology coverage areas and broaden rollout to more supported devices
- Accelerate new revenue streams by continuing to drive the commercialization of IoT services and applications
- Leverage Lucky Mobile’s low-cost prepaid wireless service
- Continue to increase the number of postpaid smartphone subscribers using our 4G LTE and LTE-A networks
- Expand VoLTE technology coverage areas and broaden rollout to more supported devices
- Accelerate new revenue streams by continuing to drive the commercialization of IoT services and applications
- In February 2018, we partnered with the city of Kingston to employ Bell’s Smart City platform to provide a series of connected IoT applications which will enable Kingston to digitize its operations and collect data to make better informed decisions and investments in city operations and infrastructure, benefiting constituents, internal departments and employees while improving citizen engagement
We strive to deliver leading sports, news, entertainment and business content across all screens and platforms to grow audiences. We are also creating more of our own content, ensuring that Canadian attitudes, opinions, values and artistic creativity are reflected in our programming and in our coverage of events in Canada and around the world, and to introduce new services in support of new revenue streams.

2017 PROGRESS

- Maintained CTV’s No. 1 ranking as the most-watched television network in Canada for the 16th year in a row, and continued to lead with a majority of the top 20 programs nationally in all key demographics
- Entered into an agreement with Corus Entertainment Inc. (Corus) to acquire French-language specialty channels Série+ and Historia, further enhancing our competitiveness in the Quebec media landscape. Série+ is a fiction channel, offering locally produced dramas as well as foreign series. Historia broadcasts a suite of locally produced original content including documentaries, reality series and theme series. The transaction is subject to approval by the Canadian Radio-television and Telecommunications Commission (CRTC) and the Competition Bureau.
- Signed an agreement to acquire four FM radio stations in Ontario from Larche Communications Inc. (Larche). Pending completion of the transaction, which already received CRTC approval, the addition of these stations to Bell Media's existing 105 iHeartRadio Canada properties will broaden the network’s industry-leading reach across the country.
- TMN, HBO Canada and TMN Encore launched an offline viewing feature on the TMN GO video-streaming platform, allowing subscribers to download movies and series on their iOS and Android tablets and smartphones for playback without an Internet connection.
- Launched a new and unique and programmatic solution for large format digital inventory using an exclusive self-serve platform, enabling clients to use audience targeting previously only available online.

2018 FOCUS

- Maintain strong audience levels and ratings across all TV and radio properties
- Reinforce industry leadership in conventional TV, pay TV, sports media and radio
- In January 2018, we concluded a long-term agreement with Lionsgate to bring premium U.S. pay TV platform Starz to Canada and distribute the first pay window of Lionsgate’s future theatrical releases in the territory.
- In January 2018, we announced that CraveTV’s HBO offering would expand through 2018 with the addition of Game of Thrones, Girls, The Leftovers, Silicon Valley, Vice Principals, Ballers, Insecure and The Young Pope.
- In February 2018, we launched Snackable TV, a mobile-first, short-form video app delivering premium and shareable entertainment targeted at viewers looking to consume snack-size pieces of content, featuring exclusive content from HBO, Comedy Central, E! and more.

2.6 Achieve a competitive cost structure

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

2017 PROGRESS

- Virgin Mobile Canada (Virgin Mobile) was ranked highest in overall Customer Care Satisfaction in the J.D. Power 2017 Canadian Wireless Customer Care Study released in May, with top scores in the store, call centre and online service categories
- Improved wireless postpaid churn by 0.06 pta in 2017, driven by our investments in customer retention
- Introduced the Same Day/Next Day smartphone repair pilot program in Ontario, reaching many common smartphone users within a few hours with the help of certified technicians using manufacturer-approved parts
- Improved the MyMobil app, achieving a four-star rating on the Apple App Store, and increased mobile transactions by 38% in 2017
- Reduced fibre-to-the-home (FTTH) Residential Fibre TV installation time by 9% in 2017
- Reduced FTTH Residential Fibre TV repair truck rolls per customer by 16% in 2017
- Launched a simplified wireless bill
- Offered Same Day repair appointments to 98% of small business customers, an improvement of 94% since 2014
- Increased the number of self-service transactions by 15% in 2017

2018 FOCUS

- Continue to invest in customer service initiatives to simplify complexity for all customers, including billing
- Further reduce the total volume of customer calls to our call centres
- Further improve customer satisfaction scores
- Achieve better consistency in customer experience
- Continue to improve customer personalization
- Reduce FTTx installation times and improve service quality
- Deploy new diagnostic technology enabling enhanced troubleshooting and proactive service monitoring for our customers
- Simplify the technician-in-field experience through simplification and standardization of technician tools
- Improve troublehosting and diagnostic processes to manage increasing customer and device complexity

2.5 Improve customer service

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

2017 PROGRESS

- Continue to enhance our Fibre TV and All TV services with more advanced features
- In January 2018, we concluded a multi-year agreement with Ericsson to leverage its next-generation, cloud-based MediaFirst TV platform to deliver an even more personalized and seamless multiscreen TV experience for Fibre TV and All TV customers
- Maintain our leadership position in Canadian broadband communications with the most advanced products in the home
- In January 2018, we launched Whole Home Wi-Fi, Canada’s first Wi-Fi service that brings smart and fast Wi-Fi to every room in the home while adapting to changing user requirements. Bell partnered with Plume Design Inc. (Plume) to deliver new access points, called pods, that work with the cloud-based networking intelligence of Bell’s Home Hub 3000 modem to deliver a fully adaptive Wi-Fi service.
- Expand our total base and market share of TV and Internet subscribers profitably
- Reduce total wireless residential net losses
- Increase residential ARPU through greater multi-product household penetration
- Increase share of wallet of large enterprise customers through greater focus on business service solutions and connectivity growth
- Increase the number of net new customer relationships in both large and mid-sized businesses and reduce small business customer losses

2.4 Expand media leadership

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

2018 FOCUS

- Build on our OOH leadership position in Canada
- Develop in-house production and content creation for distribution and use across all screens and platforms
- Grow viewership and scale of CraveTV on-demand streaming service
- Launch a new wireless service that brings smart and fast Wi-Fi to every room in the home while adapting to changing user requirements.
- Increase residential ARPU through greater multi-product household penetration
- Increase share of wallet of large enterprise customers through greater focus on business service solutions and connectivity growth
- Increase the number of net new customer relationships in both large and mid-sized businesses and reduce small business customer losses
- Maintain strong audience levels and ratings across all TV and radio properties
- Reinforce industry leadership in conventional TV, pay TV, sports media and radio
- In January 2018, we concluded a long-term agreement with Lionsgate to bring premium U.S. pay TV platform Starz to Canada and distribute the first pay window of Lionsgate’s future theatrical releases in the territory.
- In January 2018, we partnered with Bloomberg Media to create BNN Bloomberg, Canada’s leading multi-platform business news brand.

2017 PROGRESS

- Concluded a comprehensive multi-year regional broadcast rights agreement with the Montreal Canadiens making TSN the official English-language regional broadcaster of the team beginning with the 2017-2018 season. The agreement sees TSN air a slate of games in the Montreal Canadiens’ designated broadcast region, which spans Eastern and Northern Ontario, Quebec, and Atlantic Canada. RDS continues to be the French-language home for regional Montreal Canadiens games.
- Concluded a multi-year rights agreement extension with the NFL that makes Bell Media the exclusive TV broadcast partner of the NFL in Canada. The partnership also features expanded digital opportunities which include syndication rights for NFL highlights in Canada, as well as expanded footage and programming rights to further bolster Bell Media’s non-game NFL-focused content.
- Reached a multi-year media rights extension with NASCAR, with TSN and RDS retaining exclusive Canadian media rights to all Monster Energy NASCAR Cup Series and NASCAR Xfinity Series races across all platforms.
- The multi-platform agreement features expanded digital rights, with TSN and RDS delivering comprehensive coverage of both NASCAR Cup Series races across the networks’ digital and social media platforms.
- Concluded a strategic partnership with Wow Unlimited Media Inc. (Wow) to produce kids and youth entertainment
- Signed an agreement with Toronto Pearson International Airport, introduced two new large-format digital experiments in close proximity to the country’s largest airport. The new structures provide information about the airport while offering an advertising opportunity reaching millions of passengers and tourists annually. The four faces of the new advertising structures deliver a daily circulation of close to 80,000.
- Concluded a multi-year agreement with Ericsson to leverage its next-generation cloud-based MediaFirst TV platform to deliver an even more personalized and seamless multiscreen TV experience for Fibre TV and All TV customers.
- Maintain CTV’s #1 ranking as the most-watched television network in Canada for the 16th year in a row, and continued to lead with a majority of the top 20 programs nationally in all key demographics
- Entered into an agreement with Corus Entertainment Inc. (Corus) to acquire French-language specialty channels Série+ and Historia, further enhancing our competitiveness in the Quebec media landscape. Série+ is a fiction channel, offering locally produced dramas as well as foreign series. Historia broadcasts a suite of locally produced original content including documentaries, reality series and theme series. The transaction is subject to approval by the Canadian Radio-television and Telecommunications Commission (CRTC) and the Competition Bureau.
- Signed an agreement to acquire four FM radio stations in Ontario from Larche Communications Inc. (Larche). Pending completion of the transaction, which already received CRTC approval, the addition of these stations to Bell Media’s existing 105 iHeartRadio Canada properties will broaden the network’s industry-leading reach across the country.
- TMN, HBO Canada and TMN Encore launched an offline viewing feature on the TMN GO video-streaming platform, allowing subscribers to download movies and series on their iOS and Android tablets and smartphones for playback without an Internet connection.
- Launched an enhanced iHeartRadio Canada app featuring more than 1,000 live radio stations of every genre from across North America, with availability on additional platforms including Apple Watch, Apple CarPlay, Android Wear, Android Auto and Sonos.
Cost containment is a core element of our financial performance. It remains a key factor in our objective to preserve steady margins as we continue to experience revenue declines in our legacy wireline voice and data services and further shift our product mix towards growth services. We aim to accomplish this through operating our business in the most cost-effective way possible to extract maximum operational efficiency and productivity gains.

2017 PROGRESS

- Maintained relatively stable BCE consolidated adjusted EBITDA margin(1) compared to 2016
- Improved Bell Wireline adjusted EBITDA margin by 0.1 points in 2016
- Realized approximately $33 million of operating cost synergies from the integration of MTS into our Bell Wireline and Bell Wireless segments
- Delivered cost savings from ongoing service improvements and savings related to the deployment of FTTP
- Lowered Bell Canada’s average after-tax cost of publicly issued debt securities to 3.2%

2018 FOCUS

- Capture additional operating cost and capital expenditure synergies from the integration of Bell MTS
- Deliver cost savings from workforce reductions, ongoing service improvements, and savings related to the deployment of FTTP to support a stable consolidated adjusted EBITDA margin
- Optimize Bell Media’s operating cost structure to align with revenue results

Our projected financial performance for 2018 is underpinned by continued execution of our six strategic imperatives in a highly competitive and dynamic market. Growth in adjusted EBITDA, including the incremental financial capital investment in broadband fibre and wireless network infrastructure to support future growth.

- Increase our FTTP footprint by approximately 800,000 homes and businesses to 4.5 million locations
- Achieve positive full-year wireline adjusted EBITDA growth through further growth of our residential IPTV and Internet subscriber bases, higher household ARPU from increased penetration of multi-product households and price increases, and realization of further Bell MTS operating cost synergies
- Increase net earnings growth from workforce attrition and retirements, lower contracted rates from our suppliers, reduction in traffic that is not on our wireless network, broader deployment of FTTP, and customer service improvements

Our projected financial performance for 2018 enabled us to increase the annualized BCE common share dividend for 2018 by 14 cents, or 5.1%, to $2.87 per share, maintaining our dividend payout ratio within our target policy range of 65% to 75% of free cash flow.

ASSUMPTIONS

ASSUMPTIONS ABOUT THE CANADIAN ECONOMY

- Gradual slowdown in economic growth, given the Bank of Canada’s most recent estimated growth in Canadian gross domestic product of 2.2% in 2018
- Employment gains expected to slow in 2018, as the overall level of business investment is expected to remain soft
- Canadian dollar expected to remain at or around near current levels. Further movements may be impacted by the degree of strength of the U.S. dollar, interest rates and changes in commodity prices

MARKET ASSUMPTIONS
### 3.3 Principal business risks

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

#### COMPETITIVE ENVIRONMENT

As the scope of our businesses increases and evolving technologies drive new services, delivery models and strategic partnerships, our competitive landscape expands to include new and emerging competitors, certain of which were historically our partners or suppliers, as well as other global scale competitors including, in particular, OTT TV service providers and voice over internet protocol (VoIP) providers and other web-based and OTT players which are disrupting the telecommunications space. Pricing and investment decisions of market participants are based on many factors, such as strategy, market position, technology evolution, customer confidence and economic climate, and collectively these factors could adversely affect our market shares, volume increases and pricing strategies and, consequently, our financial results. Technology substitution, 5G networks and recent regulatory decisions, in particular, continue to reduce barriers to entry in our industry. This has allowed competitors to launch new products and services and gain market share with far less investment in financial, marketing, human, technological and network resources than has historically been required. In particular, some competitors will sell their services through the use of our networks as a result of regulatory requirements applicable to us, without the need to invest to build their own networks. Such lower necessary investment has enabled some competitors to be very disruptive in their pricing. Moreover, foreign OTT players such as Netflix are currently not subject to the same taxation obligations as those imposed on Canadian domestic digital suppliers, which provides them with a competitive advantage over us. We expect these trends to continue in the future and the increased competition we face as a result could negatively impact our business including, without limitation, in the following ways:

- **Competition**: Aggressive market offers could result in pricing pressures, lower margins and increased costs of customer acquisition and retention, and our market shares and sales volumes could decrease if we do not match competitors' pricing levels or increase customer acquisition and retention costs.
- **Higher Canadian wireless penetration**: Could slow opportunities for new customer acquisition.
- **Product substitutions and spending rationalization**: Business customers could result in an acceleration of NAS erosion over our current expectations.

### REGULATORY ENVIRONMENT

Although most of our retail services are not price-regulated, government agencies and departments such as the CRTC, Innovation, Science and Economic Development Canada (ISED), Canadian Heritage and the Competition Bureau continue to play a significant role in regulatory matters such as mandatory access to networks, spectrum auctions, approval of acquisitions, broadcast licensing and foreign ownership requirements. As with all regulated organizations, planned strategies are contingent upon regulatory decisions. Adverse decisions by regulatory agencies or increased regulation could have negative financial, operational, reputational or competitive consequences for our business. For a discussion of our regulatory environment and the principal risks related thereto, refer to section 5, Regulatory environment.

### SECURITY MANAGEMENT

Our operations, service performance and reputation depend on how well we protect our physical and non-physical assets, including networks, IT systems, offices, corporate assets and sensitive information, from events and attacks such as those referred to in section 5, Business risks – Operational performance. Our operations and business continuity depend on how well we protect, test, maintain and replace our networks, IT systems, equipment and other facilities. The protection and effective organization of our systems, applications and information repositories is central to the secure and continuous operation of our networks and business as electronic and physical records of proprietary business and personal data, such as confidential customer and employee information, are all sensitive from a market and privacy perspective. In particular, cyber attacks are constantly evolving and becoming more frequent. Our IT defence need to be constantly monitored and adapted to respond to them. Cyber attacks include, but are not limited to, hacking, computer viruses, denial of service attacks, industrial espionage, unauthorized access to confidential, proprietary or sensitive information, phishing or other attacks on network or IT security. We are also exposed to cyber threats as a result of actions that may be taken by our customers, suppliers, employees or independent third parties, whether malicious or not, including as a result of the use of social media, cloud-based solutions and IT consumerization. Vulnerabilities could harm our brand and reputation and adversely affect customer and investor confidence as well as our financial results given that they may lead to:

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

In addition, cyber attacks and other security breaches affecting our suppliers or other business partners could also adversely affect our operations and financial results.

Although we evaluate and seek to adapt our security policies, procedures and controls that are designed to protect our assets, there is no assurance that these will prevent the occurrence of material cybersecurity breaches, intrusions or attacks, or that any insurance we may have will cover the costs, damages, liabilities or losses that could result thereof.

### 4 Consolidated financial analysis

This section provides detailed information and analysis about BCE’s performance in 2017 compared with 2016. It focuses on BCE’s consolidated operating results and provides financial information for our Bell Wireless, Bell Wireline and Bell Media business segments. For further discussion and analysis of our business segments, refer to section 5, Business segment analysis.

#### 4.1 Introduction

**BCE CONSOLIDATED INCOME STATEMENTS**

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>$ CHANGE</th>
<th>% CHANGE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating revenues</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service</td>
<td>21,143</td>
<td>20,090</td>
<td>1,053</td>
<td>5.3%</td>
</tr>
<tr>
<td>Product</td>
<td>1,576</td>
<td>1,629</td>
<td>(53)</td>
<td>(3.3%)</td>
</tr>
<tr>
<td>Total operating revenues</td>
<td>22,719</td>
<td>21,719</td>
<td>1,000</td>
<td>4.6%</td>
</tr>
<tr>
<td><strong>Operating costs</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(15,561)</td>
<td>(12,931)</td>
<td>(2,630)</td>
<td>(510)</td>
<td>(4.7%)</td>
</tr>
<tr>
<td><strong>Adjusted EBITDA</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(5,170)</td>
<td>(9,991)</td>
<td>(4,821)</td>
<td>(5,650)</td>
<td>(56.6%)</td>
</tr>
<tr>
<td><strong>Depreciation</strong></td>
<td>40.4%</td>
<td>40.5%</td>
<td>(0.1) pts</td>
<td>(0.7%)</td>
</tr>
<tr>
<td><strong>Amortization</strong></td>
<td>(463)</td>
<td>(431)</td>
<td>(32)</td>
<td>(7.4%)</td>
</tr>
<tr>
<td><strong>Financi costs</strong></td>
<td>(514)</td>
<td>(514)</td>
<td>(0)</td>
<td>(0.0%)</td>
</tr>
<tr>
<td><strong>Income before income taxes</strong></td>
<td>(472)</td>
<td>(536)</td>
<td>(64)</td>
<td>(11.9%)</td>
</tr>
<tr>
<td><strong>Income before income taxes</strong></td>
<td>(472)</td>
<td>(536)</td>
<td>(64)</td>
<td>(11.9%)</td>
</tr>
<tr>
<td><strong>Effective tax rate</strong></td>
<td>40.5%</td>
<td>40.4%</td>
<td>(0.1) pts</td>
<td>(0.7%)</td>
</tr>
</tbody>
</table>

For a detailed description of the principal risks relating to our regulatory environment and a description of the other principal business risks that could have a material adverse effect on our financial position, financial performance, cash flows, business, reputation, refer to section 5, Regulatory environment, and section 5, Business risk, respectively.
Free cash flow increased $192 million in 2017, compared to 2016, due to higher cash flows from operating activities excluding voluntary DB pension plan contributions, partly offset by higher capital expenditures.

Net earnings in 2017 decreased 3.8%, compared to 2016, due to higher depreciation and amortization expense, higher other expense which included impairment charges of $82 million relating to our Bell Media segment, an increase in finance costs and higher severance, acquisition and other costs which included costs related to the acquisition of MTS. This was partly offset by higher adjusted EBITDA, due to growing revenues more than offset an increase in operating costs, and by lower income taxes.

2017 adjusted EBITDA grew by 4.4% with a corresponding adjusted EBITDA margin of 40.4% as a result of year-over-year increases in our Bell Wireless and Bell Wireline segments, offset by a decline in our Bell Media segment.

The year-over-year increase in adjusted EBITDA was driven by the flow-through of the service revenue growth, the contribution from our acquisitions and continued effective cost management. This was moderated by higher investment in customer retention and acquisition at Bell Wireless and escalating content and programming costs at Bell Media.

### 4.2 Customer connections

#### TOTAL BCE CONNECTIONS

<table>
<thead>
<tr>
<th>2017</th>
<th>2016</th>
<th>% CHANGE</th>
<th>% CHANGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wireless subscribers&lt;br&gt;(1)</td>
<td>9,104,787</td>
<td>8,468,923</td>
<td>7.0%</td>
</tr>
<tr>
<td>Postpaid&lt;br&gt;(1)</td>
<td>8,416,850</td>
<td>7,890,727</td>
<td>6.8%</td>
</tr>
<tr>
<td>High-speed Internet subscribers&lt;br&gt;(1)&lt;br&gt;(2)</td>
<td>3,790,141</td>
<td>3,478,162</td>
<td>8.5%</td>
</tr>
<tr>
<td>TV (satellite and IPTV subscribers)&lt;br&gt;(1)&lt;br&gt;(2)</td>
<td>2,832,380</td>
<td>2,744,909</td>
<td>3.3%</td>
</tr>
<tr>
<td>gRTP&lt;br&gt;(2)</td>
<td>1,560,417</td>
<td>1,337,844</td>
<td>17.0%</td>
</tr>
<tr>
<td>Total growth services</td>
<td>10,799,285</td>
<td>9,800,253</td>
<td>10.2%</td>
</tr>
<tr>
<td>Wireless NAS lines&lt;br&gt;(1)&lt;br&gt;(2)</td>
<td>8,309,485</td>
<td>8,257,752</td>
<td>0.6%</td>
</tr>
<tr>
<td>Total services</td>
<td>22,109,711</td>
<td>20,948,075</td>
<td>5.5%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2017</th>
<th>2016</th>
<th>% CHANGE</th>
<th>% CHANGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wireless subscribers</td>
<td>333,084</td>
<td>223,541</td>
<td>49.3%</td>
</tr>
<tr>
<td>Postpaid</td>
<td>346,779</td>
<td>210,331</td>
<td>65.3%</td>
</tr>
<tr>
<td>High-speed Internet subscribers&lt;br&gt;(2)</td>
<td>87,880</td>
<td>85,099</td>
<td>3.2%</td>
</tr>
<tr>
<td>TV (satellite and IPTV subscribers)&lt;br&gt;(2)</td>
<td>136,174</td>
<td>130,091</td>
<td>4.7%</td>
</tr>
<tr>
<td>gRTP&lt;br&gt;(2)</td>
<td>187,712</td>
<td>150,153</td>
<td>25.0%</td>
</tr>
<tr>
<td>Total growth services</td>
<td>609,296</td>
<td>517,665</td>
<td>17.6%</td>
</tr>
<tr>
<td>Wireless NAS lines</td>
<td>427,080</td>
<td>415,406</td>
<td>2.9%</td>
</tr>
<tr>
<td>Total services</td>
<td>1,036,176</td>
<td>1,033,065</td>
<td>0.3%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2017</th>
<th>2016</th>
<th>% CHANGE</th>
<th>% CHANGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>TV (satellite and IPTV subscribers)</td>
<td>107,712</td>
<td>128,428</td>
<td>-16.8%</td>
</tr>
<tr>
<td>Total services</td>
<td>6,821,000</td>
<td>7,784,000</td>
<td>-12.5%</td>
</tr>
</tbody>
</table>

BCE added 400,328 net new customer connections to its growth services in 2017, representing a 27.2% improvement over 2016. This consisted of:

- 416,783 postpaid wireless customers, and the net loss of 83,695 prepaid wireless customers
- 97,860 high-speed Internet customers
- 107,712 IPTV customers and 128,428 satellite TV net customer losses

NAS Nett losses were 357,065 in 2017, an improvement of 14.0% over 2016.

Total BCE customer connections across all services increased by 5.5% in 2017 compared to last year, driven by the subscribers acquired as part of the acquisition of MTS, as well as increases in our growth services customer base, offset in part by the continued but moderating erosion in traditional NAS lines.

All the end of 2017, BCE customer connections totaled 22,109,711 and were comprised of the following:

- 9,166,787 wireless subscribers, up 8.2% compared to 2016, and included 8,418,650 postpaid wireless subscribers, an increase of 9.5% compared to the prior year
- 3,790,141 high-speed Internet subscribers, 9.0% higher year over year
- 2,832,380 total TV subscribers, up 3.2% compared to 2016, and included 1,550,317 IPTV customers, up 15.9% year over year
- 6,320,483 total NAS lines, an increase of 1.0% compared to 2016
BELL WIRELESS

Bell Wireless operating revenues increased by 10.1% in 2017, compared to last year, driven by both higher service and product revenues. Service revenues grew by 10.7%, reflecting a larger postpaid subscriber base, higher blended ARPU and the contribution from the acquisition of MTS. The growth in blended ARPU was driven by the greater proportion of postpaid customers in our total subscriber base, higher average monthly rates due to the flow-through of 2016 pricing changes, and higher smartphone penetration along with a growing base of postpaid LTE and LTE-A customers in our subscriber mix, driving up data consumption and demand for larger data plans. This was partially offset by the unfavourable impact of Telecom Decision CRTC 2016-171 (Telecom Decision CRTC 2016-171), issued by the CRTC on May 5, 2016, related to 30-day cancellation policies, which clarified that service providers must provide pro-rated refunds, based on the number of days left in the last monthly billing cycle after cancellation, certain aspects of which are currently the subject matter of an application for clarification by TELUS Communications Company pursuant to the Telecommunications Act and Part 1 of the CRTC Rules of Practice. The year-over-year growth in service revenues was also moderated by the increased adoption of all-inclusive voice and text rate plans resulting in lower out-of-bundle usage. Product revenues increased by 3.1%, mainly due to the greater proportion of premium devices in our sales mix, higher customer upgrades and gross activations, and the contribution from the acquisition of MTS, partially offset by greater promotional offers due to a highly competitive marketplace.

BELL WIRELINE

Bell Wireline operating revenues increased by 2.6% in 2017, compared to last year, driven by service revenue growth of 3.4%, offset in part by a decrease in product revenues of 5.9%. The growth in service revenues was attributable to the acquisitions of MTS and Q9, Internet and IPTV subscriber growth combined with higher household ARPU. The growth in revenues was moderated by the continued erosion in our voice, satellite TV and legacy-data services, increased acquisition, retention and bundle discounts to match aggressive offers from cable competitors and regulatory pressures due to unfavourable CRTC rulings in 2016 relating to Internet tariffs for aggregated wholesale high-speed access services and Telecom Decision CRTC 2016-171. The decline in product revenues was driven by lower demand for equipment by large business customers, attributable to market softness and competitive pricing pressures, as well as lower sales of consumer electronics at The Source, partly offset by the favourable contribution from the MTS acquisition.

BELL MEDIA

Bell Media operating revenues increased by 0.7% in 2017, compared to 2016, due to higher subscriber revenues driven by growth in our subscriber base from our TV Everywhere Go Products and CraveTV, rate increases on contract renewals and the benefit from the expansion of TSN into a national pay TV service in March 2016. This was partially offset by lower advertising revenues mainly due to continued market softness and declines in audience levels across both conventional and specialty TV and radio media platforms, as well as reflecting the negative impact on conventional TV advertising revenues from the CRTC’s decision to eliminate simultaneous substitution for the NFL Super Bowl. The decline in advertising revenues was moderated by growth in CTV advertising revenues as a result of the contribution from the Cineplex Media Ltd. (Cineplex Media) acquisition in January 2017 and from newly awarded contracts.

4.4 Operating costs

BCE Total operating costs increased by 4.7% in 2017, compared to 2016, resulting from higher costs in all three of our segments.

BELL WIRELESS

Bell Wireless operating costs increased by 10.0% in 2017, compared to last year, as a result of:

- Increased customer retention spending primarily from greater promotional pricing driven by a competitive market, a higher proportion of premium smartphone devices in our upgrade mix, increased handset costs and an increase in the volume of subsidized upgrades reflecting a greater number of contract expires
- Higher subscriber acquisition costs due to greater promotional pricing driven by a highly competitive market, a larger proportion of high-end smartphones in our sales mix, increased handset costs, a larger proportion of postpaid gross activations in our mix and increased gross activations
- The acquisition of MTS
- Increased network operating costs driven by higher LTE and LTE-A network usage
- Increased labour costs to support the growth of the business

BELL WIRELINE

Bell Wireline operating costs increased by 2.4% in 2017, compared to 2016, as a result of:

- The acquisitions of MTS and Q9
- Greater programming costs in our TV business due to the growth in our subscriber base and contractual rate increases
- Increased fleet expenses from higher fuel and refuelling costs
- Greater marketing and sales expense in our retail market to support subscriber acquisitions

These factors were partially offset by:
- Lower labour costs attributable to workforce reductions, vendor contract savings, as well as lower call volumes to our customer service centres
- Reduced cost of goods sold resulting from lower product sales
- Lower payments to other carriers driven by lower sales of international long-distance minutes
- Lower travel and entertainment costs

BELL MEDIA

Cost of revenues includes costs of wireless devices and other equipment sold, network and content costs, and payments to other carriers.

Other operating costs include marketing, advertising and sales commission costs, bad debt expense, taxes other than income taxes, IT costs, professional service fees and rent.
Bell Media operating costs increased by 2.1% in 2017, compared to last year, mainly due to higher programming and content costs from the ongoing ramp up of content for CraveTV and pay TV services, deal renewals for specialty TV programming, content costs associated with TMN’s national expansion, escalating costs for sports rights as well as higher OOH expenses resulting from the Cieslok Media acquisition and the execution of newly awarded contracts. This increase in operating costs was partially mitigated by reduced labour costs driven mainly by workforce reductions.

50 BCE Inc. 2017 ANNUAL REPORT

4.5 Net earnings

BCE

<table>
<thead>
<tr>
<th>Year</th>
<th>Net earnings ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$3,067</td>
</tr>
<tr>
<td>2017</td>
<td>$2,970</td>
</tr>
</tbody>
</table>

Bell Media adjusted EBITDA decreased by 3.6% in 2017, compared to the previous year, due to higher programming and content costs and flow-through of the advertising revenue decline which included the unfavourable impact of the CRTC’s decision to eliminate simultaneous substitution for the NFL Super Bowl. This was moderated by continued growth in subscriber revenues and lower labour costs.

4.6 Adjusted EBITDA

BCE

<table>
<thead>
<tr>
<th>Segment</th>
<th>2017 ($ million)</th>
<th>2016 ($ million)</th>
<th>% CHANGE</th>
<th>% CHANGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bell Wireless</td>
<td>3,276</td>
<td>3,003</td>
<td>273</td>
<td>9.1%</td>
</tr>
<tr>
<td>Bell Wireline</td>
<td>5,186</td>
<td>5,042</td>
<td>144</td>
<td>2.9%</td>
</tr>
<tr>
<td>Bell Media</td>
<td>716</td>
<td>743</td>
<td>-27</td>
<td>-3.6%</td>
</tr>
<tr>
<td>Total BCE</td>
<td>9,178</td>
<td>8,788</td>
<td>390</td>
<td>4.4%</td>
</tr>
</tbody>
</table>

BCE’s adjusted EBITDA increased by 4.4% in 2017, compared to 2016, driven by growth in our Bell Wireless and Bell Wireline segments, offset in part by a decline in our Bell Media segment. This resulted in a relatively stable adjusted EBITDA margin of 40.4% compared to 40.5% experienced last year.

Bell Wireless adjusted EBITDA increased by 9.1% in 2017, compared to last year, reflecting the flow-through of higher operating revenues from the continued growth in our subscriber base and in blended ARPU along with the contribution from the acquisition of MTS, moderated by higher year-over-year operating expenses primarily driven by our increased investment in customer retention and acquisition together with the incremental expense contribution from Bell MTS. Adjusted EBITDA margin, based on wireless operating service revenues, declined by 0.6 pts to 44.6% in 2017, compared to 45.2% in the prior year.

Bell Wireline adjusted EBITDA increased by 2.9% in 2017, compared to 2016, resulting from the acquisitions of MTS and Q9, growth in our Internet and IPTV businesses, as well as reflecting disciplined cost containment. This was partly offset by the continued decline of voice, satellite TV and legacy data revenues, including the effect of reduced customer spending and competitive pressures in our business market and the impact of regulatory pressures.

4.7 Severance, acquisition and other costs

This category includes various income and expenses that are not related directly to the operating revenues generated during the year.

BCE

<table>
<thead>
<tr>
<th>Year</th>
<th>Severance, acquisition and other costs ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$135</td>
</tr>
<tr>
<td>2017</td>
<td>$190</td>
</tr>
</tbody>
</table>
2017
Severance, acquisition and other costs included:
- Severance costs related to workforce reduction initiatives of $79 million
- Acquisition and other costs of $111 million, which included transaction costs, such as legal and financial advisory fees, related to completed or potential acquisitions, severance and integration costs as well as a loss on transfer of spectrum licenses to Xplornet Communications Inc. related to the MTS acquisition

2016
Severance, acquisition and other costs included:
- Severance costs related to workforce reduction initiatives of $87 million
- Acquisition and other costs of $48 million, which included transaction costs, such as legal and financial advisory fees, related to completed or potential acquisitions, as well as severance and integration costs relating to the privatization of Bell Aliant

4.8 Depreciation and amortization

The amount of our depreciation and amortization in any year is affected by:
- How much we invested in new property, plant and equipment and intangible assets in previous years
- How many assets we retired during the year
- Estimates of the useful lives of assets

<table>
<thead>
<tr>
<th>BCE Depreciation (in $ million)</th>
<th>BCE Amortization (in $ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016 $2,677</td>
<td>2016 $631</td>
</tr>
<tr>
<td>2017 $3,007</td>
<td>2017 $913</td>
</tr>
</tbody>
</table>

DEPRECIATION
Depreciation in 2017 increased by $160 million, compared to 2016, mainly due to the acquisition of MTS and a higher asset base as we continued to invest in our broadband and wireless networks as well as our IPTV service. The increase was partly offset by lower depreciation due to an increase in the estimate of useful lives of certain assets as a result of our ongoing annual review process. The changes in useful lives have been applied prospectively, effective January 1, 2017, and did not have a significant impact on our financial statements.

AMORTIZATION
Amortization in 2017 increased by $182 million, compared to 2016, due mainly to the acquisition of MTS and a higher asset base.

4.9 Finance costs

<table>
<thead>
<tr>
<th>BCE Interest expense (in $ million)</th>
<th>BCE Interest on post-employment benefit obligations (in $ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016 $989</td>
<td>2016 $61</td>
</tr>
<tr>
<td>2017 $955</td>
<td>2017 $72</td>
</tr>
</tbody>
</table>

INTEREST EXPENSE
Interest expense in 2017 increased by $87 million, compared to 2016, mainly as a result of higher average debt levels due in part to the acquisition of MTS, partly offset by lower average interest rates.

INTEREST ON POST-EMPLOYMENT BENEFIT OBLIGATIONS
Interest on our post-employment benefit obligations is based on market conditions that existed at the beginning of the year. On January 1, 2017, the discount rate was 4.0% compared to 4.2% on January 1, 2016. In 2017, interest expense decreased by $9 million, compared to last year, due to a lower post-employment benefit obligation at the beginning of the year.

The impacts of changes in market conditions during the year are recognized in other comprehensive income (loss) (OCI).

4.10 Other (expense) income

Other (expense) income includes income and expense items, such as:
- Net mark-to-market gains or losses on derivatives used as economic hedges
- Impairment of assets
- Losses on disposal and retirement of software, plant and equipment
- Equity (loss) income from investments in associates and joint ventures
- Early debt redemption costs
- Net gains (losses) on investments, including gains (losses) when we dispose of, write down or reduce our ownership in investments

<table>
<thead>
<tr>
<th>BCE Other (expense) Income (in $ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016 $(100)</td>
</tr>
<tr>
<td>2017 $21</td>
</tr>
</tbody>
</table>

Other expense of $102 million included impairment charges of $83 million related to our music TV channels and two small market radio station cash-generating units (CGUs) within our Bell Media segment, losses on retirements and disposals of property, plant and equipment and intangible assets of $47 million, losses from our equity investments of $31 million which included BCE’s share of an obligation to repurchase at fair value the minority interest in one of BCE’s joint ventures, early debt redemption costs of $20 million, partly offset by net mark-to-market gains on derivatives used as economic hedges of share-based compensation and U.S. dollar purchases of $88 million.
Other income of $21 million included net mark-to-market gains of $67 million on derivatives used as economic hedges of share-based compensation and U.S. dollar purchases and gains on investments of $58 million which included a gain related to one of our equity investments of $24 million, as well as a gain of $12 million due to the revaluation of BCE's previously held equity interest in Q9 to its fair value. These were partly offset by losses of $89 million on equity investments which included BCE's share of the loss recorded by one of our equity investments on the sale of a portion of their operations of $46 million and $11 million equity losses on our share of an obligation to repurchase at fair value the minority interest in one of BCE's joint ventures. Additionally, BCE recorded losses of $28 million on disposal of property, plant and equipment and intangible assets.

4.11 Income taxes

BCE

Income taxes (in $ million)

<table>
<thead>
<tr>
<th>Period</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income from operations</td>
<td>2,970</td>
<td>3,087</td>
</tr>
<tr>
<td>Add back income taxes</td>
<td>1,039</td>
<td>1,110</td>
</tr>
<tr>
<td>Earnings before income taxes</td>
<td>4,009</td>
<td>4,197</td>
</tr>
<tr>
<td>Applicable statutory tax rate</td>
<td>27.1%</td>
<td>27.1%</td>
</tr>
<tr>
<td>Income taxes computed at statutory income tax rate</td>
<td>(1,086)</td>
<td>(1,137)</td>
</tr>
<tr>
<td>Non-taxable portion of losses on investments</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td>Uncertain tax positions</td>
<td>16</td>
<td>9</td>
</tr>
<tr>
<td>Effect of change in provincial corporate income tax rate</td>
<td>(2)</td>
<td>4</td>
</tr>
<tr>
<td>Change in estimate relating to prior periods</td>
<td>51</td>
<td>46</td>
</tr>
<tr>
<td>Non-taxable portion of equity losses</td>
<td>(15)</td>
<td>(23)</td>
</tr>
<tr>
<td>Other</td>
<td>(6)</td>
<td>(2)</td>
</tr>
<tr>
<td>Total income taxes (1,039)</td>
<td>4,009</td>
<td>4,197</td>
</tr>
</tbody>
</table>

Average effective tax rate 25.9% 26.4%

4.12 Net earnings attributable to common shareholders and EPS

BCE

Net earnings attributable to common shareholders (in $ million)

<table>
<thead>
<tr>
<th>Period</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net earnings attributable to common shareholders</td>
<td>$2,970</td>
<td>$3,087</td>
</tr>
</tbody>
</table>

BCE EPS (in $)

<table>
<thead>
<tr>
<th>Period</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>BCE Earnings before income taxes</td>
<td>$3,009</td>
<td>$3,033</td>
</tr>
<tr>
<td>BCE EPS</td>
<td>$3.12</td>
<td>$3.39</td>
</tr>
</tbody>
</table>

Free cash flow increased $192 million in 2017, compared to 2016, due to higher cash flows from operating activities excluding voluntary DB pension plan contributions, partly offset by higher capital expenditures.

4.13 Capital expenditures

BCE

Capital expenditures (in $ million)

<table>
<thead>
<tr>
<th>Period</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital expenditures</td>
<td>5,033</td>
<td>4,017</td>
</tr>
</tbody>
</table>

BCE capital expenditures were up $83 million, or 7.0%, in 2017 compared to 2016, driven by greater spending at Bell Wireline and Bell Media, while spending at Bell Wireless remained relatively stable. As a percentage of revenue, capital expenditures for BCE were 17.0% in 2017 compared to 17.4% last year. Our capital spending supported the continued deployment of our broadband fibre directly to more homes and businesses, including the rollout of Gigabit Fibre infrastructure in the city of Toronto and other urban areas along with the commencement of the FTT TP build-out in the city of Montréal that was announced on March 27, 2017. Our capital investments also included the continued rollout of our 4G LTE and LTE-A mobile networks, as well as the enhancement and expansion of our wireless network to increase network speeds and to support the growth in our subscriber base and data consumption.

4.14 Cash flows

In 2017, BCE’s cash flows from operating activities, which included the contributions from the MTS acquisition, increased $715 million, compared to 2016, due mainly to higher adjusted EBITDA, a lower voluntary DB pension plan contribution made in 2017, improved working capital and lower severance and other costs paid, partly offset by higher income taxes paid and higher interest payments.

Free cash flow increased $192 million in 2017, compared to 2016, due to higher cash flows from operating activities excluding voluntary DB pension plan contributions, partly offset by higher capital expenditures.
5 Business segment analysis

5.1 Bell Wireless

In 2017, we achieved the highest market share of postpaid subscriber net additions in the Canadian wireless industry and delivered a fifth consecutive year of industry-leading wireless service revenue and adjusted EBITDA growth among incumbent national carriers.

KEY ELEMENTS OF RELEVANT STRATEGIC IMPERATIVES

Invest in broadband networks and services

2017 PROGRESS
- Expanded our 4G LTE wireless network to reach 99% of the Canadian population coast to coast with download speeds ranging from 75 Mbps to 150 Mbps (expected average download speeds of 12 to 40 Mbps)
- Continued the rollout of our LTE-A wireless network, providing service to approximately 34% of the Canadian population at data speeds up to 260 Mbps (expected average download speeds of 19 to 74 Mbps). In addition, our Tri-band LTE-A footprint covered 34% of the population with download speeds of up to 335 Mbps (expected average download speeds of 25 to 100 Mbps).
- Launched North America’s first Quad-band LTE-A network deployment capable of delivering theoretical speeds of up to 750 Mbps (expected average download speeds of 25 to 230 Mbps in select areas). Bell’s Quad Band service expanded to 25% of Canadians, encompassing 91 cities.

2018 FOCUS
- Expand LTE-A network footprint to approximately 92% of the Canadian population
- Deploy Quad-band LTE-A to approximately 60% of the Canadian population enabling theoretical speeds up to 750 Mbps (average expected speeds of 25 to 230 Mbps)
- Increase LTE-A peak theoretical speeds to 950 Mbps with 4x4 MIMO (Multiple Input Multiple Output) technology in select urban areas covering approximately 40% of the Canadian population
- Increase mall cell deployment and in-building coverage to increase urban densification and support evolution to 5G services
- Launch an LTE-M wireless network to support the rapidly increasing use of IoT devices on LPWANs in Canada. LTE-M improves the operating efficiency of IoT devices by enabling very low power consumption and better coverage in underground and other hard to reach locations.

Accelerate wireless

2017 PROGRESS
- Acquired 36% of total new postpaid gross and net activations among the three national wireless carriers, while achieving leading service revenue, ARPU and adjusted EBITDA growth of 10.7%, 3.5% and 9.1%, respectively
- Increased the number of postpaid subscribers on our LTE network to 88% of our total postpaid subscribers, up from 81% at the end of 2016
- Expanded our smartphone and tablet lineup with 40 new devices, including Apple’s iPhone X, 8 and 8 Plus and Apple Watch Series 3 with built-in cellular, the Samsung Galaxy S8 and S8+, the Samsung Galaxy Note8, Google’s Pixel 2 and Pixel 2 XL, and the LG G6, adding to our extensive selection of 4G LTE and LTE-A devices
- Launched Lucky Mobile, an easy and low-cost prepaid wireless service for budget-conscious Canadians with monthly plans starting at just $20 for unlimited local calling. Initially available to consumers in Ontario, Alberta and British Columbia, Lucky Mobile offers service in 17 zones covering most major cities across the country, including data access at 3G-equivalent access speeds.
- Became the Government of Canada’s primary wireless supplier for the next six years, with options to renew. Bell will supply voice, text, and data services and approximately 230,000 mobile devices to federal employees in more than 100 departments and agencies.
- First Canadian wireless provider to support the LTE network capabilities of the Apple Watch Series 3. In addition to providing VoLTE technology, Bell launched NumberShare, a service that enables customers to pair their Apple Watch Series 3 with their iPhone using the same phone number.
- Continued the rollout of our LTE-A wireless network, providing service to approximately 87% of the Canadian population at data speeds up to 260 Mbps (expected average download speeds of 12 to 74 Mbps). In addition, our Tri-band LTE-A footprint covered 34% of the population with download speeds of up to 335 Mbps (expected average download speeds of 25 to 100 Mbps).
- Increased the number of postpaid subscribers on our LTE network to 88% of our total postpaid subscribers, up from 81% at the end of 2016
- Deployed Quad-band LTE-A to approximately 60% of the Canadian population enabling theoretical speeds up to 750 Mbps (average expected speeds of 25 to 230 Mbps)
- Increase LTE-A peak theoretical speeds to 950 Mbps with 4x4 MIMO (Multiple Input Multiple Output) technology in select urban areas covering approximately 40% of the Canadian population
- Increase mall cell deployment and in-building coverage to increase urban densification and support evolution to 5G services
- Launch an LTE-M wireless network to support the rapidly increasing use of IoT devices on LPWANs in Canada. LTE-M improves the operating efficiency of IoT devices by enabling very low power consumption and better coverage in underground and other hard to reach locations.

Accelerate wireless

2017 PROGRESS
- Took a leadership position in the fast-growing IoT sector, which enables the interconnection of a range of devices and applications that send and receive data
- Bell MTS launched the Innovations in Agriculture program at the University of Manitoba, providing students with opportunities to develop innovative IoT technologies for application in agriculture and food science
- Concluded an agreement with Hyundai AutoEver Telematics America (HATEA), a subsidiary of Hyundai Motor Group. To deliver a range of connected telematics services including security, safety, diagnostics and information to select Hyundai and Kia vehicles over Bell’s national mobile network
- Partnered with Baidu’s Baidu Panda team to implement an automated IoV solution for the Huron River Trail in Canada to help improve planning and sustainability programs
- First Canadian carrier to offer global connectivity for our leading-edge IoT platforms and applications. Bell’s Global IoT connectivity solutions offer our customers uninterrupted worldwide network access and the ability to manage all of their international devices remotely from a single web-based platform by embedding Bell’s Global SIM cards into their products.

2018 FOCUS
- Profitably grow our wireless postpaid subscriber base, while maintaining market share momentum of incumbent postpaid subscriber activations
- Continue to increase ARPU
- Offer the latest handsets and devices in a timely manner to enable customers to benefit from ongoing technological improvements by manufacturers and from faster data speeds to optimize the use of our services
- Continue to increase the number of postpaid smartphone subscribers using our 4G LTE and LTE-A networks
- Leverage Lucky Mobile to grow prepaid subscriber market share, while providing Canadians with affordable wireless service options
- Expand IoT technology coverage areas and broaden rollout to more supported devices
- Accelerate new revenue streams by continuing to drive the commercialization of IoT services and applications
- In February 2018, we partnered with the city of Kingston to employ Bell’s Smart City platform to provide a series of connected IoT applications which will enable Kingston to digitize its operations and collect data to make better informed decisions and investments in city operations and infrastructure, benefiting constituents, internal departments and employees while improving citizen engagement

Bell Wireless

2017 ANNUAL REPORT
Virgin Mobile was ranked highest in overall Customer Care Satisfaction in the J.D. Power 2017 Canadian Wireless Customer Care Study released in May, with top scores in the store, call centre and online service categories

- Improved wireless postpaid churn by 0.06 pts in 2017, driven by our investments in customer retention
- Introduced the Same Day/Next Day smartphone repairs pilot program in Ontario, resolving many common smartphone issues within a few hours with the help of certified technicians using manufacturer-approved parts
- Improved the MyBell app, achieving a four-star rating on the Apple App Store, and increased mobile transactions by 38% in 2017
- Launched a simplified wireless bill
- Increased the number of self-serve transactions by 15% in 2017

2018 FOCUS

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

Achieve a competitive cost structure

2017 PROGRESS

- Realized operating cost synergies from the integration of MTS
- Delivered cost savings from ongoing service improvements

2018 FOCUS

- Capture additional operating cost and capital expenditure synergies from the integration of Bell MTS
- Deliver cost savings from ongoing service improvements

FINANCIAL PERFORMANCE ANALYSIS

2017 PERFORMANCE HIGHLIGHTS

- Bell Wireless operating revenues increased by 10.1% in 2017, compared to last year, driven by growth in both service and product revenues.

Service revenues grew by 10.7% in 2017, compared to 2016, reflecting a larger postpaid subscriber base and higher blended ARPU, which included the contribution from the acquisition of MTS. Blended ARPU increased due to the greater proportion of postpaid customers in our total subscriber base, higher average monthly rates mainly driven by the flow-through of 2016 pricing changes and greater smartphone penetration along with a growing base of postpaid LTE and LTE-A customers in our subscriber mix, driving up data consumption and demand for larger data plans. The growth in service revenues was moderated by the unfavourable impact of Telecom Decision CRTC 2016-171 and the increased adoption of all-inclusive voice and text rate plans resulting in lower out of bundle usage.

Product revenues increased by 3.1% in 2017, compared to last year, mainly due to the greater proportion of premium devices in our sales mix, higher customer upgrades and gross activations, and the contribution from the acquisition of MTS, partially offset by greater promotional offers due to a highly competitive marketplace.

BELL WIRELESS RESULTS

REVENUES

<table>
<thead>
<tr>
<th>Service/Revenue</th>
<th>2017</th>
<th>2016</th>
<th>$ CHANGE</th>
<th>% CHANGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>External revenue</td>
<td>7,350</td>
<td>6,642</td>
<td>708</td>
<td>10.7%</td>
</tr>
<tr>
<td>Total revenue</td>
<td>7,350</td>
<td>6,642</td>
<td>708</td>
<td>10.7%</td>
</tr>
</tbody>
</table>

Blended ARPU per month

- 2017: $677
- 2016: $656
- +3.5%

Smartphone penetration of postpaid subscribers

- 83%

Bell Wireless operating revenues increased by 10.1% in 2017, compared to last year, driven by growth in both service and product revenues.

OPERATING COSTS AND ADJUSTED EBITDA

<table>
<thead>
<tr>
<th>Costs/EBITDA</th>
<th>2017</th>
<th>2016</th>
<th>$ CHANGE</th>
<th>% CHANGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating costs</td>
<td>(4,607)</td>
<td>(4,156)</td>
<td>(451)</td>
<td>(10.9)%</td>
</tr>
<tr>
<td>Adjusted EBITDA</td>
<td>3,276</td>
<td>3,003</td>
<td>273</td>
<td>9.1%</td>
</tr>
<tr>
<td>Total adjusted EBITDA margin</td>
<td>41.6%</td>
<td>41.9%</td>
<td>(0.3) pts</td>
<td></td>
</tr>
<tr>
<td>Adjusted EBITDA margin (service revenues)</td>
<td>44.6%</td>
<td>45.2%</td>
<td>(0.6) pts</td>
<td></td>
</tr>
</tbody>
</table>
Bell Wireless operating costs increased by 10.9% in 2017, compared to last year, as a result of:

- Increased customer retention spending primarily from greater promotional pricing driven by a competitive market, a higher proportion of premium smartphone devices in our upgrade mix, increased handset costs and an increase in the volume of subsidised upgrades reflecting a greater number of contract expires.
- Higher subscriber acquisition costs due to greater promotional pricing driven by a highly competitive market, a larger proportion of high-end smartphones in our sales mix, increased handset costs, a larger proportion of prepaid gross activations in our mix and a higher number of gross activations.
- The acquisition of MTS.
- Increased network operating costs driven by higher LTE and LTE-A network usage.
- Higher labour costs to support the growth of the business.

Bell Wireless adjusted EBITDA increased by 9.1% in 2017, compared to last year, reflecting the flow-through of higher year-over-year operating revenues from the continued growth in our subscriber base and adjusted ARPU along with the contribution from the acquisition of MTS, offset in part by higher year-over-year operating expenses primarily driven by our increased investment in customer retention and acquisition, together with the incremental expense contribution from Bell MTS. Adjusted EBITDA margin, based on wireless operating service revenues, declined by 0.8 pts to 44.6% in 2017, compared to 45.2% in the prior year.

BLIxE Wireless OPERATING METRICS

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>CHANGE</th>
<th>% CHANGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Blended ARPU ($/month)</td>
<td>67.77</td>
<td>5.75</td>
<td>5.5%</td>
</tr>
<tr>
<td>Gross activations</td>
<td>1,780,478</td>
<td>474,632</td>
<td>2.7%</td>
</tr>
<tr>
<td>Prepaid</td>
<td>1,522,429</td>
<td>415,026</td>
<td>5.4%</td>
</tr>
<tr>
<td>Prepaid</td>
<td>248,053</td>
<td>249,632</td>
<td>0.5%</td>
</tr>
<tr>
<td>Net activations</td>
<td>332,684</td>
<td>223,041</td>
<td>49.3%</td>
</tr>
<tr>
<td>Postpaid</td>
<td>415,779</td>
<td>315,201</td>
<td>32.2%</td>
</tr>
<tr>
<td>Postpaid</td>
<td>(55,692)</td>
<td>(32,700)</td>
<td>9.9%</td>
</tr>
<tr>
<td>Blended churn % (average per month)</td>
<td>1.35%</td>
<td>0.06pts</td>
<td></td>
</tr>
<tr>
<td>Prepaid</td>
<td>1.19%</td>
<td>0.06pts</td>
<td></td>
</tr>
<tr>
<td>Prepaid</td>
<td>3.77%</td>
<td>(0.04)pts</td>
<td></td>
</tr>
<tr>
<td>Subscribers(1)</td>
<td>9,266,797</td>
<td>8,468,972</td>
<td>9.2%</td>
</tr>
<tr>
<td>Prepaid</td>
<td>8,416,650</td>
<td>7,692,727</td>
<td>9.5%</td>
</tr>
<tr>
<td>Postpaid</td>
<td>748,137</td>
<td>772,145</td>
<td>(3.9)%</td>
</tr>
</tbody>
</table>

(1) As a result of the acquisition of MTS on March 17, 2017, our wireless subscriber base in Q1 2017 increased by 749,632 subscribers (1,745,175 postpaid and 795,543 prepaid), primarily due to the acquisition of MTS's network. Bell’s wireless subscriber base reflected the divestiture of 104,833 postpaid subscribers to TELUS related to BCE’s acquisition of MTS. Bell’s wireless subscriber base in Q2 2017 also reflected the divestiture of 7,388 subscribers (2,490 prepaid and 4,898 postpaid) due to the divestiture of the DCM network in Western Canada.

Blended ARPU of $67.77 increased by 3.5% in 2017, compared to last year, driven by the growth in the proportion of postpaid customers in our total subscriber base, growth in prepaid ARPU reflecting the flow-through of pricing changes and a greater mix of customers with smartphones and other data devices in our total subscriber base increasing the demand for larger data plans due to greater data consumption from e-mail, web browsing, social networking, mobile banking, messaging, mobile TV, and entertainment services such as video streaming, music downloads and gaming. The growth in ARPU was also favourably impacted by greater data consumption driven by the higher speeds enabled by the continued expansion of our LTE and LTE-A networks. The year-over-year increase in blended ARPU was moderated by the negative impact of Telecom Decision CRTC 2016-171 along with the unfavourable impact of larger data usage thresholds, unlimited local and long distance calling, and a greater mix of shared plans.

Total gross wireless activations increased by 7.6% in 2017, compared to last year, due to both higher prepaid and postpaid gross activations.

- Postpaid gross activations increased by 8.9% in 2017, reflecting our leadership in technology and network speed, successful execution of targeted promotions across all our retail channels, greater network quality, the contribution from the acquisition of Bell MTS and the on-boarding of customers from a long-term mobile services contract shared with Shaw Communications Canada.

- Postpaid gross activations increased by 0.5% in 2017, driven by the contribution from the acquisition of Bell MTS and the launch of Lucky Mobile in December 2017, our new low-cost prepaid mobile service.

Blended wireless churn of 1.36% improved by 0.08 pts in 2017, compared to last year, due to lower postpaid churn, offset in part by higher prepaid churn.

- Postpaid churn of 3.17% increased by 0.04 pts in 2017, due to the lower subscriber base outpacing the year-over-year favourability in the deactivations.

Postpaid net activations increased by 32.2% in 2017, compared to 2016, driven by greater gross activations and the contribution from the acquisition of Bell MTS, offset in part by higher customer deactivations.

Prepaid net customer losses increased by 9.3% in 2017, compared to last year, driven by lower customer deactivations and higher gross activations.

Wireless subscribers at December 31, 2017 totalled 9,186,787, including the subscribers acquired through the acquisition of MTS, net of those divested to TELUS. The proportion of Bell Wireless customers subscribing to postpaid service increased to 92% in 2017 from 91% in 2016.

COMPETITIVE LANDSCAPE AND INDUSTRY TRENDS

COMPETITIVE LANDSCAPE

The wireless market is the largest sector of the Canadian telecommunications industry, representing over 50% of total revenues, and is currently growing at a mid-single digit rate annually.

There are more than 31 million wireless subscribers in Canada. The market is highly competitive among several well-established national competitors as well as a number of regional competitors. Rogers Communications Inc. (Rogers) holds the largest share by virtue of its legacy global system for mobile communications (GSM) network. However, Bell has had significant success winning subscribers as well as the largest proportion of industry revenue and adjusted EBITDA growth since 2009, supported by the launch of our HSPA+, 4G LTE and LTE-A networks, industry-leading mobile network speeds, expanded retail distribution, the purchase of Virgin Mobile, a strong brand and holds the largest share by virtue of its legacy global system for mobile communications (GSM) network. However, Bell has had significant success winning subscribers as well as the largest proportion of industry revenue and adjusted EBITDA growth since 2009, supported by the launch of our HSPA+, 4G LTE and LTE-A networks, industry-leading mobile network speeds, expanded retail distribution, the purchase of Virgin Mobile, a strong brand and network in major cities in Alberta, British Columbia and Ontario. Shaw reached an agreement with Apple Inc. enabling Shaw’s Freedom Mobile brand to offer iPhone products beginning in December 2017. Shaw’s re-farming of advanced wireless services-1 (AWS-1) spectrum and deployment of 2500 MHz spectrum is expected to be completed in 2018, and will make older smartphone versions (iPhones and Samsung Galaxy) compatible with Freedom Mobile.

In June 2017, the Western Canadian-based cable TV company, Shaw Communications Inc. (Shaw), acquired 700 MHz and 2500 MHz spectrum licences from Québecor Media Inc. (Québecor) to support the build-out of an urban LTE network in major cities in Alberta, British Columbia and Ontario. Shaw reached an agreement with Apple Inc. enabling Shaw’s Freedom Mobile brand to offer iPhone products beginning in December 2017. Shaw’s re-farming of advanced wireless services-1 (AWS-1) spectrum and deployment of 2500 MHz spectrum is expected to be completed in 2018, and will make older smartphone versions (iPhones and Samsung Galaxy) compatible with Freedom Mobile.

Competitors

- Large facilities-based national wireless service providers Rogers and TELUS Corporation.
- Smaller facilities-based wireless service provider Freedom Mobile, which currently provides service in Toronto, Calgary, Vancouver, Edmonton and Ottawa, as well as in several communities in southwestern Ontario.
- Regional facilities-based wireless service providers Videotron, which provides service in Montréal and other parts of Québec; Saskatchewan Telecommunications Holding Company (SaskTel), which provides service in Saskatchewan; and Eastlink, which launched service in Nova Scotia and Prince Edward Island in February 2013.
- Mobile virtual network operators (MVNOs), who resell competitors’ wireless networks, such as PC Mobile.

Canadian wireless market share(1)

<table>
<thead>
<tr>
<th></th>
<th>2017 ANNUAL REPORT</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>BCE Inc.</td>
</tr>
<tr>
<td>Total</td>
<td>33%</td>
</tr>
<tr>
<td>Rogers</td>
<td>29%</td>
</tr>
<tr>
<td>Telus</td>
<td>28%</td>
</tr>
<tr>
<td>Freedom Mobile</td>
<td>3%</td>
</tr>
<tr>
<td>Other</td>
<td>9%</td>
</tr>
</tbody>
</table>

(1) Revenue share may add up to 100% due to rounding.
KEY WIRELESS METRICS – SHARE FOR NATIONAL CARRIERS

POSTPAID NET ADDITIONS (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>BCE</td>
<td>24%</td>
<td>27%</td>
<td>28%</td>
<td>28%</td>
</tr>
<tr>
<td>TELUS</td>
<td>26%</td>
<td>33%</td>
<td>34%</td>
<td>35%</td>
</tr>
<tr>
<td>RCI</td>
<td>40%</td>
<td>43%</td>
<td>41%</td>
<td>42%</td>
</tr>
</tbody>
</table>

REPORTED EBITDA GROWTH (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>BCE</td>
<td>5%</td>
<td>8%</td>
<td>11%</td>
<td>13%</td>
</tr>
<tr>
<td>TELUS</td>
<td>10%</td>
<td>13%</td>
<td>16%</td>
<td>18%</td>
</tr>
<tr>
<td>RCI</td>
<td>15%</td>
<td>18%</td>
<td>21%</td>
<td>23%</td>
</tr>
</tbody>
</table>

SERVICE REVENUE GROWTH (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>BCE</td>
<td>2%</td>
<td>4%</td>
<td>6%</td>
<td>8%</td>
</tr>
<tr>
<td>TELUS</td>
<td>3%</td>
<td>5%</td>
<td>7%</td>
<td>9%</td>
</tr>
<tr>
<td>RCI</td>
<td>5%</td>
<td>7%</td>
<td>9%</td>
<td>11%</td>
</tr>
</tbody>
</table>

INDUSTRY TRENDS

ACCELERATING DATA CONSUMPTION

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

SIGNIFICANT INVESTMENTS IN WIRELESS NETWORKS

Fast growth in mobile data traffic is increasingly putting a strain on wireless carriers’ networks and their ability to manage and service this traffic. Industry Canada’s 700 MHz, advanced wireless services-3 (AWS-3), and 2500 MHz spectrum auctions that concluded in 2014 and 2015 provided wireless carriers with prime spectrum to roll out faster next-generation wireless networks and build-greater capacity. Carrier aggregation is a technology currently being employed by Canadian wireless carriers that allows for multiple channels of spectrum to be used together, thereby significantly increasing network capacity and data transfer rates. Investments in fibre backhaul to cell sites and the deployment of small-cell technology further increase the efficient utilization of carriers’ spectrum holdings.

CUSTOMERS BRINGING THEIR OWN DEVICES

With the CRTC’s Wireless Code limiting wireless contract terms to two years from three years, the number of customers on expired contracts has increased. As a result, subscribers are increasingly bringing their own devices or keeping their existing devices for longer periods of time and therefore may not enter into new contracts for wireless services. This may negatively impact carriers’ subscriber churn, but may also create gross addition opportunities as a result of increased churn from other carriers. Additionally, this trend may negatively impact the monthly service fees charged to subscribers; however, the service revenue generated by these customers helps improve margins due to lower spending on device subsidies.

BUSINESS OUTLOOK AND ASSUMPTIONS

2018 OUTLOOK

We expect continued revenue growth driven primarily by a greater number of postpaid subscribers and higher ARPU. We expect ARPU to continue to increase, but at a slower pace compared to 2017, as the market continues to mature and as more customers subscribe to rate plans with larger data thresholds. We will seek to achieve higher revenues from data growth, through increased use of our 4G LTE and LTE-A networks, higher demand for services such as social media, music and streaming of content, as well as nascent services including mobile commerce and other IoT applications. Our intention is to introduce new services to the market in a way that balances innovation with profitability.

We also remain focused on sustaining our market share of incumbent postpaid net additions in a disciplined and cost-conscious manner, while also growing our share of new industry prepaid net additions. We anticipate higher year-over-year net additions, driven by continued strong postpaid market momentum, reflecting Bell’s network speed and technology leadership; the onboarding of customers from our recently won Shared Services Canada wireless services contract; a renewed focus on prepaid with the launch of Lucky Mobile; and incremental growth opportunities in Manitoba with the full integration of Bell MTS.

We plan to deliver adjusted EBITDA growth in 2018 from continued healthy revenue growth, which should be partly offset by higher subscriber acquisition and retention spending consistent with a sustained high level of competitive market activity.

ASSUMPTIONS

- Maintain our market share of incumbent wireless postpaid net additions
- Continued adoption of smartphone devices, tablets and data applications, as well as the introduction of more 4G LTE and LTE-A devices and new data services
- Higher subscriber acquisition and retention spending, driven by higher handset costs and more customer device upgrades, reflecting a higher number of off-contract subscribers due to earlier expiries under two-year contracts
- Higher blended ARPU, driven by a higher postpaid smartphone mix, increased data consumption on 4G LTE and LTE-A networks, and higher access rates
- Expansion of the LTE-A network coverage to approximately 92% of the Canadian population
- Ability to monetize increasing data usage and customer subscriptions to new data services
- Ongoing technological improvements by handset manufacturers and from faster data network speeds that allow customers to optimize the use of our services
- No material financial, operational or competitive consequences of changes in regulations affecting our wireless business

KEY GROWTH DRIVERS

- Increasing Canadian wireless industry generation
- Increasing customer adoption of smartphones, tablets and other 4G LTE devices to increase mobile data usage
- Greater number of postpaid customers on our 4G LTE and LTE-A networks
### 5.2 Bell Wireline

Bell Wireline achieved positive adjusted EBITDA growth for a third consecutive year in 2017, driven by strong Internet and IPTV subscriber base growth, higher household ARPU, the financial contribution of Bell MTS and related integrated synergies, as well as operating cost savings that drove an improvement in our North American industry-leading margin to 41.8%.

#### KEY ELEMENTS OF RELEVANT STRATEGIC IMPERATIVES

**Invest in broadband networks and services**

**2017 PROGRESS**

- Continued to expand our FTTx direct fibre footprint, reaching more than 3.7 million homes and businesses in seven provinces, including approximately 40% of homes and businesses in the City of Toronto.
- Forty percent of our long-term broadband fibre program was completed at the end of 2017. FTTx enables symmetrical Internet download and upload speeds of up to 1 Gbps and will enable the delivery of even faster speeds in the future.
- Began the build-out of broadband fibre directly to 1.1 million residences and business locations throughout Montreal, representing the largest-ever communications infrastructure project in Quebec with a planned capital investment of $854 million. Montreal joins a growing number of centres across Quebec that are fully wired with Bell fibre, including Quebec City where fibre deployment was launched in 2012. By the end of 2017, Bell fibre reached approximately 40% of homes and businesses throughout the province of Quebec, including 14% of all locations in Montreal.

**2018 FOCUS**

- Expand FTTx broadband fibre footprint to approximately 4.5 million total combined homes and commercial locations.
- In February 2018, we announced the expansion of FTTx direct fibre connections throughout the Greater Toronto and 905 geographic region. Bell’s fibre plan will deliver Gigabit Internet speeds and other broadband fibre service innovations to more than 1.3 million homes and businesses in the region.
- Leverage wireline momentum.

**Leverage wireline momentum**

**2017 PROGRESS**

- Maintained our position as Canada’s largest TV provider with 2,032,300 subscribers, and increased our total number of IPTV subscribers by 15.9% to 1,055,317.
- Built on our position as the leading ISP in Canada with a high-speed Internet subscriber base of 2,750,141, up 9.0% over 2016, including one million FTTx customers.
- Launched Fibe TV, Canada’s first widely available app-based live TV service, providing a completely new way to watch live and on-demand television. With no traditional TV STB required, All TV is accessed through the Fibe TV app and offers up to 500 live and on-demand channels on laptops, smartphones, tablets and Apple TV 4th Generation.
- Continued to lead television innovation in Canada with ongoing enhancements to our IPTV service.
- Fibe TV customers in Ontario and Quebec can watch their PVR recordings on the go in their tablets, smartphones and laptops with the Fibe TV app.
- Customers with 4K Whole Home PVR can access YouTube, in addition to CraveTV and Netflix.
- Acquired AlarmForce (transaction completed on January 5, 2018), a Canadian leader in home security and monitoring services, as part of Bell’s strategic expansion in the fast-growing Connected Home marketplace. Combining the assets and experience of AlarmForce with Bell’s strength in networks, customer service and distribution will enable Bell to deliver the latest Connected Home services to customers in Ontario, Quebec, Atlantic Canada and Manitoba.

**2018 FOCUS**

- Continue to enhance our Fibe TV and Alt TV services with more advanced features.
- Partnered with Akamai Technologies Inc. (Akamai), a global leader in content delivery and cloud services, to expand our portfolio of integrated web security solutions for business customers. Complementing Bell solutions to help businesses increase productivity, minimize risk and maximize service differentiation, Akamai’s leading cloud security, web performance, and media delivery products strengthen our ability to identify security threats, proactively prevent attacks, and support customers in optimizing their online presence.
- Recognised by IDC Canada as a leader in delivering security services for business customers. Bell was the only telco company in IDC’s Leaders Category, which included large multinationals such as CGI, IBM and Deloitte. Evaluators noted that Bell’s extensive network enables us to quickly leverage cyber threat intelligence to provide a complete range of advanced threat detection, mitigation and prevention services.

**REGULATORY ENVIRONMENT**

**RISK**

- Greater regulation of wireless services and pricing (e.g. the mandating of wholesale roaming rates by the CRTC that are materially different than those we have proposed, additional mandated access to wireless networks and limitations placed on future spectrum bidding).

**POTENTIAL IMPACT**

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

**MARKET MATURITY AND INCREASED DEVICE COSTS**

**RISK**

- Slower subscriber growth due to high Canadian smartphone penetration and increased device costs.

**POTENTIAL IMPACT**

- A maturing wireless market and higher device costs could challenge subscriber growth and the cost of acquisition and retention, putting pressure on the financial performance of our wireless business.

---

**PRINCIPAL BUSINESS RISKS**

- Customer usage of new data applications and services.
- Pressure on our adjusted EBITDA, ARPU, churn and cost of service due to increased competition.
- Increased regulatory risk.
- Slower subscriber growth due to high Canadian smartphone penetration and increased device costs.
- A maturing wireless market and higher device costs could challenge subscriber growth and the cost of acquisition and retention, putting pressure on the financial performance of our wireless business.

---

**5 MD&A Bell Wireline**

- 562 BCE Inc. 2017 ANNUAL REPORT

---

**63 BCE Inc. 2017 ANNUAL REPORT**
**2017 PROGRESS**

- Improved the MyBell app, achieving a four-star rating on the Apple App Store, and increased mobile transactions by 38% in 2017
- Reduced FTTH Residential Fibe TV installation time by 3% in 2017
- Reduced FTTH Residential Fibe TV repair truck rolls per customer by 18% in 2017
- Offered Same Day repair appointments to 68% of small business customers, an improvement of 94% since 2014
- Increased the number of self-serve transactions by 15% in 2017

**2018 FOCUS**

- Continue to invest in customer service initiatives to simplify complexity for all customers, including billing
- Further reduce the total volume of customer calls to our call centres
- Further improve customer satisfaction scores
- Achieve better consistency in customer experience
- Continue to improve customer personalization
- Reduce FTTP installation times and improve service quality
- Deploy new diagnostic technology enabling enhanced troubleshooting and proactive service monitoring for our customers
- Simplify the technician in-field experience through simplification and innovation of technician tools
- Improve troubleshooting and diagnostic processes to manage increasing customer and device complexity

**Achieve a competitive cost structure**

**2017 PROGRESS**

- Improved Bell Wireline adjusted EBITDA margin by 0.1 pts over 2016
- Realized operating cost synergies from the integration of MTS
- Delivered cost savings from ongoing service improvements and savings related to the deployment of FTTP

**2018 FOCUS**

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

---

**FINANCIAL PERFORMANCE ANALYSIS**

**2017 PERFORMANCE HIGHLIGHTS**

1. As a result of the acquisition of MTS on March 17, 2017, our high-speed Internet, TV and NAS subscriber bases increased by 229,470, 108,107 (104,661 IPTV) and 419,816 (223,663 residential and 196,153 business) subscribers, respectively.
2. Following a review of customer accounts by a wholesale reseller, we have adjusted our high-speed Internet subscriber base at the beginning of Q1 2017 to remove 3,751 non-revenue generating units.

---

**BELL WIRELINE RESULTS**

<table>
<thead>
<tr>
<th>Revenues</th>
<th>2017</th>
<th>2016</th>
<th>$ Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Data</td>
<td>7,146</td>
<td>6,791</td>
<td>355</td>
<td>5.2%</td>
</tr>
<tr>
<td>Local and access</td>
<td>3,161</td>
<td>3,089</td>
<td>72</td>
<td>2.3%</td>
</tr>
<tr>
<td>Long distance</td>
<td>639</td>
<td>741</td>
<td>(102)</td>
<td>(13.8%)</td>
</tr>
<tr>
<td>Other services</td>
<td>659</td>
<td>141</td>
<td>(430)</td>
<td>(13.8%)</td>
</tr>
<tr>
<td>Total external service revenues</td>
<td>11,159</td>
<td>9,580</td>
<td>1,579</td>
<td>16.5%</td>
</tr>
<tr>
<td>Inter-segment service revenues</td>
<td>158</td>
<td>177</td>
<td>(19)</td>
<td>(10.9%)</td>
</tr>
<tr>
<td>Total operating service revenues</td>
<td>11,317</td>
<td>9,757</td>
<td>1,560</td>
<td>16.1%</td>
</tr>
<tr>
<td>Data</td>
<td>519</td>
<td>523</td>
<td>(4)</td>
<td>(0.8%)</td>
</tr>
<tr>
<td>Equipment and other</td>
<td>527</td>
<td>555</td>
<td>(28)</td>
<td>(5.0%)</td>
</tr>
<tr>
<td>Total external product revenues</td>
<td>1,046</td>
<td>1,114</td>
<td>(68)</td>
<td>(6.1%)</td>
</tr>
<tr>
<td>Inter-segment product revenues</td>
<td>12</td>
<td>18</td>
<td>(6)</td>
<td>(33.3%)</td>
</tr>
<tr>
<td>Total operating product revenues</td>
<td>1,058</td>
<td>1,100</td>
<td>(42)</td>
<td>(3.9%)</td>
</tr>
<tr>
<td>Total Bell Wireline revenues</td>
<td>12,415</td>
<td>12,104</td>
<td>311</td>
<td>2.6%</td>
</tr>
</tbody>
</table>

Bell Wireline operating revenues grew by 2.6% in 2017, compared to last year, driven by increases in data, local and access and other services revenue, offset in part by declines in long distance and product revenues.
Bell Wireline service revenues increased by 3.4% in 2017, compared to 2016, driven by the acquisitions of MTS and Q9, Internet and IPTV subscriber growth, coupled with higher household ARPU. This was offset in part by the ongoing erosion in our voice, satellite TV and legacy data services, together with greater customer acquisition in 2017 compared to 2016, and increased substitution to wireless and Internet-based services, large business customer conversions to IP-based data services, competitive pricing pressures and the negative impact from Telecom Decision CRTC 2016-171.

Bell Wireline operating costs increased by 2.4% in 2017, compared to 2016, attributable to:

- The acquisitions of MTS and Q9
- Higher programming costs in our TV business due to the growth in our subscriber base and contractual rate increases
- Increased fuel expenses from higher fuel and refrigeration costs
- Greater marketing and sales expense in our residential market to support subscriber acquisitions

These factors were partially offset by:

- Lower labour costs attributable to workforce reductions and vendor contract savings, as well as fewer call volumes to our customer service centres
- Reduced cost of goods sold resulting from lower product sales
- Lower payments to other carriers driven by fewer sales of international long distance minutes
- Reduced bad debt expense

Bell Wireline adjusted EBITDA increased by 2.9% in 2017, compared to 2016, and the adjusted EBITDA margin increased to 41.8% in 2017 compared to the 41.7% achieved last year. The year-over-year growth in adjusted EBITDA was driven by:

- The contribution from the MTS and Q9 acquisitions
- Ongoing growth from our Internet and IPTV businesses in a highly competitive environment
- Effective cost management

These factors were partially offset by:

- The continued erosion of voice, satellite TV and legacy data revenues, reflecting ongoing competitive repricing and reduced customer spending in our business market
- Unfavourable CRTC regulatory rulings from 2016 relating to Internet tariffs for aggregated wholesale high-speed access services and Telecom Decision CRTC 2016-171

Bell Wireline OPERATING METRICS

High-speed Internet

<table>
<thead>
<tr>
<th>High-speed Internet net activations</th>
<th>2017</th>
<th>2016</th>
<th>CHANGE</th>
<th>% CHANGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>High-speed Internet subscriptions(1)</td>
<td>3,790,141</td>
<td>3,478,562</td>
<td>311,579</td>
<td>9.0%</td>
</tr>
</tbody>
</table>

(1) As a result of the acquisition of MTS on March 17, 2017, our high-speed Internet subscriber base increased by 386,579.
(2) Following a change in customer accounting by a wholesale level, we adjusted our high-speed Internet subscriber base at the beginning of Q1 2017 to ensure a consistent revenue generating unit.

High-speed Internet subscriber net activations increased by 3.2% in 2017, compared to 2016, driven by higher retail gross activations particularly in our FTTH footprint, ramp up in activations from Home Internet service by Virgin Mobile Wireless launched in July 2016, richer promotional offers, a reduced number of retail customers coming off promotional offers and growth from our small business market. This was partly offset by increased residential churn driven by aggressive offers from cable competitors and competitive pressures in our wholesale market.

High-speed Internet subscribers at December 31, 2017 totalled 3,790,141, up 9.0% from the end of last year, including the subscribers acquired from MTS.
The financial performance of the overall Canadian satellite telecommunications market continues to be impacted by the ongoing declines in legacy voice service revenues resulting from technological substitution to wireless and OTT services, as well as by ongoing conversion to IP-based data services and networks by large business customers. Sustained competition from cable companies also continues to erode traditional telephone providers' market share of residential local telephony. Canada’s four largest cable companies had approximately 4 million telephone subscribers at the end of 2017, representing a national residential market share of approximately 40%. Other non-facilities-based competitors also offer local and long distance VoIP services and resell high-speed Internet services.

Although the residential Internet market is maturing, with over 88% penetration across Canada, subscriber growth is expected to continue over the next several years. At the end of 2017, the four largest cable companies had approximately 5.7 million Internet subscribers, representing 54% of the total Internet market based on publicly reported data, while incumbent local exchange carriers (ILECs) held the remaining 46% or 5.8 million subscribers. Bell continues to make market share gains due to the expansion of our fibre optic networks and the pull-through of subscribers from our IP-based Fibe TV and Alt TV services. While Canadians still watch traditional TV, digital platforms are playing an increasingly important role in the broadcasting industry. Popular online video services are providing Canadians with more choice about where, when and how to access their video content. In 2017, ILECs offering IPTV service grew their subscriber bases by 6% to reach 2.7 million customers, driven by expanded network coverage, enhanced service offerings, and marketing and promotions focused on IPTV. This growth came at the expense of cable TV and DTH satellite TV subscriber losses. At the end of the year, Canada’s four largest cable companies had approximately 5.8 million TV subscribers, or a 55% market share, consistent with 55% at the end of 2016.

In 2017, our primary cable TV competitors, Rogers and Videotron, announced agreements with global media and technology company Comcast to adopt Comcast’s XFINITY X1 video platform for future commercial deployment. Our IP-based Fibe TV platform continues to have numerous service leadership advantages over this cable platform, including: flexible pricing, plans and packaging available to all customers; picture clarity and quality; content depth and breadth, including 4K content; as well as more HD, video on demand, sports, multichannel and OTT content, such as Netflix and YouTube; and the number of ways customers can access content, including wireless STBs, Restart TV, higher capacity FVR and the Fibe TV app.

Competitors

- Cable TV providers offering cable TV, Internet and cable telephony services, including:
  - Rogers in Ontario, New Brunswick, Newfoundland and Labrador
  - Videotron in Québec
  - Cogeco Cable Inc. (a subsidiary of Cogeco Inc.) (Cogeco) in Ontario and Québec
  - Shaw in British Columbia, Alberta, Saskatchewan, Manitoba and Ontario
  - Shaw Direct, providing DTH satellite TV service nationwide
  - Eastlink in every province except Saskatchewan, where it does not provide cable TV and Internet services
- ILETS provides residential voice, Internet and IPTV services in British Columbia, Alberta and Eastern Québec
- TELUS and Allstream Inc. provide wholesale products and business services across Canada
- Various others (such as TekSavvy Solutions, Distributel, Vidéotron, and Vonage Canada (a division of Vonage Holdings Corp.) (Vonage)) offer resale or VoIP-based local, long distance and Internet services
- OTT voice and video services such as Skype, Netflix, Amazon Prime Video and YouTube
- Digital media streaming devices such as Apple TV, Roku and Google Chromecast
- Other Canadian ILECs and cable TV operators
- Substitution to wireless services, including those offered by Bell
- Customized managed outsourcing solutions competitors, such as systems integrators CGI, EDS (a division of HP Enterprise Services) and IBM
- Wholesale competitors include cable operators, domestic CLECs, U.S. or other international carriers for certain services, and electrical utility-based telecommunications providers
- Competitors for home security service range from local to national companies, such as ADT, Chief Security, Stanley Security, Fluent and MONI Smart Security

Canadian market share

- Residential telephony
  - Enbridge local subscribers
  - ILECs
  - Cable
- Internet
  - Enbridge local subscribers
  - ILECs
  - Cable
- TV
  - Enbridge local subscribers
  - ILECs
  - Cable
- NAS subscriptions at December 31, 2017 totaled 6,320,483, representing a 1.0% increase compared to the 6,257,732 subscribers reported at the end of 2016, including the subscribers acquired from MTS. This was a significant improvement over the 6.4% subscriber base decrease experienced in 2016.

TECHNOLOGY SUBSTITUTION

The growing popularity of watching TV and on-demand content anywhere, particularly on handheld devices, is expected to continue as customers adopt services that enable them to view content on multiple screens. Streaming media providers, such as Netflix and Amazon Prime Video, continue to enhance OTT streaming services in order to compete for share of viewership in response to evolving viewing habits and consumer demand. TV providers are monitoring OTT developments and evolving their content and market strategy to compete with these non-traditional offerings. We view OTT as an opportunity to add increased capabilities to our linear and on-demand services, provide customers with flexibility to choose the consume the content they want and drive greater usage of Bell’s high-speed Internet and wireless networks. We continue to enhance our Fibe TV service with additional content and capabilities, including 4K Ultra HD content, the ability to watch recorded content on the go and access to Netflix and YouTube on STBs. Bell also launched Canada’s first widely available app-based live TV service called Fibe TV to address the growing cord-cutting and cord-shaving markets with the ability to consume live and on-demand content on laptops, smartphones, tablets and Apple TV without the need for a traditional TV STB.
As well as other IT services and support, while IT service providers are bundling network connectivity with their software as service offerings. In addition, manufacturers continue to bring all-IP and converged (IP plus legacy) equipment to market, enabling ongoing migration to IP-based solutions. The development of IP-based platforms, which provide combined IP voice, data and video solutions, creates potential cost efficiencies that compensate, in part, for reduced margins resulting from the continuing shift from legacy to IP-based services. The evolution of IT has created significant opportunities for our business markets services, such as cloud services and data hosting, that can have a greater business impact than traditional telecommunications services.

**BUSINESS OUTLOOK AND ASSUMPTIONS**

**2018 OUTLOOK**

We expect positive revenue and adjusted EBITDA growth in 2018. This reflects a full year of Bell MTS financial contribution compared to approximately nine months in 2017, as well as the contribution of Q9 Networks and the Bell Wireline segment’s launches (e.g. IoT, connected home systems and devices, newer TV platforms, etc.) from incumbent operators, cable companies, and an increasing number of domestic and global unregulated OTT channels) is challenged by an increasing number of legal and illegal cord-shaving trends.

Planned Internet subscriber base growth in 2018 is expected to be driven by a growing FTTP service footprint that enables faster Internet speeds and broadband innovation such as smart Whole Home Wi-Fi that ensures stronger performance, access to gigabit-speed fibre to the premises and the latest 5G mobile services.

**RISK**

### KEY DRIVER GOVERNMENT FACTORS

- **Expansion of FTTP footprint**
- **Increasing IPTV penetration of households**
- **High market share of industry TV and Internet subscribers**
- **Greater penetration of multi-product households**
- **Improved residential customer retention**
- **Reduced churn and associated spending on connectivity services and managed and professional services solutions, as well as greater new business formation as the economy strengthens and employment rates improve**
- **Expansion of our business customer relationships to drive higher revenue per customer**
- **Matching the investments we are making in network infrastructure, customers and marketing in order to capture improved financial benefits, while enhancing our ability to achieve a higher pull-through of connectivity revenue**
- **Accelerating customer adoption of OTT services resulting in downsizing of TV packages**
- **Realization of cost savings related to management workforce attrition and retirements, lower contracted rates from our suppliers, reduction of traffic that is not on our network and operating synergies from the integration of MTS**
- **No material financial, operational or competitive consequences of changes in regulations affecting our wireless business**

**PRINCIPAL BUSINESS RISKS**

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

### AGGRESSIVE COMPETITION

- **The intensity of competitive activity coupled with new product launches (e.g. 5G, connected home systems and devices, newer TV platforms, etc.) from incumbent operators, cable companies, non-traditional players and wholesalers**

### POTENTIAL IMPACT

- **An increase in the intensity level of competitive activity could result in higher churn, increased acquisition and retention expenses, and increased use of promotional competitive offers to retain and keep customers, all of which would put pressure on Bell Wireless’s adjusted EBITDA**

### REGULATORY ENVIRONMENT

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

### POTENTIAL IMPACT

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

### CHANGING CUSTOMER BEHAVIOUR

- **The traditional TV viewing model (i.e. the subscription for bundled channel packages) is challenged by an increasing number of legal and illegal viewing options available in the market offered by traditional, non-traditional and global players, as well as developing cord-cutting and cord-shaving trends**
- **Changing customer habits further contribute to the erosion of NAC lines**

### POTENTIAL IMPACT

- **Our market penetration and number of TV subscribers could decline as a result of broadcasting distribution undertaking (BDU) offerings and an increasing number of domestic and global unregulated OTT services**
5.3 Bell Media

Bell Media maintained industry leadership in TV and radio even as overall financial performance in 2017 was impacted by general softness in the TV advertising market, viewership decline for traditional linear TV, an ongoing shift in customer spending to online services, as well as escalating programming and content costs.

KEY ELEMENTS OF RELEVANT STRATEGIC IMPERATIVES

Expand media leadership

2017 PROGRESS

- Maintained CTV’s #1 ranking as the most-watched television network in Canada for the 16th year in a row, and continued to lead with a majority of the top 20 programs nationally in all key demographics
- Entered into an agreement with Conax to acquire French-language specialty channels Séries+ and Historia, further enhancing our competitiveness in the Quebec media landscape. Séries+ is a fiction channel, offering locally produced dramas as well as foreign series. Historia broadcast's a suite of locally produced original content including documentaries, reality series and drama series. The transaction is subject to approval by the CRTC and the Competition Bureau.
- Grew CraveTV viewership to approximately 1.3 million subscribers at the end of 2017.
- Signed an agreement to acquire four FM radio stations in Ontario from Larche. Pending completion of the transaction, which already received CRTC approval, the addition of these stations to Bell Media’s existing 105 iHeartRadio Canada properties will broaden the network’s industry-leading reach across the country.
- TSN, HBO Canada and TMN Encore launched an offline viewing feature on the TMN GO video-streaming platform, allowing subscribers to download movies and series on their iOS and Android tablets and smartphones for playback without an internet connection.
- Launched an enhanced iHeartRadio Canada app featuring more than 1,000 live radio stations of every genre from across North America, with availability on additional platforms including Apple Watch, Apple CarPlay, Android Wear, Android Auto and Sonos.
- Concluded a comprehensive multi-year regional broadcast rights agreement with the Montreal Canadiens making TSN the official English-language regional broadcaster of the team beginning with the 2017-18 season. The agreement sees TSN air all games in the Montreal Canadiens’ designated broadcast region, which spans Eastern and Northern Ontario, Quebec, and Atlantic Canada. RDS continues to be the French-language home for regional Montreal Canadiens games.
- Concluded a multi-year rights agreement extension with the NFL that makes Bell Media the exclusive TV broadcast partner of the NFL in Canada. The partnership also features expanded digital opportunities which include synchronization rights for NFL highlights in Canada, as well as expanded footprint and programming rights to further bolster Bell Media’s non-game NFL-focused content.
- Reached a multi-year media rights extension with NASCAR, with TSN and RDS retaining exclusive Canadian media rights to all Monster Energy NASCAR Cup Series and NASCAR Xfinity Series races across all platforms. The multi-platform agreement features expanded digital rights, with TSN and RDS delivering comprehensive coverage of these NASCAR series across the networks’ digital and social media platforms.
- Announced a strategic partnership with Wow to produce kids and youth entertainment.
- Astral, in partnership with Toronto Pearson International Airport, introduced two new large-format digital superboards in close proximity to the country’s largest airport. The new structures provide information about the airport while offering an advertising opportunity reaching millions of commuters and passengers annually. The four faces of the new advertising structures deliver a daily circulation of close to 800,000.
- Astral launched a new and unique programmatic solution for large format digital inventory using an exclusive self-serve platform, enabling clients to use audience targeting previously only available online.

2018 FOCUS

- Maintain strong audience levels and ratings across all TV and radio properties
- Reinforce industry leadership in conventional TV, pay TV, sports media and radio
- In January 2018, we concluded a long-term agreement with Lionsgate to bring premium U.S. pay TV platform Starz to Canada and distribute the first pay window of Lionsgate’s future theatrical releases in the territory. Starz and Bell Media will also rebrand pay TV channel TMN Encore in early 2019.
- Grow viewership and scale of CraveTV on-demand TV streaming service
- In January 2018, we announced that CraveTV’s HBO offering would expand throughout 2018 with the addition of Game of Thrones, Girls, The Leftovers, Silicon Valley, Vice Principals, Ballers, Insecure and The Young Pope.

Achieve a competitive cost structure

2018 FOCUS

- Optimize operating cost structure to align with revenue results

FINANCIAL PERFORMANCE ANALYSIS

2017 PERFORMANCE HIGHLIGHTS

- Improved cost structure
- Achieve a competitive cost structure
- Maintain strong audience levels and ratings across all TV and radio properties
- Reinforce industry leadership in conventional TV, pay TV, sports media and radio
- In January 2018, we concluded a long-term agreement with Lionsgate to bring premium U.S. pay TV platform Starz to Canada and distribute the first pay window of Lionsgate’s future theatrical releases in the territory. Starz and Bell Media will also rebrand pay TV channel TMN Encore in early 2019.
- Grow viewership and scale of CraveTV on-demand TV streaming service
- In January 2018, we announced that CraveTV’s HBO offering would expand throughout 2018 with the addition of Game of Thrones, Girls, The Leftovers, Silicon Valley, Vice Principals, Ballers, Insecure and The Young Pope.

- In 2017, we concluded a comprehensive multi-year broadcast rights agreement with the Montreal Canadiens making TSN the official English-language regional broadcaster of the team beginning with the 2017-18 season. The agreement sees TSN air all games in the Montreal Canadiens’ designated broadcast region, which spans Eastern and Northern Ontario, Quebec, and Atlantic Canada. RDS continues to be the French-language home for regional Montreal Canadiens games.
- Concluded a multi-year rights agreement extension with the NFL that makes Bell Media the exclusive TV broadcast partner of the NFL in Canada. The partnership also features expanded digital opportunities which include synchronization rights for NFL highlights in Canada, as well as expanded footprint and programming rights to further bolster Bell Media’s non-game NFL-focused content.
- Reached a multi-year media rights extension with NASCAR, with TSN and RDS retaining exclusive Canadian media rights to all Monster Energy NASCAR Cup Series and NASCAR Xfinity Series races across all platforms. The multi-platform agreement features expanded digital rights, with TSN and RDS delivering comprehensive coverage of these NASCAR series across the networks’ digital and social media platforms.
- Announced a strategic partnership with Wow to produce kids and youth entertainment.
- Astral, in partnership with Toronto Pearson International Airport, introduced two new large-format digital superboards in close proximity to the country’s largest airport. The new structures provide information about the airport while offering an advertising opportunity reaching millions of commuters and passengers annually. The four faces of the new advertising structures deliver a daily circulation of close to 800,000.
- Astral launched a new and unique programmatic solution for large format digital inventory using an exclusive self-serve platform, enabling clients to use audience targeting previously only available online.

- Expected to launch in Spring 2018, BNN Bloomberg will provide audiences and advertisers with an unparalleled suite of products across digital, television and radio, targeting Canada’s business decision makers. BNN Bloomberg will provide audiences and advertisers with an unparalleled suite of products across digital, television and radio, targeting Canada’s business decision makers.
- Concluded a comprehensive multi-year regional broadcast rights agreement with the Montreal Canadiens making TSN the official English-language regional broadcaster of the team beginning with the 2017-18 season. The agreement sees TSN air all games in the Montreal Canadiens’ designated broadcast region, which spans Eastern and Northern Ontario, Quebec, and Atlantic Canada. RDS continues to be the French-language home for regional Montreal Canadiens games.
- Concluded a multi-year rights agreement extension with the NFL that makes Bell Media the exclusive TV broadcast partner of the NFL in Canada. The partnership also features expanded digital opportunities which include synchronization rights for NFL highlights in Canada, as well as expanded footprint and programming rights to further bolster Bell Media’s non-game NFL-focused content.
- Reached a multi-year media rights extension with NASCAR, with TSN and RDS retaining exclusive Canadian media rights to all Monster Energy NASCAR Cup Series and NASCAR Xfinity Series races across all platforms. The multi-platform agreement features expanded digital rights, with TSN and RDS delivering comprehensive coverage of these NASCAR series across the networks’ digital and social media platforms.
- Announced a strategic partnership with Wow to produce kids and youth entertainment.
- Astral, in partnership with Toronto Pearson International Airport, introduced two new large-format digital superboards in close proximity to the country’s largest airport. The new structures provide information about the airport while offering an advertising opportunity reaching millions of commuters and passengers annually. The four faces of the new advertising structures deliver a daily circulation of close to 800,000.
- Astral launched a new and unique programmatic solution for large format digital inventory using an exclusive self-serve platform, enabling clients to use audience targeting previously only available online.

- Finally, we concluded a comprehensive multi-year broadcast rights agreement with the Montreal Canadiens making TSN the official English-language regional broadcaster of the team beginning with the 2017-18 season. The agreement sees TSN air all games in the Montreal Canadiens’ designated broadcast region, which spans Eastern and Northern Ontario, Quebec, and Atlantic Canada. RDS continues to be the French-language home for regional Montreal Canadiens games.
- Concluded a multi-year rights agreement extension with the NFL that makes Bell Media the exclusive TV broadcast partner of the NFL in Canada. The partnership also features expanded digital opportunities which include synchronization rights for NFL highlights in Canada, as well as expanded footprint and programming rights to further bolster Bell Media’s non-game NFL-focused content.
- Reached a multi-year media rights extension with NASCAR, with TSN and RDS retaining exclusive Canadian media rights to all Monster Energy NASCAR Cup Series and NASCAR Xfinity Series races across all platforms. The multi-platform agreement features expanded digital rights, with TSN and RDS delivering comprehensive coverage of these NASCAR series across the networks’ digital and social media platforms.
- Announced a strategic partnership with Wow to produce kids and youth entertainment.
- Astral, in partnership with Toronto Pearson International Airport, introduced two new large-format digital superboards in close proximity to the country’s largest airport. The new structures provide information about the airport while offering an advertising opportunity reaching millions of commuters and passengers annually. The four faces of the new advertising structures deliver a daily circulation of close to 800,000.
- Astral launched a new and unique programmatic solution for large format digital inventory using an exclusive self-serve platform, enabling clients to use audience targeting previously only available online.

- Finally, we concluded a comprehensive multi-year broadcast rights agreement with the Montreal Canadiens making TSN the official English-language regional broadcaster of the team beginning with the 2017-18 season. The agreement sees TSN air all games in the Montreal Canadiens’ designated broadcast region, which spans Eastern and Northern Ontario, Quebec, and Atlantic Canada. RDS continues to be the French-language home for regional Montreal Canadiens games.
- Concluded a multi-year rights agreement extension with the NFL that makes Bell Media the exclusive TV broadcast partner of the NFL in Canada. The partnership also features expanded digital opportunities which include synchronization rights for NFL highlights in Canada, as well as expanded footprint and programming rights to further bolster Bell Media’s non-game NFL-focused content.
- Reached a multi-year media rights extension with NASCAR, with TSN and RDS retaining exclusive Canadian media rights to all Monster Energy NASCAR Cup Series and NASCAR Xfinity Series races across all platforms. The multi-platform agreement features expanded digital rights, with TSN and RDS delivering comprehensive coverage of these NASCAR series across the networks’ digital and social media platforms.
- Announced a strategic partnership with Wow to produce kids and youth entertainment.
- Astral, in partnership with Toronto Pearson International Airport, introduced two new large-format digital superboards in close proximity to the country’s largest airport. The new structures provide information about the airport while offering an advertising opportunity reaching millions of commuters and passengers annually. The four faces of the new advertising structures deliver a daily circulation of close to 800,000.
- Astral launched a new and unique programmatic solution for large format digital inventory using an exclusive self-serve platform, enabling clients to use audience targeting previously only available online.
Global aggregators have also emerged and are competing for both content and viewers. Subscriber revenues grew in 2017, compared to last year, mainly due to the growth in our subscriber base from our TV Everywhere GO Products and CraveTV, rate increases on contract renewals with TV distributors and the benefit from the expansion of TMN into a national pay TV service in March 2016. Advertising revenues increased in 2017, compared to 2016, reflecting continued market softness and declines in audience levels, which unfavourably impacted advertising revenues across both conventional and specialty TV and radio media platforms. The CRTC’s decision to eliminate simultaneous substitution for the NFL Super Bowl also contributed to the year-over-year decline in advertising revenues. These pressures were moderated by growth in OOH advertising revenues as a result of the contribution from newly awarded contracts and the CrisMed Media acquisition in January 2017, as well as by higher year-over-year revenues from digital properties. Bell Media operating revenues decreased by 0.7% in 2017, compared to 2016, driven by higher subscriber revenues, offset in part by lower advertising revenues. Subscriber revenues grew in 2017, compared to last year, mainly due to the growth in our subscriber base from our TV Everywhere GO Products and CraveTV, rate increases on contract renewals with TV distributors and the benefit from the expansion of TMN into a national pay TV service in March 2016. Advertising revenues increased in 2017, compared to 2016, reflecting continued market softness and declines in audience levels, which unfavourably impacted advertising revenues across both conventional and specialty TV and radio media platforms. The CRTC’s decision to eliminate simultaneous substitution for the NFL Super Bowl also contributed to the year-over-year decline in advertising revenues. These pressures were moderated by growth in OOH advertising revenues as a result of the contribution from newly awarded contracts and the CrisMed Media acquisition in January 2017, as well as by higher year-over-year revenues from digital properties.
Video-sharing websites such as YouTube

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

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

Canadian market share

<table>
<thead>
<tr>
<th>English-language TV</th>
<th>French-language TV</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bell Media</td>
<td>Quebecor</td>
</tr>
<tr>
<td>Corus</td>
<td>Cogeco</td>
</tr>
<tr>
<td>Rogers</td>
<td>DAZN</td>
</tr>
<tr>
<td>Other</td>
<td>Other</td>
</tr>
</tbody>
</table>

\[\text{TV viewership}^1\] (2018 Q2)

- Broadcast: 107.7 million
- Satellite: 20.6 million
- Internet: 64.2 million

Radio

<table>
<thead>
<tr>
<th>Broadcast hours tuned</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bell Media</td>
</tr>
<tr>
<td>Corus</td>
</tr>
<tr>
<td>Rogers</td>
</tr>
<tr>
<td>Cogeco</td>
</tr>
<tr>
<td>Quebecor</td>
</tr>
<tr>
<td>Other</td>
</tr>
</tbody>
</table>

\[\text{Radio listeners}^2\] (2018 Q2)

- Broadcast: 13.5 million
- Satellite: 3.7 million
- Internet: 16.8 million

Industry trends

Technology and consumer habits transforming the way TV is delivered

Technology used in the media industry continues to evolve rapidly, which has led to alternative methods for the distribution, storage and consumption of content. These technological developments have driven and reinforced changes in consumer behaviour as consumers seek more control over when, where and how they consume content. Consumers now have the ability to watch content from a variety of media services on the screen of their choice, including TVs, computers, and mobile devices. The number of Canadian users who are connected to the Internet through their TVs is growing as connection becomes easier and more affordable. Changes in technology and consumer behaviour have resulted in a number of challenges for content aggregators and distributors. Ubiquitous access to content enabled by connected devices introduces risk to traditional distribution platforms by enabling content owners to provide content directly to distributors and consumers, thus bypassing traditional content aggregators.

Growth of alternatives to traditional linear TV

Consumers have improved access to online entertainment and information alternatives that did not previously exist. While traditional linear TV was the only way to access entertainment programming in the past, the increase in alternative entertainment options has led to a fragmentation in consumption habits. Traditional linear TV will remain the most common form of video consumption and people are increasingly consuming content on their own terms.

In particular, today’s viewers are consuming more content online, watching less scheduled programming live, time-shifting original broadcasts through PVRs, viewing more TV on mobile devices, and catching up on past programming on-demand. In addition, a growing number of consumers are spending considerable time viewing online alternatives to traditional TV. This is evident in the growing number and popularity of OTT video services like Netflix and Amazon Prime Video. To date, these OTT services have largely complemented existing TV services, with the majority of subscribers adding an OTT service subscription to complement their traditional linear package. In recognition of changing consumer behaviour, media companies are evolving their content and launching their own solutions to better compete with these non-traditional offerings through services such as Bell Media’s CraveTV on-demand TV streaming service and authenticated TV everywhere services such as CTV GO, TSN GO, RDS GO, Discovery GO and TSN GO.

Escalating content costs and shifts in advertising

Viewership and usage trends suggest that online and mobile Internet video consumption is increasing rapidly. Changing content consumption patterns and growth of alternative content providers could exert downward pressure on advertising revenues for traditional media broadcasters. However, premium content, live sports and special events should continue to draw audiences and advertisers, which is expected to result in pricing pressure on future broadcasting rights. Additionally, while access to premium content has become increasingly important to media companies, advertisers and viewers, there is now increased competition for these rights from global competitors, including Netflix, Amazon, and DAZN. This has resulted in higher TV program rights costs, which is a trend that is expected to continue into the future.

Alternative delivery of live sports content

Access to live sports and other premium content has become even more important for acquiring and retaining audiences that in turn attract advertisers and subscribers. Ownership of content and/or long-term agreements with content owners has, therefore, become increasingly important to media companies. Leagues, teams, and networks are also experimenting with the delivery of live sports content through online, social, and virtual platforms, while non-traditional sports are also growing in mindshare.

Business outlook and assumptions

2018 outlook

Revenue performance is expected to reflect Bell Media’s broadcast of the 2018 FIFA World Cup, further growth in CraveTV, higher outdoor advertising revenue at Astral and the financial contribution from the pending acquisition of radio stations from Larche. However, the effects of shifting media consumption towards OTT and digital platforms, further TV cord-shaving and cord-cutting, as well as the financial impact of higher content costs for sports broadcast rights and premium programming content will continue to weigh on adjusted EBITDA in 2018. We also intend to continue controlling costs by leveraging assets, achieving productivity gains and pursuing operational efficiencies across all of our media properties, while continuing to invest in premium content across all screens and platforms.

While the advertising market is expected to remain soft in 2018, we anticipate that the strength of our programming including the 2018 FIFA World Cup, and continued strong outdoor advertising growth, will offset some advertising pressure resulting from increased competition and declining audiences. Subscriber fee revenues are projected to remain stable, as growth in CraveTV and TV Everywhere is expected to offset subscriber erosion.

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

Our sports specialty TV offerings are expected to continue to deliver premium content and exceptional viewing experiences to our viewers. Expanded NFL and NHL offerings, combined with the integration of our digital platforms, are integral parts of our strategy to enhance viewership and engagement. Contractual price increases for strategic sports properties are the principal factors driving continued increases in sports rights costs. We will also continue to focus on creating innovative high-quality productions in the areas of sports news and editorial coverage.

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

In pay TV, we will continue to leverage our investments in premium content (including HBO and SHOWTIME) in order to attract subscribers.
In our French-language pay and specialty services, we will continue to optimize our programming to increase our appeal to audiences, including the pending acquisition of French-language specialty channels Série+ and Historia, which are subject to closing conditions, including approval by the CRTC and the Competition Bureau.

In radio, we intend to leverage the strength of our market position and pending radio station acquisitions from Larche to continue offering advertisers, both nationally and locally, premium opportunities to reach their target audiences. We also plan to leverage our recently enhanced iHeartRadio digital service in Canada that provides access to more than 1,000 live radio stations and some of the most popular podcasts. Additionally, in conjunction with our local TV properties, we will continue to pursue opportunities that leverage our promotional capabilities, provide an expanded platform for content sharing, and offer synergies in co-location and efficiencies.

In our OOH operations, we plan to leverage the strength of our products to provide advertisers with premium opportunities in key Canadian markets. We will also continue to seek new opportunities in digital markets, including converting our premium outdoor structures to digital.

ASSUMPTIONS

- Revenue performance is expected to reflect an improving TV advertising sales trajectory supported by our broadcast of the 2018 FIFA World Cup, further CraveTV subscriber growth and continued growth in outdoor advertising.
- Operating cost growth driven by higher TV programming and sports broadcast rights costs, as well as continued investment in CraveTV content.
- Continued scaling of CraveTV.

- Ability to successfully acquire and produce highly rated programming and differentiated content.
- Building and maintaining strategic supply arrangements for content across all screens and platforms.
- Increased revenue generation from monetization of content rights and Bell Media properties across all platforms.
- TV viewing and growth in OTT viewing expected to result in lower subscriber levels for many Bell Media TV properties.
- No material financial, operational or competitive consequences of changes in regulations affecting our media business.

KEY GROWTH DRIVERS

- Leveraging data to better inform media planning, insights, and execution, leading to an enhanced advertiser experience.
- Investing in the best content.
- Converting premium OOH structures to digital.
- Establishing unique partnerships and strategic content investments.

PRINCIPAL BUSINESS RISKS

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

AGGRESSIVE COMPETITION AND REGULATORY CHANGES

RISK
- The intensity of competitive activity from traditional TV services, as well as new technologies and alternative distribution platforms such as unlimited OTT content offerings, video on demand, personal video platforms and video services over mobile devices and the Internet, in combination with regulations that require all BDUs to make TV services available à la carte.
- Acceleration among non-traditional global players developing more aggressive product and sales strategies in creating and distributing video.

POTENTIAL IMPACT
- Adverse impact on the level of subscriptions and/or viewership for Bell Media’s TV services and on Bell Media’s revenue streams.

ADVERTISING AND SUBSCRIPTION REVENUE UNCERTAINTY

RISK
- Advertising is heavily dependent on economic conditions and viewership, as well as our ability to grow alternative advertising media such as digital and OTT platforms, in the context of a changing and fragmented advertising market. Conventional media is under increasing competitive pressure for advertising spend from non-traditional global technology companies.
- Bell Media has contracts with a variety of BDUs, under which monthly subscription fees for specialty and pay TV services are earned. Agreements with several of these BDUs are expiring in 2018.

POTENTIAL IMPACT
- Economic uncertainty could reduce advertisers’ spending. Our failure to increase or maintain viewership or capture our share of the changing and fragmented advertising market could result in the loss of advertising revenue.
- If we are not successful in renegotiating expiring BDU agreements on favourable terms, it could result in the loss of subscription revenue.

RISING CONTENT COSTS AND ABILITY TO SECURE KEY CONTENT

RISK
- Rising content costs, as an increasing number of domestic and global competitors seek to acquire the same content, and the ability to secure key content to drive revenues and subscriber growth.

POTENTIAL IMPACT
- Rising programming costs could require us to incur unplanned expenses which could result in negative pressure on adjusted EBITDA.
- Our inability to acquire popular programming content could adversely affect Bell Media’s viewership and subscription levels and, consequently, advertising and subscription revenues.

6 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.

6.1 Net debt

<table>
<thead>
<tr>
<th></th>
<th>DECEMBER 31, 2017</th>
<th>DECEMBER 31, 2016</th>
<th>$ CHANGE</th>
<th>% CHANGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt due within one year</td>
<td>$5,178</td>
<td>$4,987</td>
<td>$291</td>
<td>6.0%</td>
</tr>
<tr>
<td>Long-term debt</td>
<td>$6,215</td>
<td>$6,872</td>
<td>$657</td>
<td>9.9%</td>
</tr>
<tr>
<td>Preferred shares(1)</td>
<td>$2,002</td>
<td>$2,002</td>
<td>$0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$(853)</td>
<td>$(853)</td>
<td>$0</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

Net debt: $24,712

(1) 30% of outstanding preferred shares of $4,004 million in 2017 and 30% are classified as debt correlated with the treatment by some credit rating agencies.

The increase of $1,934 million in total debt, comprised of debt due within one year and long-term debt, was due to:

- the issuance of Series M-40 MTN, M-44 MTN, M-45 MTN and M-46 MTN debentures at Bell Canada with total principal amounts of $700 million, $1 billion, $500 million and $800 million, respectively.
- an increase in our debt of $972 million due to the acquisition of MTS.
- an increase in our notes payable (net of repayments) of $333 million.

Partly offset by:

- the repayment of borrowings under our unsurred committed term credit facility of $480 million.
- the early redemption of Series M-22 MTN, M-23 and M-26 debentures in the principal amounts of $1 billion, $350 million and $300 million, respectively.
- a net decrease of $241 million in our finance lease obligations and other debt.

The decrease in cash and cash equivalents of $228 million was due mainly to:

- $2,639 million of dividends paid on BCE common and preferred shares.
- $4,034 million of capital expenditures.
- $1,649 million paid for business acquisitions mainly related to the acquisitions of MTS and Cieslok Media.
- $324 million for the purchase on the open-market of shares for the settlement of share-based payments.

Partly offset by:

- $7,368 of cash from operating activities.
- $691 million of debt issuances (net of repayments).
In 2017, BCE’s cash flows from operating activities, which included the contributions from the MTS acquisition, increased $715 million, compared to 2016, due mainly to higher adjusted EBITDA, a lower voluntary DB pension plan contribution made in 2017, improved working capital and lower severance and other costs paid, partly offset by higher income taxes paid and higher interest payments.

Free cash flow increased $192 million in 2017, compared to 2016, due to higher cash flows from operating activities excluding voluntary DB pension plan contributions, partly offset by higher capital expenditures.

**CAPITAL EXPENDITURES**

<table>
<thead>
<tr>
<th>2017</th>
<th>2016</th>
<th>$ CHANGE</th>
<th>% CHANGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bell Wireless</td>
<td>731</td>
<td>733</td>
<td>2</td>
</tr>
<tr>
<td>Capital intensity ratio</td>
<td>8.3%</td>
<td>10.2%</td>
<td>1.9%</td>
</tr>
<tr>
<td>Bell Wireless</td>
<td>8.3%</td>
<td>10.2%</td>
<td>1.9%</td>
</tr>
<tr>
<td>Capital intensity ratio</td>
<td>3,174</td>
<td>2,206</td>
<td>2.1%</td>
</tr>
<tr>
<td>Bell Media</td>
<td>3,174</td>
<td>2,206</td>
<td>2.1%</td>
</tr>
<tr>
<td>Capital intensity ratio</td>
<td>129</td>
<td>102</td>
<td>27</td>
</tr>
<tr>
<td>Total</td>
<td>4,830</td>
<td>3,771</td>
<td>263</td>
</tr>
<tr>
<td>Capital intensity ratio</td>
<td>17.4%</td>
<td>17.1%</td>
<td>0.3%</td>
</tr>
</tbody>
</table>

BCE capital expenditures totaled $4,034 million in 2017, representing a 7% or $263 million increase over last year. Capital expenditures as a percentage of revenue (capital intensity ratio) increased to 17.8% in 2017, compared to 17.4% in 2016. The growth in capital spending was driven by increases in our Bell Wireless and Bell Media segments, while spending in our Bell Wireless segment remained relatively stable year over year. The growth in capital expenditures also included the impact from the acquisition and integration of Bell MTS. The higher year-over-year capital spending reflected:

- Greater spending in our wireless segment of $238 million in 2017 driven by the ongoing deployment of broadband fibre directly to more homes and businesses, including the rollout of Gigabit Fibe infrastructure in the city of Toronto and other urban areas along with the commencement of the FTTP build-out in the city of Montreal that was announced on March 27, 2017. The increase over last year also included the impact of the MTS acquisition and integration.

**BCE Inc.**

**2017 ANNUAL REPORT**

**6.3 Cash flows**

**CASH FLOWS FROM OPERATING ACTIVITIES AND FREE CASH FLOW**

In 2017, BCE’s cash flows from operating activities, which included the contributions from the MTS acquisition, increased $715 million, compared to 2016, due mainly to higher adjusted EBITDA, a lower voluntary DB pension plan contribution made in 2017, improved working capital and lower severance and other costs paid, partly offset by higher income taxes paid and higher interest payments.

Free cash flow increased $192 million in 2017, compared to 2016, due to higher cash flows from operating activities excluding voluntary DB pension plan contributions, partly offset by higher capital expenditures.

**CAPITAL EXPENDITURES**

<table>
<thead>
<tr>
<th>2017</th>
<th>2016</th>
<th>$ CHANGE</th>
<th>% CHANGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bell Wireless</td>
<td>731</td>
<td>733</td>
<td>2</td>
</tr>
<tr>
<td>Capital intensity ratio</td>
<td>8.3%</td>
<td>10.2%</td>
<td>1.9%</td>
</tr>
<tr>
<td>Bell Wireless</td>
<td>8.3%</td>
<td>10.2%</td>
<td>1.9%</td>
</tr>
<tr>
<td>Capital intensity ratio</td>
<td>3,174</td>
<td>2,206</td>
<td>2.1%</td>
</tr>
<tr>
<td>Bell Media</td>
<td>3,174</td>
<td>2,206</td>
<td>2.1%</td>
</tr>
<tr>
<td>Capital intensity ratio</td>
<td>129</td>
<td>102</td>
<td>27</td>
</tr>
<tr>
<td>Total</td>
<td>4,830</td>
<td>3,771</td>
<td>263</td>
</tr>
<tr>
<td>Capital intensity ratio</td>
<td>17.4%</td>
<td>17.1%</td>
<td>0.3%</td>
</tr>
</tbody>
</table>

BCE capital expenditures totaled $4,034 million in 2017, representing a 7% or $263 million increase over last year. Capital expenditures as a percentage of revenue (capital intensity ratio) increased to 17.8% in 2017, compared to 17.4% in 2016. The growth in capital spending was driven by increases in our Bell Wireless and Bell Media segments, while spending in our Bell Wireless segment remained relatively stable year over year. The growth in capital expenditures also included the impact from the acquisition and integration of Bell MTS. The higher year-over-year capital spending reflected:

- Greater spending in our wireless segment of $238 million in 2017 driven by the ongoing deployment of broadband fibre directly to more homes and businesses, including the rollout of Gigabit Fibe infrastructure in the city of Toronto and other urban areas along with the commencement of the FTTP build-out in the city of Montreal that was announced on March 27, 2017. The increase over last year also included the impact of the MTS acquisition and integration.

**BCE Inc.**

**2017 ANNUAL REPORT**

**6.3 Cash flows**

**CASH FLOWS FROM OPERATING ACTIVITIES AND FREE CASH FLOW**

In 2017, BCE’s cash flows from operating activities, which included the contributions from the MTS acquisition, increased $715 million, compared to 2016, due mainly to higher adjusted EBITDA, a lower voluntary DB pension plan contribution made in 2017, improved working capital and lower severance and other costs paid, partly offset by higher income taxes paid and higher interest payments.

Free cash flow increased $192 million in 2017, compared to 2016, due to higher cash flows from operating activities excluding voluntary DB pension plan contributions, partly offset by higher capital expenditures.

**CAPITAL EXPENDITURES**

<table>
<thead>
<tr>
<th>2017</th>
<th>2016</th>
<th>$ CHANGE</th>
<th>% CHANGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bell Wireless</td>
<td>731</td>
<td>733</td>
<td>2</td>
</tr>
<tr>
<td>Capital intensity ratio</td>
<td>8.3%</td>
<td>10.2%</td>
<td>1.9%</td>
</tr>
<tr>
<td>Bell Wireless</td>
<td>8.3%</td>
<td>10.2%</td>
<td>1.9%</td>
</tr>
<tr>
<td>Capital intensity ratio</td>
<td>3,174</td>
<td>2,206</td>
<td>2.1%</td>
</tr>
<tr>
<td>Bell Media</td>
<td>3,174</td>
<td>2,206</td>
<td>2.1%</td>
</tr>
<tr>
<td>Capital intensity ratio</td>
<td>129</td>
<td>102</td>
<td>27</td>
</tr>
<tr>
<td>Total</td>
<td>4,830</td>
<td>3,771</td>
<td>263</td>
</tr>
<tr>
<td>Capital intensity ratio</td>
<td>17.4%</td>
<td>17.1%</td>
<td>0.3%</td>
</tr>
</tbody>
</table>

BCE capital expenditures totaled $4,034 million in 2017, representing a 7% or $263 million increase over last year. Capital expenditures as a percentage of revenue (capital intensity ratio) increased to 17.8% in 2017, compared to 17.4% in 2016. The growth in capital spending was driven by increases in our Bell Wireless and Bell Media segments, while spending in our Bell Wireless segment remained relatively stable year over year. The growth in capital expenditures also included the impact from the acquisition and integration of Bell MTS. The higher year-over-year capital spending reflected:

- Greater spending in our wireless segment of $238 million in 2017 driven by the ongoing deployment of broadband fibre directly to more homes and businesses, including the rollout of Gigabit Fibe infrastructure in the city of Toronto and other urban areas along with the commencement of the FTTP build-out in the city of Montreal that was announced on March 27, 2017. The increase over last year also included the impact of the MTS acquisition and integration.
Conus a total consideration of $218 million, of which $21 million was paid in 2015. Subsequent to year end, on January 5, 2018, BCE acquired all of the issued and outstanding shares of Alimentum for a total consideration of $182 million, of which $181 million was paid in cash and the remaining $1 million through the issuance of 22,531 BCE common shares. Subsequent to the acquisition of Alimentum, on January 5, 2018, BCE sold Alimentum’s approximate 38,000 customer accounts in British Columbia, Alberta, and Saskatchewan to Telus for total proceeds of approximately $87 million subject to customary closing adjustments.

DECREASE IN INVESTMENTS

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

LOAN TO A RELATED PARTY

In Q2 2017, BCE completed the previously announced divestiture of approximately one-quarter of postpaid wireless subscribers and 15 retail locations previously held by MTS, as well as certain Manitoba network assets, to Telus for total proceeds of $233 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 notes payable under commercial paper programs, loans secured by trade receivables and bank facilities. We usually pay fixed rates of interest on our short-term debt and floating rates on our short-term debt. As at December 31, 2017, all of our debt was denominated in Canadian dollars with the exception of our commercial paper which is denominated in U.S. dollars, all of which has been hedged for foreign currency fluctuations through forward currency contracts.

2016

We issued $691 million of debt, net of repayments. This included the issuance of Series 54-0 MTN, M-44 MTN, M-45 MTN and M-46 MTN debentures at Bell Canada with total principal amounts of $700 million, $1 billion, $500 million and $800 million, respectively, and the issuance (net of repayments) of $335 million of notes payable. These issuances were partly offset by the early redemption of Series M-22 MTN, M-35 and M-36 debentures in the principal amounts of $1 billion, $350 million and $300 million, respectively, payments of finance leases and other debt of $512 million and the repayment of borrowings under our unsecured committed term facility of $480 million.

CASH DIVIDENDS PAID ON COMMON SHARES

In 2017, cash dividends paid on common shares of $2,512 million increased by $207 million compared to 2016, due to a higher dividend paid in 2017 of $2.835 per common share compared to $2.697 per common share in 2016 and a higher number of outstanding common shares principally as a result of shares issued for the acquisition of MTS.

6.4 Post-employment benefit plans

For the year ended December 31, 2017, we recorded an increase in our post-employment benefit obligations and a loss, before taxes, in OCI of $336 million. This was due to a lower actual discount rate of 3.6% at December 31, 2017, compared to 4.0% at December 31, 2016. The loss was partly offset by a higher-than-expected return on plan assets.

For the year ended December 31, 2016, we recorded an increase in our post-employment benefit obligations and a loss, before taxes, in OCI of $382 million. This was due to a lower actual discount rate of 4.0% at December 31, 2016, compared to 4.2% at December 31, 2015. The loss was partly offset by a higher-than-expected return on plan assets.

6.5 Financial risk management

Management’s objectives are to protect BCE and its subsidiaries against material economic exposures and variability of results from various financial risks that include credit risk, liquidity risk, foreign currency risk, interest rate risk, equity price risk and longevity risk. These risks are further described in Note 1, Significant accounting policies, and Note 12, Other (expense) income, Note 22, Post-employment benefit plans and Note 24, Financial and capital management in BCE’s 2017 consolidated financial statements.

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

<table>
<thead>
<tr>
<th>FINANCIAL RISK</th>
<th>DESCRIPTION OF RISK</th>
<th>MANAGEMENT OF RISK AND FINANCIAL STATEMENT CLASSIFICATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit risk</td>
<td>We are exposed to credit risk from operating activities and certain financing activities, the maximum exposure of which is represented by the carrying amount reported in the statements of financial position. We are exposed to credit risk if counterparties to our trade receivables and derivative instruments are unable to meet their obligations.</td>
<td>Large and diverse customer base</td>
</tr>
<tr>
<td></td>
<td>We are exposed to credit risk if our credit ratings decline or if we are downgraded to non-investment grade by the credit rating agencies.</td>
<td>Deal with institutions with investment-grade credit ratings</td>
</tr>
<tr>
<td></td>
<td>We are exposed to counterparty credit risk that may arise from the failure of the counterparties to our derivative financial instruments.</td>
<td>Regularly monitor our credit risk and exposure</td>
</tr>
<tr>
<td></td>
<td>We are exposed to liquidity risk for financial liabilities.</td>
<td>Our trade receivables and allowance for doubtful accounts balances at December 31, 2017 were $3.138 billion and $55 million, respectively.</td>
</tr>
<tr>
<td>Foreign currency risk</td>
<td>We are exposed to foreign currency risk related to anticipated transactions and related foreign currency debt. A 10% depreciation (appreciation) in the value of the Canadian dollar relative to the U.S. dollar would result in a gain (loss) of $2 million recognized in net earnings at December 31, 2017 and a gain (loss) of $153 million recognized in OCI at December 31, 2017, with all other variables held constant.</td>
<td>Sufficient cash from operating activities, available capital markets financing and committed bank facilities to fund our operations and fulfill our obligations as they become due</td>
</tr>
<tr>
<td></td>
<td>We refer to the following Fair Value section for details on our derivative financial instruments.</td>
<td>Refer to section 6.7, ‘Liquidity – Contractual obligations’, for a maturity analysis of our recognized financial liabilities</td>
</tr>
</tbody>
</table>

- Foreign currency forward contracts on our anticipated transactions and commercial paper maturing in 2018 to 2021 of $4.1 billion in U.S. dollars ($5.1 billion in Canadian dollars) at December 31, 2017, to manage foreign currency risk related to anticipated transactions and foreign currency debt. For cash flow hedges, changes in the fair value are recognized in OCI, except for any ineffective portion, which is recognized immediately in earnings in Other (expense) income. Realized gains and losses in Accumulated OCI are reclassified to the income statement as an adjustment to the cost basis of the hedged item in the same periods as the corresponding hedged transactions are recognized. For economic hedges, changes in the fair value are recognized in Other (expense) income.
- Cross currency basis swaps with a notional amount of $537 million in U.S. dollars ($457 million in Canadian dollars) used to hedge borrowings under a credit facility. For cross currency basis swaps, changes in the fair value of these derivatives and the related credit facility were recognized in Other (expense) income in the income statements and offset, unless a portion of the hedging relationship was ineffective.

In 2018, we recorded a decrease in interest expense of $2 million as a result of the decrease in the weighted average interest rate on our indebtedness due to actions to manage our capital structure.
We are exposed to risk on our cash flow related to share-based payment plans. A 5% increase (decrease) in the market price of BCE's common shares at December 31, 2017 would result in a gain (loss) of $28 million recognized in net earnings for 2017, with all other variables held constant. Refer to the following Fair value section for details on our derivative financial instruments.

We are exposed to life expectancy risk on financial and capital management activities and non-observable market data such as equity prices, interest rates, swap rate curves and foreign currency exchange rates.

Equity price risk

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Certain fair value estimates are affected by assumptions we make about the amount and timing of future cash flows and discount rates, all of which reflect varying degrees of risk. Income taxes and other expenses that would be incurred on disposition of financial instruments are not reflected in the fair values. As a result, the fair values are not the net amounts that would be realized if these instruments were settled.

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

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

<table>
<thead>
<tr>
<th>Classification</th>
<th>Fair Value Methodology</th>
<th>December 31, 2017</th>
<th>December 31, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>CRTC tangible benefits obligation</td>
<td>Trade payables and other liabilities and non-current liabilities</td>
<td>Present value of estimated future cash flows discounted using observable market interest rates</td>
<td>111</td>
</tr>
<tr>
<td>CRTC deferred account obligation</td>
<td>Trade payables and other liabilities and non-current liabilities</td>
<td>Present value of estimated future cash flows discounted using observable market interest rates</td>
<td>124</td>
</tr>
<tr>
<td>Debt securities, finance leases and other debt</td>
<td>Debt due within one year and long-term debt</td>
<td>Quoted market price of debt or present value of future cash flows discounted using observable market interest rates</td>
<td>15,321</td>
</tr>
</tbody>
</table>

The fair value of BCE’s obligations to repurchase the BCE Master Trust Fund’s 9% interest in MLSE at a price not less than $300 million recognized in the income statements in Operating costs for derivatives used to hedge a cash-settled share-based payment plan and Other (expense) income for derivatives used to hedge equity-settled share-based payment plans.

The fair value of BCE’s obligation to repurchase the BCE Master Trust Fund’s 9% interest in MLSE at a price not less than $300 million recognized in the income statements in Operating costs for derivatives used to hedge a cash-settled share-based payment plan and Other (expense) income for derivatives used to hedge equity-settled share-based payment plans.

The fair value of BCE’s obligation to repurchase the BCE Master Trust Fund’s 9% interest in MLSE at a price not less than $300 million recognized in the income statements in Operating costs for derivatives used to hedge a cash-settled share-based payment plan and Other (expense) income for derivatives used to hedge equity-settled share-based payment plans.

The fair value of BCE’s obligation to repurchase the BCE Master Trust Fund’s 9% interest in MLSE at a price not less than $300 million recognized in the income statements in Operating costs for derivatives used to hedge a cash-settled share-based payment plan and Other (expense) income for derivatives used to hedge equity-settled share-based payment plans.

Credit ratings

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

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

The following table provides BCE’s and Bell Canada’s credit ratings, which are considered investment grades, as at March 8, 2018 from DBRS, Moody’s and S&P.

<table>
<thead>
<tr>
<th>Classification</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Available-for-sale (AFS) publicly-traded and privately-held investments(2)</td>
<td>Other non-current assets</td>
<td>103</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>Other current assets, trade payables and other liabilities, other non-current assets and liabilities</td>
<td>(48)</td>
</tr>
<tr>
<td>MILSE financial liability(3)</td>
<td>Trade payables and other liabilities</td>
<td>(135)</td>
</tr>
<tr>
<td>Other</td>
<td>Other non-current assets and liabilities</td>
<td>60</td>
</tr>
</tbody>
</table>

2016

AFS publicly-traded and privately-held investments(2) | Other non-current assets | 103 | 102 |
| Derivative financial instruments | Other current assets, trade payables and other liabilities, other non-current assets and liabilities | 106 | 106 |
| MILSE financial liability(3) | Trade payables and other liabilities | (135) | (135) |
| Other | Other non-current assets and liabilities | 35 | 58 |

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

(2) Non-observable market inputs such as discounted cash flows and earnings multiples. A reasonable change in our assumptions would affect the fair value.

(3) Unrealized gains and losses on AFS financial assets, or unrealized losses on AFS financial liabilities, are recognized in OCI and are reclassified to Other (expense) income in the income statements when realized or when an impairment is determined.

6.6 Credit ratings

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

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

The following table provides BCE’s and Bell Canada’s credit ratings, which are considered investment grades, as at March 8, 2018 from DBRS, Moody’s and S&P.

<table>
<thead>
<tr>
<th>Classification</th>
<th>BCE</th>
<th>Bell Canada(1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial paper</td>
<td>R-2 (high)</td>
<td>P-2</td>
</tr>
<tr>
<td>Long-term debt</td>
<td>BBB (high)</td>
<td>Baa1 (Global scale)</td>
</tr>
<tr>
<td>Preferred shares</td>
<td>P-3</td>
<td>P-2 (Low) (Canadian scale)</td>
</tr>
</tbody>
</table>

(1) These credit ratings are not recommendations to buy, sell or hold any of the securities referred to above, and 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.

As of March 8, 2018, BCE and Bell Canada’s credit ratings have stable outlooks from DBRS, Moody’s and S&P.
6.7 Liquidity

SOUSES OF LIQUIDITY

Our cash and cash equivalents balance at the end of 2017 was $251 million. We expect that this balance, our 2018 estimated cash flows from operations, and capital markets financing, including commercial paper, will permit us to meet our cash requirements in 2018 for capital expenditures, post-employment benefit plans funding, dividend payments, the payment of contractual obligations, maturing debt, ongoing operations, and other cash requirements.

Should our 2018 cash requirements exceed our cash and cash equivalents balance, cash generated from our operations, and capital markets financing, we would expect to cover such a shortfall by drawing under committed credit facilities that are currently in place or through new facilities to the extent available.

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

Subsequent to year end, on March 7, 2018, we announced the issuance of 3.50% Series M-47 MTN debentures under Bell Canada’s 1993 trust indenture, with a principal amount of $500 million, which mature on March 12, 2025. The net proceeds of the offerings are intended to be used to redeem, prior to maturity, Bell Canada’s 5.52% Series M-33 debentures having an outstanding principal amount of $300 million, which are due on February 26, 2019, and for the repayment of other short-term debt.

The table below is a summary of our total bank credit facilities at December 31, 2017.

<table>
<thead>
<tr>
<th>Date</th>
<th>TOTAL AVAILABLE</th>
<th>DRAWN</th>
<th>LETTERS OF CREDIT</th>
<th>COMMERCIAL PAPER</th>
<th>OUTSTANDING</th>
<th>NET AVAILABLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 31, 2017</td>
<td>8,830</td>
<td>4,466</td>
<td>3,767</td>
<td>4,300</td>
<td>3,407</td>
<td>17,690</td>
</tr>
</tbody>
</table>

We will find a description of the principal legal proceedings pending at March 8, 2018 in the BCE 2017 AIF.

<table>
<thead>
<tr>
<th>Date</th>
<th>TOTAL AVAILABLE</th>
<th>DRAWN</th>
<th>LETTTERS OF CREDIT</th>
<th>COMMERCIAL PAPER</th>
<th>OUTSTANDING</th>
<th>NET AVAILABLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 31, 2017</td>
<td>8,830</td>
<td>4,466</td>
<td>3,767</td>
<td>4,300</td>
<td>3,407</td>
<td>17,690</td>
</tr>
</tbody>
</table>

INDEMNIFICATIONS AND GUARANTEES (OFF-BALANCE SHEET)

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. While some of the agreements specify a maximum potential exposure, many do not specify a maximum amount or termination date.

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

In the ordinary course of our business, we become involved in various claims and legal proceedings seeking monetary damages and other relief. In particular, because of the nature of our consumer-facing business, we are exposed to class actions pursuant to which substantial monetary damages may be claimed. Due to the inherent uncertainties of the litigation process, we cannot predict the final outcome or timing of claims and legal proceedings.

Subject to the foregoing, and based on information currently available and management’s assessment of the merits of the claims and legal proceedings pending at March 8, 2018, management believes that the ultimate resolution of these claims and legal proceedings is unlikely to have a material and negative effect on our financial statements or operations. We believe that we have strong defences and we intend to vigorously defend our positions.

You will find a description of the principal legal proceedings pending at March 8, 2018 in the BCE 2017 AIF.
7 Selected annual and quarterly information

7.1 Annual financial information

The following table shows selected consolidated financial data of BCE for 2017, 2016 and 2015, based on the annual consolidated financial statements, which are prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB). We discuss the factors that caused our results to vary over the past two years throughout this MD&A.

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>54,263</td>
<td>50,108</td>
<td>41,091</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>625</td>
<td>803</td>
<td>613</td>
</tr>
<tr>
<td>Debt due within one year (including notes payable and loans secured by trade receivables)</td>
<td>5,178</td>
<td>4,887</td>
<td>4,895</td>
</tr>
<tr>
<td>Long-term debt</td>
<td>16,215</td>
<td>16,572</td>
<td>15,290</td>
</tr>
<tr>
<td>Total Non-current Liabilities</td>
<td>19,549</td>
<td>17,350</td>
<td>17,023</td>
</tr>
<tr>
<td>Total Equity</td>
<td>19,493</td>
<td>17,854</td>
<td>17,329</td>
</tr>
</tbody>
</table>

### CONSOLIDATED STATEMENTS OF CASH FLOWS

- **Cash flows from operating activities**: 7,358
- **Cash flows used in investing activities**: (5,437)
- **Capital expenditures**: (4,034)
- **Acquisition of spectrum licences**: –
- **Acquisition of intangible and other assets**: 325
- **Loan to related party**: –
- **Cash flows used in financing activities**: (2,121)
- **Common shares issuance cost**: 553
- **Free cash flow**: 3,418

### SHARE INFORMATION

- **Average number of common shares (millions)**: 884.3
- **Common shares outstanding at end of year (millions)**: 395.0
- **Market capitalization**: 54,482
- **Dividends declared per common share (dollars)**: 4.73
- **Cash dividends paid on preferred shares**: 127
- **Cash dividends paid on common shares**: 34
- **Free cash flow**: 3,418

### RATIOS

- **Capital intensity (%)**: 17.8%
- **Price to earnings ratio (times)**: 21.6

### OTHER DATA

- **Number of employees (thousands)**: 52

---

(1) Net earnings attributable to common shareholders divided by total average equity attributable to BCE shareholders excluding preferred shares.

(2) BCE's common share price at the end of the year divided by EPS.

(3) BCE's common share price at the end of the year multiplied by the number of common shares outstanding at the end of the year.

---

7.2 Quarterly financial information

The following table shows selected BCE consolidated financial data by quarter for 2017 and 2016. 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 the MD&A.
BCE operating revenues increased by 4.5% in Q4 2017, compared to the prior year, driven by growth in both our Bell Wireless and Bell Wireline segments, offset in part by a modest decline in our Bell Media segment.

Bell Wireless operating revenues increased by 9.3% in Q4 2017, compared to the same period last year, driven by growth in both service revenues of 10.6% and product revenues of 3.5%. The year-over-year increase in service revenue was mainly attributable to a higher postpaid subscriber base combined with higher billed ARPU of 2.4% and the contribution from Bell MTS. The increase in billed ARPU was driven by postpaid ARPU growth reflecting a higher postpaid subscriber mix, the flow-through of 2016 pricing changes, as well as a greater mix of postpaid LTE and LTE-A customers in our subscriber base resulting in greater data consumption and higher demand for larger data plans. Growth was partly offset by the uncontrollable impact of Telco Decision CRTC 2016-171 and the increased adoption of all-inclusive rate plans resulting in lower out of bundle usage. Wireless product revenues grew by 5.1% year over year, mainly from a larger proportion of high end devices in our sales mix, higher gross activations and customer upgrades, along with the contribution from the MTS acquisition, moderated by increased promotional offers in a highly competitive marketplace and lower radio sales.

Bell Wireline adjusted EBITDA grew 9.2% in Q4 2017, compared to the prior year, driven by the flow-through of higher operating revenues, moderated by higher operating expenses primarily from our continued investment in customer retention and acquisition, expense contribution from Bell MTS, higher labour expense to support the growth in the business, greater network operating costs to support expanding capacity and higher advertising costs mainly driven by the recent launch of Lucky Mobile. Adjusted EBITDA margin, based on wireless operating service revenues of 38.9%, decreased 0.4 pts over last year.

Bell Wireline operating revenues in Q4 2017 increased by 2.7%, year over year, driven by higher service revenues of 3.5%, moderated by a decline in product revenues of 4.4%. The growth in service revenues was driven by the contribution of the acquisition of MTS, growth in our Internet and IPTV subscriber base, higher household ARPU and growth in IP broadband connectivity services. This was offset in part by ongoing erosion in our voice, satellite TV, consumer data, revenue from wireless services, growth business solution service revenues, increased residential customer acquisition, retention and bundle discounts due to aggressive offers from cable competitors, as well as the unfavorable CRIC regulatory impact from Telco Decision CRTC 2016-171. The decline in product revenues reflected competitive pricing pressures in our business and wholesale markets and lower consumer electronic sales at The Source, mitigated in part by the contribution from the acquisition of MTS.

Bell Wireless adjusted EBITDA in Q4 2017 increased by 4.1%, year over year, with a corresponding adjusted EBITDA margin increase to 40.7% over the 40.1% experienced in Q4 2016, driven by the contribution from Bell MTS, growth in our Internet and IPTV businesses and continued effective cost containment, offset in part by the decline in our voice, satellite TV, and legacy data, including reduced customer spending and ongoing competitive pricing pressures in our business market.

Bell Media operating revenues decreased by 1.3% in Q4 2017, compared to the same period last year, due to lower advertising revenues driven by continued market softness and lower audience levels, which unsurprisingly impacted national cable TV and radio revenues, partially mitigated by higher OOH advertising revenues as a result of the contribution from the Cieslok Media acquisition and newly awarded contracts, as well as higher year-over-year revenue from digital properties. The decline in operating revenues was moderated by higher subscriber revenues driven by the growth in our subscriber base from our TV Everywhere GO Products, Crave TV and pay TV services, and the flow-through of rate increases on contract renewals that occurred earlier in the year.

Bell Media adjusted EBITDA decreased by 9.0% in Q4 2017, compared to the same period last year, due to lower operating revenues coupled with higher programming and content costs primarily related to sports broadcast rights and higher expenses in OOH resulting from the Cieslok Media acquisition and the execution of newly awarded contracts. This was partially mitigated by reduced labour costs driven mainly by workforce reductions.

Bell Media adjusted EBITDA margin remained unchanged at 37.2% compared to prior year.

BCE capital expenditures of $1,100 million in Q4 2017 increased by $107 million compared to last year, corresponding to an increased capital intensity ratio of 18.5% compared to 17.4% last year. The higher year-over-year capital investment was driven by increased spending across all of our three segments and included the impact from the acquisition and integration of Bell MTS in our wireless and wireline segments. The higher spending in our wireline segment of $57 million also reflected the continued deployment of broadband fiber directly to more homes and businesses, the build-out of Gigabit Fiber infrastructure in the city of Toronto and other urban locations and the continued roll-out of our 700 Mbps build-out in the city of Montreal. The increased capital expenditures in our wireless segment of $25 million was mainly impacted by timing of spend. All Bell Media, spending increased by $15 million mainly due to the Cieslok Media acquisition, the execution of contract wins in Astral and upgrades to Bell Media broadcast studios, TV production equipment and digital platforms.

BCE securavance, acquisition and other costs of $47 million in Q4 2017 remained flat compared to Q4 2016, due in part to higher workforce reduction initiatives and higher other costs.

BCE depreciation of $718 million in Q4 2017 increased by $62 million, year over year, mainly due to the acquisition of MTS and a higher asset base as we continued to invest in our broadband and wireless networks as well as our IPTV business. The increase was partly offset by lower depreciation due to an increase in the estimate of useful lives of certain assets as a result of our ongoing annual review process. The changes to useful lives have been applied prospectively, effective January 1, 2017, as described in section 10.1. Our accounting policies – Critical accounting estimates and key judgments.

BCE amortization was $209 million in Q4 2017, up from $165 million in Q4 2016, due mainly to the acquisition of MTS and a higher asset base.

BCE net earnings attributable to common shareholders of $757 million in Q4 2017, $0.64 per share, were lower than the $657 million, or $0.75 per share, reported in Q4 2016. The year-over-year decrease was due mainly to higher depreciation and amortization expense, higher securavance, acquisition and other costs and higher other expense which included impairment charges of $82 million relating to our Bell Media segment, partly offset by higher adjusted EBITDA. Adjusted net earnings increased to $684 million, from $667 million in Q4 2016, and adjusted EPS remained flat for prior year.

BCE cash flows from operating activities were $1,658 million in Q4 2017 compared to $1,520 million in Q4 2016. The increase is mainly attributable to higher adjusted EBITDA and a lower voluntary DB pension plan contribution made in part, partly offset by reduced working capital, higher income taxes paid and higher interest payments, all of which included the contributions from MTS.

BCE free cash flow generated in Q4 2017 was $652 million, a decrease of $271 million compared to Q4 2016. This was due to lower cash flows from operating activities excluding a voluntary DB pension plan contribution and higher capital expenditures.

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

Bell Wireless operating results are influenced by the timing and richness of promotional activities, the level of overall competitive intensity, and the seasonal effect of higher levels of subscriber additions and handset discounts that may result in higher subscriber acquisition and activation-related expenses in certain quarters. In particular, subscriber activations are typically lower in the first quarter, while adjusted EBITDA levels to be lower in the third and fourth quarters, due to higher subscriber acquisition and retention costs associated with a greater number of new subscriber activations and upgrades during the back-to-school and Black Friday to Christmas holiday periods. Additionally, wireless ARPU historically has experienced seasonal sequential increases in the second and fourth quarters, due to higher levels of usage and roaming in the spring and summer months, followed by historical sequential declines in the fourth and first quarters. However, this seasonal effect on ARPU has moderated, as unlimited voice options and larger usage data plans with higher recurring monthly fees have become more prevalent, resulting in less variability in chargeable data usage.

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

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

8.1 Introduction

This section describes certain legislation that governs our business and provides highlights of recent regulatory initiatives and proceedings, government consultations and government positions that affect us, influence our business and may continue to affect our ability to compete in the marketplace. Bell Canada and several of its direct and indirect subsidiaries, including Bell Mobility, Bell ExpressVu’s Limited Partnership (Bell ExpressVu’s), Bell Media, NorthernTel’s Limited Partnership (NorthernTel), Telus ExpressVu’s Limited Partnership (Telus ExpressVu’s) and Northwestel, are governed by the Telecommunications Act, the Broadcasting Act, the Radiocommunications Act and/or the Bell Canada Act.

Our business is affected by regulations, policies and decisions made by various regulatory agencies, including the CRTC, a quasi-judicial agency of the Government of Canada responsible for regulating Canada’s telecommunications and broadcasting industries, and other federal government departments, in particular (ISED).

The CRTC regulates the prices we can charge for telecommunications services in areas where it determines there is not enough competition to protect the interests of consumers. The CRTC has determined that competition was insufficient to grant forbearance from retail price regulation under the Telecommunications Act for the vast majority of our wireless residential and business telephone services, as well as for our wireless services (except our domestic wholesale wireless roaming service and certain restrictions for retail wireless services set out in the Wireless Code of Conduct (the Wireless Code)) and Internet services (except in certain parts of Northwestel’s territory, where the CRTC regulated Internet services in 2015). Our TV distribution and our radio broadcasting businesses are subject to the Broadcasting Act and are, for the most part, not subject to retail price regulation.

While most of our retail services are not price-regulated, government agencies and departments such as the CRTC, ISED, Canadian Heritage and the Competition Bureau continue to play a significant role in regulatory matters such as access to markets, spectrum auctions, approval of acquisitions, broadcasting licensing and foreign ownership requirements. Adverse decisions by regulatory agencies or increasing regulation could have negative financial, operational, reputational or competitive consequences for our business.

8.2 Telecommunications Act

The Telecommunications Act governs telecommunications in Canada. It defines the broad objectives of Canada’s telecommunications policy and provides the Government of Canada with the power to give general direction to the CRTC on any of its policy objectives. It applies to several of the BCE group of companies and partnerships, including Bell Canada, Bell Mobility, NorthernTel, Telus 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 telecommunications services unless the services are exempt from regulation or forbear from regulation. The CRTC may exempt an entire class of carriers from regulation under the Telecommunications Act if the exemption meets the objectives of Canada’s telecommunications policy. In addition, a few 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.

1. REVIEW OF BASIC TELECOMMUNICATIONS SERVICES

On December 21, 2016, the CRTC issued Telecom Regulatory Policy CRTC 2016-486, in which it determined broadband Internet to be a basic service and created a new fund designed to complement government investments in expanding access to broadband Internet across Canada. The new fund will collect and distribute $750 million over a five-year period to support an aspiration goal of bringing broadband Internet with speeds of 50 Mbps to 30% of Canadian households by the end of 2021. The contributions to the new fund will be collected from telecommunications service providers, such as those of the BCE group, and distributed through a competitive bidding process to support broadband deployment initiatives. The fund is to start at $100 million in its first year and grow to $25 million each year until it caps out at $200 million in the fifth year. While we will be required to contribute to the new broadband fund based on our percentage of industry revenues for voice, data and Internet services, the extent of the impact of this new fund on our business is not yet known, as funds contributed may be offset by any funds received should we and be awarded funds to deploy broadband services as part of the CRTC’s program. The CRTC has launched a proceeding to determine the details of the competitive bidding process and we anticipate that the fund will likely be operational in 2019.

2. NATIONAL WIRELESS SERVICES CONSUMER CODE

On June 3, 2013, the CRTC issued Telecom Regulatory Policy CRTC 2013-271, which established the Wireless Code. The Wireless Code applies to all wireless services provided to individual and small business consumers (i.e. businesses that on average spend less than $2,500 per month on telecom services) in all provinces and territories.

The Wireless Code regulates certain aspects of the provision of wireless services. Most notably, the Wireless Code prevents wireless service providers from charging an early cancellation fee after a customer has been under contract for 24 months and requires providers to recover any handset subsidies in two years or less. These requirements have effectively removed contracts with terms greater than two years from the marketplace.

On June 15, 2017, the CRTC issued Telecom Regulatory Policy CRTC 2017-200, making targeted changes to the Wireless Code, effective December 1, 2017, and clarifying existing rules. The revisions to the Wireless Code prevent service providers from selling locked devices, increase voice, text and data usage allowances for customers to try out their services during the mandatory 14-day buyer’s trial period for purchased devices, and establish additional controls related to data overage and data roaming charges, among other things. These changes have had an adverse effect on our wireless business.

3. PROCEEDINGS REGARDING WHOLESALE DOMESTIC WIRELESS SERVICES

In Telecom Regulatory Policy CRTC 2015-177, the CRTC mandated Bell Mobility, Rogers Communications Partnership (now Rogers Communications Canada Inc.) and TELUS to issue tariffs to introduce new domestic wholesale roaming services for purchase by non-national wireless service providers (NNWPs). The terms of our tariff were approved by the CRTC in Telecom Decision CRTC 2017-58 (Decision 2017-58). Approval for the rates that we have proposed remains pending. If the CRTC mandates rates that are materially different from the rates we have proposed, this could improve the business position of our competitors and have a negative impact on our wireless business.

On June 1, 2017, the Federal Cabinet issued an Order to the CRTC directing it to reconsider certain determinations made in Decision 2017-58. In Decision 2017-58, the CRTC determined that Bell Mobility, Rogers Communications Canada Inc. and TELUS were required to provide “incident-free” access to their networks and not “permanent” access as mandated the roaming service. The CRTC also determined that the use of generally available public Wi-Fi issues were not candidates for inclusion in the roaming services that we were proposing to offer. If the Federal Cabinet’s Order is allowed to stand, then the CRTC would be required to reconsider the rates that we have proposed.

On September 29, 2017, in Telecom Order CRTC 2017-312, the CRTC set interim rates for these services. The interim rates determined by the CRTC are essentially similar to those we proposed; however, the final rates remain to be determined. The mandating of final rates that are materially different from the rates we proposed could improve the business position of our competitors and further impact our investment strategy.

4. MANAGED WHOLESALE ACCESS TO FTTP NETWORKS

On July 22, 2015, in Telecom Regulatory Policy CRTC 2015-326, the CRTC mandated the introduction of a new disaggregated wholesale high-speed access service, including over FTTP facilities, which has previously been exempt from price regulation for aggregation access. While this new service is mandated for all major incumbent telephone companies and cable carriers, the first stage of its implementation is to take place only in Ontario and Quebec, our two largest markets. This adverse regulatory decision may impact the specific nature, magnitude, location and timing of our future FTTP investment decisions. In particular, the introduction by the CRTC of mandated wholesale services over FTTP will undermine the incentives for facilities-based digital infrastructure providers to invest in next-generation wireless networks, particularly in smaller communities and rural areas.

On September 20, 2016, the CRTC issued Telecom Decision CRTC 2016-379, in which it largely adopted our proposals concerning the technical design of our future disaggregated wholesale high-speed access service. On August 29, 2017, in Telecom Order CRTC 2017-312, the CRTC set interim rates for these services. The interim rates determined by the CRTC are essentially similar to those proposed; however, the final rates remain to be determined. The mandating of final rates that are materially different from the rates we proposed could improve the business position of our competitors and further impact our investment strategy.

5. PROPOSED EXPANSION OF AGGREGATED WHOLESALE ACCESS REGIME TO FTTP NETWORKS

On March 30, 2017, the Canadian Network Operators Consortium Inc. (CNOC) applied to the CRTC for an expansion of the aggregated wholesale high-speed access regime, which mandates aggregated access to FTTP facilities, to also allow for aggregated access to FTTP facilities in areas where aggregated FTTP service is not available and only FTTP facilities are present to support the delivery of high-speed services. On February 2, 2018, the CRTC issued Telecom Decision CRTC 2018-44, in which it rejected CNOC’s application. The CRTC found that the expansion of the regime beyond areas where aggregated access has limited impacts on competitors’ ability to compete in the retail market, and that the adoption of CNOC’s proposal would undermine the CRTC’s desired transition to a disaggregated access regime.

6. REVIEW OF WHOLESALE FTTP HIGH-SPEED ACCESS SERVICE RATES

As part of its ongoing review of wholesale Internet rates, on October 6, 2016 the CRTC significantly reduced, on an interim basis, some of the wholesale rates that Bell Canada and other major providers charge for access to FTTP or cable networks, as applicable. Should such substantially lowered wholesale rates remain in place in the long-term and, in addition, should the interim rates be made retroactive, the business position of some of our competitors could improve, adversely affecting our financial performance, and our investment strategy could change, especially in relation to investment in next-generation wireless networks, particularly in smaller communities and rural areas.

7. CANADA'S TELECOMMUNICATIONS FOREIGN OWNERSHIP RULES

Under the Telecommunications Act, there are no foreign investment restrictions applicable to TCCs that have less than a 10% share of the total Canadian telecommunications market as measured by annual revenues. However
foreign investment in telecommunications companies can still be refused by the government under the Investment Canada Act. The absence of foreign ownership restrictions on such small or new entrant TCCs could result in more foreign companies entering the Canadian market, including by acquiring spectrum licences or Canadian TCCs.

8.3 Broadcasting Act

The Broadcasting Act outlines the broad objectives of Canada’s broadcasting policy and assigns the regulation and supervision of the broadcasting system to the CRTC. Key policy objectives of the Broadcasting Act are to protect and strengthen the cultural, political, social and economic fabric of Canada and to encourage the development of Canadian expression.

Most broadcasting activities require a programming or broadcasting distribution licence from the CRTC. The CRTC may exempt broadcasting undertakings from complying with certain licensing and regulatory requirements if it is satisfied that non-compliance will not materially affect the implementation of Canadian broadcasting policy. A corporation must also meet certain Canadian ownership and control requirements to obtain a broadcasting or broadcasting distribution licence, and corporations should have a long-term strategy that will allow them to transfer effective control of broadcasting licenses.

Our TV distribution operations and our TV and radio broadcasting operations are subject to the requirements of the Broadcasting Act, the policies and decisions of the CRTC and their respective broadcasting licences. Any changes in the Broadcasting Act, amendments to regulations or the adoption of new ones, or amendments to licences, could negatively affect our competitive position or the cost of providing services.

THE TELEVISION SERVICE PROVIDER CODE

On January 7, 2016, the CRTC issued Broadcasting Regulatory Policy CRTC 2016-1, which established the Television Service Provider Code (the “TV Code”). The TV Code came into force on September 1, 2017 and requires all regulated television service providers, as well as exempt television service providers that are affiliated with a regulated service provider, to observe certain rules concerning their agreements for television services. The TV Code does not apply to other exempt providers, such as CTI providers not affiliated with a regulated service provider.

The TV Code specifically imposes requirements relating to the clarity of offers, the content of contracts, trial periods for persons with disabilities, how consumers can change their programming options, and when services may be disconnected, among other things.

As part of Broadcasting Regulatory Policy CRTC 2016-1, the CRTC also expanded the mandate of the Commissioner for Complaints for Telecommunications Services, now the Commission for Complaints for Telecom-Television Services (CCTS), to include the administration of the TV Code and to enable the CCTS to accept consumer complaints about television services.

CHANGES TO SIMULTANEOUS SUBSTITUTION

In Broadcasting Regulatory Policy CRTC 2015-25, the CRTC announced that it would eliminate simultaneous substitution for the Super Bowl starting in 2017. This decision was implemented in Broadcasting Order CRTC 2016-335 (the “Order”). Bell Canada and Bell Media appealed the application of the Order to the Federal Court of Appeal, as did the NFL. Bell Canada and Bell Media argued that the CRTC does not have jurisdiction under the Broadcasting Act to ban simultaneous substitution for the Super Bowl and that doing so constitutes unauthorized retrospective regulation and interference with Bell Media’s vested economic rights. In a decision rendered on December 18, 2017, the Federal Court of Appeal dismissed the appeals of Bell Media and Bell Canada, finding that the CRTC’s decision as to how the broadcasting of the Super Bowl should be controlled was within its discretion, that the CRTC’s direction to the NFL was not an unreasonable exercise of its discretion, and that the CRTC’s decision had the effect of requiring two programs to be aired simultaneously in contravention of the principle of the rule of law.

On January 24, 2018, the Supreme Court of Canada denied the appeal for the right of the Order, but agreed to hear our application for leave, and our appeal should be allowed to be granted, on an expedited basis. We expect a decision on our leave application in the coming months.

On August 1, 2017, BCE filed an application with the CRTC requesting that it rescind the Order, arguing that there have been significant negative economic and social impacts resulting from the Order. The application is supported by the NFL along with national union Unifor, the Alliance of Canadian Cinema, Television and Radio Artists, the Association of Canadian Advertisers and the Canadian Media Directors’ Council.

The CRTC’s decision to eliminate simultaneous substitution for the Super Bowl has had an adverse impact on Bell Media’s conventional TV business and financial results, as a result of a reduction in viewership and advertising revenues. Such impacts will continue throughout the duration of our contract term with the NFL unless the CRTC’s Order is rescinded.

WHOLESALE CODE

In Broadcasting Regulatory Policy CRTC 2015-438, the CRTC announced it would implement a new Wholesale Code to govern the commercial arrangements between BDUs, programming services and digital media services, including imposing additional restrictions on the sale of TV channels at wholesale and the carriage of TV channels by BDUs. Bell Canada and Bell Media have appealed the decision to the Federal Court of Appeal, arguing that the CRTC’s implementation of the Wholesale Code conflicts with the Copyright Act and is outside the CRTC’s jurisdiction under the Broadcasting Act. The appeal was heard on November 14, 2017, and a decision is expected in 2018.

LICENSE RENEWALS

On May 15, 2017, the CRTC issued decisions in which it renewed the TV licences held by the large English-language and French-language ownership groups, including those owned by Bell Media. The CRTC’s decisions were generally positive for Bell Media as no adverse conditions of licence were imposed that could have negatively affected our business and financial performance.

In its renewals for the large English-language ownership groups (Broadcasting Decisions CRTC 2017-148 to 2017-151), the CRTC set symmetrical spending requirements across each licensing group for both Canadian programming (minimum 20% of revenues) and certain categories of programs of national interest (minimum 5% of revenues). Given that the new symmetrical requirements for spending on programs of national interest were lower than the pre-existing requirements for certain ownership groups (including Bell Media), several of the associations that represent creative groups are concerned about what they perceive will be a reduction in spending in this category of programming. Consequently, they filed petitions pursuant to section 28(1) of the Broadcasting Act requesting that the Federal Cabinet set aside the decisions or refer them back to the CRTC for reconsideration.

In its renewals for the large French-language ownership groups (Broadcasting Decisions CRTC 2017-143 to 2017-147), the CRTC set minimum spending requirements for each group on a case-by-case basis, in accordance with recent historical levels. However, the Government of Quebec and several of the associations that represent creative groups are concerned that the CRTC did not set a specific minimum spending requirement relating to original French-language production. Consequently, they also filed petitions pursuant to section 28(1) of the Broadcasting Act, requesting that the Federal Cabinet refer the decisions back to the CRTC for reconsideration.

On August 14, 2017, the Federal Cabinet referred the English-language and French-language renewal decisions back to the CRTC for reconsideration to ensure that appropriate contributions are made to the creation and presentation of programs of national interest, original French-language programming and music programming, as well as short films and documentaries. The decisions remain in effect while the CRTC conducts its reconsideration process.

Should the CRTC allow the current conditions of licence in an adverse manner, it could have a negative effect on Bell Media’s business and financial performance going forward.

8.4 Radiocommunication Act

ISED regulates the use of radio spectrum under the Radiocommunication Act to ensure that radio communication in Canada is developed and operated efficiently. All companies wishing to operate a wireless system in Canada must hold a spectrum licence to do so. 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.

600 MHZ SPECTRUM CONSULTATION

ISED is currently in the process of repurposing the 600 MHz band, which is currently being used primarily by over-the-air TV broadcasters for TV transmission, for mobile use. As part of the transition, TV broadcasters must be moved off the 600 MHz spectrum. In April 2017, ISED released its new digital television allotment plan, developed jointly with the U.S. regulatory authorities. The transition of broadcasters off 600 MHz spectrum will have an impact on Bell Media’s broadcasting facilities; however, the extent of such impact is not yet known.

On August 11, 2017, ISED released a consultation paper seeking input regarding a technical, policy and licensing framework to govern the auction of spectrum licences in the 600 MHz band for mobile use. The consultation paper indicates that ISED is preparing to auction 70 MHz of spectrum (30 MHz of which would be set aside for set-aside-eligible entities) using an auction format similar to that used in the 700 MHz and 2500 MHz spectrum auctions. The set-aside spectrum can only be transferred to set-aside-eligible entities for the first five years. ISED proposes that the auctioned licences will have a 20-year term and be subject to certain deployment requirements requiring licences to provide coverage in designated areas throughout the population in average license area at 10 and 20 years following licence issuance. ISED has not yet indicated when the auction will take place.

While the potential overall impact of the proposed auction framework is not yet known at the present time, the adoption of the set-aside provisions outlined in the consultation paper would limit the amount of spectrum that Bell Media can bid on. A decision on the consultation remains pending.

CONSULTATION ON RELEASING MILLIMETRE WAVE SPECTRUM TO SUPPORT 5G

On June 15, 2017, ISED launched a consultation entitled “Consultation on Releasing Millimetre Wave Spectrum to Support 5G”. The consultation addresses the use of three key frequency bands, namely 28 GHz, 37-40 GHz and 64-71 GHz for possible 5G deployment. ISED has sought comments on a number of key technical and licensing policy considerations for the use of the above noted spectrum. As 5G is expected to be the next major advancement in mobile telecommunications standards, access to the millimetre wave spectrum will be important in order to facilitate the development and adoption of 5G technology. A decision on the consultation remains pending.

RENEWAL OF AWS-1 AND PCS G BLOCK AND I BLOCK SPECTRUM LICENSES

ISED issued a consultation on the renewal of telecommunication licences for the AWS-1 and PCS G Block and I Block spectrum licences with conditions requiring the reapplication of conditions to ensure the continued provision of the AWS-1 and PCS G Block spectrum services to Canadians. The consultations remain ongoing.

BCS Inc. 2017 ANNUAL REPORT
On February 15, 2018, ISED released its spectrum licence renewal process for the AWS-3 and the personal communications services (PCS) G Block and I Block spectrum. These spectrum licenses were auctioned in 2018 with a ten-year term and began in December 2018. In its decision, ISED indicated that, where all conditions of licence have been met, licensees will be eligible for new licences. Compliant AWS-3 and G Block licensees will be eligible for new licences with a 20-year term and compliant I Block licensees will be eligible for new licences with a 10-year term. As part of the renewal process, ISED set population coverage targets that apply within the first eight years of the new licence term and a second set of population coverage targets that apply by the end of the 20-year licence term. As indicated in the consultation, the population targets are based on smaller geographic licensing areas.

---

### AUCTION OF RESIDENTIAL SPECTRUM LICENCES

On December 19, 2017, ISED released a decision entitled “Licensing Framework for Residual Spectrum Licences in the 700 MHz, 2500 MHz, 2300 MHz and PCS G Bands”. For residual licences in the 700 MHz and 2500 MHz bands, ISED will impose the same aggregation limits that were in place for the primary auctions of these bands in 2014 and 2010, respectively. The licensing framework has set a sealed-bid auction with bids due on May 15, 2018.

### CONSULTATION ON THE SPECTRUM OUTLOOK 2018 TO 2022

On October 6, 2017, ISED initiated a consultation entitled “Consultation on the Spectrum Outlook 2018 to 2022”. The outcome of this consultation is intended to provide a roadmap for ISED to follow in making spectrum available over the next five years. As part of this consultation, ISED is seeking views on how it should change its licensing regime, how much spectrum will be required in the future, and how technology is evolving, among other things. It is unclear what, if any, impacts the results of this consultation could have on our business.

### 8.5 Bell Canada Act

Among other things, the Bell Canada Act limits how Bell Canada voting shares and Bell Canada facilities may be sold or transferred. Specifically, 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.

### 8.6 Other key legislation

#### PERSONAL INFORMATION PROTECTION AND ELECTRONIC DOCUMENTS ACT

On June 15, 2018, the Personal Information Protection and Electronic Documents Act was amended to include mandatory notification requirements that must be followed in relation to the loss or unauthorized disclosure of personal information held by an organization resulting from a breach of the organization’s security safeguards. Failure to comply with these notification requirements, or to log security breaches, may result in a fine of up to $100,000 per occurrence. These provisions dealing with notification requirements will come into force when related regulations are brought into force.

On September 28, 2017, the Office of the Privacy Commissioner of Canada (OPC) issued its Notice of Consultation and Call for Comments on Draft Consent Guidance Documents. The specific guidance documents at issue in this consultation are entitled “Draft Guidelines: Obtaining Meaningful Online Consent” and “Draft Guidelines: Inappropriate Data Practices – Interpretation and Application of Subsection 5(3)”. The OPC is expected to issue final guidelines later this year. The OPC’s guidelines could have significant impacts concerning how personal information may be collected, used and disclosed for analytical and marketing purposes.

#### CANADA’S ANTI-SMASH LEGISLATION

Federal legislation referred to as Canada’s anti-spam legislation (CASL) came into force on July 1, 2014. Pursuant to CASL, commercial electronic messages can be sent only if the recipient has provided prior consent and the message comply with certain formalities, including the ability to unsubscribe easily from subsequent messages. As of January 1, 2015, CASL also requires that an organization have prior informed consent before downloading software to an end-user’s computer. Penalties for non-compliance include administrative monetary penalties of up to $10 million.

While CASL is also intended to provide individual Canadians with a right of action to commence proceedings for statutory damages in relation to instances of non-compliance, these provisions were deferred indefinitely from coming into force by the Federal Cabinet on June 2, 2017.

### COPYRIGHT ACT REVIEW

On December 13, 2017, the Federal Government passed a motion in Parliament to formally launch a review of the Copyright Act. This review is mandated by the Copyright Act itself, which requires that the legislation be examined every five years. The Standing Committee on Industry, Science and Technology, working in collaboration with the Standing Committee on Canadian Heritage, will lead the process, beginning in early 2018. At this time, the impact of any potential amendments on our business is unknown.

---

### 9 Business risks

A risk is the possibility that a event might happen in the future that could have a negative effect on our financial position, financial performance, cash flows, business or reputation. The actual effect of any event could be materially different from what we currently expect. The risks described in this MD&A are not the only ones that could affect us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materialize and adversely affect our financial position, financial performance, cash flows, business or reputation.

This section describes the principal business risks that could have a material adverse effect on our financial position, financial performance, cash flows, business or reputation, and cause actual results or events to differ materially from our expectations expressed in, or implied by, our forward-looking statements. As indicated in the table below, certain of these principal business risks have already been discussed in other sections of this MD&A, and we refer the reader to those sections for a discussion of such risks. All of the risk discussions set out in the sections referred to in the table below are incorporated by reference in this section.

#### RISKS DISCUSSED IN OTHER SECTIONS OF THIS MD&A

<table>
<thead>
<tr>
<th>Competitive environment</th>
<th>Section 3.3, Principal business risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regulatory environment</td>
<td>Section 3.3, Principal business risks</td>
</tr>
<tr>
<td>Security management</td>
<td>Section 3.3, Principal business risks</td>
</tr>
</tbody>
</table>

#### RISKS SPECIFICALLY RELATING TO OUR BELL WIRELESS, BELL WIRELINE AND BELL MEDIA SEGMENTS

| Wireless risks          | Section 5, Business segment analysis (Principal business risk sections for each segment) |

- The other principal business risk that could also have a material adverse effect on our financial position, financial performance, cash flows, business or reputation are discussed below.

#### TECHNOLOGY/INFRASTRUCTURE TRANSFORMATION

The failure to optimize network and IT deployment and upgrade timelines, accurately assess the potential of new technologies, or invest and evolve in the appropriate direction could have an adverse impact on our business and financial results.

Globalization, increased competition and ongoing technological advances are driving customer expectations of faster market responses, enhanced user experiences and cost-effective delivery. Meeting these expectations requires the deployment of new service and product technologies that are network-neutral and based on more collaborative and integrated development environment. Change can be difficult and may present unforeseen obstacles that might impact successful execution, and this transition is made more challenging by the complexity of our multi-product environment, combined with the complexity of our network and IT structures. In addition, new technologies may quickly become obsolete or their launch may be delayed. The failure to optimize network and IT deployment and upgrade timelines, in light of customer demand and competitor activities, to accurately assess the potential of new technologies or to invest and evolve in the appropriate direction in an environment of changing business models could have an adverse impact on our business and financial results.

In particular, our network and IT evolution activities seek to leverage new as well as existing and developing technologies, including network functions virtualization, software-defined networks and cloud technologies, and to transform our network and systems to achieve our objectives of becoming more agile in our service delivery and operations as well as providing self-serve and instant-on capabilities for our customers, ensuring best quality and customer experience, and developing a network infrastructure that enables a competitive cost structure and rapidly growing capacity. These evolution activities require an operational and cultural shift. Alignment across technology, product development and operations is increasingly critical to ensure appropriate trade-offs and optimization of capital allocation.

If this cannot be achieved according to our deployment schedules while maintaining network availability and performance through the migration process, we may lose customers as a result of poor service performance, which could cause us to fail to achieve our operational and financial objectives. Failure to leverage IP across all facets of our network and product and service portfolios could inhibit us achieving a fully customer-centric approach, limiting or preventing comprehensive self-service access, real-time provisioning, cost savings and flexibility in delivery and consumption, leading to negative business and financial outcomes.

Parallel to our focus on next-generation investment, adverse regulatory decisions may impact the specific nature, magnitude, location and timing of investment decisions. In particular, the introduction by the CRTC of mandated wholesale services over FTTP or wireless networks will undermine the incentives for facilities-based digital infrastructure providers to invest in next-generation wireline and wireless networks, particularly in smaller communities and rural areas. Failure to continue investment in next-generation capabilities in a disciplined and strategic manner, including real-time information-based customer service strategies, could limit our ability to compete effectively and achieve desired business and financial results.

Other examples of risks affecting achievement of our desired technology infrastructure transformation include:

- Network construction and deployment on municipal or private property requires the issuance of municipal or property owner consents, respectively, for the installation of network equipment, which could cause delays in FTTP roll-out
The increase in dependence on apps for content delivery, sales, and customer engagement service drives the need for new and scarce capabilities (sourced internally or externally), which may not be available, as well as the need for associated operating processes integrated into ongoing operations.

- New products, services or apps could reduce demand for our existing, more profitable service 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.

- As consumption habits evolve and TV viewing alternatives expand, our ability to develop alternative delivery vehicles, which may require significant software development and network investment, in order to compete in new markets is essential to maintaining customer engagement and revenue streams.

- We must be able to leverage new opportunities, such as those introduced by "big data," which is subject to many challenges, including evolving customer perceptions as well as legal and regulatory developments in order to meet our business objectives. If we cannot build market-leading competencies in this field across sales, service and operational platforms that respect societal values and legal and regulatory requirements, we may miss important opportunities to grow our business through enhanced market intelligence and a more proactive customer service model.

CUSTOMER EXPERIENCE

Driving a positive customer experience in all aspects of our engagement with customers by embracing new approaches and challenging operational limitations is important to avoid adverse impacts on our business and financial performance.

As the bar continues to be raised based on customers’ evolving expectations of service and value, failure to get ahead of such expectations and build a more robust service experience could hinder products and services development efforts and could result in reduced customer satisfaction, reduced customer engagement, and potential customer defections. If we fail to align our processes and tools to doing things when, how and where they want through web-based, self-service options, web chat, centres, Facebook, Twitter and other social media forums. Failure to embrace these new media in a positive way, incorporate them into multiple elements of our service delivery and ensure that we understand their potential impact on customer perceptions could adversely affect our reputation and brand value. As the foundation of effective customer service stems from our ability to deliver simple solutions to customers in an expeditious manner, on mutually agreeable terms, complexity in our operations resulting from multiple technology platforms, billing systems, marketing databases and a myriad of rate plans, promotions and product offerings may limit our ability to respond quickly to market conditions and react to customer concern or billing errors, which could adversely affect customer satisfaction, acquisition and retention. While speed of service evolution is critical to a competitive differentiation, it must not be achieved at the expense of the quality of our service offerings or of our brand.

OPERATIONAL PERFORMANCE

Our networks, IT systems and data centre assets are the foundation of high-quality consistent services which are critical to meeting service expectations.

- We must ensure our capital expenditures are within the boundaries that our capital intensity target in order to provide additional capacity and reduce network congestion on our wireless and wireless networks, and we will not be able to generate sufficient cash flows or raise the capital we need to fund such capital expenditures, which may result in service degradation.

- Corporate restructurings, system replacements and upgrades, process redesigns and the integration of business acquisitions may not deliver the benefits contemplated and could adversely impact our ongoing operations.

- If we fail to properly manage our significant IT legacy system portfolio and proactively improve operating performance, this could adversely impact our business and financial performance.

- We may not be able to generate sufficient cash flows or raise the capital we need to fund such capital expenditures, which may result in service degradation.

- There may be a lack of competent and cost-effective resources to perform the life-cycle management and upgrades necessary to maintain the operational status of legacy networks.

Our operations and business continuity depend on how well we protect, test, maintain and replace our networks, IT systems, equipment and other facilities.

Our operations depend on how well we contract our service providers protect our networks and IT systems, as well as other infrastructure and facilities, against damage from fire, natural disaster (including without limitation, seismic, hurricanes, tornadoes and tsunamis), power loss, building collapse, wind, uninsured access or entry, cyber threats, disabling devices, acts of war or terrorism, sabotage, vandalism, actions of neighbors and other events. Establishing response strategies and business continuity protocols to maintain service consistency if any disruptive event materializes is critical to the effective achievement of customer service. Any of the above-mentioned events, as well as the failure to completely and sufficiently, maintain or replace our networks, equipment and other facilities, could disrupt our operations (including through disruptions such as network failures, billing errors or delays in customer service), require significant resources and result in significant remediation costs, which in turn could have an adverse effect on our business and financial performance, or impair our ability to keep existing subscribers or attract new ones.

Satellites used to provide our satellite TV services are subject to significant operational risks that could have an adverse effect on our business and financial performance.

Pursuant to a set of commercial arrangements between Bell ExpressVu and Telesat Canada (Telesat), we currently have two satellites under contract with Telesat. Telesat operates or directs the operation of these satellites, which 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, which could reduce the functional usefulness of a satellite used to provide our service as an ensemble. Acts of war or terrorism, magnetic, electrostatic or solar storms, and space debris or meteors could also damage such satellites. Any loss, failure, manufacturing defect, damage or destruction of these satellites, of our terrestrial broadcasting infrastructure or of Telesat’s tracking, telemetry and control facilities to operate the satellites could have an adverse effect on our business and financial performance and could result in customers terminating their subscriptions to our DTH satellite TV service.

PEOPLE

Our employees and contractors are key resources, and there is a broad and complex range of risks that must be managed effectively to drive a winning corporate culture and outstanding performance.

- Our business depends on the efforts, engagement and expertise of our management and non-management employees and contractors, who must be able to operate safely and securely based on the tasks they are completing and the environment in which they are functioning. If we fail to achieve this basic expectation, this could adversely affect our organizational culture, reputation and financial results as well as our ability to attract high-performing team members. Competition for highly skilled team members is intense, which makes the development of approaches to identify and secure high-performing candidates for a broad range of job functions, roles and responsibilities essential. Failure to attract appropriately trained, motivate or deploy employees on initiatives that further our strategic imperatives, or to efficiently replace retiring employees, could have an adverse impact on our ability to maintain and retain talent and drive performance across the organization. The positive engagement of members of our team represented by unions is contingent on negotiating collective agreements that deliver competitive labour conditions and uninterrupted service, both of which are critical to achieving our business objectives. In addition, if our skills sets, diversity and size of the workforce do not match the operational requirements of the business and foster a winning culture, we will likely not be able to sustain our performance.

Other examples of people-related risks include:

- The increasing technical and operational complexity of our businesses and the high demand in the market for skilled technical resources create a challenging environment for hiring, retaining and developing such skilled technical resources.

- Failure to establish a complete and effective succession plan, including preparation of internal talent and identification of potential external candidates where relevant for key roles, could impair our business until qualified replacements are found.

- Approximately 45% 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, which could adversely affect service to our customers and, in turn, our customer relationships and financial performance.

- Ensuring the safety and security of our workforce operating in different environments, including manholes, telephone poles, cell towers, vehicles, foreign news bureaus and war zones, requires focus, effective processes and flexibility to avoid injury, service interruption, fines and reputational impact.

- Deterioration in employee morale and engagement resulting from staff reductions, ongoing cost reorganizations or reorganizations could adversely affect our business and financial results.

FINANCIAL MANAGEMENT

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

Our ability to meet our capital requirements, fund capital expenditures and provide for planned growth depends on having access to adequate sources of capital and on our ability to generate cash flows from operations, which is subject to various risks, including those described in this MD&A.

Our ability to raise financing depends on our ability to access the public equity, debt capital and money 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, political, economic and financial market instability in Canada or abroad, government policies, central bank monetary policies, changes to bank capitalization or other 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 a particular industry.
Our bank credit facilities, including credit facilities supporting our commercial paper program, are provided by various financial institutions. While we intend to continue to renew certain of such credit facilities from time to time, there are no assurances that these facilities will be renewed on favorable terms or in similar amounts.

Differences between BCE’s actual or anticipated financial results and the published expectations of financial analysts, as well as events affecting our business or operating environment, may contribute to volatility in BCE’s securities. A fluctuation 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 debt or equity capital, retain senior executives and other key employees, make strategic acquisitions or enter into joint arrangements.

If we cannot access the capital we need or generate cash flows to implement our business plan or meet our financial obligations on acceptable terms, we may have to limit our ongoing capital expenditures and our investments in new businesses or 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 and on our growth prospects.

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

From time to time, the BCE Board reviews the adequacy of BCE’s dividend policy with the objective of allowing sufficient financial flexibility to continue investing in our business while growing returns to shareholders. Under the current dividend policy, increases in the common share dividend are directly linked to growth in BCE’s free cash flow. BCE’s dividend policy and the declaration of dividends on any of our outstanding shares are subject to the discretion of the BCE Board and, consequently, there can be no guarantee that BCE’s dividend policy will be maintained or that dividends will be declared.

The declaration of dividends by the BCE Board is ultimately dependent on BCE’s operations and financial results which are, in turn, subject to various assumptions and risks, including those set out in Section 6.5, Financial risk management.

We are exposed to various credit, liquidity and market risks.

Our exposure to credit, liquidity and market risks, including interest rate, foreign currency rates and stock price fluctuations, is discussed in section 6.5, Financial risk management.

Our objective 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.

Failure to reduce costs as well as unexpected increases in costs could adversely affect our ability to achieve our strategic imperatives and our financial results; therefore, our ability to continue to invest in the business and to achieve our strategic initiatives will depend upon the successful implementation of these strategies and plans as well as our ability to successfully manage our liquidity, financial performance and capital requirements.

The economic environment, pension rules or ineffective governance could have an adverse effect on our pension obligations, liquidity and financial performance, and we may be required to increase contributions to our post-employment benefit plans in the future.

With a large pension plan membership and DB pension plans that are subject to the pressures of the global economic environment and changing regulatory and reporting requirements, our pension obligations are exposed to potential volatility. Failure to recognize and manage economic exposure and pension rule changes or to ensure that effective governance is in place for management and funding of pension plan assets and obligations could have an adverse impact on our liquidity and financial performance.

The funding requirements of our post-retirement benefit plans, based on valuations of plan assets and obligations, depend on a number of factors, including actual results on post-retirement benefit plan assets, long-term interest rates, plan demographics, and applicable regulations and actuarial standards. Changes in these factors could cause future contributions to significantly differ from our current estimates and could require us to increase contributions.

Our expected funding for 2018 is in accordance with the latest post-retirement benefit plan valuations as of December 31, 2016, filed in June 2017, and takes into account voluntary contributions of $100 million in 2017.

Income and commodity tax amounts may materially differ from the expected amounts.

Our complex business operations are subject to various tax laws, and the adoption of new tax laws, or regulations or rules thereunder, or changes thereto or in the interpretation thereof, could result in higher tax rates, new taxes or other adverse tax implications. In addition, while we believe that we have adequately provided for all income and commodity taxes based on all of the information that is currently available, the calculation of income taxes and the applicability of commodity taxes in many cases require significant judgment in interpreting tax laws and regulations. Our tax filing positions are subject to government audits that could result in material differences to the amount of current and deferred income tax assets and liabilities and other liabilities and could, in certain circumstances, result in an assessment of interest and penalties.

The failure to reduce costs as well as unexpected increases in costs could adversely affect our ability to achieve our strategic imperatives and our financial results.

Our objectives for targeted cost reductions continue to be aggressive but there is no assurance that we will be successful in reducing costs, especially since incremental cost savings are more difficult to achieve on an ongoing basis.

Our cost reduction objectives require aggressive negotiations with our suppliers and there can be no assurance that such negotiations will be successful or that replacement products or services provided will not lead to operational issues.

Specific examples relevant to us include:

- Achieving timely cost reductions while moving into an IP-based network is dependent on disciplined network decommissioning, which can be delayed by customer contractual commitments, regulatory considerations and other unforeseen obstacles.
- Fluctuations in energy prices are partly influenced by government policies to address climate change which, combined with growing data demand that increases our energy requirements, could increase our energy costs beyond our current expectations.
- Failure to successfully deliver on our contractual commitments, whether due to security events, operational challenges or other reasons, may result in financial penalties and loss of revenues.

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

As a public company with a range of desirable and valuable products and services and 51,679 employees at the end of 2017, fraud requires a disciplined program covering governance, exposure identification and assessment, prevention, detection and reporting that considers corruption, misappropriation of assets and intentional manipulation of financial statements by employees and/or external parties. Fraud events can result in financial loss and brand degradation.

Examples of risks to our ability to reduce costs or of potential cost increases include:

- Achieving timely cost reductions while moving into an IP-based network is dependent on disciplined network decommissioning, which can be delayed by customer contractual commitments, regulatory considerations and other unforeseen obstacles.
- Fluctuations in energy prices are partly influenced by government policies to address climate change which, combined with growing data demand that increases our energy requirements, could increase our energy costs beyond our current expectations.
- Failure to successfully deliver on our contractual commitments, whether due to security events, operational challenges or other reasons, may result in financial penalties and loss of revenues.

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

Specific examples relevant to us include:

- Subscription fraud on accounts established with a false identity or paid with a stolen credit card
- Network usage fraud for such calls/auth calls using our networks or wireless services
- Copyright theft and other forms of unauthorized use that undermine the exclusivity of Bell Media’s content offerings, which could potentially divert users to unlicensed or otherwise illegitimate platforms, thus impacting our ability to derive distribution and advertising revenues
- TV distributors including Bell Canada and Bell ExpressVu are subject to ongoing efforts to steal their services through compromise or circumvention of signal security systems, causing revenue loss.

DEPENDENCE ON THIRD-PARTY SUPPLIERS

We depend on third-party suppliers, outsourcers and consultants as critical, to provide an uninterrupted supply of the products and services we need to operate our business and to comply with various obligations.

We depend on key third-party suppliers and outsourcers, over which we have no operational or financial control, for products and services, some of which are critical to our operations. If there are gaps in our supplier governance and oversight models established to ensure full risk transparency at point of purchase and throughout the relationship, including any contract renegotiations, there is the potential for a breakdown in supply, which could impact our ability to manage and control operational and financial risks. Some of our third-party suppliers and outsourcers are located in foreign countries, which increases the potential for a breakdown in supply due to the risks of operating in foreign jurisdictions with different laws, geopolitical environments, cultures and the potential for localized natural disasters. The outsourcing of services generally involves transfer of risk, and we must take appropriate steps to ensure that the subcontractors’ approach to risk management is aligned with our own standards in order to maintain continuity of supply and brand strength. Further, as cloud-based supplier models continue to evolve, our procurement and vendor management practices must also continue to evolve to fully address associated risk exposures.

In addition, certain company initiatives rely heavily upon professional consulting services provided by third parties, and a failure of such third parties may not be reasonably eminent until their work is delivered or delayed. Depending on the size, complexity and level of third-party dependence, remedial strategies may be difficult to implement in respect of any professional consulting services provided by third-parties that are not performed in a proper or timely fashion. Any such difficulty in implementing remedial strategies could result in an adverse effect on our ability to comply with various obligations, including applicable legal and accounting requirements.

Other examples of risks associated with our dependence on third-party suppliers include the following:

- Demand for products and services available from only a limited number of suppliers, some of which dominate their global market, may lead to decreased availability, increased costs or delays in the delivery of such products and services, some suppliers may choose to favor global competitors that are larger than we are and, accordingly, purchase a larger volume of products and services. In addition, production issues affecting any such supplier, or other suppliers, could result in decreased quantities, or a total lack, of supply of products or services.

Any of these events could adversely affect our ability to meet customer commitments and demand:

- Cloud-based solutions may increase the risk of security and data leakage exposure if security control protocols affecting our suppliers are bypassed.
- Failure to maintain strong discipline account vendor administration (especially around initial account setup) may mask potential financial or operational risks and complicate future problem resolutions.
- If products and services important to our operations have manufacturing defects or do not comply with applicable government regulations and standards (including product safety practices), our ability to sell products and provide services on a timely basis may be negatively impacted.
- We work with our suppliers to identify serious product defects (including safety incidents) and develop appropriate remedial strategies. Remedial strategies may include a recall of products. To the extent that a supplier does not actively participate in, and/or bear primary financial responsibility for, a recall of its products, our ability to perform such recall programs at a reasonable cost...
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 senior management has reviewed the development and selection of the critical accounting estimates and judgments described in this section with the Audit Committee of the BCE Board.

ESTIMATES

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.
The most significant assumptions used to calculate the net post-employment benefit plans cost are the discount rate and life expectancy. 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. We account for differences between actual and expected results in benefit obligations and plan performance in OCI, which are then recognized immediately in the deficit.

We account for differences between actual and expected results in benefit obligations and plan performance in OCI, which are then recognized immediately in the deficit.

The discount rate is based on the yield on long-term, high-quality corporate fixed income investments, with maturities matching the estimated cash flows of the post-employment benefit plans. Life expectancy is based on publicly available Canadian mortality tables and is adjusted for the company’s specific experience.

A lower discount rate and a higher life expectancy result in a higher net post-employment benefit obligation and a higher current service cost.

**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 impact on net post-employment benefit plans cost for 2017 – increase (decrease) for the most significant assumptions is as follows:

<table>
<thead>
<tr>
<th>ASSUMPTION</th>
<th>INCREASE IN ASSUMPTION</th>
<th>DECREASE IN ASSUMPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate</td>
<td>0.3%</td>
<td>(0.3%)</td>
</tr>
<tr>
<td>Life expectancy at age 65</td>
<td>33</td>
<td>(33)</td>
</tr>
</tbody>
</table>

**SENSITIVITY ANALYSIS**

The following table shows a sensitivity analysis of key assumptions used to measure the net post-employment benefit obligations and the net post-employment benefit plans cost for our DB pension plans and OPEB plans:

<table>
<thead>
<tr>
<th>ASSUMPTION</th>
<th>INCREASE IN ASSUMPTION</th>
<th>DECREASE IN ASSUMPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate</td>
<td>0.3%</td>
<td>(0.3%)</td>
</tr>
<tr>
<td>Life expectancy at age 65</td>
<td>33</td>
<td>(33)</td>
</tr>
</tbody>
</table>

**IMPAIRMENT OF NON-FINANCIAL ASSETS**

Goodwill and indefinite-life intangible assets are tested for impairment annually or when there is an indication that the asset may be impaired. Property, plant and equipment and finite-life intangible assets are tested for impairment if events or changes in circumstances, assessed at each reporting period, indicate that their carrying amount may not be recoverable. For the purpose of impairment testing, assets other than goodwill are grouped at the lowest level for which there are separately identifiable cash inflows.

Impairment losses are recognized and measured as the excess of the carrying value of the assets over their recoverable amount. An asset’s recoverable amount is the higher of its fair value less costs of disposal and its value in use. Previously recognized impairment losses, other than those attributable to goodwill, are reversed for possible reversal at each reporting date and, if the asset's recoverable amount has increased, all or a portion of the impairment is reversed.

We make a number of estimates when calculating recoverable amounts using discounted future cash flows or other valuation methods to test for impairment. These estimates include the assumed growth rates for future cash flows, the number of years used in the cash flow model, and the discount rate. When impairment charges occur they are recorded in Other (expenses) income.

In 2017, we recorded impairment charges of $72 million, of which $70 million was allocated to indefinite-life intangible assets, and $2 million to finite-life intangible assets. The impairment charges relate to our music TV channels and two small market radio station CGUs within our Bell Media segment. These impairments were the result of revenue and profitability declines from lower audience levels. The charges were determined by comparing the carrying value of the CGUs to their fair value less costs of disposal. We estimated the fair value of the CGUs using both discounted cash flows and market-based valuation models, which include five-year cash flow projections derived from business plans reviewed by senior management for the period of January 1, 2015 to December 31, 2019, using a discount rate of 6.5% and a perpetuity growth rate of nil, as well as market multiple data from public companies and market transactions. The carrying value of these CGUs was $77 million at December 31, 2017.

**GOODWILL IMPAIRMENT TESTING**

We perform an annual test for goodwill impairment in the fourth quarter of our year or if there is evidence that a CGU or group of CGUs to which goodwill is allocated, and whenever there is an indication that goodwill might be impaired.

We identify any potential impairment by comparing the carrying value of a CGU or group of CGUs to its recoverable amount. The recoverable amount of a CGU or group of CGUs is the higher of its fair value less costs of disposal and its value in use. Both fair value less costs of disposal and value in use are based on estimates of discounted future cash flows or other valuation methods. Cash flows are projected based on past experience, actual operating results and business plans. When the recoverable amount of a CGU or group of CGUs is less than its carrying amount, the recoverable amount is determined for its identifiable assets and liabilities. The excess of the recoverable amount of the CGU or group of CGUs over the total of the amounts assigned to its assets and liabilities is the recoverable amount of goodwill.

An impairment charge is recognized in Other (expenses) income in the income statements for any excess of the carrying value of goodwill over its recoverable amount. For purposes of impairment testing of goodwill, BCE’s CGUs or groups of CGUs correspond to our reporting segments as disclosed in Note 4, Segmented information, in BCE’s 2017 consolidated financial statements.

Any significant change in each of the estimates used could have a material impact on the calculation of the recoverable amount and resulting impairment charge. As a result, we are unable to reasonably quantify the changes in our overall financial performance if we had used different assumptions.

We cannot predict whether an event that triggers impairment will occur, when it will occur or how it will affect the asset values we have reported. We believe that any reasonable possible change in the key assumptions on which the estimate of recoverable amounts of the Bell Wireless or Bell Wireline groups of CGUs is based would not cause their carrying amounts to exceed their recoverable amounts.

For the Bell Media group of CGUs, a decrease of (0.3%) in the perpetuity growth rate or an increase of 0.2% in the discount rate, would have resulted in its recoverable amount being equal to its carrying value.

There were no goodwill impairment charges in 2016 or 2017.

**DEFERRED TAXES**

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply when the asset or liability is recovered or settled. Both our current and deferred tax assets and liabilities are calculated using tax rates that have been enacted or substantively enacted at the reporting date.

Deferred taxes are provided on temporary differences arising from investments in subsidiaries, joint arrangements and associates, except where we control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The amount of deferred tax assets and liabilities are estimated with consideration given to the timing, sources and amounts of future taxable income.

**FAIR VALUE OF FINANCIAL INSTRUMENTS**

Certain financial instruments, such as investments in equity securities, derivative financial instruments and certain elements of borrowings, are carried in the financial statements at fair value, with changes in fair value reflected in the income statements and the statements of comprehensive income. Fair values are estimated by reference to published price quotations or by using other valuation techniques that may include inputs that are not based on observable market data, such as discounted cash flows and earnings multiples.

**CONTINGENCIES**

In the ordinary course of business, we become involved in various claims and legal proceedings seeking monetary damages and other relief. Pending claims and legal proceedings represent a potential cost to our business. We estimate the amount of a loss by analyzing potential outcomes and assessing various litigation and settlement strategies, based on information that is available at the time.

If the final resolution of a legal or regulatory matter results in a judgment against us or requires us to pay a large settlement, it could have a material adverse effect on our consolidated financial statements in the period in which the judgment or settlement occurs.
INVESTMENTS include the size of the issue and credit quality, along with the identification of outliers, which are excluded.

Each fiscal year. Significant judgment is required when setting the criteria for fixed income investments to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of investments include the size of the issue and credit quality, along with the identification of outliers, which are excluded.

INCOME TAXES

The calculation of income taxes requires judgment in interpreting tax rules and regulations. There are transactions and calculations for which the ultimate tax determination is uncertain. Our tax filings are also subject to audit, the outcome of which could change the amount of current and deferred tax assets and liabilities. Management believes that it has sufficient amounts accrued for outstanding tax matters based on information that currently is available.

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

MULTIPLE-ELEMENT ARRANGEMENTS

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

CGUs

The determination of CGUs or groups of CGUs for the purpose of impairment testing requires judgment.

CONTINGENCIES

We accrue a potential loss if we believe a loss is probable and an outflow of resources is likely and can be reasonably estimated, based on information that is available at the time. Any accrual would be charged to earnings and included in Other income (loss) or Other non-current Liabilities. Any payment as a result of a judgment or cash settlement would be deducted from cash from operating activities. We estimate the amount of a loss by analyzing potential outcomes and assessing various litigation and settlement strategies.

The determination of whether a loss is probable from claims and legal proceedings and whether an outflow of resources is likely requires judgment.

ADOPTION OF AMENDED ACCOUNTING STANDARDS

As required, effective January 1, 2017, we adopted the following amended accounting standard.

ADOPTION OF AMENDED ACCOUNTING STANDARDS

<table>
<thead>
<tr>
<th>STANDARD</th>
<th>DESCRIPTION</th>
<th>IMPACT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amendments to IAS 7 Statement of Cash Flows</td>
<td>Requires enhanced disclosures about changes in liabilities arising from financing activities, including changes from financing cash flows, changes arising from foreign exchange rates and changes in fair values.</td>
<td>The required enhanced disclosures have been provided in Note 27, Additional cash flow information.</td>
</tr>
</tbody>
</table>

FUTURE CHANGES TO ACCOUNTING STANDARDS

The following new or amended standards and interpretation issued by the IASB have an effective date after December 31, 2017 and have not yet been adopted by BCE.

IFRS 15 – Revenue from Contracts with Customers

Establishes principles to record revenues from contracts for the sale of goods or services, unless the contracts are in the scope of IAS 17 – Leases or other IFRS. Under IFRS 15, revenue is recognized as an amount that reflects the expected consideration receivable in exchange for transferring goods or services to a customer, applying the following five steps:

1. Identify the contract with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when (or as) the entity satisfies a performance obligation

The new standard also provides guidance relating to principal versus agent relationships, licences of intellectual property, contract costs and the measurement and recognition of gains and losses on the sale of certain non-financial assets such as property and equipment. Additional disclosures will also be required under the new standard.

IFRS 15 will principally affect the timing of revenue recognition and how we classify revenues between product and service in our Bell Wireless segment. IFRS 15 will also affect how we account for costs to obtain a contract.

- Under multiple-element arrangements, revenue allocated to a satisfied performance obligation will no longer be limited to the amount that is not contingent upon the satisfaction of additional performance obligations. Although the total revenue recognized during the term of a contract will be largely unaffected, revenue recognition may be accelerated and reflected ahead of the associated cash inflows. This will result in the recognition of a contract asset on the balance sheet, corresponding to the amount of revenue recognized and not yet billed to a customer. The contract asset will be realized over the term of the customer contract.
- As revenues allocated to a satisfied performance obligation are no longer limited to the non-contingent amount, a greater proportion of the total revenue recognized during the term of certain customer contracts will be attributed to a delivered product, resulting in a corresponding decrease in service revenue.
- Sales commissions and any other incremental costs of obtaining a contract with a customer will be recognized on the balance sheet and amortized on a systematic basis that is consistent with the period and pattern of transfer to the customer of the related products or services, except as noted below.

Under IFRS 15, certain practical expedients are permitted both on transition and on an ongoing basis.

- On transition, completed contracts that begin and end within the same annual reporting period and those completed before January 1, 2017 are not restated. Similarly, contracts modified prior to January 1, 2017 are not restated.
- When our right to consideration from a customer corresponds directly with the value to the customer of the products and services transferred to date, we will recognize revenue in the amount to which we have a right to invoice.
- Costs of obtaining a contract that would be amortized within one year or less will be immediately expensed.

We continue to make progress towards adoption of IFRS 15 according to our detailed implementation plan. Changes and enhancements to our existing IT systems, business processes, and systems of internal control are being completed. A dedicated project team that leverages key resources throughout the company is in place to effect the necessary changes.

While our testing and data validation process is ongoing, we expect that the impact of the new standard will be most pronounced in our Bell Wireless segment.

- Although total revenue recognized over the term of a customer contract is not expected to change significantly, our preliminary estimate of the impact of adopting IFRS 15 is a decrease in 2017 service revenues within the
We define adjusted net earnings as net earnings attributable to common shareholders before severance, acquisition and other costs, net losses (gains) on investments, impairment charges and early debt redemption costs. We believe that certain investors and analysts also use adjusted EBITDA and adjusted EBITDA margin to evaluate the performance of our businesses. Adjusted EBITDA is also one component in the determination of short-term incentive compensation for all management employees.

Adjusted EBITDA

The terms adjusted net earnings and adjusted EPS do not have any standardized meaning under IFRS. Therefore, they are unlikely to be comparable to similar measures presented by other issuers.

We define adjusted net earnings as net earnings attributable to common shareholders before severance, acquisition and other costs, net losses (gains) on investments, impairment charges and early debt redemption costs. We do not expect that IFRS 15 will impact our cash flows from operating activities.

107 BCE Inc. 2017 ANNUAL REPORT
define adjusted EPS as net earnings per BCE common share.

We use adjusted net earnings and adjusted EPS, and we believe that certain investors and analysts use these measures, among other ones, to assess the performance of our businesses without the effects of severance, acquisition and other costs, net losses (gains) on investments, impairment charges and early debt redemption costs, net of tax and non-controlling interest (NCI). We exclude these items because they affect the comparability of our financial results and could potentially distort the analysis of trends in business performance. Excluding these items does not imply they are non-recurring.

The most comparable IFRS financial measures are net earnings attributable to common shareholders and EPS. The following table is a reconciliation of net earnings attributable to common shareholders and EPS to adjusted net earnings on a consolidated basis and per BCE common share (adjusted EPS), respectively:

<table>
<thead>
<tr>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net earnings attributable to common shareholders</td>
<td>2,786</td>
</tr>
<tr>
<td>Severance, acquisition and other costs</td>
<td>143</td>
</tr>
<tr>
<td>Net losses on investments</td>
<td>29</td>
</tr>
<tr>
<td>Early debt redemption costs</td>
<td>15</td>
</tr>
<tr>
<td>Impairment charges</td>
<td>60</td>
</tr>
<tr>
<td>Adjusted net earnings</td>
<td>3,003</td>
</tr>
</tbody>
</table>

We consider net debt to be an important indicator of the company's financial leverage because it represents the amount of debt that is not covered by available cash and cash equivalents. We believe that certain investors and analysts use net debt to determine a company's financial leverage.

We define free cash flow as cash flows from operating activities, excluding acquisition and other costs paid (which include significant litigation costs) and voluntary pension funding, less capital expenditures, preferred share dividends and dividends paid by subsidiaries to NCI. We exclude acquisition and other costs paid and voluntary pension funding because they affect the comparability of our financial results and could potentially distort the analysis of trends in business performance. Excluding these items does not imply they are non-recurring.

We define dividend payout ratio as dividends paid on common shares divided by free cash flow. We consider dividend payout ratio to be an important indicator of the financial strength and performance of our businesses because it shows the sustainability of the company’s dividends payments.

The following table is a reconciliation of cash flows from operating activities to free cash flow on a consolidated basis:

<table>
<thead>
<tr>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from operating activities</td>
<td>7,358</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>(4,046)</td>
</tr>
<tr>
<td>Cash dividends paid on preferred shares</td>
<td>(127)</td>
</tr>
<tr>
<td>Cash dividends paid by subsidiaries to NCI</td>
<td>(24)</td>
</tr>
<tr>
<td>Acquisition and other costs paid</td>
<td>155</td>
</tr>
<tr>
<td>Voluntary defined benefit pension plan contribution</td>
<td>100</td>
</tr>
<tr>
<td>Free cash flow</td>
<td>3,418</td>
</tr>
</tbody>
</table>

We define free cash flow and dividend payout ratio do not have any standardized meaning under IFRS. Therefore, they are unlikely to be comparable to similar measures presented by other issuers.

Net debt has no directly comparable IFRS financial measure, but rather is calculated using several asset and liability categories from the statements of financial position, as shown in the following table.

<table>
<thead>
<tr>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt due within one year</td>
<td>5,178</td>
</tr>
<tr>
<td>Long-term debt</td>
<td>18,215</td>
</tr>
<tr>
<td>50% of outstanding preferred shares</td>
<td>2,002</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>(625)</td>
</tr>
<tr>
<td>Net debt</td>
<td>24,740</td>
</tr>
</tbody>
</table>

Net debt does not have any standardized meaning under IFRS. Therefore, it is unlikely to be comparable to similar measures presented by other issuers.

The term net debt does not have any standardized meaning under IFRS. Therefore, it is unlikely to be comparable to similar measures presented by other issuers.

Net debt is defined as debt due within one year plus long-term debt and 50% of preferred shares, less cash and cash equivalents, as shown in BCE’s consolidated statements of financial position. We include 50% of outstanding preferred shares in our net debt as it is consistent with the treatment by certain credit rating agencies.

We consider net debt to be an important indicator of the company’s financial leverage because it represents the amount of debt that is not covered by available cash and cash equivalents. We believe that certain investors and analysts use net debt to determine a company’s financial leverage.

Net debt has no directly comparable IFRS financial measure, but rather is calculated using several asset and liability categories from the statements of financial position, as shown in the following table.

We define adjusted EBITDA to net interest expense ratio as a measure of financial health of the company.

The adjusted EBITDA to net interest expense ratio does not have any standardized meaning under IFRS. Therefore, it is unlikely to be comparable to similar measures presented by other issuers. We use, and believe that certain investors and analysts use, the adjusted EBITDA to net interest expense ratio as a measure of financial health of the company.

The adjusted EBITDA to net interest expense ratio represents net debt divided by adjusted EBITDA. For the purposes of calculating our net debt leverage ratio, adjusted EBITDA is twelve-month trailing adjusted EBITDA.

Adjusted EBITDA to net interest expense ratio does not have any standardized meaning under IFRS. Therefore, it is unlikely to be comparable to similar measures presented by other issuers. We use, and believe that certain investors and analysts use, the adjusted EBITDA to net interest expense ratio as a measure of financial health of the company.

The adjusted EBITDA to net interest expense ratio represents adjusted EBITDA divided by net interest expense. For the purposes of calculating our adjusted EBITDA to net interest expense ratio, adjusted EBITDA is twelve-month trailing adjusted EBITDA. Net interest expense is twelve-month trailing net interest expense as shown in our statements of cash flows, plus 50% of declared preferred share dividends as shown in our income statements.

In addition to the non-GAAP financial measures described previously, we use a number of KPIs to measure the success of our strategic imperatives.

These KPIs are not accounting measures and may not be comparable to similar measures presented by other issuers.

KPI DEFINITION

ARPUs Average revenue per user (ARPU) or subscriber is a measure used to track our recurring revenue streams. Wireless-blended ARPU is calculated by dividing certain service revenues by the average subscriber base for the specified period and is expressed as a dollar per month.

Capital intensity Capital expenditures divided by operating revenues.

Churn Churn is the rate at which existing subscribers cancel their services. It is a measure of our ability to retain our customers. Wireless churn is calculated by dividing the number of deactivations during a given period by the average number of subscribers in the base for the specified period and is expressed as a percentage per month.

Subscriber unit Wireless subscriber unit is comprised of an active revenue-generating unit (e.g., mobile device, tablet or wireless Internet products), with a unique identifier (typically International Mobile Equipment Identity (IMEI) number), that has access to our wireless networks. We report wireless subscriber units in two categories: postpaid and prepaid. Prepaid subscriber units are considered active for a period of 120 days following the expiry of the subscriber’s prepaid balance.

Internet, IPTV and satellite TV subscribers have access to standalone services, and are primarily represented by a dwelling unit.

NAS subscribers are based on a line count and are represented by a unique telephone number.
10.3 Effectiveness of internal controls

DISCLOSURE CONTROLS AND PROCEDURES

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

As at December 31, 2017, management evaluated, under the supervision of and with the participation of the CEO and the CFO, the effectiveness of our disclosure controls and procedures, as defined in Rule 13a-15(e) under the U.S. Securities Exchange Act of 1934, as amended, and under National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings.

The CEO and CFO have limited the scope of their design and evaluation of our disclosure controls and procedures to exclude the disclosure controls and procedures of MTS, which we acquired on March 17, 2017. The contribution of the acquired MTS operations to our consolidated financial statements for the year ended December 31, 2017 was approximately 3% of consolidated revenues and 3% of consolidated net earnings. Additionally, at December 31, 2017, the current assets and current liabilities of the acquired MTS operations represented approximately 2% and 4% of our consolidated current assets and current liabilities, respectively, and their non-current assets and non-current liabilities represented approximately 7% and 2% of our consolidated non-current assets and non-current liabilities, respectively. The design and evaluation of the disclosure controls and procedures of MTS will be completed for the first quarter of 2018. Further details related to the acquisition of MTS is disclosed in Note 3, Business acquisitions and disposals, in BCE’s 2017 consolidated financial statements.

Based on that evaluation, which excluded the disclosure controls and procedures of MTS, the CEO and CFO concluded that our disclosure controls and procedures were effective as at December 31, 2017.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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.

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. The Audit Committee is comprised of nine members: Michael J. Sabia, Chairperson, and Edith Alpert, John R. Brunetti, Peter B. Gold, Julian G. Hoffstat, Bruce P. Keogh, William M. Kite, Glenda G. LeBlanc, and Graham G. MacLean. The roles of the Audit Committee are set out in its charter, which is available on BCE’s website.

Management, 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, 2017, based on the criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The CEO and CFO have limited the scope of their design and evaluation of our internal control over financial reporting to exclude the internal control over financial reporting of MTS.

Based on that evaluation, which excluded the internal control over financial reporting of MTS, the CEO and CFO concluded that our internal control over financial reporting was effective as at December 31, 2017.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes during the year ended December 31, 2017 in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. The adoption of IFRS 15, Revenue from Contracts with Customers, required the implementation of new accounting processes, which changed the Company’s internal controls over revenue recognition, contract acquisition costs and financial reporting. We are in the process of completing the design of these controls. We do not expect significant changes to our internal control over financial reporting due to the adoption of this new standard in 2018.

Management’s responsibility for financial reporting

MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL REPORTING

These financial statements form the basis for all of the financial information that appears in this annual report.

The financial statements and all of the information in this annual report are the responsibility of the management of BCE Inc. (BCE) and have been reviewed and approved by the board of directors. The board of directors is responsible for ensuring that management’s internal control over financial reporting is suitable for the Company’s financial reporting. Deloitte LLP, Independent Registered Public Accounting Firm, have audited the financial statements.

Management has prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board. Under these principles, management has made certain estimates and assumptions that are reflected in the financial statements and notes. Management believes that these financial statements fairly present BCE’s consolidated financial position, results of operations and cash flows.

Management has a system of internal controls designed to provide reasonable assurance that the financial statements are accurate and complete in all material respects. This is supported by an internal audit group that reports to the Audit Committee.

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 164 of this annual report. The internal auditors and the shareholders’ auditors have free and independent access to the Audit Committee.

Consolidated financial statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of BCE Inc.

OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

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, 2017 and 2016, the consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and the related notes, including a summary of significant accounting policies and other explanatory information (collectively referred to as the “financial statements”).

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company’s internal control over financial reporting as at December 31, 2017, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 8, 2018 expressed an unqualified opinion on the Company’s internal control over financial reporting.

BASES FOR OPINION

MANAGEMENT’S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these 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 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 financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error. Those standards also require that we
We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a reasonable basis for our audit opinion.

\(\text{Net earnings per common share} = \frac{\text{Net earnings}}{\text{Average number of common shares outstanding}}\)

\[
\begin{align*}
\text{Average number of common shares outstanding – basic (millions)} & = 894.3 \\
\text{Diluted} & = 3.33 \\
\text{Basic} & = 3.12
\end{align*}
\]

Net earnings attributable to:

\[
\begin{align*}
\text{Common shareholders} & = 2,786 \\
\text{Preferred shareholders} & = 128 \\
\text{Non-controlling interest} & = 9
\end{align*}
\]

Net earnings

\[
\begin{align*}
\text{Basic} & = 2,821 \\
\text{Diluted} & = 2,821
\end{align*}
\]

Operating revenues

\[
\begin{align*}
\text{FOR THE YEAR ENDED DECEMBER 31} & \quad \text{(IN MILLIONS OF CANADIAN DOLLARS, EXCEPT SHARE AMOUNTS)} \\
2017 & \quad 2016
\end{align*}
\]

Operating costs

\[
\begin{align*}
\text{Net comprehensive income attributable to:} & \quad \text{IN MILLIONS OF CANADIAN DOLLARS} \\
\text{Total comprehensive income} & = 2,659 \\
\text{Other comprehensive loss} & = (311)
\end{align*}
\]

Non-current liabilities

\[
\begin{align*}
\text{Total current liabilities} & = 10,787 \\
\text{Debt due within one year} & = 5,178
\end{align*}
\]

Total liabilities

\[
\begin{align*}
\text{Total liabilities} & = 34,780 \\
\text{Commitments and contingencies} & = 21,719
\end{align*}
\]

Common shareholders

\[
\begin{align*}
\text{Common shareholders} & = 2,630 \\
\text{Preferred shareholders} & = 128
\end{align*}
\]

Equity attributable to BCE shareholders

\[
\begin{align*}
\text{Equity attributable to BCE shareholders} & = 2,477 \\
\text{Non-controlling interest} & = 30
\end{align*}
\]

We have served as the Company's auditor since 1880.

March 8, 2018

Montréal, Canada

Chartered Professional Accountants

1 QPA audit. CA, public accounting period No. AT90/89.
### CONSOLIDATED STATEMENTS OF CASH FLOWS

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CONSOLIDATED STATEMENTS OF CASH FLOWS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net earnings</td>
<td></td>
<td>2,970</td>
<td>3,087</td>
</tr>
<tr>
<td>Adjustment to reconcile net earnings to cash flows from operating activities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Severance, acquisition and other costs</td>
<td>6</td>
<td>190</td>
<td>135</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>13, 14</td>
<td>3,850</td>
<td>3,508</td>
</tr>
<tr>
<td>Post-employment benefit plans cost</td>
<td>22</td>
<td>214</td>
<td>303</td>
</tr>
<tr>
<td>Net interest expense</td>
<td></td>
<td>942</td>
<td>875</td>
</tr>
<tr>
<td>Losses (gains) on investments</td>
<td>6</td>
<td>5</td>
<td>58</td>
</tr>
<tr>
<td>Income taxes</td>
<td></td>
<td>1,539</td>
<td>1,110</td>
</tr>
<tr>
<td>Contributions to post-employment benefit plans</td>
<td>22</td>
<td>(413)</td>
<td>(725)</td>
</tr>
<tr>
<td>Payments under post-employment benefit plans</td>
<td>22</td>
<td>(77)</td>
<td>(76)</td>
</tr>
<tr>
<td>Suspense and other costs paid</td>
<td>(147)</td>
<td>(217)</td>
<td></td>
</tr>
<tr>
<td>Interest paid</td>
<td>(965)</td>
<td>(862)</td>
<td></td>
</tr>
<tr>
<td>Income taxes paid (net of refunds)</td>
<td>(675)</td>
<td>(563)</td>
<td></td>
</tr>
<tr>
<td>Acquisition and other costs paid</td>
<td>(155)</td>
<td>(126)</td>
<td></td>
</tr>
<tr>
<td>Net change in operating assets and liabilities</td>
<td></td>
<td>200</td>
<td>200</td>
</tr>
<tr>
<td>Cash flows from operating activities</td>
<td></td>
<td>7,358</td>
<td>14,997</td>
</tr>
<tr>
<td><strong>Cash flows used in investing activities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disposition of intangibles and other assets</td>
<td>3</td>
<td>5,437</td>
<td>4,034</td>
</tr>
<tr>
<td>Business acquisitions</td>
<td>3</td>
<td>5,437</td>
<td>4,034</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>4</td>
<td>(1,649)</td>
<td>(2,516)</td>
</tr>
<tr>
<td>Cash dividends paid on common shares</td>
<td>25</td>
<td>(2,516)</td>
<td>(2,516)</td>
</tr>
<tr>
<td>Cash dividends paid on preferred shares</td>
<td>22</td>
<td>(3,771)</td>
<td>(3,771)</td>
</tr>
<tr>
<td>Cash dividends paid by subsidiaries to non-controlling interest</td>
<td>(34)</td>
<td>(46)</td>
<td></td>
</tr>
<tr>
<td>Other financing activities</td>
<td>(65)</td>
<td>(54)</td>
<td></td>
</tr>
<tr>
<td>Cash flows used in investing activities</td>
<td></td>
<td>(5,437)</td>
<td>(4,034)</td>
</tr>
<tr>
<td><strong>Net increase in cash</strong></td>
<td></td>
<td>(161)</td>
<td>514</td>
</tr>
<tr>
<td>Cash at beginning of year</td>
<td></td>
<td>183</td>
<td>1158</td>
</tr>
<tr>
<td>Cash at end of year</td>
<td></td>
<td>242</td>
<td>1179</td>
</tr>
<tr>
<td><strong>Cash equivalents at end of year</strong></td>
<td></td>
<td>750</td>
<td>4,321</td>
</tr>
</tbody>
</table>

### CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net earnings</strong></td>
<td></td>
<td>2,914</td>
<td>2,914</td>
</tr>
<tr>
<td>Other comprehensive (loss) income</td>
<td>(2)</td>
<td>(17)</td>
<td>46</td>
</tr>
<tr>
<td><strong>Balance at January 1, 2017</strong></td>
<td></td>
<td>4,004</td>
<td>18,370</td>
</tr>
<tr>
<td><strong>Net change in operating assets and liabilities</strong></td>
<td></td>
<td>480</td>
<td>1,160</td>
</tr>
<tr>
<td><strong>Acquisition and other costs paid</strong></td>
<td></td>
<td>(155)</td>
<td>46</td>
</tr>
<tr>
<td><strong>Income taxes paid (net of refunds)</strong></td>
<td></td>
<td>(675)</td>
<td>(882)</td>
</tr>
<tr>
<td><strong>Severance and other costs paid</strong></td>
<td></td>
<td>(725)</td>
<td>(127)</td>
</tr>
<tr>
<td><strong>Other investing activities</strong></td>
<td></td>
<td>(83)</td>
<td>1</td>
</tr>
<tr>
<td><strong>Balance at December 31, 2017</strong></td>
<td></td>
<td>4,004</td>
<td>18,370</td>
</tr>
</tbody>
</table>

### Consolidated Financial Statements

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CONSOLIDATED STATEMENTS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Balance at January 1, 2017</strong></td>
<td></td>
<td>4,004</td>
<td>18,370</td>
</tr>
<tr>
<td><strong>Net increase in cash</strong></td>
<td></td>
<td>(161)</td>
<td>514</td>
</tr>
<tr>
<td><strong>Cash at beginning of year</strong></td>
<td></td>
<td>183</td>
<td>1158</td>
</tr>
<tr>
<td><strong>Cash at end of year</strong></td>
<td></td>
<td>242</td>
<td>1179</td>
</tr>
<tr>
<td><strong>Cash equivalents at end of year</strong></td>
<td></td>
<td>750</td>
<td>4,321</td>
</tr>
</tbody>
</table>

**Note:** The above text includes financial statements and details of BCE Inc. for the year ending December 31, 2017, including cash flows from operating activities, investing activities, and financing activities, as well as changes in equity. The statements are presented in a tabular format and are derived from the 2017 Annual Report. Additional details such as dividends, share-based compensation, and changes in total liabilities and equity are also included in the document.
Notes to consolidated financial statements

We, us, our, BCE and the company mean, as the context may require, either BCE Inc. or, collectively, BCE Inc., Bell Canada, their subsidiaries, joint arrangements and associates. MTS means, as the context may require, until March 17, 2017, either Manitoba Telecom Services Inc. or, collectively, Manitoba Telecom Services Inc. and its subsidiaries; and Bell MTS means, from March 17, 2017, the combined operations of MTS and Bell Canada in Manitoba.

Note 1 Corporate information

BCE is incorporated and domiciled in Canada. BCE’s head office is located at 1, Cavelier Alexander-Graham-Bell, Verdun, Québec, Canada. BCE is a telecommunications and media company providing wireless, wireline, Internet and television (TV) services to residential, business and wholesale customers nation-wide across Canada. Our Bell Media segment provides conventional, specialty and pay TV, digital media, radio broadcasting services and out-of-home (OOH) advertising services to customers nation-wide across Canada. The consolidated financial statements (financial statements) were approved by BCE’s board of directors on March 8, 2018.

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 of our subsidiaries. Subsidiaries are entities we control, where control is achieved when the company is exposed or has the right to variable returns from its involvement with the investee and has the current ability to direct the activities of the investee that significantly affect the investee’s returns.

The results of subsidiaries acquired during the year are consolidated from the date of acquisition and the results of subsidiaries and/or the results of divisions deconsolidated from the date of disposal. Where necessary, adjustments are made to the financial statements of acquired subsidiaries to confirm their accounting policies to ours. All intercompany transactions, balances, income and expenses are eliminated on consolidation.

Changes in BCE’s ownership interest in a subsidiary that do not result in a change of control are accounted for as equity transactions, with no effect on net earnings or on other comprehensive (loss) income.

C) REVENUE RECOGNITION

We recognize revenues from the sale of products or the rendering of services when they are earned, specifically when all the following conditions are met:

- the significant risks and rewards of ownership are transferred to customers and we retain neither continuing managerial involvement nor effective control
- there is clear evidence that an arrangement exists
- the amount of revenues and related costs can be measured reliably
- it is probable that the economic benefits associated with the transaction will flow to the company

In particular, we recognize:

- fees for local, long distance and wireless services when we provide the services
- other fees, such as network access fees, licence fees, hosting fees, maintenance fees and standby fees over the term of the contract
- subscriber revenues when customers receive the service
- revenues from the sale of equipment when the equipment is delivered and accepted by customers
- revenues on long-term contracts as services are provided, equipment is delivered and accepted, and contract milestones are met
- advertising revenue, net of agency commissions, when the commercials are aired on radio or TV, posted on our website or appear on the company’s advertising panels and street furniture

We measure revenues at the fair value of the arrangement consideration. We record payments we receive in advance, including upfront non-refundable payments, as deferred revenues until we provide the service or deliver the product to customers. Deferred revenues are presented in Trade payables and other liabilities or in Other non-current liabilities in the consolidated statements of financial position (statements of financial position).

Revenues are reduced for customer rebates and allowances and exclude sales and other taxes we collect from our customers.

We expense subscriber acquisition costs when the related services are activated.

MULTIPLE-ELEMENT ARRANGEMENTS

We enter into arrangements that may include the sale of a number of products and services together, primarily to our wireless and 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 dependent on the delivery of another item or the occurrence of specified performance conditions, the amount allocated to that delivered item is limited to the non-contingent amount.

If the conditions to account for each product or service separately are not met, we recognize revenues proportionally 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 revenues based on the amounts billed to our customers. Otherwise, we recognize the net amount that we retain as revenues.

D) SHARE-BASED PAYMENTS

Our share-based payment arrangements include stock options, restricted share units and performance share units (RSUs/PSUs), deferred share units (DSUs), an employee savings plan (ESP) and a deferred share plan (DSP).

STOCK OPTIONS

We use a fair value-based method to measure the cost of our employee stock options, based on the number of stock options that are expected to vest. We recognize compensation expense in Operating costs in the consolidated income statements (income statements). Compensation expense is adjusted for subsequent changes in management’s estimate of the number of stock options that are expected to vest.

We credit contributed surplus for stock option expense recognized over the vesting period. When stock options are exercised, we credit share capital for the amount received and the amounts previously credited to contributed surplus.

Stock-based compensation expense recognized over the vesting period. When stock options are exercised, we credit share capital for the amount received and the amounts previously credited to contributed surplus.

RSUs/PSUs

For each RSU/PSU granted, we recognize compensation expense in Operating costs in the income statements, equal to the market value of a BCE common share at the date of grant and based on the number of RSUs/PSUs expected to vest, recognized over the term of the vesting period, with a corresponding credit to contributed surplus. Additional RSUs/PSUs are issued to reflect dividends declared on the common shares.

Compensation expense is adjusted for subsequent changes in management’s estimate of the number of RSUs/PSUs that are expected to vest. The effect of these changes is recognized in the period of the change. Upon settlement of the RSUs/PSUs, any difference between the cost of shares purchased on the open market and the amount credited to contributed surplus is reflected in the deficit. Vested RSUs/PSUs are settled in BCE common shares, DSUs, or a combination thereof.

DSUs

If compensation is elected to be taken in DSUs, we issue DSUs equal to the fair value of the services received. Additional DSUs are issued to reflect dividends declared on the common shares. DSUs are settled in BCE common shares purchased on the open market following the cessation of employment or when a director leaves the board. We record the credit to contributed surplus for the fair value of the DSUs at the issue date. Upon settlement of the DSUs, any difference between the cost of shares purchased on the open market and the amount credited to contributed surplus is reflected in the deficit.

ESP

We recognize our ESP contributions as compensation expense in Operating costs in the income statements. We record compensation expense for the ESP expense recognized over the two-year vesting period, based on management’s estimate of the accrued contributions that are expected to vest. Upon settlement of shares under the ESP, any difference between the cost of shares purchased on the open market and the amount credited to contributed surplus is reflected in the deficit.

DSP

We recognize our DSP contributions as compensation expense in Operating costs in the income statements. We record compensation expense for the DSP expense recognized over the three-year vesting period, based on management’s estimate of the accrued contributions that are expected to vest. Upon settlement of shares under the DSP, any difference between the cost of shares purchased on the open market and the amount credited to contributed surplus is reflected in the deficit.
Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply when the asset or liability is recovered or settled. Both our current and deferred tax assets and liabilities are calculated using tax rates that have been enacted or substantively enacted at the reporting date.

Deferred taxes are provided on temporary differences arising from investments in subsidiaries, joint arrangements and associates, except where we control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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 in the statements of financial position when they are expected to be utilized in the next year. We use the cash 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.

CASH EQUIVALENTS
Cash equivalents are comprised of highly liquid investments with original maturities of three months or less from the date of purchase.

SECURITIZATION OF TRADE RECEIVABLES
Proceeds on the securitization of trade receivables are recognized as a collateralized borrowing as we do not transfer control and substantially all the risks and rewards of ownership to another entity.

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 potentially obsolete, calculated using an inventory aging analysis.

PROPERTY, PLANT AND EQUIPMENT
We record property, plant and equipment at historical cost. Historical cost includes expenditures that are attributable directly to the acquisition or construction of the asset, including the purchase cost, and labour.

Borrowing costs are capitalized for qualifying assets, if the time to build or develop is in excess of one year, at a rate that is based on our weighted average interest rate on our outstanding long-term debt. Gains or losses on the sale or retirement of property, plant and equipment are recorded in Other (expense) income in the income statements.

LEASES
Leases of property, plant and equipment are recognized as finance leases when we obtain substantially all the risks and rewards of ownership of the underlying assets. At the inception of the lease, we record an asset together with a corresponding long-term lease liability, at the lower of the fair value of the leased asset or the present value of the minimum future lease payments. If there is a reasonable certainty that the lease transfers ownership of the asset to us by the end of the lease term, the asset is amortized over its useful life. Otherwise, the asset is amortized over the shorter of its useful life and the lease term. The long-term lease liability is measured at amortized cost using the effective interest method.

All other leases are classified as operating leases. We recognize operating lease expense in Operating costs in the income statements on a straight-line basis over the term of the lease.

ASSET RETIREMENT OBLIGATIONS (AROs)
We initially measure and record AROs at management’s best estimate using a present value methodology, adjusted subsequently for any changes in the timing or amount of cash flows and changes in discount rates. We capitalize asset retirement costs as part of the related assets and amortize them into earnings over time. We also increase the ARO and record a corresponding amount in interest expense to reflect the passage of time.

INTANGIBLE ASSETS
INTANGIBLE ASSETS
Finite-life intangible assets are recorded at cost less accumulated amortization, and accumulated impairment losses, if any.

SOFTWARE
We record internal-use software at historical cost. Cost includes expenditures that are attributable directly to the acquisition or development of the software, including the purchase cost and labour.

Software development costs are capitalized when all the following conditions are met:

- technical feasibility can be demonstrated
- management has the intent and the ability to complete the asset for use or sale
- it is probable that economic benefits will be generated
- costs attributable to the asset can be measured reliably

Notes in consolidated financial statements
K) DEPRECIATION AND AMORTIZATION

We depreciate property, plant and equipment and amortize finite-life intangible assets on a straight-line basis over their estimated useful lives. We review our estimates of useful lives on an annual basis and adjust depreciation and amortization on a prospective basis, as required. Land and assets under construction or development are not depreciated.

<table>
<thead>
<tr>
<th>Property, plant and equipment</th>
<th>Buildings</th>
<th>Finite-life intangible assets</th>
<th>Software</th>
<th>Customer relationships</th>
<th>Program and feature film rights</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated useful life</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2 to 40 years</td>
<td>5 to 50 years</td>
<td>2 to 12 years</td>
<td>3 to 20 years</td>
<td>Up to 5 years</td>
</tr>
</tbody>
</table>

L) INVESTMENTS IN ASSOCIATES AND JOINT ARRANGEMENTS

Our financial statements incorporate our share of the results of our associates and joint ventures using the equity method of accounting, except when the investment is classified as held for sale. Equity income from investments is recorded in Other (expenses)/income in the income statements. Investments in associates and joint ventures are recognized initially at cost and adjusted thereafter to include the company’s share of income or loss and comprehensive income on an after-tax basis.

Investments are reviewed for impairment at each reporting period and we compare their recoverable amount to their carrying amount when there is an indication of impairment.

We recognize our share of the assets, liabilities, revenues and expenses of joint operations in accordance with the related contractual agreements.

M) BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value at the date of acquisition. Acquisition-related transaction costs are expensed as incurred and recorded in Severance, acquisition and other costs in the income statements.

Identifiable assets and liabilities, including intangible assets, of acquired businesses are recorded at their fair values at the date of acquisition. When we acquire control of a business, any previously-held equity interest is remeasured to fair value and any gain or loss on remeasurement is recognized in Other (expenses)/income in the income statements. The excess of the purchase consideration and any previously-held equity interest over the fair value of identifiable assets and liabilities is recognized as Goodwill in the statement of financial position. If the fair value of identifiable net assets acquired exceeds the purchase consideration and any previously-held equity interest, the difference is recognized in Other (expenses)/income in the income statements immediately as a bargain purchase gain.

Changes in our ownership interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions. Any difference between the change in the carrying amount of non-controlling interest (NCI) and the consideration paid or received is attributed to owner’s equity.

N) IMPAIRMENT OF NON-FINANCIAL ASSETS

Goodwill and identifiable intangible assets are tested for impairment annually or whenever there is an indication that the asset may be impaired. Property, plant and equipment and finite-life intangible assets are tested for impairment if events or changes in circumstances, assessed at each reporting period, indicate that their carrying amount may not be recoverable. For the purpose of impairment testing, assets other than goodwill are grouped at the lowest level for which there are separately identifiable cash inflows.

Identifiable assets and liabilities, including intangible assets, of acquired businesses are recorded at their fair values at the date of acquisition. When we acquire control of a business, any previously-held equity interest is remeasured to fair value and any gain or loss on remeasurement is recognized in Other (expenses)/income in the income statements. The excess of the purchase consideration and any previously-held equity interest over the fair value of identifiable assets and liabilities is recognized as Goodwill in the statement of financial position. If the fair value of identifiable net assets acquired exceeds the purchase consideration and any previously-held equity interest, the difference is recognized in Other (expenses)/income in the income statements immediately as a bargain purchase gain.

Changes in our ownership interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions. Any difference between the change in the carrying amount of non-controlling interest (NCI) and the consideration paid or received is attributed to owner’s equity.

O) FINANCIAL INSTRUMENTS

TRADE AND OTHER RECEIVABLES

Trade and other receivables, which include trade receivables and other short-term receivables, are measured at amortized cost using the effective interest method, net of any allowance for doubtful accounts. An allowance for doubtful accounts is established based on individually significant exposures or on historical trends. Factors considered when establishing an allowance include current economic conditions, historical information and the reason for the delay in payment. Amounts considered uncollectible are written off and recognized in Operating costs 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, including related transaction costs, and are adjusted to fair value at each reporting date. The corresponding unrealized gains and losses are recorded in Other comprehensive income in the consolidated statements of comprehensive income (statements of comprehensive income) and are reclassified to Other (expenses)/income in the income statements when realized or when an impairment is determined.

OTHER FINANCIAL LIABILITIES

Other financial liabilities, which include trade payables and accruals, compensation payable, obligations imposed by the Canadian Radio-television and Telecommunications Commission (CRTC), interest payable and long-term debt, are recorded at amortized cost using the effective interest method.

COSTS OF ISSUING DEBT AND EQUITY

The cost of issuing debt is included as part of long-term debt and is accounted for at amortized cost using the effective interest method. The cost of issuing equity is reflected in the consolidated statements of changes in equity as a charge to the deficit.

P) DERIVATIVE FINANCIAL INSTRUMENTS

We use derivative financial instruments to manage interest rate risk, foreign currency risk and cash flow exposures related to share-based payment plans, capital expenditures, long-term debt instruments and operating revenues and expenses. We do not use derivative financial instruments for speculative or trading purposes.

HEDGE ACCOUNTING

To qualify for hedge accounting, we document the relationship between the derivative and the related identified risk exposure, and our risk management objective and strategy. This includes associating each derivative to a specific asset or liability, a specific firm commitment, anticipated purchases or sales.

We assess the effectiveness of a hedge in managing an identified risk exposure when hedge accounting is initially applied, and on an ongoing basis thereafter. If a hedge becomes ineffective, we stop using hedge accounting.

PAIR VALUE HEDGES

We enter into interest rate swaps 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 account for the related net receivable or payable from counterparties in Other current assets or Trade payables and other liabilities in the
statements of financial position for swaps due 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)/expense in the income statements and offset, unless a portion of the hedging relationship is ineffective.

CASH FLOW HEDGES

We enter into cash flow hedges to mitigate foreign currency risk on certain debt instruments and anticipated purchases and sales, as well as interest rate risk related to future debt issuances. We use foreign currency forward contracts to manage the exposure to anticipated purchases and sales denominated in foreign currencies.

Changes in the fair value of foreign currency forward contracts related to anticipated purchases and sales are recognized in our statements of comprehensive income, except for any ineffective portion, which is recognized immediately in Other (income)/expense in the income statements. Realized gains and losses in Accumulated other comprehensive income are reclassified to the income statements or as an adjustment to the cost basis of the hedged item in the same periods as the corresponding hedged transactions are recognized. Cash flow hedges that mature within one year are included in Other current assets or Trade payables and other liabilities in the statements of financial position, whereas hedges that have a maturity of more than one year are included in Other non-current assets or Other non-current liabilities.

We use cross currency basis swaps and foreign currency forward contracts to manage our U.S. dollar borrowings under our unsecured committed term credit facility and U.S. commercial paper program. Changes in the fair value of these derivatives and the related borrowings are recognized in Other (income)/expense in the income statements and offset, unless a portion of the hedging relationship is ineffective.

DERIVATIVES USED AS ECONOMIC HEDGES

We use derivatives to manage cash flow exposures related to equity-settled share-based payment plans and anticipated purchases, equity price risk related to a cash-settled share-based payment plan, and interest rate risk related to preferred shares dividend rate risks. As these derivatives do not qualify for hedge accounting, the changes in their fair value are recorded in the income statements in Operating costs for derivatives used to hedge cash-settled share-based payments and in Other (income)/expense for other derivatives.

Q) POST-EMPLOYMENT BENEFIT PLANS

DEFINED BENEFIT (DB) AND OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLANS

We maintain 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. Certain plans provide for lump-sum settlements to help protect the income of retired employees against inflation.

We are responsible for adequately funding our DB pension plans. We make contributions to them based on various actuarial cost methods permitted by pension regulatory bodies. Contributions reflect actuarial assumptions about future investment returns, salary projections, future service and life expectancy.

We provide OPEBs to some of our employees, including:

- healthcare and life insurance benefits during retirement, which were phased out for new retirees over a ten-year period ending on December 31, 2016. We do not fund most of these OPEB plans.
- other benefits, including workers’ compensation and medical benefits to former or inactive employees, their beneficiaries and dependents, from the time their employment ends until their retirement starts, under certain circumstances.

We 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 fixed income investments with maturities that match the timing of benefits expected to be paid under the plan
- management’s best estimate of pay increases, retirement ages of employees, expected healthcare costs and life expectancy

We value post-employment benefit plan assets at fair value using current market values.

Post-employment benefit plans current service cost is included in Operating costs in the income statements. Interest on our post-employment benefit assets and obligations is recognized in Finance costs in the income statements and represents the accrual of interest on the assets and obligations under our post-employment benefit plans. The interest rate 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 (loss)/income in the statements of comprehensive income in the period in which they occur and are reclassified immediately in the deficit.

December 31 is the measurement date for our significant post-employment benefit plans. Our actuarists perform a valuation based on management’s assumptions at least every three years to determine the actuarial present value of the accrued DB pension plan and OPEB obligations. The most recent actuarial valuation of our significant pension plans was as at December 31, 2016.

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 discount rate and rates specific to the obligation. The obligation increases as a result of the passage of time, resulting in interest expense which is recognized in Finance costs in the income statements.

S) ESTIMATES AND KEY JUDGMENTS

When preparing the financial statements, management makes estimates and judgments relating to:

- reported amounts of revenues and expenses
- reported amounts of assets and liabilities
- disclosure of contingent assets and liabilities

We base our estimates on a number of factors, including historical experience, current events and actions that the company may undertake in the future, and other assumptions that we believe are reasonable under the circumstances. By their nature, these estimates and judgments are subject to measurement uncertainty and actual results could differ. Our more significant estimates and judgments are described below.

ESTIMATES

USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT AND FINITE-LIFE INTANGIBLE ASSETS

Property, plant and equipment represent a significant 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 useful lives of these assets to change.

POST-EMPLOYMENT BENEFIT PLANS

The amounts reported in the financial statements relating to DB pension plans and OPEBs are determined using actuarial calculations that are based on several assumptions.

The actuarial valuation uses management’s assumptions for, among other things, the discount rate, life expectancy, the rate of compensation increase, trends in healthcare costs and expected average remaining years of service of employees.

The most significant assumptions used to calculate the net post-employment benefit plans cost are the discount rate and life expectancy.

The discount rate is based on the yield on long-term, high-quality corporate fixed income investments, with maturities matching the estimated cash flows of the post-employment benefit plans. Life expectancy is based on publicly available Canadian mortality tables and is adjusted for the company’s specific experience.

IMPAIRMENT OF NON-FINANCIAL ASSETS

We make a number of estimates when calculating recoverable amounts using discounted future cash flows or other valuation methods to test for impairment. These estimates include the assumed growth rates for future cash flows, the number of years used in the cash flow model and the discount rate.

DEFERRED TAXES

The amount of deferred tax assets and liabilities are estimated with consideration given to the timing, sources and amounts of future taxable income.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Certain financial instruments, such as investments in equity securities, derivative financial instruments and certain elements of borrowings, are carried in the statements of financial position at fair value, with changes in fair value reflected in the income statements and the statements of comprehensive income. Fair values are estimated by reference to published price quotations or by using other valuation techniques that may include inputs that are not based on observable market data, such as discounted cash flows and earnings multiples.
The determination of the discount rate used to value our post-employment benefit obligations requires judgment. The rate is set by reference to market yields of high-quality corporate fixed income investments at the beginning of each fiscal year. Significant judgment is required when selecting the criteria for fixed income investments to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of investments include the size of the issue and credit quality, along with the identification of outliers, which are excluded.

The calculation of income taxes requires judgment in interpreting tax rules and regulations. There are transactions and calculations for which the ultimate tax determination is uncertain. Our tax filings are also subject to audits, the outcome of which could change the amount of current and deferred tax assets and liabilities.

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

MULTIPLE-ELEMENT ARRANGEMENTS

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

CGUs

The determination of CGUs or groups of CGUs for the purpose of impairment testing requires judgment.

CONTINGENCIES

The determination of whether a loss is probable from claims and legal proceedings and whether an outflow of resources is likely requires judgment.

V) CHANGE IN ACCOUNTING ESTIMATE

In 2017 and 2016, as part of our ongoing annual review of property, plant and equipment and finite-life intangible assets, and to better reflect their useful lives, we increased the estimate of useful lives of certain assets. The changes have been applied prospectively effective January 1, 2017 and January 1, 2016, and did not have a significant impact on our financial statements.

T) CHANGE IN ACCOUNTING ESTIMATE

In 2017 and 2016, as part of our ongoing annual review of property, plant and equipment and finite-life intangible assets, and to better reflect their useful lives, we increased the estimate of useful lives of certain assets. The changes have been applied prospectively effective January 1, 2017 and January 1, 2016, and did not have a significant impact on our financial statements.

U) ADOPTION OF AMENDED ACCOUNTING STANDARDS

As required, effective January 1, 2017, we adopted the following amended accounting standard.

<table>
<thead>
<tr>
<th>STANDARDS TO IAS 7 – Statement of Cash Flows</th>
<th>DESCRIPTION</th>
<th>IMPACT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amendments to IAS 7 – Statement of Cash Flows</td>
<td>Requires enhanced disclosures about changes in liabilities arising from financing activities, including changes from financing cash flows, changes arising from obtaining or losing control of subsidiaries or other businesses, the effect of changes in foreign exchange rates and changes in fair values.</td>
<td>The required enhanced disclosures have been provided in Note 27. Additional cash flow information.</td>
</tr>
</tbody>
</table>

V) FUTURE CHANGES TO ACCOUNTING STANDARDS

The following new or amended standards and interpretations issued by the IASB have an effective date after December 31, 2017 and have not yet been adopted by BCE.

<table>
<thead>
<tr>
<th>STANDARD</th>
<th>DESCRIPTION</th>
<th>IMPACT</th>
</tr>
</thead>
<tbody>
<tr>
<td>IFRS 15 – Revenue from Contracts with Customers</td>
<td>Establishes principles to record revenues from contracts for the sale of goods or services, unless the contracts are in the scope of IAS 17 – Leases or other IFRSs. Under IFRS 15, revenue is recognized at an amount that reflects the expected consideration receivable in exchange for transferring goods or services to a customer, applying the following five steps:</td>
<td>IFRS 15 will principally affect the timing of revenue recognition and how we classify revenues between product and service in our Bell Wireless segment. IFRS 15 will also affect how we account for costs to obtain a contract.</td>
</tr>
<tr>
<td></td>
<td>1. Identify the contract with a customer.</td>
<td>Under multiple-element arrangements, revenue allocated to a satisfied performance obligation will no longer be limited to the amount that is not contingent upon the satisfaction of additional performance obligations. Although the total revenue recognized during the term of a contract will be largely unaffected, revenue recognition may be accelerated and reflected ahead of the associated cash inflows. This will result in the recognition of a contract asset on the balance sheet, corresponding to the amount of revenue recognized and not yet billed to a customer. The contract asset will be realized over the term of the customer contract.</td>
</tr>
<tr>
<td></td>
<td>2. Identify the performance obligations in the contract</td>
<td>As revenues allocated to a satisfied performance obligation are no longer limited to the non-contingent amount, a greater proportion of the total revenue recognized during the term of certain customer contracts will be attributed to a delivered product, resulting in a corresponding recognition in service revenue.</td>
</tr>
<tr>
<td></td>
<td>3. Determine the transaction price</td>
<td>Sales commissions and any other incremental costs of obtaining a contract with a customer will be recognized on the balance sheet and amortized on a systematic basis that is consistent with the pattern and pattern of transfer to the customer of the related products or services, except as noted above. Under IFRS 15, certain practical expedients are permitted both on transition and on an ongoing basis.</td>
</tr>
<tr>
<td></td>
<td>4. Allocation the transaction price to the performance obligations in the contract</td>
<td>On transition, completed contracts that begin and end within the same annual reporting period and those completed before January 1, 2017 are not restated. Similarly, contracts modified prior to January 1, 2017 are not restated.</td>
</tr>
<tr>
<td></td>
<td>5. Recognize revenue when (or as) the entity satisfies a performance obligation</td>
<td>When our right to consideration from a customer corresponds directly with the value to the customer of the products and services transferred to date, we will recognize revenue in the amount to which we have a right to invoice.</td>
</tr>
<tr>
<td></td>
<td>The new standard also provides guidance relating to principal versus agent relationships, license of intellectual property, contract costs and the measurement and recognition of gains and losses on the sale of certain non-financial assets such as property and equipment. Additional disclosures will also be required under the new standard.</td>
<td>Costs of obtaining a contract that would be amortized within one year or less will be immediately expensed.</td>
</tr>
<tr>
<td></td>
<td>The determination of useful lives of assets may be affected.</td>
<td>We continue to make progress towards adoption of IFRS 15 according to our detailed implementation plan. Changes and enhancements to our existing information technology (IT) systems, business processes, and systems of internal control are being completed. A dedicated project team that leverages key resources throughout the company is in place to effect the necessary changes.</td>
</tr>
<tr>
<td></td>
<td>As revenues are recognized, the measurement of income taxes may be affected.</td>
<td>While our testing and data validation process is ongoing, we expect that the impact of the new standard will be most pronounced in our Bell Wireless segment.</td>
</tr>
</tbody>
</table>

The calculation of income taxes requires judgment in interpreting tax rules and regulations. There are transactions and calculations for which the ultimate tax determination is uncertain. Our tax filings are also subject to audits, the outcome of which could change the amount of current and deferred tax assets and liabilities.

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

MULTIPLE-ELEMENT ARRANGEMENTS

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

CGUs

The determination of CGUs or groups of CGUs for the purpose of impairment testing requires judgment.

CONTINGENCIES

The determination of whether a loss is probable from claims and legal proceedings and whether an outflow of resources is likely requires judgment.

POST-EMPLOYMENT BENEFIT PLANS

The determination of the discount rate used to value our post-employment benefit obligations requires judgment. The rate is set by reference to market yields of high-quality corporate fixed income investments at the beginning of each fiscal year. Significant judgment is required when selecting the criteria for fixed income investments to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of investments include the size of the issue and credit quality, along with the identification of outliers, which are excluded.
The acquisition of MTS allows us to reach more Canadians through the expansion of our wireless and wireline broadband networks while supporting our goal of being recognized by customers as Canada’s leading communications company.

The results from the acquired MTS operations are included in our Bell Wireline and Bell Wireless segments from the date of acquisition.

The following table summarizes the fair value of the consideration paid and the fair value assigned to each major class of assets and liabilities.

<table>
<thead>
<tr>
<th>Description</th>
<th>Impact</th>
<th>Effective Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amendments to IFRS 2 – Share-based Payment</td>
<td>The amendments to IFRS 2 will not have a significant impact on our financial statements.</td>
<td>Annual periods beginning on or after January 1, 2018.</td>
</tr>
<tr>
<td>IFRS 16 – Leases</td>
<td>We continue to make progress towards adoption of IFRS 16 according to our detailed implementation plan. Changes and enhancements to our existing IT systems, business processes, and systems of internal control are being designed and tested. It is not yet possible to make a reliable estimate of the impact of the new standard on our financial statements.</td>
<td>Annual periods beginning on or after January 1, 2019, using either a full retrospective or a modified retrospective approach.</td>
</tr>
<tr>
<td>International Financial Reporting Interpretations Committee (IFRIC) 23 – Uncertainty over Income Tax Treatments</td>
<td>We are currently evaluating the impact of IFRS 23 on our financial statements.</td>
<td>Annual periods beginning on or after January 1, 2019, using either a full retrospective or a modified retrospective approach.</td>
</tr>
</tbody>
</table>

Note 3 Business acquisitions and dispositions

2017

ACQUISITION OF MTS

On March 17, 2017, BCE acquired all of the issued and outstanding common shares of MTS for a total consideration of $2,933 million, of which $1,339 million was paid in cash and the remaining $1,594 million through the issuance of approximately 27.6 million BCE common shares. BCE funded the cash component of the transaction through debt financing.

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

The acquisition of MTS allows us to reach more Canadians through the expansion of our wireless and wireline broadband networks while supporting our goal of being recognized by customers as Canada’s leading communications company.

The results from the acquired MTS operations are included in our Bell Wireline and Bell Wireless segments from the date of acquisition.

The following table summarizes the fair value of the consideration paid and the fair value assigned to each major class of assets and liabilities.

<table>
<thead>
<tr>
<th>Description</th>
<th>Impact</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$1,606</td>
<td>$1,606</td>
</tr>
<tr>
<td>Issuance of 27.6 million BCE common shares</td>
<td>$1,594</td>
<td>$1,594</td>
</tr>
<tr>
<td>Total cost to be allocated</td>
<td>$2,933</td>
<td></td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>$1,339</td>
<td></td>
</tr>
<tr>
<td>Other non-cash working capital</td>
<td>(164)</td>
<td></td>
</tr>
<tr>
<td>Assets held for sale</td>
<td>352</td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>978</td>
<td></td>
</tr>
<tr>
<td>Finite-life intangible assets</td>
<td>(9)</td>
<td></td>
</tr>
<tr>
<td>Indefinite-life intangible assets</td>
<td>280</td>
<td></td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>32</td>
<td></td>
</tr>
<tr>
<td>Other non-current assets</td>
<td>129</td>
<td></td>
</tr>
<tr>
<td>Debt due within one year</td>
<td>(251)</td>
<td></td>
</tr>
<tr>
<td>Long-term debt</td>
<td>(721)</td>
<td></td>
</tr>
<tr>
<td>Other non-current liabilities</td>
<td>(49)</td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>(16)</td>
<td></td>
</tr>
<tr>
<td>Fair value of net assets acquired</td>
<td>$1,990</td>
<td></td>
</tr>
</tbody>
</table>

(1) Recorded at fair value based on the market price of BCE common shares on the acquisition date.
(2) Consists of intangible assets with finite lives and assets held for sale.
(3) Represents net of deferred tax.
(4) Recorded at fair value based on the market price and $50 million was allocated to our Bell Wireless and Bell Wireline groups of cash generating units (CGUs), respectively.
(5) Recorded as a net gain to retained earnings.
(6) Recorded as a net gain to other comprehensive income.

As a result of the acquisition of MTS, we acquired non-capital tax loss carryforwards of approximately $1.5 billion and recognized a deferred tax asset of approximately $300 million which was realized in 2017.
Revenues of $728 million and net earnings of $87 million from the acquired MTS operations are included in the consolidated income statements from the date of acquisition. BCE’s consolidated operating revenues and net earnings for the year ended December 31, 2017 would have been $22.913 million and $2.978 million, respectively, had the acquisition of MTS occurred on January 1, 2017. These proforma amounts reflect the elimination of intercompany transactions, financing costs and the amortization of certain elements of the purchase price allocation and related tax adjustments.

During 2017, BCE completed the previously announced divestiture of approximately one-quarter of postpaid wireless subscribers and 15 retail locations previously held by MTS, as well as certain Manitoba network assets, to TELUS Communications Inc. (TELUS) for total proceeds of $323 million. The acquisition of MTS, on March 17, 2017, BCE transferred to Xplornet Communications Inc. (Xplornet) a total of 40 Megahertz (MHz) of 700 MHz, advanced wireless services-1 and 2500 MHz wireless spectrum which was previously held by MTS. BCE has also agreed to transfer to Xplornet wireless customers once Xplornet launches its mobile wireless service.

Subsequent to the acquisition of MTS, on December 14, 2017, BCE transferred to Corus Entertainment Inc. (Corus) to acquire French-language specialty channels Séries+ and Historia. The transaction was valued at approximately $200 million. Subject to closing conditions, including approval by the CRA and the Competition Bureau, the transaction is expected to close in mid-2018. Séries+ is a fiction channel, offering locally produced dramas as well as foreign series. Historia broadcasts a suite of locally produced original content including documentaries, reality series and drama series. The acquisition of Séries+ and Historia is expected to further enhance BCE’s presence in the Quebec media landscape.

PROPOSED ACQUISITION OF SERIES+ AND HISTORIA SPECIALTY CHANNELS

On October 17, 2017, BCE entered into an agreement with Corus Entertainment Inc. (Corus) to acquire French-language specialty channels Séries+ and Historia. The transaction is valued at approximately $200 million. Subject to closing conditions, including approval by the CRA and the Competition Bureau, the transaction is expected to close in mid-2018. Séries+ is a fiction channel, offering locally produced dramas as well as foreign series. Historia broadcasts a suite of locally produced original content including documentaries, reality series and drama series. The acquisition of Séries+ and Historia is expected to further enhance BCE’s presence in the Quebec media landscape.

ACQUISITION OF Q9 NETWORKS INC. (Q9)

On October 3, 2016, BCE acquired all of the issued and outstanding shares of Q9 Networks Inc. (Q9) for a total cash consideration of approximately $170 million. Q9 is a Toronto-based full-service data centre operator providing outsourcing hosting and other data solutions to Canadian business and government customers. The acquisition supports BCE’s ability to compete against domestic and international providers in the growing outsourcing data services sector. Q9 is included in our Bell Wireline segment in our consolidated financial statements.

The following table summarizes the fair value of the consideration paid and the fair value assigned to each major class of assets and liabilities.

### TOTAL

- Cash consideration: 170
- Non-cash consideration: 131
- Note receivable from Q9: 517
- Trade and other receivables: 18
- Other non-cash working capital: 19
- Property, plant and equipment: 311
- Intangible assets: 267
- Long-term debt: 7
- Deferred tax liabilities: 66
- Other non-current liabilities: 18
- Cash and cash equivalents: 12
- Total consideration: 670

Note: BCE Inc. 2017 ANNUAL REPORT

130 BCE Inc. 2017 ANNUAL REPORT

Notes to consolidated financial statements

ACQUISITION OF Q9 NETWORKS INC. (Q9)

On October 3, 2016, BCE entered into an agreement with Corus Entertainment Inc. (Corus) to acquire French-language specialty channels Séries+ and Historia. The transaction was valued at approximately $200 million. Subject to closing conditions, including approval by the CRA and the Competition Bureau, the transaction is expected to close in mid-2018. Séries+ is a fiction channel, offering locally produced dramas as well as foreign series. Historia broadcasts a suite of locally produced original content including documentaries, reality series and drama series. The acquisition of Séries+ and Historia is expected to further enhance BCE’s presence in the Quebec media landscape.

PROPOSED ACQUISITION OF SERIES+ AND HISTORIA SPECIALTY CHANNELS

On October 17, 2017, BCE entered into an agreement with Corus Entertainment Inc. (Corus) to acquire French-language specialty channels Séries+ and Historia. The transaction is valued at approximately $200 million. Subject to closing conditions, including approval by the CRA and the Competition Bureau, the transaction is expected to close in mid-2018. Séries+ is a fiction channel, offering locally produced dramas as well as foreign series. Historia broadcasts a suite of locally produced original content including documentaries, reality series and drama series. The acquisition of Séries+ and Historia is expected to further enhance BCE’s presence in the Quebec media landscape.

ACQUISITION OF ALARMFORCE INDUSTRIES INC. (ALARMFORCE)

1. Stocked arose primarily from the acquisition of a unexpected synergies and future growth. Adjusted is not allocatable for tax purposes. The goodwill arising from the transaction was allocated to our Bell Media group of CGUs.

2. Stocked arose primarily from the acquisition of an unexpected synergies and future growth. Adjusted is not allocatable for tax purposes. The goodwill arising from the transaction was allocated to our Bell Media group of CGUs.

3. BCE provided a loan of $517 million to Q9 mainly for the repayment of certain of its debt.

4. In 2016, prior to the acquisition of Q9, BCE provided a loan of $517 million to Q9 mainly for the repayment of certain of its debt.

5. A gain on investment of $12 million was recognized in Other (expense) income in the income statements in 2016 from remeasuring BCE’s previously held equity interest in Q9 to its fair value. Revenues of $20 million and net earnings of $2 million were included in the income statements in 2016 from the date of acquisition. BCE’s consolidated operating revenues and net earnings for the year ended December 31, 2016 would have been $21,801 million and $3,038 million, respectively.

6. BCE’s consolidated operating revenues and net earnings for the year ended December 31, 2017 would have been $22,913 million and $2,978 million, respectively, had the acquisition of MTS occurred on January 1, 2017. These proforma amounts reflect the elimination of intercompany transactions, financing costs and the amortization of certain elements of the purchase price allocation and related tax adjustments.

7. BCE’s consolidated operating revenues and net earnings for the year ended December 31, 2017 would have been $22,913 million and $2,978 million, respectively, had the acquisition of MTS occurred on January 1, 2017. These proforma amounts reflect the elimination of intercompany transactions, financing costs and the amortization of certain elements of the purchase price allocation and related tax adjustments.

8. BCE’s consolidated operating revenues and net earnings for the year ended December 31, 2017 would have been $22,913 million and $2,978 million, respectively, had the acquisition of MTS occurred on January 1, 2017. These proforma amounts reflect the elimination of intercompany transactions, financing costs and the amortization of certain elements of the purchase price allocation and related tax adjustments.

9. BCE’s consolidated operating revenues and net earnings for the year ended December 31, 2017 would have been $22,913 million and $2,978 million, respectively, had the acquisition of MTS occurred on January 1, 2017. These proforma amounts reflect the elimination of intercompany transactions, financing costs and the amortization of certain elements of the purchase price allocation and related tax adjustments.

10. BCE’s consolidated operating revenues and net earnings for the year ended December 31, 2017 would have been $22,913 million and $2,978 million, respectively, had the acquisition of MTS occurred on January 1, 2017. These proforma amounts reflect the elimination of intercompany transactions, financing costs and the amortization of certain elements of the purchase price allocation and related tax adjustments.
The chief operating decision maker uses primarily one measure of profit to make decisions and assess performance, being operati

Note 4 Segmented information

The accounting policies used in our segment reporting are the same as those we describe in Note 2. Significant accounting policies. Our results are reported in three segments: Bell Wireless, Bell Wireline and Bell Media. Our segments reflect how we manage our business and how we classify our operations for planning and measuring performance. Accordingly, we operate and manage our segments as strategic business units organized by products and services. Segments negotiate sales with each other as if they were unrelated parties.

We measure the performance of each segment based on segment profit, which is equal to operating revenues less operating costs for the segment. We report severance, acquisition and other costs and depreciation and amortization by segment for external reporting purposes. Substantially all of our finance costs and other (expense) income are managed on a corporate basis and, accordingly, are not reflected in segment results.

Substantially all of our operations and assets are located in Canada.

On March 17, 2017, BCE acquired all of the issued and outstanding common shares of MTS. The results from the acquired MTS operations are included in our Bell Wireless and Bell Wireline segments from the date of acquisition.

Our Bell Wireless segment provides wireless voice and data-communication products and services to our residential, small and medium-sized business and large enterprise customers across Canada.

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

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

SEGMENTED INFORMATION

<table>
<thead>
<tr>
<th>FOR THE YEAR ENDED DECEMBER 31, 2017</th>
<th>NOTE</th>
<th>BELL</th>
<th>BELL</th>
<th>BELL</th>
<th>BELL</th>
<th>BELL</th>
<th>BCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenues</td>
<td>External customers</td>
<td>7,638</td>
<td>12,205</td>
<td>2,676</td>
<td>–</td>
<td>22,719</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Inter-segment</td>
<td>45</td>
<td>210</td>
<td>426</td>
<td>(83)</td>
<td>7,146</td>
<td></td>
</tr>
<tr>
<td>Total operating revenues</td>
<td></td>
<td>7,683</td>
<td>12,415</td>
<td>3,104</td>
<td>(96)</td>
<td>23,563</td>
<td></td>
</tr>
<tr>
<td>Segment profit</td>
<td></td>
<td>3,216</td>
<td>5,108</td>
<td>716</td>
<td>–</td>
<td>9,040</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Severance, acquisition and other costs</td>
<td>0</td>
<td>(10)</td>
<td>(19)</td>
<td>(22)</td>
<td>(198)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Depreciation and amortization</td>
<td>13, 14</td>
<td>(803)</td>
<td>(3,102)</td>
<td>(145)</td>
<td>(3,895)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Finance costs</td>
<td>7</td>
<td>(955)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Interest expense</td>
<td>22</td>
<td>(72)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Interest on post-employment benefit obligations</td>
<td>0</td>
<td>(162)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Other expense</td>
<td>0</td>
<td>(1,039)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Income taxes</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net earnings</td>
<td></td>
<td>3,216</td>
<td>5,108</td>
<td>716</td>
<td>–</td>
<td>9,040</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FOR THE YEAR ENDED DECEMBER 31, 2016</th>
<th>NOTE</th>
<th>BELL</th>
<th>BELL</th>
<th>BELL</th>
<th>BELL</th>
<th>BELL</th>
<th>BCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenues</td>
<td>External customers</td>
<td>7,117</td>
<td>11,917</td>
<td>2,685</td>
<td>–</td>
<td>21,719</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Inter-segment</td>
<td>42</td>
<td>137</td>
<td>306</td>
<td>(829)</td>
<td>639</td>
<td></td>
</tr>
<tr>
<td>Total operating revenues</td>
<td></td>
<td>7,159</td>
<td>12,054</td>
<td>3,081</td>
<td>(962)</td>
<td>22,390</td>
<td></td>
</tr>
<tr>
<td>Segment profit</td>
<td></td>
<td>2,912</td>
<td>5,104</td>
<td>714</td>
<td>(1,022)</td>
<td>9,212</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Severance, acquisition and other costs</td>
<td>0</td>
<td>(5)</td>
<td>(13)</td>
<td>(1)</td>
<td>(13)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Depreciation and amortization</td>
<td>13, 14</td>
<td>(505)</td>
<td>(2,616)</td>
<td>(137)</td>
<td>(3,508)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Finance costs</td>
<td>7</td>
<td>(888)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Interest expense</td>
<td>22</td>
<td>(87)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Interest on post-employment benefit obligations</td>
<td>0</td>
<td>(162)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Other expense</td>
<td>0</td>
<td>21</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Income taxes</td>
<td>0</td>
<td>(1,110)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net earnings</td>
<td></td>
<td>2,912</td>
<td>5,104</td>
<td>714</td>
<td>(1,022)</td>
<td>9,212</td>
<td></td>
</tr>
</tbody>
</table>

OTHER INFORMATION

<table>
<thead>
<tr>
<th>FOR THE YEAR ENDED DECEMBER 31</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wireless</td>
<td>7,308</td>
<td>6,802</td>
</tr>
<tr>
<td>Data</td>
<td>7,146</td>
<td>6,791</td>
</tr>
<tr>
<td>Local and access</td>
<td>3,161</td>
<td>3,089</td>
</tr>
<tr>
<td>Long-distance</td>
<td>449</td>
<td>451</td>
</tr>
<tr>
<td>Media</td>
<td>2,676</td>
<td>2,685</td>
</tr>
<tr>
<td>Other services</td>
<td>313</td>
<td>625</td>
</tr>
<tr>
<td>Total services</td>
<td>21,145</td>
<td>20,985</td>
</tr>
<tr>
<td>Products</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wireless</td>
<td>530</td>
<td>515</td>
</tr>
<tr>
<td>Data</td>
<td>539</td>
<td>509</td>
</tr>
<tr>
<td>Equipment and other</td>
<td>427</td>
<td>555</td>
</tr>
<tr>
<td>Total products</td>
<td>1,506</td>
<td>1,581</td>
</tr>
<tr>
<td>Total operating revenues</td>
<td>22,719</td>
<td>21,719</td>
</tr>
</tbody>
</table>
Note 5 Operating costs

<table>
<thead>
<tr>
<th>FOR THE YEAR ENDED DECEMBER 31</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labor costs:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wages, salaries and related taxes and benefits</td>
<td>4,108</td>
<td>4,016</td>
</tr>
<tr>
<td>Post-employment benefit plans service cost (net of capitalized amounts)</td>
<td>22</td>
<td>224</td>
</tr>
<tr>
<td>Other labour costs (1)</td>
<td>1,096</td>
<td>1,038</td>
</tr>
<tr>
<td>Less:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capitalized labour</td>
<td>1,543</td>
<td>987</td>
</tr>
<tr>
<td>Total labor costs</td>
<td>5,657</td>
<td>5,237</td>
</tr>
<tr>
<td>Other operating costs (2)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of television</td>
<td>7,385</td>
<td>8,001</td>
</tr>
<tr>
<td>Other operating costs (2)</td>
<td>2,072</td>
<td>1,917</td>
</tr>
<tr>
<td>Total operating costs</td>
<td>15,541</td>
<td>12,551</td>
</tr>
</tbody>
</table>

(1) Other labour costs include contractor and outsourcing costs.
(2) Cost of television includes costs of wireless devices and other equipment sold, network and content costs, and payments to other carriers.

Research and development expenses of $119 million and $147 million are included in operating costs for 2017 and 2016, respectively.

Note 6 Severance, acquisition and other costs

<table>
<thead>
<tr>
<th>FOR THE YEAR ENDED DECEMBER 31</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Severance</td>
<td>79</td>
<td>87</td>
</tr>
<tr>
<td>Acquisition and other</td>
<td>(111)</td>
<td>(82)</td>
</tr>
<tr>
<td>Total severance, acquisition and other costs</td>
<td>130</td>
<td>135</td>
</tr>
</tbody>
</table>

SEVERANCE COSTS

Severance costs consist of charges related to involuntary and voluntary employee terminations.

ACQUISITION AND OTHER COSTS

 Acquisition and other costs consist of transaction costs, such as legal and financial advisory fees, related to completed or potential acquisitions, employee severance costs related to the purchase of a business, the costs to integrate acquired companies into our operations and litigation costs, when they are significant. Acquisition costs also include a loss on the transfer of spectrum licences relating to the MTS acquisition in 2017 and severance and integration costs relating to the privatization of Bell Aliant Inc.

Note 7 Interest expense

<table>
<thead>
<tr>
<th>FOR THE YEAR ENDED DECEMBER 31</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest expense on long-term debt</td>
<td>(868)</td>
<td>(852)</td>
</tr>
<tr>
<td>Interest expense on other debt</td>
<td>(185)</td>
<td>(56)</td>
</tr>
<tr>
<td>Capitalized interest</td>
<td>64</td>
<td>90</td>
</tr>
<tr>
<td>Total interest expense</td>
<td>105</td>
<td>100</td>
</tr>
</tbody>
</table>

Interest expense on long-term debt includes interest on finance leases of $145 million and $153 million for 2017 and 2016, respectively.

Capitalized interest was calculated using an average rate of 3.81% and 3.95% for 2017 and 2016, respectively, which represents the weighted average interest rate on our outstanding long-term debt.

Note 8 Other (expense) income

<table>
<thead>
<tr>
<th>FOR THE YEAR ENDED DECEMBER 31</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net mark-to-market gains on derivatives used as economic hedges</td>
<td>84</td>
<td>87</td>
</tr>
<tr>
<td>Impairment of assets</td>
<td>13,14</td>
<td>(82)</td>
</tr>
<tr>
<td>Losses on retirements and disposal of property, plant and equipment and intangible assets</td>
<td>47</td>
<td>28</td>
</tr>
<tr>
<td>Equity losses from investments in associates and joint ventures</td>
<td>15</td>
<td>(57)</td>
</tr>
<tr>
<td>Loss on investment</td>
<td>(22)</td>
<td>(47)</td>
</tr>
<tr>
<td>Operations</td>
<td>(9)</td>
<td>(32)</td>
</tr>
<tr>
<td>Early debt redemption costs</td>
<td>20</td>
<td>(11)</td>
</tr>
<tr>
<td>(Losses)/gains on investments</td>
<td>(5)</td>
<td>58</td>
</tr>
<tr>
<td>Other</td>
<td>(5)</td>
<td>33</td>
</tr>
<tr>
<td>Total other (expense) income</td>
<td>102</td>
<td>21</td>
</tr>
</tbody>
</table>

Note 9 Income taxes

The following table shows the significant components of income taxes deducted from net earnings.

<table>
<thead>
<tr>
<th>FOR THE YEAR ENDED DECEMBER 31</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current taxes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current taxes</td>
<td>(75)</td>
<td>(80)</td>
</tr>
<tr>
<td>Uncertain tax positions</td>
<td>(9)</td>
<td>(14)</td>
</tr>
<tr>
<td>Change in estimate relating to prior periods</td>
<td>40</td>
<td>14</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td>(1)</td>
</tr>
<tr>
<td>Deferred taxes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred taxes relating to the origination and reversal of temporary differences</td>
<td>(41)</td>
<td>(299)</td>
</tr>
<tr>
<td>Change in estimate relating to prior periods</td>
<td>11</td>
<td>32</td>
</tr>
<tr>
<td>Recognition and utilization of loss carryforwards</td>
<td>(304)</td>
<td>(1)</td>
</tr>
</tbody>
</table>
The following table shows aggregate current and deferred taxes relating to items recognized outside the income statements.

<table>
<thead>
<tr>
<th>Description</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average effective tax rate</td>
<td>25.9%</td>
<td>27.1%</td>
</tr>
<tr>
<td>Total income taxes</td>
<td>(1,039)</td>
<td>(6)</td>
</tr>
<tr>
<td>Other</td>
<td>(10)</td>
<td></td>
</tr>
<tr>
<td>Non-taxable portion of equity losses</td>
<td>51</td>
<td></td>
</tr>
<tr>
<td>Change in estimate relating to prior periods</td>
<td></td>
<td>(2)</td>
</tr>
<tr>
<td>Non-taxable portion of equity losses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total income taxes</td>
<td>(1,086)</td>
<td>(1,105)</td>
</tr>
<tr>
<td>Average effective tax rate</td>
<td>32.2%</td>
<td>32.2%</td>
</tr>
</tbody>
</table>

The following table reconciles the amount of reported income taxes in the income statements with income taxes calculated at a statutory income tax rate of 27.1% for 2017 and 2016.

<table>
<thead>
<tr>
<th>Description</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net earnings</td>
<td>2,970</td>
<td>2,970</td>
</tr>
<tr>
<td>Add back income taxes</td>
<td>1,039</td>
<td>1,100</td>
</tr>
<tr>
<td>Earnings before income taxes</td>
<td>4,969</td>
<td>3,970</td>
</tr>
<tr>
<td>Applicable statutory tax rate</td>
<td>27.1%</td>
<td>27.1%</td>
</tr>
<tr>
<td>Income taxes calculated at applicable statutory rates</td>
<td>(1,086)</td>
<td>(1,105)</td>
</tr>
<tr>
<td>Non-taxable portion of (losses) gains on investments</td>
<td>3</td>
<td>(11)</td>
</tr>
<tr>
<td>Uncertain tax positions</td>
<td>18</td>
<td>(9)</td>
</tr>
<tr>
<td>Effect of change in corporate tax rate</td>
<td>(3)</td>
<td>4</td>
</tr>
<tr>
<td>Change in estimate relating to prior periods</td>
<td>85</td>
<td>46</td>
</tr>
<tr>
<td>Non-taxable portion of equity losses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total income taxes</td>
<td>(1,039)</td>
<td>(1,105)</td>
</tr>
<tr>
<td>Average effective tax rate</td>
<td>25.9%</td>
<td>26.4%</td>
</tr>
</tbody>
</table>

The following table shows deferred taxes resulting from temporary differences between the carrying amounts of assets and liabilities recognized in the statements of financial position and their corresponding tax basis, as well as tax carryforwards.

<table>
<thead>
<tr>
<th>Description</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current taxes</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>Deferred taxes</td>
<td>103</td>
<td>2</td>
</tr>
<tr>
<td>Total income tax recovery</td>
<td>113</td>
<td>11</td>
</tr>
</tbody>
</table>

Note 10 Earnings per share

The following table shows the components used in the calculation of basic and diluted earnings per common share for earnings attributable to common shareholders.

<table>
<thead>
<tr>
<th>Description</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weighted average number of common shares outstanding (in millions)</td>
<td>870.3</td>
<td>869.1</td>
</tr>
<tr>
<td>Dividends declared per common share (in dollars)</td>
<td>2.87</td>
<td>2.73</td>
</tr>
<tr>
<td>Net earnings attributable to common shareholders – basic</td>
<td>2,786</td>
<td>2,894</td>
</tr>
<tr>
<td>Assumed exercise of stock options (in millions)</td>
<td>984.9</td>
<td>970.3</td>
</tr>
</tbody>
</table>

Note 11 Trade and other receivables

<table>
<thead>
<tr>
<th>Description</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total trade and other receivables</td>
<td>3,125</td>
<td>2,979</td>
</tr>
</tbody>
</table>

Note 12 Inventory

<table>
<thead>
<tr>
<th>Description</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total inventory</td>
<td>380</td>
<td>403</td>
</tr>
</tbody>
</table>

Note 13 Property, plant and equipment

The total amount of inventory subsequently recognized as an expense in cost of revenues was $2,910 million and $2,689 million for 2017 and 2016, respectively.
The following table provides a reconciliation of our minimum future lease payments to the present value of our finance lease obligations.

<table>
<thead>
<tr>
<th>Year Ended December 31</th>
<th>Present Value of Future Lease Obligations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>445</td>
<td>336</td>
</tr>
<tr>
<td></td>
<td>390</td>
<td>230</td>
</tr>
<tr>
<td></td>
<td>230</td>
<td>198</td>
</tr>
<tr>
<td></td>
<td>198</td>
<td>183</td>
</tr>
<tr>
<td></td>
<td>726</td>
<td>2,172</td>
</tr>
<tr>
<td></td>
<td>2,172</td>
<td>2</td>
</tr>
</tbody>
</table>

Note 14 Intangible assets

FINANCE LEASES

BCE’s significant finance leases are for satellites and office premises. The office leases have a typical lease term of 22 years. The leases for satellites, used to provide programming to our Bell TV customers, have a term of 15 years.

The following table shows additions to and the net carrying amount of assets under finance leases.

<table>
<thead>
<tr>
<th>Year Ended December 31</th>
<th>Assets</th>
<th>Net Carrying Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
<td>2016</td>
</tr>
<tr>
<td></td>
<td>2017</td>
<td>2016</td>
</tr>
<tr>
<td></td>
<td>5,976</td>
<td>6,746</td>
</tr>
</tbody>
</table>

The following table provides a reconciliation of our minimum future lease payments to the present value of our finance lease obligations.

<table>
<thead>
<tr>
<th>Year</th>
<th>Minimum future lease payments</th>
<th>Lease</th>
<th>Future lease costs</th>
<th>Present value of future lease obligations</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>24</td>
<td>512</td>
<td>501</td>
<td>230</td>
</tr>
<tr>
<td>2018</td>
<td></td>
<td></td>
<td></td>
<td>218</td>
</tr>
<tr>
<td>2019</td>
<td></td>
<td></td>
<td></td>
<td>218</td>
</tr>
<tr>
<td>2020</td>
<td></td>
<td></td>
<td></td>
<td>218</td>
</tr>
<tr>
<td>2021</td>
<td></td>
<td></td>
<td></td>
<td>218</td>
</tr>
<tr>
<td>2022</td>
<td></td>
<td></td>
<td></td>
<td>218</td>
</tr>
<tr>
<td>Total</td>
<td>24</td>
<td>512</td>
<td>501</td>
<td>230</td>
</tr>
</tbody>
</table>

Notes to consolidated financial statements

(1) Includes assets under finance leases.
Notes to consolidated financial statements.

Note 15 Investments in associates and joint ventures

The following table provides summarized financial information in respect to BCE’s associates and joint ventures. For a list of our associates and joint ventures please see Note 29, Related party transactions.

<table>
<thead>
<tr>
<th></th>
<th>FOR THE YEAR ENDED DECEMBER 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>NOTE 2017</td>
</tr>
<tr>
<td>Assets</td>
<td></td>
</tr>
<tr>
<td>Liabilities</td>
<td>(2,155)</td>
</tr>
<tr>
<td>Total net assets</td>
<td>1,581</td>
</tr>
<tr>
<td>BCE’s share of net assets</td>
<td>814</td>
</tr>
<tr>
<td>Other</td>
<td></td>
</tr>
<tr>
<td>BCE’s share of net losses</td>
<td>3 (31)</td>
</tr>
</tbody>
</table>

Note 16 Other non-current assets

<table>
<thead>
<tr>
<th></th>
<th>FOR THE YEAR ENDED DECEMBER 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>NOTE 2017</td>
</tr>
<tr>
<td>Net assets of post-employment benefit plans</td>
<td>77</td>
</tr>
<tr>
<td>Investments (1)</td>
<td>106</td>
</tr>
<tr>
<td>AP’s publicly-held and privately-held investments</td>
<td>183</td>
</tr>
<tr>
<td>Long-term notes and other receivables</td>
<td>181</td>
</tr>
<tr>
<td>Derivative assets</td>
<td>81</td>
</tr>
<tr>
<td>Other</td>
<td>277</td>
</tr>
<tr>
<td>Total other non-current assets</td>
<td>900</td>
</tr>
</tbody>
</table>

(1) These amounts have been pledged as security related to obligations for certain employee benefits and are not available for general use.

Note 17 Goodwill

The following table provides details about the changes in the carrying amounts of goodwill for the years ended December 31, 2017 and 2016. BCE’s groups of CGUs correspond to our reporting segments.

<table>
<thead>
<tr>
<th></th>
<th>FOR THE YEAR ENDED DECEMBER 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>NOTE 2017</td>
</tr>
<tr>
<td>Bell Wireless</td>
<td>2,303</td>
</tr>
<tr>
<td>Bell Wireline</td>
<td>3,491</td>
</tr>
<tr>
<td>Bell Media</td>
<td>2,583</td>
</tr>
<tr>
<td>BCE</td>
<td>8,377</td>
</tr>
<tr>
<td>Balance at January 1, 2016</td>
<td></td>
</tr>
<tr>
<td>Acquisitions and other</td>
<td>1</td>
</tr>
<tr>
<td>Balance at December 31, 2016</td>
<td>2,304</td>
</tr>
<tr>
<td>Acquisitions and other</td>
<td>724</td>
</tr>
<tr>
<td>Balance at December 31, 2017</td>
<td>3,032</td>
</tr>
</tbody>
</table>

IMPAIRMENT TESTING

As described in Note 2, Significant accounting policies, goodwill is tested annually for impairment by comparing the carrying value of a CGU or group of CGUs to the recoverable amount, where the recoverable amount is the higher of fair value less costs of disposal or value in use.

VALUE IN USE

The value in use for a CGU or group of CGUs is determined by discounting five-year cash flow projections derived from business plans reviewed by senior management. The projections reflect management’s expectations of revenue, segment profit, 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. None of the perpetuity growth rates exceed the long-term historical growth rates for the markets in which we operate. The discount rates are applied to the cash flow projections and are derived from the weighted average cost of capital for each CGU or group of CGUs. The following table shows the key assumptions used to estimate the recoverable amounts of the groups of CGUs.

<table>
<thead>
<tr>
<th>GROUPS OF CGU</th>
<th>ASSUMPTIONS USED</th>
<th>DISCOUNT RATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bell Wireless</td>
<td>Perpetuity growth rate</td>
<td>0.8%</td>
</tr>
<tr>
<td>Bell Wireline</td>
<td></td>
<td>1.0%</td>
</tr>
<tr>
<td>Bell Media</td>
<td></td>
<td>1.0%</td>
</tr>
<tr>
<td>BCE</td>
<td></td>
<td>1.0%</td>
</tr>
</tbody>
</table>

We believe that any reasonable possible change in the key assumptions on which the estimate of recoverable amounts of the Bell Wireless or Bell Wireline groups of CGUs is based would not cause their carrying amounts to exceed their recoverable amounts.

Note 18 Trade payables and other liabilities

For the Bell Media group of CGUs, a decrease of (0.3%) in the perpetuity growth rate or an increase of 0.2% in the discount rate, would have resulted in its recoverable amount being equal to its carrying value.

<table>
<thead>
<tr>
<th>FOR THE YEAR ENDED DECEMBER 31</th>
</tr>
</thead>
<tbody>
<tr>
<td>TRADE PAYABLES AND OTHER LIABILITIES</td>
</tr>
<tr>
<td>Deferred revenues</td>
</tr>
<tr>
<td>Compensation payable</td>
</tr>
<tr>
<td>Taxes payable</td>
</tr>
<tr>
<td>Maple Leaf Sports and Entertainment Ltd. (MLSE) financial liability (1)</td>
</tr>
<tr>
<td>Derivative liabilities</td>
</tr>
<tr>
<td>CRFC tangible benefits obligation</td>
</tr>
<tr>
<td>Provisions</td>
</tr>
<tr>
<td>Severance and other costs payable</td>
</tr>
<tr>
<td>CRFC deferral account obligation</td>
</tr>
<tr>
<td>Other current liabilities</td>
</tr>
<tr>
<td>Total trade payables and other liabilities</td>
</tr>
</tbody>
</table>

(1) Represents BCE’s obligation to repurchase the BCE Master Trust Fund’s (Master Trust) 9% interest in MLSE at a price not less than an agreed minimum price should the Master Trust exercise its put option. The obligation to repurchase is marked to market each reporting period and the gain or loss is recorded in Other (expense) income in the income statements.

Note 19 Debt due within one year

Notes to consolidated financial statements.
The table below is a summary of our total bank credit facilities at December 31, 2017.

<table>
<thead>
<tr>
<th>Description</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total long-term debt due within one year</td>
<td>2,172</td>
<td>2,299</td>
</tr>
<tr>
<td>Less:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unamortized debt issuance costs</td>
<td>(1,307)</td>
<td>(1,307)</td>
</tr>
<tr>
<td>Total long-term debt due within one year</td>
<td>865</td>
<td>992</td>
</tr>
<tr>
<td>Total debt due within one year</td>
<td>5,178</td>
<td>4,887</td>
</tr>
</tbody>
</table>

(1) Includes commercial paper of $4.4 billion in U.S. dollars ($5.1 billion in Canadian dollars) and $1.9 billion in U.S. dollars ($2.4 billion in Canadian dollars) as at December 31, 2017 and 2016, respectively, which were issued under our U.S. commercial paper program and have been hedged for foreign currency fluctuations through forward currency contracts. See Note 24, Financial and capital management for additional details.

We have provided various credit enhancements in the form of overcollateralization and subordination of our retained interests. The buyers will reinvest the amounts collected by buying additional interests in our trade receivables until the securitized trade receivables agreements expire or are terminated. The buyers and their investors have no further claim on our other assets if customers do not pay the amounts owed.

We are in compliance with all conditions and restrictions under such debt agreements.

RESTRICTIONS

Some of our credit agreements:

- require us to meet specific financial ratios
- require us to offer to repay and cancel the credit agreement upon a change of control of BCE or Bell Canada

We are in compliance with all conditions and restrictions under such credit agreements.

Note 29 Long-term debt

<table>
<thead>
<tr>
<th>FOR THE YEAR ENDED DECEMBER 31</th>
<th>NOTE</th>
<th>WEIGHTED AVERAGE INTEREST RATE</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt securities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1997 trust indenture</td>
<td>1997</td>
<td>9.36%</td>
<td>14,950</td>
<td>13,600</td>
</tr>
<tr>
<td>1976 trust indenture</td>
<td>1976</td>
<td>9.54%</td>
<td>1,100</td>
<td>1,150</td>
</tr>
<tr>
<td>2011 trust indenture (1)</td>
<td>2011</td>
<td>4.28%</td>
<td>425</td>
<td>–</td>
</tr>
<tr>
<td>2001 trust indenture (2)</td>
<td>2001</td>
<td>5.03%</td>
<td>297</td>
<td>297</td>
</tr>
<tr>
<td>Subordinated debentures</td>
<td></td>
<td></td>
<td>372</td>
<td>372</td>
</tr>
<tr>
<td>Finance leases</td>
<td></td>
<td></td>
<td>1,106</td>
<td>1,106</td>
</tr>
<tr>
<td>Unsecured committed term facility (1)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td>479</td>
<td>–</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>19,117</td>
<td>17,962</td>
</tr>
<tr>
<td>Total debt</td>
<td></td>
<td></td>
<td>19,117</td>
<td>17,962</td>
</tr>
</tbody>
</table>

(1) As part of the acquisition of MTS on March 17, 2011, Bell Canada assumed all of MTS’s debt issued under its 2001 and 2011 bond indentures.

Bell Canada’s debt securities have been issued in Canadian dollars and bear a fixed interest rate.

2017

On October 30, 2017, Bell Canada redeemed, prior to maturity, its 4.40% Series M-22 medium-term note (MTN) debentures, having an outstanding principal amount of $1 billion, which were due on March 16, 2018. We incurred an $11 million charge for early debt-redemption costs which was recorded in Other (expense) income in the income statement.
MTN debentures, having an outstanding principal amount of $500 million which were due on May 19, 2016.

On January 11, 2016, Bell Canada redeemed, prior to maturity, its 4.64% Series M-19 MTN debentures, having an outstanding principal amount of $200 million which were due on February 22, 2016, as well as its 3.65% Series M-23 debentures, having an outstanding principal amount of $550 million which were due on February 22, 2016. We incurred an $11 million charge for early debt redemption costs which was recorded in Other (expense) income in the income statement.

On February 27, 2016, Bell Canada issued 5.00% Series M-28 MTN debentures under its 1997 trust indenture, with a principal amount of $700 million which were due on September 29, 2047. The net proceeds of the offering are intended to be used to redeem, prior to maturity, Bell Canada’s 5.52% Series M-33 debentures having an outstanding principal amount of $300 million, which are due on February 26, 2019, and for the repayment of other short-term debt.

2016

On September 16, 2016, Bell Canada redeemed, prior to maturity, its 5.00% Series M-18 MTN debentures, having an outstanding principal amount of $700 million which were due on February 15, 2017. The interest rate swap which was used to hedge the interest rate exposure was also settled in 2016. See Note 24, Financial and capital management for additional details.

On August 12, 2016, Bell Canada issued 2.00% Series M-42 MTN debentures under its 1997 trust indenture, with a principal amount of $850 million, which mature on October 1, 2021. In addition, on the same date, Bell Canada issued 4.45% Series M-45 MTN debentures under its 1997 trust indenture, with a principal amount of $500 million, which mature on April 27, 2047.

On March 31, 2016, Bell Canada redeemed, prior to maturity, its 5.41% Series M-32 debentures, having an outstanding principal amount of $500 million which were due on September 26, 2016. We incurred an $11 million charge for the early debt redemption costs which was recorded in Other (expense) income in the income statement.

On February 29, 2016, Bell Canada issued 3.50% Series M-41 MTN debentures under its 1997 trust indenture, with a principal amount of $750 million, which mature on March 2, 2026.

On January 11, 2016, Bell Canada redeemed, prior to maturity, its 4.64% Series M-19 MTN debentures, having an outstanding principal amount of $200 million which were due on February 22, 2016, as well as its 3.65% Series M-23 debentures, having an outstanding principal amount of $550 million which were due on May 19, 2016.

Note 21 Provisions

FOR THE YEAR ENDED DECEMBER 31

<table>
<thead>
<tr>
<th>NOTE</th>
<th>DEBT RETIREMENT (OBLIGATIONS) LINES</th>
<th>OTHERS</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>119</td>
<td>137</td>
<td>356</td>
</tr>
<tr>
<td>10</td>
<td>14</td>
<td>46</td>
<td>60</td>
</tr>
<tr>
<td>11</td>
<td>2</td>
<td>36</td>
<td>38</td>
</tr>
<tr>
<td>12</td>
<td>16</td>
<td>17</td>
<td>33</td>
</tr>
<tr>
<td>13</td>
<td>18</td>
<td>38</td>
<td>56</td>
</tr>
<tr>
<td>14</td>
<td>18</td>
<td>11</td>
<td>29</td>
</tr>
<tr>
<td>15</td>
<td>18</td>
<td>11</td>
<td>29</td>
</tr>
<tr>
<td>16</td>
<td>18</td>
<td>11</td>
<td>29</td>
</tr>
</tbody>
</table>

(1) Other includes environmental, legal regulatory and social aspects provisions.

ARCO reflect management’s best estimates of expected future costs to restore current leased premises to their original condition prior to lease inception. Cash outflows associated with our ARO liabilities are generally expected to occur at the restoration dates of the assets to which they relate, which are long-term in nature. The timing and extent of restoration work that will be ultimately required for these sites is uncertain.

Note 22 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.

We operate our DB and DC pension plans under applicable Canadian and provincial pension legislation, which prescribes minimum and maximum DB funding requirements. Plan assets are held in trust, and the oversight of governance of the plans, including investment decisions, contributions to DB plans and the selection of the DC plans investment options offered to plan participants, lies with the Pension Fund Committee, a committee of our board of directors.

The interest rate risk is managed using a liability matching approach, which reduces the exposure of the DB plans to a mismatch between investment growth and obligation growth.

The longevity risk is managed using a longevity swap, which reduces the exposure of the DB plans to an mismatch between investment growth and obligation growth.

The statements of comprehensive income include the following amounts before income taxes.

COMPONENTS OF POST-EMPLOYMENT BENEFIT PLANS FINANCING COST

FOR THE YEAR ENDED DECEMBER 31

<table>
<thead>
<tr>
<th>NOTE</th>
<th>DB PENSION PLANS</th>
<th>OPEB PLANS</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>($65)</td>
<td>251</td>
<td>186</td>
</tr>
<tr>
<td>2016</td>
<td>27</td>
<td>14</td>
<td>41</td>
</tr>
</tbody>
</table>

(1) The cumulative actuarial losses recognized in the statements of comprehensive income are $3,317 million in 2017. (2) The net periodic loss recognized in the statements of comprehensive income is $260 million in 2017.

The following table shows the changes in post-employment benefit obligations and the fair value of plan assets.

COMPONENTS OF POST-EMPLOYMENT BENEFIT (OBLIGATIONS) ASSETS

<table>
<thead>
<tr>
<th>NOTE</th>
<th>DB PENSION PLANS</th>
<th>OPEB PLANS</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>($65)</td>
<td>251</td>
<td>186</td>
</tr>
<tr>
<td>2016</td>
<td>27</td>
<td>14</td>
<td>41</td>
</tr>
</tbody>
</table>
Our unfunded plans consist of OPEBs, which are pay-as-you-go.

The actual return on plan assets was $1,797 million or 8.2% in 2017 and $874 million or 4.7% in 2016.

Actuarial (losses) gains include experience gains of $911 million in 2017 and $157 million in 2016.

The following table shows the funded status of our post-employment benefit obligations.

### Post-employment benefit obligations

<table>
<thead>
<tr>
<th>Year Ended</th>
<th>Funded</th>
<th>Partially Funded</th>
<th>Unfunded</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 31, 2017</td>
<td>20,843</td>
<td>1,354</td>
<td>1,320</td>
<td>23,517</td>
</tr>
<tr>
<td>December 31, 2016</td>
<td>20,563</td>
<td>1,404</td>
<td>1,320</td>
<td>23,287</td>
</tr>
</tbody>
</table>

### Summary of significant assumptions

- **Present value of post-employment benefit obligations**
  - 2017: $23,746 million (8.2%)
  - 2016: $24,244 million (8.3%)

- **Rate of compensation increase**
  - 2017: 3.3%
  - 2016: 3.4%

- **Discount rate**
  - 2017: 2.25%
  - 2016: 2.25%

The weighted average duration of the post-employment benefit obligation is 15 years.

We assumed the following trend rates in healthcare costs:

- An annual increase in the cost of medication of 8.0% for 2017 decreasing to 4.5% over 20 years
- An annual increase in the cost of covered dental benefits of 4.0%
- An annual increase in the cost of covered hospital benefits of 3.3%
- An annual increase in the cost of other covered healthcare benefits of 3.0%

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.

<table>
<thead>
<tr>
<th>EFFECT ON POST-EMPLOYMENT BENEFIT PLANS COST</th>
<th>1% INCREASE</th>
<th>1% DECREASE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total service and interest cost</td>
<td>7</td>
<td>(5)</td>
</tr>
<tr>
<td>Post-employment benefit obligations</td>
<td>133</td>
<td>(115)</td>
</tr>
</tbody>
</table>

### Sensitivity analysis

The following table shows a sensitivity analysis of key assumptions used to measure the net post-employment benefit obligations and the net post-employment benefit plans cost for our DB pension plans and OPEB plans.

<table>
<thead>
<tr>
<th>Key Assumption</th>
<th>1% Increase</th>
<th>1% Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate</td>
<td>3.6%</td>
<td>4.0%</td>
</tr>
<tr>
<td>Rate of compensation increase</td>
<td>2.25%</td>
<td>2.25%</td>
</tr>
<tr>
<td>Cost of living indexation rate</td>
<td>1.6%</td>
<td>1.6%</td>
</tr>
<tr>
<td>Life expectancy at age 65 (years)</td>
<td>25.2</td>
<td>25.1</td>
</tr>
</tbody>
</table>

### Post-employment benefit plan assets

The investment strategy for the post-employment benefit plan assets is to maintain a diversified portfolio of assets invested in a prudent manner to maintain the security of funds.

The following table shows the fair value of the DB pension plan assets at the end of the year for each category.

<table>
<thead>
<tr>
<th>Asset Category</th>
<th>Weighted Average Rate of Return</th>
<th>Fair Value at December 31, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt securities</td>
<td>3.0%—3.5%</td>
<td>55%—65%</td>
</tr>
<tr>
<td>Alternative investments</td>
<td>4.0%—5.2%</td>
<td>12%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>
Equity securities included approximately $13 million of BCE common shares, or 0.05% of total plan assets, at December 31, 2017 and approximately $17 million of BCE common shares, or 0.08% of total plan assets, at December 31, 2016.

We expect to contribute approximately $210 million to our DB pension plans in 2018, subject to actuarial valuations being completed. We expect to pay approximately $80 million to beneficiaries under OPEB plans and to contribute approximately $110 million to the DC pension plans in 2018.

We use derivative instruments to manage our exposure to foreign currency risk, interest rate risk and equity price risk.

We use derivative instruments to manage our exposure to foreign currency risk, interest rate risk and changes in the price of BCE common shares under our share-based payment plans.

The following derivative instruments were outstanding during 2017 and/or 2016:

- foreign currency forward contracts and options that manage the foreign currency risk of certain anticipated purchases and sales
- cross currency basis swaps that hedge foreign currency risk on a portion of our debt due within one year
- interest rate swaps that hedge interest rate risk on a portion of our long-term debt
- interest rate locks on future debt issuances and dividend rate resets on preferred shares
- forward contracts on BCE common shares that mitigate the cash-flow related to share-based payment plans

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

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

The following table provides the fair value details of financial instruments measured at amortized cost in the statements of financial position.
The following table provides the change in allowance for doubtful accounts for trade receivables.

The following table provides further details on trade receivables not impaired.

The following table is a maturity analysis for recognized financial liabilities at December 31, 2017 for each of the next five years and thereafter.

exceed the above sources of cash, we would expect to cover such a shortfall by drawing on existing committed bank facilities and new ones, to the extent available.

We are exposed to credit risk from our customers and certain financing activities, the maximum exposure of which is represented by the carrying amounts reported in the statements of financial position.

We are exposed to credit risk if counterparties to our trade receivables and derivative instruments are unable to meet their obligations. The concentration of credit risk from our customers is minimized because we have a large and diverse customer base. There was minimal credit risk relating to derivative instruments at December 31, 2017 and 2016. We deal with institutions that have investment-grade credit ratings, and as such we expect that they will be able to meet their obligations. We regularly monitor our credit risk and credit exposures.

The following table provides the changes in allowance for doubtful accounts for trade receivables.

In many instances, trade receivables are written off directly to bad debt expense if the account has not been collected after a predetermined period of time.

Trade receivables, net of allowance for doubtful accounts 3,083

Trade receivables past due and not impaired

We are exposed to credit risk from operating activities and certain financing activities, the maximum exposure of which is represented by the carrying amounts reported in the statements of financial position.

In 2016, we settled interest rate locks which hedged long-term debt and dividend rate resets on preferred shares with a notional amount of $500 million and $350 million, respectively.

A 10% depreciation (appreciation) in the value of the Canadian dollar relative to the U.S. dollar would result in a gain (loss) of $2 million recognized in net earnings at December 31, 2017 and a gain (loss) of $133 million recognized in other comprehensive income in the income statement.

CREDIT RISK

LIQUIDITY RISK

Our cash and cash equivalents, cash flows from operations and possible capital markets financing are expected to be sufficient to fund our operations and fulfill our obligations as they become due. Should our cash requirements exceed the above sources of cash, we would expect to cover such a shortfall by drawing on existing committed bank facilities and new ones, to the extent available.

The following table is a maturity analysis for recognized financial liabilities at December 31, 2017 for each of the next five years and thereafter.

Our cash and cash equivalents, cash flows from operations and possible capital markets financing are expected to be sufficient to fund our operations and fulfill our obligations as they become due. Should our cash requirements exceed the above sources of cash, we would expect to cover such a shortfall by drawing on existing committed bank facilities and new ones, to the extent available.

The following table is a maturity analysis for recognized financial liabilities at December 31, 2017 for each of the next five years and thereafter.

We are also exposed to liquidity risk for financial liabilities due within one year as shown in the statements of financial position.

MARKET RISK

CURRENCY EXPOSURES

We use forward contracts, options and cross currency basis swaps to manage foreign currency risk related to anticipated purchases and sales and certain foreign currency debt. In 2017, we settled a cross currency basis swap with a notional amount of $357 million in U.S. dollars ($465 million in Canadian dollars) used to hedge borrowings under a credit facility. Refer to Note 19, Debt due within one year for additional details.

A 10% depreciation (appreciation) in the value of the Canadian dollar relative to the U.S. dollar would result in a gain (loss) of $2 million recognized in net earnings at December 31, 2017 and a gain (loss) of $133 million recognized in other comprehensive income at December 31, 2017, with all other variables held constant.

The following table provides further details on our outstanding foreign currency forward contracts and cross currency basis swaps as at December 31, 2017.

INTEREST RATE EXPOSURES

We use interest rate swaps to manage the mix of fixed and floating interest rates on our debt. We also use interest rate locks to hedge the interest rates on future debt issuances and to economically hedge dividend rate resets on preferred shares.

In 2016, we settled interest rate locks which hedged long-term debt and dividend rate resets on preferred shares with a notional amount of $500 million and $350 million, respectively.

In 2016, we redeemed long-term debt prior to maturity, and settled an interest rate swap with a notional amount of $70 million used to hedge the interest rate exposure on the redeemed debt. In 2016, we also recognized a loss of $15 million on an interest rate swap used as a fair value hedge of long-term debt and an offsetting gain of $16 million on the corresponding long-term debt in Other (expense) income in the income statements.

The following table provides further details on our outstanding foreign currency forward contracts and cross currency basis swaps as at December 31, 2017.

The following table provides further details on our outstanding foreign currency forward contracts and cross currency basis swaps as at December 31, 2017.

INTEREST RATE EXPOSURES

We use interest rate swaps to manage the mix of fixed and floating interest rates on our debt. We also use interest rate locks to hedge the interest rates on future debt issuances and to economically hedge dividend rate resets on preferred shares.

In 2016, we settled interest rate locks which hedged long-term debt and dividend rate resets on preferred shares with a notional amount of $500 million and $350 million, respectively.

In 2016, we redeemed long-term debt prior to maturity, and settled an interest rate swap with a notional amount of $70 million used to hedge the interest rate exposure on the redeemed debt. In 2016, we also recognized a loss of $15 million on an interest rate swap used as a fair value hedge of long-term debt and an offsetting gain of $16 million on the corresponding long-term debt in Other (expense) income in the income statements.
EQUITY PRICE EXPOSURES

We use equity forward contracts on BCE’s common shares to economically hedge the cash flow exposure related to the settlement of share-based payment plans. See Note 26. Share-based payments for details on our share-based payment arrangements. The fair value of our equity forward contracts at December 31, 2017 was $49 million (2016 – $111 million).

A 5% increase (decrease) in the market price of BCE’s common shares at December 31, 2017 would result in a gain (loss) of $38 million recognized in net earnings for 2017, with all other variables held constant.

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.

The key ratios that we use to monitor and manage our capital structure are a net debt leverage ratio (1) and an adjusted EBITDA to net interest expense ratio (2). Our net debt leverage target ratio range is 1.75 to 2.25 times adjusted EBITDA and our adjusted EBITDA to net interest expense ratio target range is greater than 7.5 times. We monitor our capital structure and make adjustments, including to our dividend policy, as required. At December 31, 2017, we had exceeded the limit of our internal net debt leverage ratio target range by 0.45. This excess over the limit of our internal ratio target range does not create risk to our investment-grade credit rating.

These ratios do not have any standardized meaning under IFRS. Therefore, they are unlikely to be comparable to similar measures presented by other issuers. We use, and believe that certain investors and analysts use, our net debt leverage ratio and adjusted EBITDA to net interest expense ratio as measures of financial leverage and health of the company.

The following table provides a summary of our key ratios.

<table>
<thead>
<tr>
<th>DECEMBER 31</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net debt leverage ratio</td>
<td>2.76</td>
<td>2.57</td>
</tr>
<tr>
<td>Adjusted EBITDA to net interest expense ratio</td>
<td>9.12</td>
<td>9.31</td>
</tr>
</tbody>
</table>

Note 25 Share capital

PREFERRED SHARES

BCE’s articles of amalgamation, as amended, provide for an unlimited number of First Preferred Shares and Second Preferred Shares, all pari passu. 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 provides a summary of the principal terms of BCE’s First Preferred Shares as at December 31, 2017. There were no Second Preferred Shares issued and outstanding at December 31, 2017. BCE’s articles of amalgamation, as amended, describe the terms and conditions of these shares in detail.

VOTING RIGHTS

All of the issued and outstanding First Preferred Shares at December 31, 2017 are non-voting, except under special circumstances, when the holders are entitled to one vote per share.

PRIORITY AND ENTITLEMENT TO DIVIDENDS

The First Preferred Shares of all series rank at parity with each other and in priority to all other shares of BCE with respect to payment of dividends and with respect to distribution of assets in the event of liquidation, dissolution or winding up of BCE.

Holders of Series R, T, Z, AA, AC, AF, AG, AI, AK, AM, AO and AQ First Preferred Shares are entitled to fixed 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, T, Z, AA, AC, AF, AG, AI, AK, AM, AO and AQ First Preferred Shares are entitled to floating quarterly dividends. The dividend rate on these shares is calculated every month, as set out in BCE’s articles of amalgamation, as amended.

Dividends on all series of First Preferred Shares paid as and when declared by the board of directors of BCE.

CONVERSION FEATURES

All of the issued and outstanding First Preferred Shares at December 31, 2017 are convertible at the holder’s option into another associated series of BCE’s common shares on a one-for-one basis according to the terms set out in BCE’s articles of amalgamation, as amended.

The following table provides a summary of the principal terms of BCE’s First Preferred Shares as at December 31, 2017. There were no Second Preferred Shares issued and outstanding at December 31, 2017. BCE’s articles of amalgamation, as amended, describe the terms and conditions of these shares in detail.

SERIES AMOUNT DIVIDEND CONVERSION INTO REDEMPTION CONVERSION INTO AMOUNT TO AMOUNT TO
<table>
<thead>
<tr>
<th>SERIES</th>
<th>ANNUAL</th>
<th>CONVERTIBLE</th>
<th>DATE</th>
<th>REDEMPTION DATE</th>
<th>DATE</th>
<th>REDEMPTION PRICE</th>
</tr>
</thead>
<tbody>
<tr>
<td>R(1)</td>
<td>floating</td>
<td>Series R</td>
<td>December 1, 2025</td>
<td>December 1, 2020</td>
<td>$25.50</td>
<td>8,000,000</td>
</tr>
<tr>
<td>R</td>
<td>4.13%</td>
<td>Series Q</td>
<td>December 1, 2020</td>
<td>December 1, 2020</td>
<td>$25.00</td>
<td>8,000,000</td>
</tr>
<tr>
<td>T(1)</td>
<td>3.015%</td>
<td>Series S</td>
<td>November 1, 2021</td>
<td>November 1, 2021</td>
<td>$25.00</td>
<td>8,000,000</td>
</tr>
<tr>
<td>T</td>
<td></td>
<td>Series T</td>
<td>November 1, 2021</td>
<td>November 1, 2021</td>
<td>$25.00</td>
<td>8,000,000</td>
</tr>
<tr>
<td>Y</td>
<td></td>
<td>Series Z</td>
<td>December 2, 2022</td>
<td>December 2, 2022</td>
<td>$25.00</td>
<td>10,000,000</td>
</tr>
<tr>
<td>Z(1)</td>
<td>3.904%</td>
<td>Series Y</td>
<td>December 1, 2022</td>
<td>December 1, 2022</td>
<td>$25.00</td>
<td>10,000,000</td>
</tr>
<tr>
<td>AA(1)</td>
<td>3.61%</td>
<td>Series AB</td>
<td>September 1, 2022</td>
<td>September 1, 2022</td>
<td>$25.00</td>
<td>20,000,000</td>
</tr>
<tr>
<td>AB</td>
<td></td>
<td>Series AA</td>
<td>September 1, 2022</td>
<td>September 1, 2022</td>
<td>$25.00</td>
<td>20,000,000</td>
</tr>
<tr>
<td>AC(1)</td>
<td>3.55%</td>
<td>Series AD</td>
<td>March 1, 2018</td>
<td>March 1, 2018</td>
<td>$25.00</td>
<td>20,000,000</td>
</tr>
<tr>
<td>AD</td>
<td></td>
<td>Series AC</td>
<td>March 1, 2018</td>
<td>March 1, 2018</td>
<td>$25.00</td>
<td>20,000,000</td>
</tr>
<tr>
<td>AE</td>
<td></td>
<td>Series AF</td>
<td>February 1, 2020</td>
<td>February 1, 2020</td>
<td>$25.00</td>
<td>24,000,000</td>
</tr>
<tr>
<td>AF(1)</td>
<td>5.15%</td>
<td>Series AL</td>
<td>December 1, 2021</td>
<td>December 1, 2021</td>
<td>$25.00</td>
<td>25,000,000</td>
</tr>
<tr>
<td>AG(1)</td>
<td>2.80%</td>
<td>Series AH</td>
<td>May 1, 2021</td>
<td>May 1, 2021</td>
<td>$25.00</td>
<td>25,000,000</td>
</tr>
<tr>
<td>AH</td>
<td></td>
<td>Series AJ</td>
<td>August 1, 2021</td>
<td>August 1, 2021</td>
<td>$25.00</td>
<td>25,000,000</td>
</tr>
<tr>
<td>AK(1)</td>
<td>2.75%</td>
<td>Series AL</td>
<td>August 1, 2021</td>
<td>August 1, 2021</td>
<td>$25.00</td>
<td>25,000,000</td>
</tr>
<tr>
<td>AJ</td>
<td></td>
<td>Series AL</td>
<td>December 1, 2021</td>
<td>December 1, 2021</td>
<td>$25.00</td>
<td>25,000,000</td>
</tr>
<tr>
<td>AL(1)</td>
<td></td>
<td>Series AP</td>
<td>December 1, 2021</td>
<td>December 1, 2021</td>
<td>$25.00</td>
<td>25,000,000</td>
</tr>
<tr>
<td>AM(1)</td>
<td>2.764%</td>
<td>Series AN</td>
<td>March 1, 2021</td>
<td>March 1, 2021</td>
<td>$25.00</td>
<td>30,000,000</td>
</tr>
<tr>
<td>AM</td>
<td></td>
<td>Series AM</td>
<td>March 1, 2021</td>
<td>March 1, 2021</td>
<td>$25.00</td>
<td>30,000,000</td>
</tr>
<tr>
<td>AN(1)</td>
<td>4.26%</td>
<td>Series AC</td>
<td>March 1, 2023</td>
<td>March 1, 2023</td>
<td>$25.00</td>
<td>30,000,000</td>
</tr>
<tr>
<td>AP</td>
<td></td>
<td>Series AQ</td>
<td>March 1, 2023</td>
<td>March 1, 2023</td>
<td>$25.00</td>
<td>30,000,000</td>
</tr>
<tr>
<td>AR(1)</td>
<td>4.25%</td>
<td>Series AR</td>
<td>September 30, 2018</td>
<td>September 30, 2018</td>
<td>$25.00</td>
<td>30,000,000</td>
</tr>
<tr>
<td>AR</td>
<td></td>
<td>Series AS</td>
<td>September 30, 2023</td>
<td>September 30, 2023</td>
<td>$25.00</td>
<td>30,000,000</td>
</tr>
</tbody>
</table>

Notes to consolidated financial statements

BCE Inc. 2017 ANNUAL REPORT

154 BCE Inc. 2017 ANNUAL REPORT

9.12 9.31

(1) BCE may redeem Series AA or AR First Preferred Shares at $25.50 per share on any date which is not a Series conversion date for such series of First Preferred Shares.

(2) BCE may redeem Series AA or AR First Preferred Shares at $25.50 per share on any date which is not a Series conversion date for each relevant series.

(3) BCE’s articles of amalgamation, as amended.
CONVERSION AND DIVIDEND RATE RESET OF FIRST PREFERRED SHARES

On December 1, 2017, 585,194 of BCE’s 1,227,332 fixed-rate Cumulative Redeemable First Preferred Shares, Series Z (Series Z Preferred Shares) were converted, on a one-for-one basis, into floating-rate cumulative Redeemable First Preferred Shares, Series Y (Series Y Preferred Shares). In addition, on December 1, 2017, 1,270,161 of BCE’s 8,772,469 Series Y Preferred Shares were converted, on a one-for-one basis, into Series Z Preferred Shares.

On September 1, 2017, 965,769 of BCE’s 10,144,302 fixed-rate Cumulative Redeemable First Preferred Shares, Series AA (Series AA Preferred Shares) were converted, on a one-for-one basis, into floating-rate Cumulative Redeemable First Preferred Shares, Series AB (Series AB Preferred Shares). In addition, on September 1, 2017, 2,219,883 of BCE’s 9,855,698 Series AB Preferred Shares were converted, on a one-for-one basis, into Series AA Preferred Shares.

Subsequent to year end, on March 1, 2018, 397,181 of BCE’s 5,069,935 fixed-rate Cumulative Redeemable First Preferred Shares, Series AC (Series AC Preferred Shares) were converted, on a one-for-one basis, into floating-rate Cumulative Redeemable First Preferred Shares, Series AD (Series AD Preferred Shares). In addition, on March 1, 2018, 5,356,937 of BCE’s 14,930,065 Series AD Preferred Shares were converted, on a one-for-one basis, into Series AC Preferred Shares.

The annual fixed dividend rate on BCE’s Series AC Preferred Shares was reset for the next five years, effective March 1, 2018, at 4.38% from 3.55%.

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, 2017 and 2016.

The following table provides details about the outstanding common shares of BCE.

<table>
<thead>
<tr>
<th>Shares outstanding at December 31, 2017 and 2016 2017 2016</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>outstanding, January 1</td>
<td>870,766,332</td>
<td>865,194,188</td>
</tr>
<tr>
<td>Shares issued for the acquisition of MTS</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Shares issued under employee stock option plan</td>
<td>26</td>
<td>26</td>
</tr>
<tr>
<td>Shares issued under dividend reinvestment plan</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Shares issued under ESP</td>
<td>91,731</td>
<td>91,731</td>
</tr>
</tbody>
</table>

Outstanding, December 31 900,996,640 2,740,392 18,370

The following table summarizes the status of unvested employer contributions at December 31, 2017 and 2016:

<table>
<thead>
<tr>
<th>NUMBER OF ESP SHARES</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unvested contributions, January 1</td>
<td>1,073,212</td>
<td>1,149,046</td>
</tr>
<tr>
<td>Contributions</td>
<td>615,657</td>
<td>600,508</td>
</tr>
<tr>
<td>Dividends credited</td>
<td>46,299</td>
<td>49,988</td>
</tr>
<tr>
<td>Vested</td>
<td>(553,837)</td>
<td>(586,309)</td>
</tr>
<tr>
<td>Forfeited</td>
<td>(546,391)</td>
<td>(137,321)</td>
</tr>
<tr>
<td>Unvested contributions, December 31</td>
<td>939,080</td>
<td>1,074,212</td>
</tr>
</tbody>
</table>

The following table summarizes outstanding RSUs/PSUs at December 31, 2017 and 2016:

<table>
<thead>
<tr>
<th>NUMBER OF RSUs/PSUs</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding, January 1</td>
<td>2,928,698</td>
<td>3,333,583</td>
</tr>
<tr>
<td>Granted</td>
<td>873,626</td>
<td>874,088</td>
</tr>
<tr>
<td>Dividends credited</td>
<td>132,963</td>
<td>137,583</td>
</tr>
<tr>
<td>Vested</td>
<td>(1,096,403)</td>
<td>(1,321,940)</td>
</tr>
<tr>
<td>Forfeited</td>
<td>(553,837)</td>
<td>(137,321)</td>
</tr>
<tr>
<td>Outstanding, December 31</td>
<td>2,746,192</td>
<td>2,929,083</td>
</tr>
</tbody>
</table>

The value of a deferred share is equal to the value of one BCE common share. Dividends in the form of additional deferred shares are credited to the participant’s account on each dividend payment date and are equivalent in value to the dividend paid on BCE common shares.
Eligible bonuses and RSUs/PSUs may be paid in the form of DSUs when executives or other eligible 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; thereafter, at least 50% of their compensation is paid in DSUs. 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, 2017 and 2016.

<table>
<thead>
<tr>
<th>NUMBER OF DSUS</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding, January 1</td>
<td>4,131,229</td>
<td>3,799,051</td>
</tr>
<tr>
<td>Issued (1)</td>
<td>69,742</td>
<td>67,665</td>
</tr>
<tr>
<td>Settlement of RSUs/PSUs</td>
<td>101,666</td>
<td>323,428</td>
</tr>
<tr>
<td>Dividends credited</td>
<td>203,442</td>
<td>183,652</td>
</tr>
<tr>
<td>Settled</td>
<td>(195,855)</td>
<td>(239,767)</td>
</tr>
<tr>
<td>Outstanding, December 31</td>
<td>4,190,509</td>
<td>4,117,222</td>
</tr>
</tbody>
</table>

(1) The weighted average fair value of the DSUs issued was $58 in 2017 and 2016.

**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, 2017, 14,586,683 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 seven years from the date of grant.

The following table summarizes BCE’s outstanding stock options at December 31, 2017 and 2016.

<table>
<thead>
<tr>
<th>NOTE</th>
<th>NUMBER OF OPTIONS</th>
<th>WEIGHTED AVERAGE EXERCISE PRICE ($)</th>
<th>NUMBER OF OPTIONS</th>
<th>WEIGHTED AVERAGE EXERCISE PRICE ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding, January 1</td>
<td>10,242,162</td>
<td>52</td>
<td>9,055,904</td>
<td>48</td>
</tr>
<tr>
<td>Granted</td>
<td>3,042,448</td>
<td>59</td>
<td>2,955,016</td>
<td>54</td>
</tr>
<tr>
<td>Exercised (1)</td>
<td>25</td>
<td>45</td>
<td>(2,238,891)</td>
<td>44</td>
</tr>
<tr>
<td>Forfeited</td>
<td>229,498</td>
<td>56</td>
<td>(185,873)</td>
<td>52</td>
</tr>
<tr>
<td>Outstanding, December 31</td>
<td>10,460,249</td>
<td>55</td>
<td>10,242,162</td>
<td>52</td>
</tr>
<tr>
<td>Exercised, December 31</td>
<td>2,012,983</td>
<td>40</td>
<td>1,780,291</td>
<td>42</td>
</tr>
</tbody>
</table>

(1) The weighted average share price for options exercised was $58 and $59 in 2017 and 2016, respectively.

The following table provides additional information about BCE’s stock option plans at December 31, 2017.

<table>
<thead>
<tr>
<th>RANGE OF EXERCISE PRICES</th>
<th>NUMBER</th>
<th>WEIGHTED AVERAGE LIFE (YEARS)</th>
<th>NUMBER</th>
<th>WEIGHTED AVERAGE LIFE (YEARS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$30–$39</td>
<td>35,408</td>
<td>0.14</td>
<td>36</td>
<td></td>
</tr>
<tr>
<td>$40–$49</td>
<td>1,978,575</td>
<td>2.54</td>
<td>46</td>
<td></td>
</tr>
<tr>
<td>$50–$59</td>
<td>8,377,818</td>
<td>5.19</td>
<td>58</td>
<td></td>
</tr>
<tr>
<td>$60 &amp; above</td>
<td>68,446</td>
<td>5.84</td>
<td>61</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>10,493,249</td>
<td>4.68</td>
<td>55</td>
<td></td>
</tr>
</tbody>
</table>

**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.

- Weighted average fair value per option granted: $1.57
- Weighted average share price: $58
- Weighted average exercise price: $59
- Dividend paid: $5
- Dividend yield: 13%
- Risk-free interest rate: 1%
- Expected life (years): 4

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.

**Note 27 Additional cash flow information**

The following table provides a reconciliation of changes in liabilities arising from financing activities.

<table>
<thead>
<tr>
<th>NOTE</th>
<th>DEBT DUE WITHIN ONE YEAR AND CURRENT DEBT</th>
<th>DEBT DUE AFTER ONE YEAR AND CURRENT DEBT</th>
<th>DEBT DUE BEYOND ONE YEAR</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 1, 2017</td>
<td>21,495</td>
<td>(31)</td>
<td>617</td>
<td>22,045</td>
</tr>
<tr>
<td>Cash flows from (used in) financing activities</td>
<td>452</td>
<td>(119)</td>
<td>–</td>
<td>333</td>
</tr>
<tr>
<td>Increase in notes payable</td>
<td>3,911</td>
<td>–</td>
<td>–</td>
<td>3,911</td>
</tr>
<tr>
<td>Issue of long-term debt</td>
<td>2,993</td>
<td>–</td>
<td>–</td>
<td>(2,993)</td>
</tr>
<tr>
<td>Repayments of long-term debt</td>
<td>–</td>
<td>–</td>
<td>(2,839)</td>
<td>(2,839)</td>
</tr>
<tr>
<td>Cash dividends paid on common and preferred shares</td>
<td>–</td>
<td>–</td>
<td>(1,023)</td>
<td>(1,023)</td>
</tr>
<tr>
<td>Cash dividends paid by subsidiaries to non-controlling interests</td>
<td>34</td>
<td>–</td>
<td>(34)</td>
<td>(34)</td>
</tr>
<tr>
<td>Other financing activities</td>
<td>(44)</td>
<td>–</td>
<td>(22)</td>
<td>(66)</td>
</tr>
<tr>
<td>Total cash flows from (used in) financing activities excluding equity</td>
<td>(66)</td>
<td>(115)</td>
<td>(2,875)</td>
<td>20,245</td>
</tr>
<tr>
<td>Net cash changes from (used in) financing activities</td>
<td>339</td>
<td>–</td>
<td>–</td>
<td>339</td>
</tr>
<tr>
<td>Finance lease additions</td>
<td>–</td>
<td>2,839</td>
<td>–</td>
<td>2,839</td>
</tr>
<tr>
<td>Dividends declared on common and preferred shares</td>
<td>–</td>
<td>–</td>
<td>(2,839)</td>
<td>(2,839)</td>
</tr>
<tr>
<td>Dividends declared by subsidiaries to non-controlling interests</td>
<td>–</td>
<td>–</td>
<td>(22)</td>
<td>(22)</td>
</tr>
<tr>
<td>Effect of changes in foreign exchange rates</td>
<td>(105)</td>
<td>198</td>
<td>–</td>
<td>93</td>
</tr>
<tr>
<td>Business acquisitions</td>
<td>972</td>
<td>–</td>
<td>–</td>
<td>972</td>
</tr>
<tr>
<td>Other</td>
<td>55</td>
<td>(3)</td>
<td>22</td>
<td>74</td>
</tr>
<tr>
<td>Total non-cash changes</td>
<td>185</td>
<td>(158)</td>
<td>2,734</td>
<td>2,713</td>
</tr>
<tr>
<td>December 31, 2017</td>
<td>21,193</td>
<td>54</td>
<td>878</td>
<td>24,125</td>
</tr>
</tbody>
</table>

(1) Included in Other current assets, Trade payables and other liabilities, Other non-current assets and Other non-current liabilities in the statement of financial position.
This commitment was settled on January 5, 2018, upon completion of the acquisition of AlarmForce. See Note 3.

In the ordinary course of business, we become involved in various claims and legal proceedings seeking monetary damages and other relief. In particular, because of the nature of our consumer-facing business, we are exposed to class actions pursuant to which substantial monetary damages may be claimed. Due to the inherent risks and uncertainties of the litigation process, we cannot predict the final outcome or timing of claims and legal proceedings. Subject to the foregoing, and based on information currently available and management's assessment of the merits of the claims and legal proceedings pending at March 8, 2018, management believes that the ultimate resolution of these claims and legal proceedings is unlikely to have a material and negative effect on our financial statements. We believe that we have strong defences and we intend to vigorously defend our positions.

**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 $10 million from the Master Trust for 2017 and 2016. The details of BCE’s post-employment benefit plans are set out in Note 22. Post-employment benefit plans.

**Compensation of Key Management Personnel and Board of Directors**

The following table includes compensation of key management personnel and the board of directors for the years ended December 31, 2017 and 2016 included in our income statements. Key management personnel include the company’s Chief Executive Officer (CEO), Group President and the executives who report directly to them.

**Significant Partly-Owned Subsidiaries**

The following tables show summarized financial information for our subsidiaries with significant non-controlling interest (NCI).
### SELECTED INCOME AND CASH FLOW INFORMATION

#### CTV Specialty

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenues</td>
<td>832</td>
<td>824</td>
</tr>
<tr>
<td>Net earnings</td>
<td>179</td>
<td>182</td>
</tr>
<tr>
<td>Net earnings attributable to NCI</td>
<td>56</td>
<td>56</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td>172</td>
<td>173</td>
</tr>
<tr>
<td>Total comprehensive income attributable to NCI</td>
<td>54</td>
<td>54</td>
</tr>
<tr>
<td>Cash dividends paid to NCI</td>
<td>34</td>
<td>40</td>
</tr>
</tbody>
</table>

---

(1) CTV Specialty’s net earnings and total comprehensive income include $3 million directly attributable to NCI for 2017 and 2016, respectively.
MANAGEMENT’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of BCE Inc. (BCE) is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is a process designed under the supervision of the President and Chief Executive Officer and the Executive Vice-President and Chief Financial Officer and effected by the board of directors, management and other personnel of BCE, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements on a timely basis. Also, projections of any evaluation of the effectiveness of internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management evaluated, under the supervision of and with the participation of the President and Chief Executive Officer and the Executive Vice-President and Chief Financial Officer, the effectiveness of our internal control over financial reporting as at December 31, 2017, based on the criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Management’s evaluation of and conclusion on the effectiveness of our internal control over financial reporting did not include an evaluation of the internal control over financial reporting of Manitoba Telecom Services Inc. (MTS), which we acquired on March 17, 2017. The contribution of the acquired MTS operations to our consolidated financial statements for the year ended December 31, 2017 was approximately 3% of consolidated revenues and 3% of consolidated net earnings.

Additionally, on December 31, 2017, the current assets and current liabilities of the acquired MTS operations represented approximately 2% and 4% of our consolidated current assets and current liabilities, respectively, and their non-current assets and non-current liabilities represented approximately 7% and 2% of our consolidated non-current assets and non-current liabilities.

Based on that evaluation, which excluded the internal control over financial reporting of MTS, 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, 2017. There were no material weaknesses that have been identified by BCE’s management in internal control over financial reporting as at December 31, 2017.

Our internal control over financial reporting as at December 31, 2017 has been audited by Deloitte LLP, Independent Registered Public Accounting Firm, who also audited our consolidated financial statements for the year ended December 31, 2017. Deloitte LLP issued an unqualified opinion on the effectiveness of our internal control over financial reporting as at December 31, 2017.

(signed) George A. Cope
President and Chief Executive Officer

(signed) Glen LeBlanc
Executive Vice-President and Chief Financial Officer

(signed) Thierry Chaumont
Senior Vice-President and Controller
March 8, 2018

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of BCE Inc.

OPINION ON INTERNAL CONTROL OVER FINANCIAL REPORTING

We have audited the internal control over financial reporting of BCE Inc. and subsidiaries (the “Company”) as of December 31, 2017, based on criteria established in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control–Integrated Framework (2013) issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB) and Canadian generally accepted auditing standards, the consolidated financial statements as of and for the year ended December 31, 2017, of the Company and our report dated March 8, 2018, expressed an unmodified/unqualified opinion on those financial statements.

As described in Management’s Report on Internal Control over Financial Reporting, management excluded from its assessment the internal control over financial reporting at Manitoba Telecom Services Inc. (MTS), which was acquired on March 17, 2017 and whose financial statements constitute 2% and 4% of current assets and liabilities, respectively, 7% and 2% of non-current assets and non-current liabilities, respectively, 3% of consolidated revenues and 3% of consolidated net earnings of the consolidated financial statement amounts as of and for the year ended December 31, 2017. Accordingly, our audit did not include the internal control over financial reporting at MTS.

BASIS FOR OPINION

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. 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.

DEFINITION AND LIMITATIONS OF INTERNAL CONTROL OVER FINANCIAL REPORTING

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are
subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte LLP
Chartered Professional Accountants

Montréal, Canada
March 8, 2018

1 CPA auditor, CA, public accountability permit No. A124387
Code of Business Conduct

What we do is who we are

Our Moral Compass

Policy Contact: corporate.secretariat@bell.ca

© Bell Canada 2017. All Rights Reserved.

What's Inside

1 INTRODUCTION
1.1 Scope: Who Does the Code Apply To? 1
1.2 Objectives 1
1.3 Reporting a Misconduct or Violation of the Code – The Business Conduct Help Line 1
1.4 Responsibilities of Managers & Executives 2
1.5 Penalties for Violations 2
1.6 Annual Review and Sign Off 2

2 OUR PRINCIPLES OF ETHICAL CONDUCT
2.1 Personal Integrity 3
2.2 Conflicts of Interest 3
2.3 Loans, Gifts and Entertainment 7
2.4 Political Activities 8
2.5 Improper Influence on the Conduct of Audits 8
2.6 Trading in Securities 8
2.7 Public Disclosure of Material Information 10
2.8 Confidentiality of Customer and Employee Information 10
2.9 Information Classification and Records Management 12
2.10 Dealing with Customers and Suppliers 13
2.11 Dealing with Competitors 14
2.12 Safeguarding Bell Assets 16
2.13 Social Media 19
2.14 Work Environment 20
2.15 Journalistic Independence 25
2.16 Protecting the Environment 26

3 ROLES AND RESPONSIBILITIES 27
3.1 Business Unit Responsibility 27
3.2 Board of Directors, Corporate Governance Committee and Audit Committee 27
3.3 Corporate Secretary’s Office 27

APPENDICES 28
Supporting Procedures 28
Attachments 28

POLICY OR PRACTICE DETAILS 33

Our goal:

To be recognized by customers as Canada’s leading communications company.
Our 6 strategic imperatives:

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

If you have any question regarding this Code of Business Conduct, please e-mail corporate.secretariat@bell.ca or contact the Business Conduct Help Line available at clearviewconnects.com on a 24/7 basis or by calling 1 866 298 2942 (toll free).

A Message from our President and Chief Executive Officer

As we work together to achieve Bell’s goal – to be recognized by customers as Canada’s leading communications company – everyone on the team has a responsibility to meet the highest standards of ethical conduct.

In over 135 years of serving Canadians, Bell has built a reputation for adhering to the most rigorous standards of business conduct. We value that reputation and understand the importance of earning it every day in interactions with our customers, shareholders, suppliers, the broader public and our fellow team members.

That is why we are all required to renew a personal commitment to reading and understanding the Bell Code of Conduct each year. The Code clearly explains the values and standards of behaviour expected from every team member in all aspects of our business.

Please take the time to read the Bell Code of Conduct, and to incorporate the principles into your work at Bell every day. Thank you for your support.

George Cope
President and Chief Executive Officer
BCE Inc. and Bell Canada
The Bell Canada Code of Business Conduct explains the fundamental values and standards of behaviour that are expected 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 customers, business partners, team members and competitors with respect and honesty, fostering a diverse, safe and healthy 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 our commitment to the highest levels of customer service, a working environment in which performance is recognized and people are respected and sensitivity to the needs of the community that Bell serves.

1.1 Scope: Who Does the Code Apply To?

The Code applies to everyone at Bell, including all directors, executives and employees of BCE Inc., Bell Canada and their subsidiaries that are not public companies. Throughout the Code, we will refer to these companies as Bell.

1.2 Objectives

Collectively, we undertake to:

- perform our work duties and conduct our business relationships with integrity and in a dynamic, straightforward, honest and fair manner
- comply with laws that apply to us as well as with Bell policies and procedures
- avoid conflicts of interest
- foster a work environment based on mutual trust and respect and that encourages open communication
- maintain a safe, healthy and secure workplace
- protect the environment
- support a culture in which ethical conduct is recognized, valued and exemplified
- promptly report issues relating to the Code and potential violations, non-compliance with applicable laws, regulations or company policies or procedures and any other emergencies.

1.3 Reporting a Misconduct or Violation of the Code – The Business Conduct Help Line

Individual responsibility does not mean you are on your own when facing an ethical issue. Don’t be reluctant to ask any questions you might have on the Code or raise issues.

As part of Bell’s commitment to the highest standards of ethics, employees are encouraged to promptly report any actual or potential misconduct, Code or other company policy violations, malpractice, fraud, misappropriation of business property or any other illegal or unethical act or behaviour, including accounting, internal accounting controls or auditing matters by an employee of Bell or by any business unit of Bell.

Any submission made by an employee regarding an unethical behaviour will be treated on a confidential and anonymous basis, unless specifically permitted to be disclosed by the employee or unless required by law. Submissions will only be disclosed to those persons who have a need to know in order to properly carry out an investigation of the potential unethical behaviour.

Any employee who in good faith reports an unethical behaviour will be protected from threats of retaliation, discharge or other types of sanctions that are directly related to the disclosure of such unethical behaviour.

No employee will be penalized for inquiring, in good faith, about apparently unethical behaviour or for obtaining guidance on how to handle suspected illegal acts or policy violations. Further, Bell will not allow retaliation for reports made in good faith.

An unethical behaviour may be reported to your immediate manager. If this won’t meet your needs, is inappropriate, does not provide the necessary level of confidentiality or if you otherwise prefer, you can contact our confidential and anonymous Business Conduct Help Line at clearviewconnects.com on a 24/7 basis or by calling 1 866 298 2942 (toll free). You may also contact the Chief Legal & Regulatory Officer and EVP, Corporate Development or the Chair of the Audit Committee.

You can also consult the Complaint Procedures for Accounting and Auditing Matters on the Corporate Policies & Ethics Program intranet site.

1.4 Responsibilities of Managers & Executives

We are all expected to perform our jobs with integrity and in a dynamic, straightforward, honest and fair manner. However, managers and executives have an enhanced role. This means:

- setting an example by complying with the Code and all Bell policies at all times
- ensuring that all employees have access to the Code (on-line or in paper format), that they know, understand and comply with its provisions and that they complete the annual review and sign off process
- complying with security policies and the associated directives, procedures and standards
- fostering an environment that encourages open communication and upholds sustainable development, health & safety, labour and ethics principles in every business decision and actions
- immediately reporting violations of the Code or breaches of Bell policies and taking prompt and decisive disciplinary action when it has been established that the Code has been violated.

1.5 Penalties for Violations
Disciplinary action up to and including dismissal will be taken should an employee, manager or executive:

- violate the Code or a Bell policy, disregard proper procedures or ask others to violate the Code or a Bell policy
- deliberately fail to promptly report a violation or withhold relevant information concerning a violation
- fail to cooperate in the investigation of a known or suspected violation or
- take action against an employee who reports a violation or breach of the Code or other policy.

1.6 Annual Review and Sign Off

To demonstrate our commitment to the shared values and standards described in the Code, all employees, managers, executives and members of the Board of Directors must certify annually that they have reviewed and follow the Code. A copy of these certifications can be found at Attachments 1A and 2A. All employees must also take the on-line course on the Code at least every two years.

2 OUR PRINCIPLES OF ETHICAL CONDUCT

2.1 Personal Integrity

Ethical behaviour is an essential part of our job and is a personal responsibility we all share. It means performing our job fully and competently. It also means being accountable for our behaviour and for supporting the values, principles and standards upon which our reputation rests.

Many aspects of our business are governed by laws and regulations and compliance with such laws and regulations is basic to ethical conduct. Bell and its directors, executives, managers and other employees are expected to comply with the laws, rules and regulations of all countries in which we operate, as well as the expectations and requirements of our various regulators. These laws include, but are not limited to, telecommunications laws, securities laws, laws prohibiting the corruption of government officials, in Canada and abroad, as well as lobbying, environmental, health and safety and employment legislation.

Ethical behaviour, however, goes beyond mere compliance with the law. It involves thinking through the possible impact of our decisions on all interested parties - customers, employees, unions, business partners, suppliers, investors, government as well as the communities and environment in which we live and work.

Although the Code lays out the fundamental principles of ethical and legal conduct, it cannot anticipate every ethical dilemma or situation we may encounter as we perform our jobs. This would be impossible given the rapid evolution of the communications industry.

Consequently, we may often find ourselves caught in a situation or facing an ethical problem not explicitly covered in the Code. In this case, we must rely on our internal sense of what is right – our moral compass – to guide us in making the right decision.

When faced with a difficult or unclear situation, it may help to ask questions such as:

- how would I feel if, rather than initiating this action, I was on the receiving end?
- how would my customer react if he/she knew I was breaking the rules or distorting the facts to make a sale?
- if I do this, how will I feel afterwards? Would I want my co-workers, friends or family to find out?
- if my actions became public, how would they be reported in the media?

Assuming personal responsibility for our actions means we can’t blame someone else for our behaviour. Conversely, no one - not even a manager - can force us to commit an illegal or unethical act that may damage Bell’s reputation, or our own.

We have a duty to report illegal acts or violations of the Code or Bell policies. Turning a blind eye to wrongdoing - in effect condoning such behaviour - is itself unethical. See section 1.3 for ways that are available to you to report unethical conducts.

Any breach of the Code or Bell policies or evidence of illegal behaviour will be taken very seriously. Depending on the nature and severity of the case, employees who breach the Code, violate Bell policy or commit an illegal act will face immediate discipline, up to and including dismissal, as well as possible civil or criminal prosecution.

2.2 Conflicts of Interest

As employees, managers and executives, our business loyalty rests in placing Bell’s interests – including those of its customers and shareholders – before our personal interests.

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 Bell. We may also harm our personal reputation.

We must not use our position to influence or bypass Bell procedures for personal gain nor for the benefit of our family, friends, colleagues or anyone else.
If you are not sure about a particular situation obtain the guidance you need. Start by asking yourself the following questions:

- Am I following proper Bell 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 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 www.clearviewconnects.com or by calling 1-866-298-2942 (toll free).

If there is an actual or potential conflict of interest, you must disclose it immediately to your leader and as part of the annual online review process.

2.2.1 Conflicts of Interest Relating to Family and Personal Relationships

Each of us has a variety of personal relationships involving family and friends and sometimes our work and personal lives intersect.

We must disclose this relationship if it compromises, or threatens to compromise, our ability to act in Bell’s best interest. Speak to your manager or contact the Business Conduct Help Line for further guidance. We should also be aware that bridging our personal and business lives may cause our competitors or suppliers – as well as colleagues within Bell – to believe we are in a conflict of interest. To avoid a conflict of interest, or prevent a situation from developing into a conflict of interest, you must inform your manager if, for example:

- you are considering hiring a near relative, friend or co-habitant
- you transact business on behalf of Bell with a near relative, friend or co-habitant
- you have been employed by a competitor within the last two years
- a near relative or co-habitant works for or has a financial interest in or is a major shareholder of a supplier or competitor.

If you are concerned that you may be in a conflict of interest, speak to your manager. You must also disclose the conflict at your next online annual review of the Code.

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 disclosed in your annual online review of the Code.

2.2.2 Conflicts of Interest Relating to Supplier-Funded Incentive Programs

Supplier-funded incentive programs, often offered to sales employees by suppliers seeking to sell their products, may only be arranged through an authorized program administrator who does not work with the eligible employees.

It’s up to the program administrator to ensure there is no conflict between Bell’s marketing strategy and the supplier’s incentive program. For further information, please refer to the Incentive & Recognition Programs Guidelines on the Human Resources Policies intranet site.

2.2.3 Conflicts of Interest Arising from Outside Employment and Similar Activities

We all have a right to do what we want during our non-working hours. This could include holding another job in which we use the skills and experience acquired through our work at Bell. However, we must ensure that our outside employment or other activities do not conflict, or appear to conflict, with Bell’s business or with our ability to fulfill our duties as employees.

To avoid a conflict of interest, or even the appearance of such a conflict, you should discuss any planned outside business activities with your manager. As a general guideline, you may not:

- work for an organization that competes with Bell or operate a business or promote a third party’s line of products or services that compete with those offered by Bell
- use Bell’s time, materials and facilities in paid or unpaid work for other organizations (for example, to support a charitable community project), unless specifically authorized by senior management (CP4 or higher). Where such authorization has been obtained, as per the Bell Community Investment policy, no company products or services (such as wireline telecommunication services, Internet services, handsets, etc.) may be provided in-kind
- accept outside employment or engage in any activity that may prevent you from performing your job at Bell fully and competently
- contribute to or support any political group or political activity on behalf of Bell, unless specifically authorized by the appropriate Bell department responsible for government relations.

I am a Bell technician who installs circuitry for small and medium-sized business customers. With the growth of the Internet and other communications services, demand for my expertise is booming. Can I take advantage of this opportunity and start up an installation business on my own time?

No. You cannot engage in any outside activity that might take business away from Bell or any of its subsidiaries. Furthermore, as an employee, you are expected to contribute your energy and ideas to your job as an installer for Bell.
As a customer service representative I happen to respond to my brother’s telephone call inquiring about a charge on his account for TV services. Can I respond to this call and make adjustments, if any, to his account?

• No. Employees are not allowed to access or make changes to the billing accounts of their families and friends, including accessing their own or invoicing themselves.

---

**Code of Business Conduct**

2.2.4 Conflict of Interest Guidelines for Executives and External Directorships

In addition to the conflict of interest guidelines and procedures noted above, in respect to all persons who are executives (i.e. Vice-President and above), a conflict of interest may also arise:

• when there is an outside interest which materially encroaches on time or attention which should be devoted to Bell’s affairs or so affects the executive's energies as to prevent him/her from devoting his/her full abilities to the performance of duties
• where an executive or any of his/her near relatives, friends or cohabitants has a direct or indirect interest in or relationship with any outsider, such as a supplier (whether of goods or services), customer, agent or competitor of Bell or its subsidiary and associated corporations, or with a person in a position to influence the actions of an outsider, which is inherently unethical or which might be implied or construed to:
  ◦ give rise to a possible personal gain or favour to the executive involved, or any of his/her near relatives, friends or cohabitants due to the executive's actual or potential power to influence dealings between Bell and the outsider
  ◦ render the executive partial toward the outsider for personal reasons, or otherwise inhibit the impartiality of the executive's business judgement or his/her desire to serve only Bell’s best interests in the performance of his/her functions as an executive
  ◦ place the executive or Bell in an equivocal, embarrassing or ethically questionable position in the eyes of the public or any external monitoring body
  ◦ reflect unfavourably on the integrity of the executive or Bell.
• where an executive or any of his/her near relatives, friends or cohabitants makes use of any non-public information, such as information for internal use, or of a confidential nature, proprietary, insider, privileged or government classified nature or customer information, entrusted to or obtained by the executive in the conduct of Bell’s business to benefit himself/herself or any of his/her near relatives, by selling or making available such information to outsiders outside Bell, or uses the information in any other manner to further his/her interest(s), or the interest(s) of any of his/her near relatives
• where an executive or any of his/her near relatives, friends or cohabitants has any direct or indirect interest or relationship which is actually or potentially harmful or detrimental to Bell’s best interests.

Executives are required to disclose any actual or potential conflicts of interest by providing written notice to the Corporate Secretary at corporate.secretariat@bell.ca. The Corporate Secretary is responsible for administering the Code and the Conflict of Interest Guidelines. If the Corporate Secretary is unable to resolve an existing or potential conflict of interest with the person involved, the matter will be discussed with the Chief Legal & Regulatory Officer and EVP, Corporate Development.

**External Directorships**

As a general rule, executives are allowed to be appointed to the board of directors of a company other than a Bell company provided that such election:

• will not create conflicts of interest either for the executive or for any Bell company
• will contribute to the development of the executive or will benefit Bell either directly or indirectly
• will not be at the expense of the executive's corporate responsibilities and will not impose an undue burden on the executive.

Provided the above criteria are met, before accepting an external directorship appointment, an executive shall, through his/her superior, seek and obtain clearance from the President and Chief Executive Officer. If appointed, the executive must then disclose such fact to the Corporate Secretary’s Office promptly.

Executives should however understand that the BCE group companies’ D&O Insurance policy will not be applicable unless the executive’s appointment is made at the request of Bell.

---

**Code of Business Conduct**

2.3 Loans, Gifts and Entertainment

2.3.1 Loans from Bell

*We do not* accept, whether directly or indirectly, any loan or guarantee of obligations from Bell that are for our personal benefit.

2.3.2 Business Gifts & Entertainment

*Do not* solicit, accept or give gifts, gratuities, favours or unusual hospitality from or to suppliers or customers, which may compromise - or appear to compromise - our ability to make fair, objective, business decisions or may unfairly influence a business interaction.

*Do not* solicit or encourage gifts, hospitality, entertainment or any other thing for personal use.

*Do not* accept gifts having a monetary value; for example, gift certificates, cash, services, discounts or loans.

These guidelines do not change during traditional gift giving season.
You may offer and accept reasonable hospitality in certain cases. You should consult your manager or contact the Business Conduct Help Line when in doubt about the appropriateness of a particular situation.

You may participate in unsolicited business entertainment depending on the function or services you perform for Bell and if the entertainment is clearly intended to facilitate business goals. If for example, tickets to a sporting or cultural event are offered, then the person offering the tickets should plan to attend the event as well.

You may sponsor events/activities for customers or potential customers where the purpose is to strengthen business relationships; however it is your responsibility to know and be sensitive to the customer’s own code of conduct on these issues. Solicitation of modest gifts or prizes for Bell sponsored events which provide clear benefits to the sponsor and/or charitable organization is permitted upon approval by your manager.

You may accept unsolicited, nominal value hospitality, gifts or mementos that are customary or business related.

You may accept business entertainment in the form of meals as long as it is modest, infrequent, and as far as possible on a reciprocal basis.

Factors which you and your manager should consider when assessing the proper course of action include:

- Is Bell potentially involved in a major procurement activity with the company offering the gift or entertainment?
- Would the gift or entertainment be considered appropriate or customary, taking into account the nature of the function or services you perform for Bell?
- Would it be perceived as insulting or damaging to the business relationship to return the gift or decline the hospitality?
- Can the gift or hospitality be applied to benefit all team members rather than certain individuals?

2.4 Political Activities

2.4.1 Political Contributions

Political Contributions refer to any payment or donation, including provision of services at favourable rates, irrespective of format or location, made on behalf of Bell to a recipient involved in federal, provincial, territorial or municipal political process, such as a political party, an election or leadership candidate, a riding association or an elected official. Bell’s corporate policy prohibits political contributions without the expressed prior consent of the Chief Legal & Regulatory Officer and EVP, Corporate Development. This policy does not apply to political contributions made by individuals within Bell on their own behalf. However, funds or assets being contributed must originate with or belong to the individual making the contribution, and individuals making political contributions should be prepared to demonstrate ownership.

For further information, consult the Political Contributions Policy available from the Corporate Policies & Ethics intranet site.

Beyond standard penalties for non-compliance with the Code which were previously outlined, Bell may refer the matter to the appropriate regulatory and legal authorities, which could lead to penalties, fines or imprisonment.

2.4.2 Lobbying on behalf of Bell

Broadly speaking, lobbying involves reaching out to a public office holder in order to further Bell’s objectives, whether at the Federal, Provincial, Municipal or other level of government. It is each employee’s own responsibility to know and ensure compliance with the rules and guidelines applicable to the jurisdiction of the public office holder he or she is meeting with. Lobbying 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 Legal, Regulatory and Government Affairs Team must be consulted before making representations to public office holders. If you have any questions, you may consult the Legal, Regulatory and Government Affairs Team prior to the meeting.

Beyond standard penalties for non-compliance with the Code which were previously outlined, Bell may refer the matter to the appropriate regulatory and legal authorities, which could lead to penalties, fines or imprisonment.

2.5 Improper Influence on the Conduct of Audits

Employees are prohibited from coercing, manipulating, misleading or fraudulently influencing Bell’s internal or external auditors at any time and especially when the employee knows or should know that his/her action, if successful, could result in rendering Bell’s financial statements misleading in any way.

2.6 Trading in Securities

2.6.1 Insider Trading

As a director or employee, you may become aware of undisclosed material information about Bell or any other company. Unless you are certain that this information has been officially publicly disclosed, it is illegal for you to:

- trade in securities of BCE Inc., Bell Canada or any company to which the information relates
- disclose such information (otherwise than in the necessary course of business and on a confidential basis) to another person – also known as “tipping” - even if the other
Unlawful trading includes:

- **Short selling** means selling shares you do not currently own and borrowing a third party’s shares in order to make delivery, the whole in expectation that the shares will decrease in value when you will buy back the shares and return them to the owner. Such process may lead to undue speculation and abuse and is therefore prohibited.

- **Puts and calls** may also lead to the same abuse and therefore similar restrictions apply to the sales of call options and purchases of put options in respect of securities of BCE Inc. and its affiliates. For the purposes hereof, a “call” can be defined as an option to demand delivery of a specified number or amount of securities at a fixed price within a specified time but does not include an option or right to acquire securities of BCE Inc. or its affiliates where such were granted by BCE Inc. or its affiliates (such as pursuant to BCE Inc.’s Long-Term Incentive (stock option) Programs). A “put” can be defined as an option to deliver a specified number or amount of securities at a fixed price within a specified time.

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.

2.7 Public Disclosure of Material Information

Only authorized executives can decide the timing and content of public disclosures regarding Bell. Examples include public filings with securities regulatory authorities or the issuance of news releases.

If you are not an authorized designated spokesperson, you must not respond under any circumstances (including on a “no-name” or “off the record” basis) to inquiries from, or voluntarily provide information to, the investment community or the media, unless specifically asked to do so by an authorized spokesperson.

Any inquiries need to be immediately referred to Bell’s Communications Department or Investor Relations Department. The list of authorized designated spokespersons can be found in Bell’s Disclosure Policy available on the Corporate Policies & Ethics intranet site.

2.8 Confidentiality of Customer and Employee Information

2.8.1 Customer Privacy

Bell has long been committed to maintaining the accuracy, confidentiality, security and privacy of customer information. It is essential that we protect the confidentiality of all non-public information entrusted to us by Bell or its customers, except when disclosure is authorized or legally mandated. Even seemingly mundane information might be of use to competitors, or harmful to Bell or its customers, if disclosed. Even unintentional disclosure can lead to identity theft or damage to Bell's reputation.

Unless a customer provides explicit consent or disclosure is pursuant to a legal power such as a search warrant, all information kept by Bell about its customers with the exception of listed name, address and telephone number, is confidential and cannot be disclosed or used, directly or indirectly, except for business purposes. We may only use this information for the purposes for which it was collected and that the customer would reasonably expect.
Recording, releasing or disclosing private customer information for personal gain or the benefit of another will result in immediate discipline up to and including dismissal, and may include civil or criminal prosecution. This may also expose Bell to substantive reputational and financial liability.

**Interception of Private Communications**

Communications between Bell and a customer may be monitored for quality assurance purposes, with an appropriate advisory to the customer.

The unlawful interception of a private communication is prohibited under the Criminal Code. The content of a customer’s transmissions (including telephone and email) may not be monitored, nor may the content, nature and existence of telephone calls and data transmissions be released to third parties except as explicitly authorized by law.

Unintentional interceptions of a call may occur when providing service, doing repairs or when conducting quality control checks. In these instances, the employee must advise the persons on the call of the unintended interception and immediately disconnect from that call.

---

**Code of Business Conduct**

**Business Customer or Supplier Information**

Maintaining customer and supplier privacy is also crucial when dealing with contracts, proposals and quotations. We must be vigilant to not share business customer or supplier information - such as business plans, names of representatives or information of a sensitive nature - with other employees servicing a similar market segment (for example, the banking industry). By doing so, we may inadvertently divulge information about a business customer or supplier to that customer’s or supplier competitor. Also, unless a business customer or supplier provides explicit consent, we do not share information about business customers or suppliers 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.

I am a customer service representative for the residential market. A caller identifying himself as the spouse of a wireless customer requests billing details for the spouse’s account, indicating that he looks 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 Bell to have the spouse added to the account as an authorized co-user. This approach applies equally to all customer accounts, in all business units.

2.8.2 Employee Privacy

Bell has also long been committed to protecting the personal information of its employees which is collected only for purposes relevant to managing the employment relationship. The obligations described in the Personal Information Protection and Electronic Documents Act also apply to the collection, use, disclosure and protection of personal employee information.

Personal information means information, in any format, about an identifiable individual, but does not include the name, title or business address or telephone number of an employee. Employee personal information refers to those records like the personnel files and other documents collected and used to provide services or support such as pay or benefits information. Personal health information is 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 Bell equipment or using Bell paid services or products (for example, e-mail, internet/intranet activities, voice mail, computer files, network), as well as workspaces (for example, desks, lockers, and vehicles).

Bell reserves the right to monitor or search any and all Bell property at any time, where it determines on reasonable grounds that this is required; for example:

- to evaluate and measure service quality
- in the interests of the safety and protection of employees or Bell
- to search for specific business information
- to comply with legal warrants or other obligations
- to conduct security investigations such as in the event Bell suspects an employee of fraud, theft, undeclared conflict of interest or other situation which may cause prejudice to an employee or Bell or its reputation.

---

**Code of Business Conduct**

Additional information is available through the Employee Privacy section of the Human Resources intranet site as well as in the Acceptable Use of Information Technology Resources Policy.

2.8.3 The Bell Privacy Policy

To support our commitment to privacy we have developed policies and a formal privacy code - the Bell Privacy Policy - which spell out the commitments of Bell, its employees and agents and the rights of customers and employees regarding personal information.

The Bell Privacy Ombudsman oversees compliance with these privacy policies and may be contacted at privacy@bell.ca.
2.9 Information Classification and Records Management

The purpose of the Information Classification and Records Management Policy and of the Records Retention Schedule is to ensure that Bell’s information is properly classified so records are adequately protected, stored and shared to comply with legal requirements and business needs. The policy applies to all forms of records irrespective of who has prepared them, whether they are in paper, electronic or other media format and no matter whether they reside on Bell’s premises, servers and infrastructure or not.

Employees are responsible for:

- ensuring compliance with business, legal and regulatory requirements with respect to record retention
- improving operational efficiencies, reducing space requirements and costs by eliminating unnecessary records
- ensuring the preservation and accessibility of relevant records to satisfy specific operating needs and in the event of potential or actual litigation or internal or external (including governmental) investigation.

Confidential information is information about our business that is not and must not be publicly available and includes any information classified as Internal Use or Confidential, as well as any information that has not been classified. Some examples of information which must be safeguarded from disclosure include:

- marketing strategies, pricing, bids and proposals
- training material
- employee or customer personal information
- passwords and encryption keys
- undisclosed financial results
- pictures or recordings of confidential information or discussions
- any video, picture or recording taken on work premise or of Bell premises, which are permitted only with director level management approval. Furthermore, it is strictly prohibited to record any identifiable individual without the person’s knowledge and consent, except if such recording is for investigation purposes and authorized by Corporate Security.

Employees must also:

- not send confidential information to personal email accounts or store them on their personal devices
- not store confidential information on portable storage devices including USB keys or external hard drives
- ensure confidential information is securely stored when unattended
- not store confidential information, including pictures, on personal devices that have not been registered through the BYOD (bring your own device) process
- avoid discussing such information in public places (including by phone in taxis, trains and airplanes), with family members or friends or with business colleagues when conversations might be overheard
- report immediately unauthorized disclosure, transmission, misappropriation or misuse of confidential information to Bell’s National Incident Centre (NIC) at 1-866-714-0911 or at cni-nic@bell.ca

Post Employment Obligations

Your obligation to protect Bell’s confidential information continues after the employment relationship ends. Upon termination of employment or contract, or reassignment, all employees must:

- return all copies of confidential information and documents, including electronic records, and all third party information entrusted to Bell
- keep confidential and not use any such information or document. This continuing obligation is particularly important in the case of a departing employee who subsequently works for one of Bell’s competitors or suppliers.

Preservation of Records under Legal Hold

Records subject to preservation under a “legal hold” must not be disposed of until the hold is lifted. Where a “legal hold” is in place, all owners of records that are subject to it must take positive steps to ensure the preservation of such records. Those record owners must also, prior to taking any steps that might affect the disposal of such records, such as re-imaging their computers or being “evergreened” to a new device, contact the Legal, Regulatory and Government Affairs Team (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, Regulatory and Government Affairs Team at ediscovery.legal@bell.ca.

When an employee, who owns records that are subject to a legal hold leaves Bell, the employee’s manager and Human Resources Consultant must ensure that these records are preserved.

How do I tell if a document (paper or electronic) is confidential if it is not marked as such?

- You must begin by asking the person who issued the document (if known), as the originator is the person who must determine the security classification. If you can’t find the source of the information and the nature of the document does not make the classification obvious (such as information that has been made public), the document must be treated as confidential until the proper classification is determined.

2.10 Dealing with Customers and Suppliers

We achieve an ongoing competitive advantage by ensuring that our reputation for quality, service and integrity remains intact. Compete fairly but vigorously while complying with our legal and ethical obligations.

2.10.1 Customer Relations

Customers and customer service are at the core of our business. To succeed, we have to be honest, courteous, and respectful when dealing with our customers.
and their property whether visiting their home or place of business.

Our customers expect us to provide quality products and services, and be truthful when discussing our advantages and benefits. To maintain that trust we should:

- offer customers only those services which we are legally allowed to provide and that they want or need
- promote our products and services accurately even when up selling
- give customers the straight facts about their competitive choices
- guide customers into asking the right questions about their competitive options
- convince customers it’s to their advantage to stay with Bell – or come back from another carrier
- don’t offer to waive charges, cut special deals or grant discounts that are not authorized
- serve our Quebec clients in the official language of their choice (French or English).

2.10.2 Supplier Relations - Reciprocity

Like many corporations, we purchase goods and services from thousands of suppliers, many of whom are also our customers.

While we quite naturally want to do business with our customers, and will take advantage of every opportunity to do so, we must keep in mind that this should not be done at the expense of price, quality and service. These criteria, rather than the simple fact a supplier is or is not our customer, should guide our purchasing decisions.

Reciprocity is an arrangement where a purchaser gives business to a supplier because that supplier is its customer for other products, in preference to another supplier. Reciprocity, whether it originates with the buyer or the seller, should be handled with utmost care for a number of financial, ethical and legal reasons.

For example, we may lose the opportunity to save money on our purchases if we choose suppliers solely because they are Bell customers and we may be accused of anticompetitive behaviour.

Under certain circumstances, we may, for strategic marketing reasons, develop and contract services exclusively with a given supplier. The Law Department must be consulted before such arrangements are established.

Our department is organizing a meeting at a hotel. Due to the large size of our group, and the fact we don’t want to travel far, we’ve chosen a nearby hotel serviced by a competitor’s long distance network. Is this okay, or should we find a hotel that uses Bell long distance?

It is not Bell policy to prohibit employees on company business from dealing with organizations that do not use Bell’s services. While we actively encourage everyone at Bell to do business with our customers, we must ensure that this is not done at the expense of price, quality and service.

Although the hotel you’ve chosen is not a Bell customer, you were right to choose it if, in your judgment, it best meets the price-quality-service criteria you are looking for: the hotel is located close to your office, it can easily accommodate all the members of your department and, as a result, will enable your group to save both time and traveling expenses.

2.11 Dealing with Competitors

2.11.1 Treating Competitors with Respect

We welcome and encourage fair and open competition and we are committed to treating competitors with due respect. By doing so, we honour the competitive spirit that motivates us to perform at our best.

Behaving competitively means that we:

- do not portray a competitor to the public or to a customer in an inaccurate, misleading, disparaging or unfair manner or in a way contrary to laws that govern competitive business practices
- do not state as a fact our understanding of a competitor’s price information as that information may be out of date and incomplete
- exercise care when commenting publicly on such topics as a competitor’s financial situation, business practices, management, reliability or foreign ownership
- do not behave disrespectfully toward a customer who has decided to purchase a competitor’s products or services; rather we rigorously promote and provide high-quality service for any other product we may supply to this customer.

2.11.2 Obtaining Information about our Competitors

We have every right to gather information about the marketplace in which we operate through legal and ethical means. This includes information about our competitors,

their products and services, technology, prices, advertising, and so on.

However, we do not engage in industrial espionage, buy proprietary information or induce employees or former employees of our competitors to disclose proprietary or confidential information of his/her current or former employer.

If you become aware that confidential or proprietary information about a competitor is circulating through Bell, you must not use such information and must
Our business unit recently hired someone who was employed with a competing radio station. This person has confidential information which would be very valuable to us. Can we ask him to disclose this confidential information?

- Absolutely not. The new employee has an obligation to protect his/her former company’s confidential or proprietary information, just as you would be obliged to protect Bell’s confidential or proprietary information if you were to leave Bell. You must respect the employee’s personal integrity as well as his/her obligation to his/her former employer. Inducing an employee to disclose such confidential information is a violation of the Code.

If I become aware that this person is disclosing a competitor’s confidential information to Bell employees, should I report it?

- Yes you must report this fact to your immediate supervisor or through the Business Conduct Help Line at 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.

### 2.11.3 Agreements with Competitors

In many cases, agreements between competitors that restrict i) the price at which competitors can sell their products or services to customers, ii) the customers to whom competitors can sell, or iii) quantities that competitors will produce or market, are criminal offences and thus prohibited. To be clear, this prohibition does not address cases where two competitors are simply entering into an agreement as buyer and seller of each other, as is for instance common in our wholesale division.

The law provides certain exceptions and we may, for strategic reasons, sometimes take advantage of these exceptions and enter into specific agreements with competitors. For instance, the rules allow, under certain conditions, the submission of joint bids with competitors in response to requests for proposal, something which otherwise would appear to be a prohibited agreement on price. The Regulatory/Law Department must be consulted before arrangements with competitors are established.

### 2.11.4 When a Competitor is a Customer

When providing competitors with network facilities, broadcasting, access or other services, we cannot use information obtained as a result of that process in any manner which would give us an undue competitive advantage. This includes ensuring that this information is not made available to those within Bell or its affiliates who develop competitive service strategies. It also means that we must not disclose a customer’s choice of competitive carrier to anyone who does not clearly require the information to provide service to the customer.

### 2.12 Safeguarding Bell Assets

We all have a responsibility to be accountable for and safeguard Bell assets from loss, damage, theft, fraud, vandalism, sabotage or unauthorized use, copying, disclosure or disposal. The improper use and/or reporting of assets could seriously undermine Bell’s integrity, adversely affect our business strategies and decisions and weaken investor confidence. It is considered a severe misconduct that may lead to termination of employment for cause. It could also constitute a criminal offence.

Bell’s assets include but are not limited to, offices and office equipment, inventory, computers, art, telephone and video equipment, vehicles, tools, materials, buildings, people, property, information, funds, communication networks, information systems, and intellectual property. The vehicle related policy and practice can be found on the Corporate Services intranet site and covers both the use of Bell-owned vehicles and the use of employee’s vehicle for Bell purposes.

Access to and use of these assets must be authorized, adequately controlled and based on business needs. We should not use Bell assets for personal purposes, except where this use has been authorized by your leader. Each of us must also take appropriate measures to prevent losses due to willful action by others, both outside and within Bell, which may result in personal injury, property damage, theft, fraud, loss, abuse or unauthorized access to physical or logical assets, and intellectual property (including data).

Employees are expected to safeguard Bell assets and comply with Bell policies, including the Policy on Authorizations.

Bell policies, including the Policy on Authorizations, are available in the Corporate Policies & Ethics intranet site.

To best safeguard the tools and equipment used as part of their functions, employees must consult the Bell Corporate Security policies, available on the Corporate Policies & Ethics intranet site.

Loss or theft of Bell assets, property damage and malfunctioning doors and locks are to be reported to Bell’s National Incident Centre (NIC) at 1-866-714-0911 or at cni-nic@bell.ca.

### 2.12.1 Visible ID

All employees, consultants and contractors must wear a visible, valid, designated ID card at all times while on Bell premises. An ID card can only be used by the employee to whom it is issued. It cannot be shared or lent. Visitors must wear a valid, designated visitor’s card while on Bell premises and employees should challenge anyone on Bell premises not wearing one.

### 2.12.2 Prevention of Fraud

**What is Fraud?**

- Fraud is defined as an intentional deception, falsification or misrepresentation made for personal gain, or to damage or create loss for the organization, customers or individuals. This can include the misuse or misapplication of the organization’s resources or assets to conduct internal fraud. This can also include actions taken towards business partners such as clients and service providers as well as false or inflated insurance claims presented to Manulife or any other insurance provider.
Code of Business Conduct

Successfully preventing fraud requires an ongoing commitment from all of us. This includes actively participating in the prevention, detection, and reporting of suspected fraud, whether committed by an internal or external party. As employees we will not engage, directly or indirectly, in bribery, kick-backs, account falsification, false claims, time fraud or any other fraudulent or corrupt business practices.

Fraudulent actions are not only unethical, but may also be a violation of law. Bell has a “zero tolerance” stance with regards to all confirmed fraud situations. If you are approached by anyone with an opportunity to engage in fraudulent activities, you must report the incident to your manager and Corporate Security or through the confidential Employee Help Line available at clearviewconnects.com or by calling 1 866 298 2942 (toll free).

2.12.3 Corporate Credit Cards and Bell Funds

We are personally responsible for funds, cash, cheques, postage, etc., over which we have control. Corporate credit cards are not to be used for personal cash withdrawals or purchases and other charge cards are to be used only for business purposes. We must also ensure that all expense vouchers, benefit claims and invoices are accurate and properly authorized.

Corporate policy regarding the use of corporate credit cards and corporate travel is detailed on the Travel and Expenses Management intranet site. We should, unless unavailable, use the services of suppliers with whom Bell has negotiated agreements (e.g. travel agents, airlines, car-rental agencies, taxi companies, hotels).

2.12.4 Hiring Consultants or Contractors

Hiring of contractors or consultants must follow the rules as outlined on the Contractors and Consultants Procurement intranet site and hiring of external resources must also comply with Personnel Security Policy available on the Corporate Policies & Ethics intranet site. In addition, all contractors performing high risk work must pass a pre-qualification process; ensuring workers are qualified to do the work, prior to conducting any work for Bell. For more details about contractor safety management, please contact Corporate Health & Safety at info.ss_hs@bell.ca.

2.12.5 Electronic Procurement and Electronic Processing of Expense Reports

Bell electronically processes much of its procurement needs including employee expense reports and accounting for corporate credit card payments. All employee expense reports and credit card payments must be approved by a leader one level above the employee submitting the reports.

2.12.6 Business Books and Records

Bell’s books and records contain information essential to effective and efficient operations. They form the basis upon which key decisions about Bell are made by our executives, financial analysts, shareholders, investors, and regulators.

Because they are so crucial to Bell meeting its legal, regulatory and financial obligations, we must ensure that all documents, reports, plans and records falling under our responsibility are accurate and complete. We must also ensure that all transactions are properly authorized.

In preparing and maintaining our books and records, we must:

- adhere to all accepted accounting standards and practices, rules, regulations and controls applicable to us
- ensure that all entries are recorded accurately, on time, in the proper accounts, and are properly documented
- record all funds, assets and transactions; we may not establish any undisclosed or unrecorded fund or assets for any purpose
- keep books and records which reflect fairly, accurately and in reasonable detail Bell’s transactions, acquisitions and disposal of assets and other relevant activities
- sign only those documents we believe to be accurate and truthful

Restrict access to sensitive or confidential information (such as financial records and customer information) to ensure the information is not accidentally or intentionally disclosed, modified, misused or destroyed. Maintain internal control processes to ensure that Bell meets its book and record keeping obligations.

2.12.7 Standard Contracts and Agreements

Contracts and agreements represent some of the greatest exposures faced by Bell. If you are in a position to develop or sign contracts you must take necessary steps to protect the interests of Bell by ensuring that only Bell standard form template contracts are used and, in the case of purchase agreements, the Procurement Policy is followed. All contracts must be reviewed by appropriate departments such as, Legal, Regulatory and Government Affairs, Procurement, Corporate Security, Corporate Responsibility & Environment, Health, Safety and Workplace, Risk Advisory Services and Insurance. Standard contracts must not be modified without prior Law Department approval.

2.12.8 Information Security

Computers and computer networks form the backbone of our business and operations infrastructure. For this reason, every effort must be made to protect Bell’s computer systems and associated software from the various threats to their security, such as accidental or deliberate destruction of data and equipment, interruption of service, disclosure of confidential information, theft and corruption.

To maintain security:

- access to computer systems must only be granted to authorized users
- access codes and passwords must be kept confidential and cannot be shared with anyone including leaders, co-workers and support teams,
- when traveling with mobile devices that access or contain company data, you must comply with applicable Bell policies
- comply with all security controls in place
follow Bell rules regarding the purchase and use of computer software
- guard against computer viruses that may damage Bell’s computer systems
- report computer security incidents, virus or worms to the Bell Customer Service Desk at 1-888-920-888.
- report Bell branded phishing emails sent to your Bell office account as follows:
  1. From your email inbox, select the phishing email
  2. Press the Ctrl + Alt + F or for Mac Ctrl + Cmd + J keys and forward the email to phish@bell.ca
  3. Permanently delete the original and sent messages from Outlook.

For further information and references, visit the Corporate Security intranet site.

2.12.9 Intellectual Property

Intellectual property such as patents, inventions, copyrights, trade-marks, domain names, industrial designs and trade secrets are strategic assets of Bell and must not be disclosed to or used by others without first ensuring that appropriate legal safeguards are in place. Failure to do so could result in Bell losing rights in its intellectual property.

Intellectual property rights also reside in and protect know-how, business methods and processes, computer software, written materials (including paper or electronic form), graphics, photographs and audiovisual works, whether developed internally within Bell or obtained from others.

Every employee has a responsibility to preserve, protect and enhance the value of these assets.

Trade-marks, including Bell’s logo and its various trade names, are among Bell’s most valuable assets. When using them, employees must follow the Brand guidelines, and must immediately report any infringement or misuse of such trade-marks or trade names to the Branding and Identity Hot Line by sending an email to info.branding@bell.ca. In addition to protecting Bell’s intellectual property, we also have a responsibility to avoid infringing intellectual property rights of others, as detailed in the Intellectual Property Policy referred to below.

All intellectual property conceived or made in the course of our employment with Bell or which are within the scope of Bell’s business interests, are rightly the exclusive property of Bell. Each employee assigns to Bell the ownership of all intellectual property created in the course of their employment, and also waives in favour of Bell any moral rights they may have in such intellectual property. Employees are prohibited from applying for patents or other intellectual property registrations in regards to intellectual property that belongs to Bell, nor can Bell’s intellectual property be used for personal purposes or gain.

For additional information, please consult the Intellectual Property Policy.

2.12.10 Proper Use of Bell-Provided Internet Access and Other IT Resources

Access to the Internet is primarily provided for business purposes. However, accommodating employees’ development and awareness through personal use of Bell-provided Internet access is also encouraged.

Personal use of the Internet and e-mail must be reasonable, i.e. it must not impede or reduce an employee’s ability to perform his/her duties, diminish productivity or effectiveness at work or negatively impact Bell in any way. Abuse of Bell-provided Internet or e-mail may result in disciplinary action up to and including termination of employment. The use of Internet and e-mail to conduct illegal activities is strictly prohibited and will lead to termination of employment.

The law strictly prohibits the unlicensed use of software on computers (including tablets and smart phones). To obtain software licensed by Bell for business use visit the software page in MY Telecom Warehouse. You must also verify and respect the manufacturer’s conditions of license or agreement under which the software was acquired. Copying software onto your Bell or personal computer may be a violation of the software company’s licensing agreement as well as copyright laws, and placing Bell at risk of prosecution for copyright infringement.

For further details, consult the Acceptable Use of Information Technology Resources Policy.

Any evidence of child pornography is to be immediately reported through the Internet child pornography reporting form.

I’m attending an important sales meeting next week and I have to prepare a presentation using slides and fairly complicated charts. My colleague has the software I need to put the presentation together, and he’s offered to lend me his CDs so I can install the program on my computer. Can I go ahead?

- No. By copying your colleague’s software into your computer, you may be breaking the software company’s licensing agreement as well as copyright laws. You should speak to your manager to discuss your computer needs.

2.13 Social Media

Social networking sites like Facebook, Instagram, LinkedIn, Snapchat, Twitter and YouTube have all become increasingly effective channels for Bell to strengthen our brand and our connection with customers and the public. All team members are required to follow Bell’s Social Media Guidelines (available from the Corporate Policies and Ethics intranet site) to ensure we can maximize the value of social media while protecting and enhancing the reputation of Bell and our team. We expect our team members to respect the principles and values outlined in the Code while navigating the social media world.

As a general rule, always remember that you are responsible for what you say or post online. Never assume that anything you say or
post is private on social media and other public websites. Any statement you make online may be perceived as representative of Bell company policy and may create unnecessary liability for you and the company.

No Bell team member is authorized to speak on behalf of Bell and its related subsidiaries without prior approval. If you believe it is necessary for you to engage in social media on behalf of Bell, please contact the Social Media team (social.info@bell.ca), which will coordinate all requests for approval with Bell’s executive leadership team. For individuals authorized to participate in social media on behalf of Bell, any business records created by this activity will be managed in accordance with the Information Classification and Records Management Policy.

- **Protecting confidential information**: whether you are posting as an approved Bell spokesperson or for personal reasons, you can only disclose information that is in the public domain. You have an obligation to continue to protect Bell’s Confidential and Internal Use information as defined in the Information Classification and Records Management Policy. You have an obligation to protect confidential and personal information and may not post any comment that would include confidential information concerning our company, customers, suppliers or team members.

- **Do not post online reviews of Bell products and services**: “Astroturfing” is the term for online reviews of products and services that give the impression they have been made by independent consumers when in fact the person making them has a business interest in the product or service being reviewed. Employee discussion of our products or services online could be perceived as providing a biased or unrealistic opinion. This conduct may also raise legal issues and can have serious repercussions for you and for Bell. For all these reasons, Bell’s policy is that team members cannot rate or review any product or service owned by or associated with Bell or its affiliates on any public online service or site, including all social media platforms. That means, for example, that we cannot rate or review Bell products, services or apps on online review sites or Apple, Android, BlackBerry, or other app stores. It also means that we cannot comment on Bell products or services on social media sites such as Facebook, Twitter, LinkedIn, Snapchat, YouTube or Instagram.

- **Respect for our company and reputation**: upholding Bell’s reputation is in the best interests of our entire team. Misleading, disparaging or untruthful comments about our company, products, services or team members can seriously undermine our brand and ability to support customers. We must also have respect for our competitors and must not portray a competitor to the public or to a customer in an inaccurate, misleading, disparaging or unfair manner. Don’t post comments or participate in online campaigns that could potentially jeopardize our reputation, including posting comments, reviews or ratings online about competitors’ products and services.

As with any company policy, violations may be serious and require a disciplinary action, up to and including termination of employment.

A complete copy of the Bell’s Social Media Guidelines is available from the Corporate Policies and Ethics intranet site. Additional related corporate policies, such as Bell’s Acceptable Use of Information Technology Resources Policy and Bell Media’s Social Media Policy for CTV News and on-air talent are available from the Corporate Policies and Ethics intranet site.

### 2.14 Work Environment

#### 2.14.1 Mental Health

At Bell, we believe that the mental health of our team members is essential to achieving personal and organizational success and we are committed to leading by example in our own workplace by promoting mental health and supporting team members with a mental illness.

We expect every member of the Bell organization to take primary responsibility for their own health. Every employee also has a responsibility to contribute towards a workplace that promotes mental wellbeing.

**Bell is committed to:**

- supporting employees experiencing mental illness through our workplace practices
- understanding what factors contribute towards mental wellbeing at work by reviewing Bell’s mental health policy, employee feedback, government and legal requirements, and current best practices
- setting objectives that drive continuous improvement of our workplace mental health strategy and regularly evaluating our approach
- implementing or adapting policies and practices that support mental health in the workplace within the context of our corporate priorities and the evolution of our industry
- providing resources and training to educate all team members about mental health
- encouraging employees to take part in activities that contribute to their own mental health in the workplace.

To view the full policy statement, consult the Corporate Ethics and Policy intranet site at the following link: Corporate Policies and Ethics

#### 2.14.2 Trust and Respect

Nothing is more basic to ethical behaviour than trust and respect. Upholding these values enables us to build and cultivate more meaningful, richer relationships with fellow employees, customers, suppliers and shareholders. For this reason, we expect all our employees to respect their colleagues, team members and leaders.

**We are committed** to fostering a workplace which encourages open and honest communication, recognizes the intrinsic dignity and worth of all employees and values the diversity of employees, customers, suppliers and shareholders.

Bell supports prevention by equipping employees and leaders with practical resources (Civility guide, Leader’s guide to managing conflict) available on the Respectful workplace ethics website.

#### 2.14.3 Diversity and Employment Equity

**Diversity is an unwavering respect for each other's uniqueness**, including, but not limited to: culture, ethnicity, gender, gender identity/expression, age, religion, disability, sexual orientation, education and experiences. By valuing our differences, we can create an inclusive work environment based on merit and fairness where all employees achieve their full potential.

Our Diversity, Human Rights and Accommodation policies provide the framework for supporting a diverse and inclusive workplace.

Employment equity is an important aspect of our diversity strategy. While diversity encompasses many different factors that make each of us unique, legislated employment equity programs focus on four designated groups: women, visible minorities, Aboriginal peoples and persons with disabilities. Bell is required to comply with the Employment Equity Act through workforce practices free of barriers to recruiting, retaining and promoting members of these designated groups. Ensuring equality in the workplace is not about hiring unqualified individuals but rather to ensure that the qualified members of the designated groups are given equal employment opportunities.
Employment equity and diversity programs also make business sense. A diverse workforce brings Bell closer to its customers. By becoming the supplier of choice to a diverse customer base and the employer of choice to our current and future employees, we further improve Bell's chances of success.

Promotion of self identification through our online employment equity and diversity questionnaire, available in the Employment equity section of the Diversity intranet site, allows Bell to have an accurate assessment of representation within the four groups and allows for appropriate strategies and action plans to be developed in order to address any gaps. The information collected in the employment equity and diversity questionnaire is confidential.

In addition, Diversity training (Career Zone course L744) and Respect in the Workplace (also in Career Zone) training are available to help support a diverse and inclusive work environment. Information is available at the following link: Diversity and Human Rights.

Bell operates in both official languages, English and French, and complies with Quebec laws requiring French to be the primary language used in workplaces in that province. Our Language Diversity Program provides training, tools and a language pairing program to support bilingualism throughout the organization. For more details, please see the Bell Language Policy.

2.14.4 Discrimination and Harassment

We provide a workplace free of any type of personal harassment, including sexual harassment, intimidation and violence and are committed to an environment in which all workers can work safely.

We prohibit all types of unlawful discrimination, including harassment, whether directed against an individual or group, including employees, customers, suppliers and shareholders. This specifically includes discrimination based on race, national or ethnic origin, aboriginal or indigenous status, language spoken, religion, age, sex (including pregnancy or childbirth), gender identity/expression, sexual orientation, marital status, family status, veteran status, physical or mental disability and conviction for which a pardon has been granted.

Harassment is defined as vexatious behaviour that is repetitive and hostile or unwanted that degrades, humiliates, embarrasses, affects or insults an employee’s dignity or integrity and that results in a harmful work environment for the employee. It may include:

- threats, intimidation and/or verbal abuse, unwelcome remarks or jokes
- unnecessary physical contact, such as touching, patting, pinching or punching
- displaying sexist, racist or other offensive pictures, posters, e-mails or screen displays
- any other action that may reasonably be perceived as offensive or degrading.

Sexual harassment includes offensive or humiliating behaviour that is related to a person’s sex, as well as behaviour of a sexual nature that creates an intimidating, unwelcome, hostile or offensive work environment, or that could reasonably be thought to put sexual conditions on a person’s job or employment opportunities. A few examples are:

- questions and discussions about a person’s sexual life
- commenting on someone’s sexual attractiveness or unattractiveness
- displaying posters, calendars and/or screen displays of a sexual nature
- writing notes, letters or e-mails of a sexually suggestive nature.

An employee who believes that he or she is being unlawfully discriminated against should tell the person to stop immediately. If there is imminent danger the matter should be reported to the police and/or emergency services as appropriate (dial 911) and then to Corporate Security (dial 1-666-714-0911). If the behaviour or action persists, the employee should report the matter to his or her manager or to a more senior manager in the organization. Unionized employees may elect to contact their union representative; management employees may consult with their Human Resources representative.

2.14.5 Workplace Violence Prevention

We all have a right to work in an environment free from violence and threats. Bell prohibits all acts of physical, verbal or written aggression or violence. This applies whether the aggression is committed by one employee against another, or against anyone else an employee comes in contact with when carrying out his or her responsibilities.

It’s up to each employee to report any act, or threatened act, of violence to a manager or to Corporate Security. In situations of imminent danger call the police or local emergency services and then Corporate Security. If the danger seems less imminent, take note of the facts: Who was involved? Where and when did the incident take place? Were there any witnesses? Then report the incident to Corporate Security. Corrective action will ensue as required.

Bell 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 of employment.

Bell’s policy Preventing Violence in the Workplace is available on the Human Resources intranet site. In addition, mandatory violence prevention training (Career Zone course L1027) must be taken every three years.

2.14.6 Health and Safety

At Bell, the health and safety of our team members and external stakeholders, including contractors, customers, and the general public, is an absolute priority. We also believe that a safe and healthy workplace is essential to achieving organization success, in all areas of our business. To support our commitment to team members, Bell will:

- ensure due diligence in its approach to meet or exceed all applicable workplace health & safety laws and regulations
- identify, analyze and address health & safety hazards
• establish processes and practices to support a safe workplace and prevent injuries
• investigate health & safety incidents
• provide employee training to ensure adequate health & safety knowledge and competency
• work in consultation with joint health & safety committees to uphold and evolve safe work practices and resolve any issues
• set objectives to continuously improve our safety performance
• regularly evaluate, monitor and report health & safety performance.

In support of our commitment to external partners and stakeholders, Bell will:

• require that all contractors, sub-contractors and third parties that access Bell sites have received health and safety training related to their jobs, use proper equipment and follow Bell's procedures
• require all third parties to abide by legal and contractual guidelines as outlined in their contracts and monitor them accordingly
• cooperate with government and other stakeholders on health & safety matters.

Each team member of the organization is expected to:

• take primary responsibility for their own health and safety
• actively participate in health & safety training
• contribute to a safe and healthy workplace by upholding safe work practices at all times to prevent injuries
• identify and report health & safety hazards and incidents as well as participate in associated investigations when required
• comply with our legal and responsibility requirements.

Additional information on Health and safety programs and procedures is available on the Human Resources intranet site at Workplace and Safety.

You can also contact the Corporate Health and Safety team for more information at Info.ss-hs@bell.ca.

2.14.7 Reasonable Accommodation

Accommodation is part of a broader principle - that our society should be structured and designed for inclusiveness.

An accommodation is considered reasonable if it does not result in undue hardship, such as: significant impact on business operations, or risk to the health and safety of the employee concerned or any other person. Examples of accommodation can include physical or technical alterations to an employee's workspace (work station height, non-standard computer monitor, telephone with amplifier or headset) and modification of work duties or conditions.

To make an accommodation request or to obtain information on the process of how requests are treated, visit the Human rights website.

2.14.8 Emergency Management

Employees may encounter various emergency situations that can directly affect them or Bell. To this end, Bell is committed to a level of preparedness and planning that is designed to “protect life and property” and to ensure a rapid return to providing service to our customers. Through the development and implementation of emergency response procedures and the “Be Ready” training modules, employees and business units will be ready to respond during emergencies. All employees must follow the “Be Ready” on line training every two years.

In the event of a life-threatening emergency first make sure you are safe, then call 911 (or local emergency service). All emergencies and emergency conditions including unplanned evacuations, or situations significantly impairing or potentially impacting service (such as but not limited to floods, major fires, power outages, health and safety emergencies) occurring on or in proximity to Bell facilities are to be reported to Bell’s National Incident Centre (NIC) at 1-866-714-0911 or cni-nic@bell.ca. For information on Bell’s Emergency Management procedures, consult the Corporate Security intranet site.

Evidence of serious criminal activity such as terrorism, found on Bell or customer premises or systems, are to be reported to Bell’s National Incident Centre (NIC) at 1-866-714-0911, unless involving an imminent threat where 911 must be called.

Significant facility or utility interruptions, surveillance, control systems or any service failures that impact our network are to be reported to 1-888-570-1091.

2.14.9 Business Continuity

Bell recognizes the importance of its infrastructure and services for its employees and customers. To that end, all business unit leaders and team members must ensure they have appropriate business continuity plans and disaster recovery plans in order to be ready to react to any type of events that may impair our activities.

2.14.10 Alcohol, Drugs and Other Substances

We are required to be fit at all times to perform all assigned duties. While at work, we must not be impaired by the use of alcohol, medication, or illicit drugs.

The use, sale, unlawful possession, manufacture or distribution of alcohol and illicit drugs or non-prescribed medications for which a prescription is legally required, whether on Bell work premises or other work locations, is strictly prohibited.

Employees have the responsibility to determine any potential adverse effects when using prescribed or over-the-counter medications with the assistance of their doctor or pharmacist. Intentional misuse of prescribed or over-the-counter medications is strictly prohibited.

For further information consult the Alcohol and Drug Policy on the Human Resources intranet site.

2.14.11 Involvement in a Legal Matter

If you are involved in a legal matter or police case you must immediately inform your manager if this involvement has the potential to affect your ability to perform your job fully and competently. Loss of a driver’s license, for example, must be reported immediately if the affected employee is required to drive a Bell vehicle.
2.15 Journalistic Independence

Bell is committed to upholding principles of journalistic independence. The Journalistic Independence Policy governs CTV News editorial decision making. CTV News refers to all applicable news divisions owned by Bell, including radio. CTV News is solely responsible for all news reporting decisions and for ensuring the integrity of its news operations. Compliance with the Journalistic Independence Policy is mandatory for all Bell employees. Failure to comply with the policy will be considered a breach of the Code of Conduct and may result in disciplinary action up to and including termination of employment.

An appropriate framework of independence between CTV News and Bell is a fundamental safeguard to ensure that news is covered in a fair, accurate, balanced and unbiased manner. Any interference, whether direct or indirect, actual or perceived, undermines the principles of news independence and can erode the credibility of CTV News which is critical to maintaining the trust of audiences.

Bell fully endorses the independence of CTV News and requires that all employees execute their day-to-day job responsibilities in a manner that respects this core value.

From time to time, news stories directly or indirectly concerning Bell, or of commercial interest to Bell, will be reported by CTV News. The appropriate CTV News editorial team is solely responsible for determining how to cover any such story, with full discretion and control, and without interference. No Bell employee will take any action that will impact the standards of fairness, accuracy, balance and independence that must be applied to any such news story.

In the normal course of business, representatives of Bell may offer ideas for news coverage to the CTV News team, as they would with any other news organization. In any such instances, Bell representatives must recognize that the material offered must be considered newsworthy and relevant to the audience by the applicable editorial team before receiving coverage. The news team will decide whether to proceed with a story, how it will be covered, and the extent of any action that will impact the standards of fairness, accuracy, balance and independence that must be applied to any such news story.

All news editorial decision making resides with the CTV News team with absolute and final privilege belonging to the President, CTV News. The CTV News teams will be responsible for the development of applicable editorial and reporting policies, including news policies on attribution, sources, and disclosure of conflicts.

If at any time the President, CTV News has any concerns about journalistic independence or compliance with the Policy that cannot be resolved through normal functional reporting channels in line with the principles of the Policy, the President, CTV News can address said matters with BCE’s Chief Executive Officer and/or the Chair of the BCE Audit Committee. If you have any concerns regarding compliance with the Journalistic Independence Policy, such concerns shall be communicated to your immediate manager and/or the President, CTV News. However, if such reporting is either inappropriate, does not provide the necessary level of confidentiality, or as you otherwise prefer, the reportable activity should be reported to the Business Conduct Help Line or to the BCE Chief Legal & Regulatory Officer and EVP, Corporate Development or equivalent position.

To view the full Journalistic Independence Policy, consult the Corporate Ethics and Policy intranet site at the following link: Corporate Policies and Ethics.

The Business Conduct Help Line may be reached 24/7 by calling 1 866 298 2942 or by visiting clearviewconnects.com.

Members of the public should call Bell Canada’s Complaint and Concerns Line at 1-866-317-3382 with any concerns about Bell activities.

2.16 Protecting the Environment

Bell believes that environmental protection is an integral part of doing business. We strive to minimize, through a continuous improvement process, the impact that some of our activities, products or services may have on the environment. To that end, every employee is responsible 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 prescribed requirements
- prevent, control and reduce releases into the environment and correct in a timely manner problem situations which cannot be prevented
- promote and support cost-effective resource use and waste minimization initiatives
- deal with suppliers who seek to minimize their environmental impacts
- develop and market services providing people and organizations with innovative solutions that take into account their environmental challenges
- participate with governments, businesses, the public and relevant interest groups to advance environmental protection
- communicate our environmental initiatives and performance to stakeholders on a regular basis

To view the full Code of Business Conduct, consult the Corporate Ethics and Policy intranet site at the following link: Corporate Policies and Ethics.
• ensure that employees adhere to the Environmental policy and understand their responsibilities in putting it into practice.

The Corporate Responsibility & Environment (CR&E) group has developed a series of policies, programs, procedures and guidelines to support employees in their environmental duties. These documents are available through the Environmental Management section of Bellnet.

Environmental training is mandatory for all employees directly involved in managing any 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 operational duties.

All environmental incidents must be reported without delay to the Enviro-Line at 1-877-235-5368, available on a 24/7 basis, or at enviroline@bell.ca.

For inquiries, concerns or for information about environmental training, contact your Environmental Coordinator or the appropriate CR&E team member.

3 ROLES AND RESPONSIBILITIES

3.1 Business Unit Responsibility

Managers are required to ensure that all employees have access to the Code either on-line or in a paper format if required, and that they know, understand and comply with its provisions. To this end, they should ensure that all employees review the Code annually and comply with the annual review process outlined in this Code.

3.2 Board of Directors, Corporate Governance Committee and Audit Committee

The Board of Directors, with the recommendation of the Corporate Governance Committee, has the authority to approve this policy. In addition, the Corporate Secretary’s Office in conjunction with Internal Audit, report quarterly to the Audit Committee on the number and scope of issues brought via the Business Conduct Help Line.

3.3 Corporate Secretary’s Office

The Corporate Secretary’s Office has the responsibility of administering the Code and managing the Business Conduct Help Line, securing annual certification of all executives and members of the Board of Directors under the Code, addressing conflict of interest issues and ensuring compliance by all Business Units.

APPENDICES

Supporting Procedures

The Code of Business Conduct annual review is included in the annual performance process. These procedures are located in the Career Zone intranet site under Objective Performance.

Attachments

| Attachment 1A | Certification of Directors 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 |

Attachment 1A

CERTIFICATION OF DIRECTORS AND EXECUTIVES UNDER THE CODE OF BUSINESS CONDUCT
The Boards of Directors of BCE Inc. and Bell Canada (in each case, the “Company”) and our shareholders, expect all Directors and executives of the Company to follow the highest possible standards of honest and ethical conduct and to encourage and promote a culture in which ethical business conduct is recognized, valued and exemplified.

Certification

I certify that I have reviewed, understand and follow the Bell Canada Code of Business Conduct (the “Code”).

In addition, I support the setting of standards needed to discourage wrongdoing and to promote:

- honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships,
- full, fair, accurate and timely disclosure in reports and documents that the Company files with, or submits to, securities regulators and in other public communications made by the Company, in accordance with the Disclosure Policy,
- compliance with laws, rules and regulations of federal, provincial, state or local governments, and other relevant private and public regulatory agencies in all jurisdictions in which the Company operates,
- prompt reporting of all material violations of the Code to the Chair of the Audit Committee of the Board of Directors of the Company.

To the best of my knowledge and ability, I will act in good faith, responsibly, with due care, competence and diligence, without misrepresenting material facts or allowing my independent judgment to be compromised.

I acknowledge that I am accountable for following the Code and the responsibilities I have under it. I also acknowledge that complying with the Code is a condition of my employment. If I do not comply with it or applicable laws, rules or regulations, I may be subject to disciplinary measures, which could include dismissal from the Company.

© Bell Canada 2017. All Rights Reserved.
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 Bell:

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 Bell:

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:

For employees who declare a conflict due to past employment by a competitor: 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.
### POLICY OR PRACTICE DETAILS

<table>
<thead>
<tr>
<th>Issue BU</th>
<th>Law &amp; Regulatory Department</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policy sponsor</td>
<td>Chief Legal &amp; Regulatory Officer and Executive Vice-President, Corporate Development</td>
</tr>
<tr>
<td>Policy owner</td>
<td>Corporate Secretary's Office</td>
</tr>
<tr>
<td>Primary contact</td>
<td>Corporate Secretary's Office</td>
</tr>
<tr>
<td>Required approvals</td>
<td>Board of Directors, Corporate Governance Committee, Corporate Secretary</td>
</tr>
<tr>
<td>First Release</td>
<td>1995</td>
</tr>
<tr>
<td>Review cycle</td>
<td>Annually</td>
</tr>
</tbody>
</table>

#### Required Policy or Practice management elements checklist

<table>
<thead>
<tr>
<th>Checklist</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monitoring compliance processes defined</td>
<td>Yes</td>
</tr>
<tr>
<td>Communication plan complete</td>
<td>Yes</td>
</tr>
<tr>
<td>Communication materials complete</td>
<td>Yes</td>
</tr>
<tr>
<td>Training plan complete</td>
<td>Yes</td>
</tr>
</tbody>
</table>

#### Revision history

<table>
<thead>
<tr>
<th>Date</th>
<th>Change owner</th>
<th>Changed by</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>August 2012</td>
<td>Alain Dussault</td>
<td>Alain Dussault</td>
<td>Annual update</td>
</tr>
<tr>
<td>August 2013</td>
<td>Alain Dussault</td>
<td>Alain Dussault</td>
<td>Annual update</td>
</tr>
<tr>
<td>August 2014</td>
<td>Michel Lalande</td>
<td>Michel Lalande</td>
<td>Annual update</td>
</tr>
<tr>
<td>June 2015</td>
<td>Mirko Bibic</td>
<td>Mirko Bibic</td>
<td>Update</td>
</tr>
<tr>
<td>August 2015</td>
<td>Michel Lalande</td>
<td>Michel Lalande</td>
<td>Annual update</td>
</tr>
<tr>
<td>August 2016</td>
<td>Michel Lalande</td>
<td>Michel Lalande</td>
<td>Annual update</td>
</tr>
<tr>
<td>August 2017</td>
<td>Michel Lalande</td>
<td>Michel Lalande</td>
<td>Annual Update</td>
</tr>
</tbody>
</table>
CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statements No. 333-12130 on Form F-3, No. 333-213603 on Form F-10 and No. 333-12780 and 333-12802 on Form S-8 and to the use of our reports dated March 8, 2018, relating to the consolidated financial statements of BCE Inc. and subsidiaries (the “Company”) and the effectiveness of the Company’s internal control over financial reporting, appearing in this Annual Report on Form 40-F of BCE Inc. for the year ended December 31, 2017.

/s/ Deloitte LLP[1]

March 14, 2018

Montréal, Canada

[1] CPA auditor, CA, public accountancy permit No. A124391
Notice is hereby given that Bell Canada relies on the continuous disclosure documents filed by BCE Inc. pursuant to the exemption from the requirements of National Instrument 51-102 – Continuous Disclosure Obligations ("NI 51-102") provided in Section 13.4 of NI 51-102.

The continuous disclosure documents of BCE Inc. can be found for viewing in electronic format at www.sedar.com.

Attached to this notice and forming part thereof is the consolidating summary financial information for BCE Inc. as required by Section 13.4 of NI 51-102.

Dated: March 14, 2018

BELL CANADA

By: (signed) Thierry Chaumont
Name: Thierry Chaumont
Title: Senior Vice-President and Controller

Bell Canada

UNAUDITED SELECTED SUMMARY FINANCIAL INFORMATION\(^{(1)}\)
For the periods ended December 31, 2017 and 2016
(in millions of Canadian dollars)

BCE Inc. fully and unconditionally guarantees the payment obligations of its 100% owned subsidiary Bell Canada under the public debt issued by Bell Canada. Accordingly, the following summary financial information is provided by Bell Canada in compliance with the requirements of section 13.4 of National Instrument 51-102 (Continuous Disclosure Obligations) providing for an exemption for certain credit support issuers. The tables below contain selected summary financial information for (i) BCE Inc. (as credit supporter), (ii) Bell Canada (as credit support issuer) on a consolidated basis, (iii) BCE Inc.’s subsidiaries, other than Bell Canada, on a combined basis, (iv) consolidating adjustments, and (v) BCE Inc. and all of its subsidiaries on a consolidated basis, in each case for the periods indicated. Such summary financial information for BCE Inc. and Bell Canada and all other subsidiaries is intended to provide investors with meaningful and comparable financial information about BCE Inc. and its subsidiaries. This summary financial information should be read in conjunction with BCE Inc.’s audited consolidated financial statements for the year ended December 31, 2017.

For the periods ended December 31:

<table>
<thead>
<tr>
<th>BCE INC. (‘CREDIT SUPPORTER’)(^{(2)})</th>
<th>BELL CANADA CONSOLIDATED (‘CREDIT SUPPORT ISSUER’)</th>
<th>SUBSIDIARIES OF BCE INC. OTHER THAN BELL CANADA(^{(3)})</th>
<th>CONSOLIDATING ADJUSTMENTS(^{(4)})</th>
<th>BCE INC. CONSOLIDATED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenues</td>
<td>–</td>
<td>–</td>
<td>22,721</td>
<td>21,721</td>
</tr>
<tr>
<td>Net earnings from continuing operations attributable to owners</td>
<td>2,914</td>
<td>3,031</td>
<td>3,045</td>
<td>3,083</td>
</tr>
<tr>
<td>Net earnings attributable to owners</td>
<td>2,914</td>
<td>3,031</td>
<td>3,045</td>
<td>3,083</td>
</tr>
</tbody>
</table>

As at December 31, 2017 and December 31, 2016, respectively:

<table>
<thead>
<tr>
<th>BCE INC. (‘CREDIT SUPPORTER’)(^{(2)})</th>
<th>BELL CANADA CONSOLIDATED (‘CREDIT SUPPORT ISSUER’)</th>
<th>SUBSIDIARIES OF BCE INC. OTHER THAN BELL CANADA(^{(3)})</th>
<th>CONSOLIDATING ADJUSTMENTS(^{(4)})</th>
<th>BCE INC. CONSOLIDATED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Current Assets</td>
<td>626</td>
<td>691</td>
<td>5,264</td>
<td>5,098</td>
</tr>
<tr>
<td>Total Non-current Assets</td>
<td>20,217</td>
<td>18,168</td>
<td>42,906</td>
<td>38,428</td>
</tr>
<tr>
<td>Total Current Liabilities</td>
<td>1,567</td>
<td>1,155</td>
<td>10,584</td>
<td>9,937</td>
</tr>
<tr>
<td>Total Non-current Liabilities</td>
<td>116</td>
<td>163</td>
<td>23,240</td>
<td>21,351</td>
</tr>
</tbody>
</table>

\(^{(1)}\) The summary financial information is prepared in accordance with International Financial Reporting Standards and is in accordance with generally accepted accounting principles issued by the Canadian Accounting Standards Board for publicly-accountable enterprises.

\(^{(2)}\) This column accounts for investments in all subsidiaries of BCE Inc. under the equity method.

\(^{(3)}\) This column accounts for investments in all subsidiaries of BCE Inc. (other than Bell Canada) on a consolidated basis.

\(^{(4)}\) This column includes the necessary amounts to eliminate the intercompany balances between BCE Inc., Bell Canada and other subsidiaries and other adjustments to arrive at the information for BCE Inc. on a consolidated basis.
### BCE Inc.
**EXHIBIT TO 2017 ANNUAL FINANCIAL STATEMENTS**

**EARNINGS COVERAGE**

The following consolidated financial ratios are calculated for the twelve months ended December 31, 2017 and give effect to the issuance and redemption of all long-term debt since January 1, 2017 as if these transactions occurred on January 1, 2017 and are based on unaudited financial information of BCE Inc.

<table>
<thead>
<tr>
<th>Earnings coverage of interest on debt requirements based on net earnings attributable to owners of BCE Inc. before interest expense and income tax</th>
<th>December 31, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.8 times</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Earnings coverage of interest on debt requirements based on net earnings attributable to owners of BCE Inc. before interest expense, income tax and non-controlling interest</th>
<th>December 31, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.9 times</td>
<td></td>
</tr>
</tbody>
</table>
CERTIFICATIONS

I, George A. Cope, certify that:

1. I have reviewed this annual report on Form 40-F of BCE Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;
4. The issuer’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the issuer’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the issuer’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer’s internal control over financial reporting;

Date: March 14, 2018

(signed) George A. Cope
President and Chief Executive Officer
BCE Inc.

CERTIFICATIONS

I, Glen LeBlanc, certify that:

1. I have reviewed this annual report on Form 40-F of BCE Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;
4. The issuer’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the issuer’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the issuer’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer’s internal control over financial reporting;

Date: March 14, 2018

(signed) Glen LeBlanc
Executive Vice-President and Chief Financial Officer
BCE Inc.
CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. Section 1350), as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned officers of BCE Inc. (the “Company”), does hereby certify that:

the annual report on Form 40-F for the year ended December 31, 2017 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 14, 2018

(Date)

George A. Cope
President and Chief Executive Officer
BCE Inc.

(Date)

Glen LeBlanc
Executive Vice-President and Chief Financial Officer
BCE Inc.
NOTE

The interactive data file containing BCE Inc.’s audited annual consolidated financial statements for the year ended December 31, 2017 in machine-readable format using eXtensible Business Reporting Language (XBRL) is only filed with the United States Securities and Exchange Commission (SEC). Refer to BCE Inc.’s profile in the SEC’s website at sec.gov for access to such interactive data file.