



August 9, 2023

**Bezeq – The Israel Telecommunication Corporation Ltd.**  
**(the “Company”)**

Attn.  
Israel Securities Authority  
Tel Aviv Stock Exchange Ltd.

**Notice of a Special General Meeting of the Company's Shareholders**

In accordance with the Companies Law, 1999 (the “Companies Law”); the Israel Securities Regulations (Periodic and Immediate Reports), 1970 (the “Reports Regulations”); the Companies Regulations (Notice and Announcement of a General Meeting and a Class Meeting in a Public Company and Addition of an Item to the Agenda), 2000 (the “Announcement of a General Meeting Regulations”); and the Companies Regulations (Written Vote and Statements of Position), 2005 (the “Voting Slip Regulations”), the Company hereby gives notice of a Special General Meeting of the Company's shareholders (the “General Meeting”), to be held on Thursday, September 14, 2023, at 11:00 AM, at the Company's offices at 7 Hamanor St. Holon, 5th floor (the “Company's Offices”).

1. **Summary of items and proposed resolutions on the agenda of the General Meeting**

- 1.1 Approval of the distribution of a dividend
- 1.2 Approval of an amendment to the collective agreement dated December 5, 2006 (the “Collective Agreement”) between the Company and the employees' organization and the Histadrut New General Federation of Labor (the “Employees' Representative”)

2. **Key points of the proposed decisions and their terms:**

2.1 **Approval of the distribution of a dividend (proposed resolution in section 1.1 on the agenda)**

2.1.1 The board of directors recommends the approval of the distribution of a cash dividend to the Company's shareholders amounting to NIS 392 million, representing as at the date of the notice of convening a General Meeting NIS 0.142 per ordinary share of NIS 1 par value of the Company (the “Share”), and 14.2% of the Company's issued and paid-up share capital (the “Dividend”). The actual amount of the Dividend per share to be paid will be based on the number of shares in the Company's issued and paid-up share capital as at the end of the trading day of October 3, 2023. The record date and the ex-date will be October 4, 2023, and the payment date will be October 11, 2023.

2.1.2 The Company's board of directors assessed the Company's compliance with the tests set out in section 302 of the Companies Law, 1999, the profit test, and the solvency test, and determined that the Company meets these tests, as described below.

- A. **Regarding the profit test** – based on the Company's financial statements as at June 30, 2023, the dividend distribution meets the profit test. The board of directors was presented with the distributable retained earnings accumulated in the last two years,



amounting to NIS 1.355 billion, and the proposed dividend was found to meet the profit test (meaning – the Dividend is being paid out of distributable profits).

- B. **Regarding the solvency test** – the board of directors assessed, among other things, the Company's projected cash flows and the financing sources available to it for repayment of its existing and future obligations, and for payment of the Dividend. In these contexts, the board of directors also assessed the cash and cash equivalents and the amount of credit that the Company estimates is available to it.

As part of the solvency test, the board of directors also considered the consequences of the Dividend payment on the Company's financial position and liquidity, and on the Company's existing structure of operations, including its effect on the Company's investment plans, capital structure and leverage (including its credit rating).

In this regard, the board of directors was presented with the position of the Company's management that according to which the Dividend payment will not have a negative effect on the Company's operations and investments, as required for maintaining its business position and competitiveness, or affect its compliance with the solvency test. The board of directors also reviewed the Company's cash flow forecasts (and a sensitivity analysis performed on these forecasts for cases of unexpected significant deterioration in the Company's business) and assessed its financial robustness and ability to service its debts based on a projected debt service coverage ratio analysis. The board of directors also assessed the net sources of liquidity from the Company's wholly owned subsidiaries. In addition, the board of directors took into account in this regard that the Company has no financial covenants that could affect the amount or cost of the debt.

In view of the findings of its assessments, the board of directors concluded, after the data and forecasts were presented to it by the management, that the Company has significant ability to meet its current and projected cash requirements in the foreseeable future (even in scenarios of unexpected deterioration in the Company's business), by generating cash from operations, by net cash inflows from its subsidiaries, and by obtaining credit, if required. Therefore, there is no reasonable likelihood that the dividend distribution will prevent the Company from meeting its existing and future obligations when they mature, and this payment is not expected to materially affect the Company's financial position, including its capital structure, liquidity, and ability to continue operating within its current structure of operations.

The dividend is distributed in accordance with the dividend policy (as published on March 14, 2023).

For further information about the dividend distribution, see the immediate report published by the Company on August 9, 2023, regarding the board of directors' recommendation of the above dividend distribution.



- C. Proposed resolution: “To approve the distribution of a cash dividend to the Company's shareholders, as set out in section 2.1 of this Notice of a General Meeting”

2.2 Approval of the amendment to the collective agreement (proposed resolution in section 1.2 on the agenda):

2.2.1 Background

In recent months, the employee representatives and the Company's management have been negotiating to reach agreements on amendments to the collective agreement at their request. The employees' request to amend the collective bargaining agreement follows the publications regarding the proposed amendment to the Communications Order (Telecommunications and Broadcasting) (Determination of Essential Service Provided by Bezeq The Israel Telecommunication Corp. Ltd.), 1997 (the “Telecommunications Order”) (which has since been approved by the Economic Committee of the Knesset and is expected to come into effect after signing by the Prime Minister and Minister of Communications and its publication in the Official Gazette), which, among other things, eliminates the obligation to hold core control in the Company.

The main points of the amendment to the collective agreement are set out in section 2.2.2 below. Since the amendment includes a reference to the rights that will be granted to employees, among other things, in the event of sale of control (even if this is a theoretical possibility at this stage), and it includes agreements for industrial peace in this context (subject to the rights established in the amendment to the collective agreement), and even though the controlling shareholder of the Company informed the Company that it has no concrete intention at this stage to sell the control or to lose the control in the Company, the amendment to the collective agreement may make it easier for the controlling shareholder to sell its holdings, therefore the controlling shareholder may have a personal interest.

Accordingly and for the sake of caution, the Company presents the amendment to the collective agreement for the approval of the Company's certified organs, as a transaction in which the controlling shareholder has a personal interest.

2.2.2 Main points of the proposed amendment

- A. Financial stability and distribution: (1) The Company will continue to be a public company listed on the Tel Aviv Stock Exchange; (2) the Company will maintain its current credit/debt rating<sup>1</sup> and will not take any action that may impair its current credit/debt rating; (3) the Company undertakes that the rate of its holdings in Pelephone Communications Ltd. will not fall below 50.01%; (4) a dividend to the Company's shareholders will be distributed subject to the provisions of the law, while maintaining the current credit/debt rating of the Company. For a distribution not in

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<sup>1</sup> As at July 1, 2023



compliance with the profit test only – the consent of the employees union will also be required.

- B. Special bonus: The Company will pay its employees a bonus in the amount of NIS 75 million, for past services, of which NIS 5 million will be received on January 1, 2024 and the remainder on the dates and under the terms set out in the agreement, subject to the change in the rate of the holdings of the current holders of the control permit in the Company (or the expiration, cancellation, or transfer of the control permit ) (the “Terms”), whereby even if the terms are fulfilled, half of the remaining bonus will not be paid before January 2024, and the other half of the remaining bonus will not be paid before January 2025.
- C. NIS increment: Long-term permanent employees, who have retired or will retire from the Company as from July 1, 2023, will be entitled to a monthly NIS increment of NIS 2,400 linked to the CPI<sup>2</sup> if the terms are met. The NIS increment will be added to the amount of the base pension of the retirees from the date the above terms are met until they receive their National Insurance retirement pension.
- D. Payment of management fees to the pension fund: The Company will bear the management fees for the pension fund of long-term employees who will retire as from July 1, 2023, if the terms are met.
- E. The right of the employees organization to appoint an additional director: If the terms are met and if there is no core control in the Company, the employees organization has the right to appoint an additional (second) representative from among the employees, if the number of board members exceeds eleven (11) (including external directors and an employee director).<sup>3</sup>
- F. Validity of the collective agreement: The agreement will be valid (subject to its approval) from July 1, 2023 until December 31, 2025, with the exception of the special bonus sections, the right to appoint an additional director, and the preconditions, which will remain in effect after December 31, 2025 and until the preconditions underlying them are fulfilled and the stipulations therein are completed, with the exception of the sections relating to the NIS increment and the pension fund management fees, which will remain in effect until the date the terms therein are applied, even if they apply after December 31, 2026.
- G. Exhaustion of claims and industrial peace: In the validity period of the agreement, the parties will maintain industrial peace in the matters included in the collective agreement and the agreement. In addition, the collective agreement and the agreement exhaust finally and absolutely all claims of the parties in the matters

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<sup>2</sup> Compared with the current NIS increment under the collective agreement, which is variable according to seniority and the amount of the base pension, amounting to NIS 800.

<sup>3</sup> The Company will act to amend its Articles of Incorporation accordingly.



regulated therein for the period of their validity. The sections referring to industrial peace and exhaustion of claims will be unlimited in time regarding the special bonus sections, the right to appoint an additional director, and the preconditions, even after the validity period of the agreement expires, regarding any matter related to changes in the holdings of the current holders of the control permit.<sup>4</sup> The articles of industrial peace and exhaustion of claims will apply to the sections of the NIS increment and payment of management fees for the pension fund until December 31, 2026 or until their application date, whichever is later.

#### 2.2.3 The approvals required to carry out the transaction

The Company's audit committee and board of directors approved the amendment to the collective agreement at their meetings held on August 6, 2023 and August 8, 2023, respectively, and is subject to the approval of the general meeting of the Company as set out in section 4.2 below.

#### 2.2.4 Names of the controlling shareholders that have a personal interest in the approval of the resolution and the nature of the personal interest

For information about the identity of the controlling shareholder in the Company, see section 3 below.

The controlling shareholder may have a personal interest in Resolution 2 on the agenda (amendment to the collective agreement), as it may make the sale of its holdings in the Company easier.

#### 2.2.5 Directors who participated in the discussions of the audit committee and board of directors regarding approval of the transaction

All members of the audit committee participated in the audit committee meeting held on August 6, 2023: Edith Lusky – chair of the committee, Zeev Vurembrand, Tzipi Livni (external directors), and David Granot (independent director).

The following directors participated in the meeting of the board of directors held on August 8, 2023: Gil Sharon, chairman of the board of directors, Zeev Vurembrand (external director), David Granot (independent director), Edith Lusky (external director), and Tzipi Livni (external director).

#### 2.2.6 The directors Darren Glatt, Ran Fuhrer, and Tomer Raved were not present in the discussion and did not participate in the passing of the resolution since the Company considers them as having a personal interest as set out below. Moreover, the employee director Patrice Taieb did not participate in the discussion and the decision-making since

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<sup>4</sup> The permit is by virtue of the Communications Law (Telecommunications and Broadcasting), 1982 and the Communications Order.



this refers to an amendment to the collective agreement.

2.2.7 The name of each Director who has a personal interest in the transaction

To the best of the Company's knowledge, none of the members of the board of directors have a personal interest in the proposed resolution. However, the directors Darren Glatt, Ran Fuhrer, and Tomer Raved will be considered as having a personal interest in passing the resolution by virtue of their being officers in the controlling shareholder.

2.2.8 Transactions of the same class as the transaction, or of similar transactions between the Company and the controlling shareholders or in which the controlling shareholders had a personal interest, signed in the two years preceding the approval date of the transaction

In the two years preceding the approval date of this resolution, there were no transactions similar to the proposed transaction between the Company and the controlling shareholder or in which the controlling shareholder had a personal interest.

2.2.9 Summary of the explanations of the audit committee and board of directors for approving the proposed amendment to the collective agreement

- A. The Company has had a collective agreement for many years, and amendments required by the employees' representatives to an existing collective agreement are standard practice.
- B. The amendment to the collective agreement is the result of lengthy negotiations between the employees' representatives and the management. The provisions of the amendment are limited in amount and reflect fair and balanced agreements for both parties.
- C. The amendment to the collective agreement is the result of a demand on behalf of the employees' representation, following the publication of a draft amendment to the Telecommunications Order for public comments (which materialized into government decisions and the approval of the Economic Committee of the Knesset). In the requested amendment to the collective agreement, it is proposed, among other things, to establish the right of the Company's employees to bonuses and payments triggered by a change in control in the Company or loss of control of the current controlling shareholder as set out in section 3. The amendment also includes additional obligations of the Company, which will come into effect immediately after the collective agreement is signed.
- D. Under the circumstances, the demands for a bonus (or other rights) in the event of a change in control of the Company is a standard practice, according to which the employees' committees regard the change in control as an appropriate time to demand their participation in the benefit from the Company's improved conditions, using the organizational tools available to them.



- E. It should be noted that in the past, agreements were signed with the employees' representatives after the change in control. This agreement differs from those agreements and is forward-looking, however its content is not fundamentally different from those agreements. In this regard, it should be emphasized that the employees' demand to amend the collective agreement (including payments and rights triggered by change in control or loss of control) is not due to the controlling shareholder's announcement that it intends to sell control, but due to the employees' concern of future change in control following media publications about the amendment to the Telecommunications Order.
- F. A large part of the provisions in the agreement are conditional provisions that are subject to an occurrence of change of control in the Company and they will only come into effect if such an event occurs. The amendment to the collective agreement also regulates additional issues, and includes sections on industrial peace and exhaustion of claims in matters included in the collective agreement of December 5, 2006 and the revised agreement for the entire period of its validity (and also for some other issues).
- G. If there is a process of change in control or loss of control or even rumors of an intention to carry out such a process, it may entail uncertainty and make the routine conduct of the Company more difficult. Accordingly, the employees' commitment to industrial peace is for the benefit of the Company and its shareholders.
- H. Reaching agreements with unionized employees to ensure the Company's ongoing operations, including prior to and during the period of change in control, is standard in similar corporations, to ensure the regular operation of the company and to prevent damage to the company's business and its value.
- I. The amendment to the collective agreement already creates certainty for the Company and allows the Company to focus on competition, growth, efficiency, and investments, while maintaining industrial peace also in the event of a future change of control in the Company, should it occur.
- J. The proposed amendments to the collective agreement are reasonable and balanced under the circumstances, and have no material effect on the Company's operations.
- K. Under the amendment to the collective agreement, no payments will be made to the controlling shareholder, since the agreement does not constitute a distribution.

#### 2.2.10 Method of determining the consideration

The terms of the amendment to the collective agreement were determined in negotiations between the Company's management and the employees' representatives.

#### 2.2.11 **Proposed resolution: To approve the amendment to the collective agreement as set**





**out in section 2.2 of the Notice of a General Meeting**

**3. Name of the controlling shareholder in the Company**

To the best of the Company's knowledge and as at the date of the Notice of the General Meeting, the holder of the control permit in the Company is B Communications Ltd. ("B Communications"), holding 27% of the issued and paid-up capital and of the Company and of the voting rights in the Company. The controlling shareholders of B Communications are Searchlight II BZQ LP, a limited partnership incorporated in the Cayman Islands, and TNR Investments Ltd. a private company incorporated in Israel.

**4. Convening the General Meeting**

**4.1 Place and time of the General Meeting**

An annual general meeting of the Company's shareholders has been convened for September 14, 2023 at 11:00 AM at the Company's offices at 7 Hamanor St., Holon, having on its agenda the items set out in section 1 above.

**4.2 Majority required for passing the resolutions on the agenda of the General Meeting**

4.2.1 The majority required to approve the distribution of a dividend, as set out in section 2.1 of this Notice of a General Meeting, is a simple majority of all of the votes cast by shareholders present and entitled to vote at the General Meeting, without taking into account abstentions.

4.2.2 The majority required to approve the amendment to the collective agreement, as set out in section 2.2 of this Notice of a General Meeting, is a simple majority of all the votes cast by shareholders present and participating in the vote, provided that one of the following is satisfied:

A. The count of the majority votes at the General Meeting includes a majority of all the votes cast by shareholders who are not controlling shareholders of the Company or have no personal interest in the resolution, taking part in the vote. Abstentions will not be taken into account.

B. The total number of dissenting votes from among the shareholders referred to in paragraph (A) above does not exceed two percent of all the voting rights in the Company.

**4.3 Disclosure of a personal interest**

In accordance with Section 276 of the Companies Law and Regulation 7(A)(8) of the Written Vote Regulations, a shareholder participating in the vote on the approval of the amendment to the Collective Agreement, as set out in section 2.2 of this Notice of a General Meeting, will notify the Company before the vote at the General Meeting, and if the vote is via a voting slip, the shareholder will indicate on the voting slip, in the space allocated, whether they are a controlling shareholder, an interested party in the company, a person with a personal interest in the resolution, a senior officer, or an institutional investor (as these terms are defined in the Written Vote Regulations), and any other relationship between such voter and the Company, the controlling shareholder, or a





senior officer in the Company, describing the nature of the relationship. If the vote is by power of attorney, such details must be provided for the principal and the agent. If the shareholder fails to give notice as stated regarding the resolutions, the shareholder may not vote and the vote will not be counted in respect of those resolutions.

#### 4.4 Quorum and adjourned meeting

If, within half an hour from the time set for the General Meeting, a quorum is not present (two shareholders who are present in person or by proxy or who have sent the Company a voting slip indicating the matter of their voting, and who hold or represent at least 25% of the voting rights in the Company), the General Meeting will be adjourned to September 21, 2023, to the same time and at the same place. If, within half an hour from the time set for the adjourned meeting, a quorum is not present, the adjourned meeting will be held with any number of participants.

#### 4.5 Date of record, eligibility to attend the General Meeting, and voting method

4.5.1 The date of record for eligibility to attend and vote at the General Meeting under Section 182(C) of the Companies Law and Regulation 3 of the Written Vote Regulations, will be at the end of the day of trading in the Company's securities on the Tel Aviv Stock Exchange Ltd. (the "TASE"), falling on August 17, 2023.

4.5.2 In accordance with the Companies Regulations (Proof of Title to a Share for Voting at a General Meeting), 2000, a shareholder on whose behalf a share is registered with a TASE member, and that share is included among the shares registered in the shareholders register in the name of a nominee company, (the "Unregistered Shareholder"), who is interested in voting at a shareholders' meeting, may prove their title to shares of the Company at the date of record, for the purpose of voting at the General Meeting, by delivering to the Company a certificate from the TASE member through which the title to the share is registered, no later than twenty-four (24) hours before the time of convening of the General Meeting.

4.5.3 An Unregistered Shareholder may receive a certificate of title from the TASE member through which they hold their shares, at the branch of the TASE member or by mail to their registered address, for postage fees only, if requested. Such a request should be submitted in advance for a specific securities account.

4.5.4 In accordance with Regulation 4A of the Proof of Title to Share Regulations, a certified electronic message under Section 44K5 of the Israel Securities Law, 1968 (the "Securities Law"), concerning data of users of the electronic voting system will be deemed the same as a certificate of title for any shareholder included therein.

4.5.5 A shareholder of the Company at the date of record may attend and vote at the General Meeting in person, through a voting slip (as described in section 4.6 below) or by an agent, after depositing an instrument of appointment at the Company's offices at least forty-eight (48) hours before the time the General Meeting is convened (the "Instrument of



Appointment"). The Instrument of Appointment must be in writing and signed by the appointer or by the appointor's authorized representative, and if the appointor is a corporation, the Instrument of Appointment will be executed under the seal of the corporation (if any), and in the absence of a seal – by the person authorized to do so together with the stamp of that corporation. In addition, an Unregistered Shareholder who is a shareholder of the Company on the date of record may also vote at the General Meeting through the electronic voting system (as described in section 4.7 below).

#### 4.6 Voting slip, statements of position, and addition of items to the agenda

- 4.6.1 Votes on all the items on the agenda of the General Meeting, as set out above, may also be cast by means of the voting slip attached to this immediate report. A written vote will be entered in the second part of the voting slip as published on the distribution site.
- 4.6.2 Addresses of the distribution site of the Israel Securities Authority and the website of the TASE containing the text of the voting slips and the statements of position: Israel Securities Authority website: [www.magna.isa.gov.il](http://www.magna.isa.gov.il) Tel Aviv Stock Exchange Ltd. website: [www.maya.tase.co.il](http://www.maya.tase.co.il). The text of the voting slips and statements of position, if any, are available on the Company's website: [www.bezeq.co.il](http://www.bezeq.co.il).
- 4.6.3 A TASE member will send by email, free of charge, a link to the text of the voting slip and the statements of position on the distribution site of the Israel Securities Authority, to any Unregistered Shareholder whose shares are registered with that TASE member, unless the shareholder notified the TASE member that they do not wish to receive such a link, provided the notification is given for a particular securities account, prior to the date of record.
- 4.6.4 A shareholder may apply directly to the Company and receive the text of the voting slip and the statements of position.
- 4.6.5 The deadline for delivery of the shareholders' statements of position to the Company is up to ten (10) days before the date of convening the General Meeting, that is, until September 4, 2023. The deadline for submitting the board of directors' response to statements of position is up to five (5) days before the date of the General Meeting, that is, until September 10, 2023.
- 4.6.6 An Unregistered Shareholder wishing to vote by a voting slip should mark the voting method on Part Two of the voting slip and deliver the voting slip to the Company or send it by registered mail together with a certificate of title, such that the voting slip reaches the Company's registered office no later than four (4) hours before the time of convening the General Meeting.
- 4.6.7 A shareholder registered in the Company's register of shareholders wishing to vote by a voting slip should mark the voting method on Part Two of the voting slip and deliver the voting slip to the Company or send it by registered mail, together with a photocopy of the



shareholder's ID card or passport or certificate of incorporation, such that the voting slip reaches the Company's registered office no later than six (6) hours before the General Meeting convenes.

- 4.6.8 Under section 66(B) of the Companies Law, one shareholder or more holding at least one (1) percent of the voting rights at the General Meeting may request that the board of directors includes an item on the agenda of the General Meeting, provided such item is suitable for discussion at the General Meeting. In accordance with the Notice of a General Meeting Regulations, a request in accordance with Section 66(B) of the Companies Law should be submitted to the Company up to seven (7) days after the notice of the General Meeting, that is, by August 16, 2023. If such a request is submitted, there is a possibility that items will be added to the agenda of the General Meeting, and their details will appear on the distribution site of the Israel Securities Authority.

#### 4.7 Voting via the electronic voting system

- 4.7.1 As set out above, an Unregistered Shareholder may also vote on the items listed above via the electronic voting system. A vote via the electronic voting system may be cast starting from confirmation from the electronic voting system of receipt in good order of the list of those eligible for voting via the electronic voting system and up to six (6) hours before the time for convening of the General Meeting (the "System Closing Time), at which time the electronic voting system will be closed.
- 4.7.2 A vote cast via the Electronic Voting System may be changed or canceled up to the System Closing Time, after which it may not be changed via the Electronic Voting System. It should be noted that under Section 83(D) of the Companies Law, if a shareholder has voted by more than one means, the last of their votes will be counted, and in this regard, the vote of a shareholder in person or by proxy will be deemed later than a vote via the electronic voting system.
- 4.7.3 An Unregistered Shareholder may send the Company a certificate of title through the electronic voting system up to the System Closing Date. As set out above, a certified electronic message under Section 44K5 of the Israel Securities Law, concerning information about users of the electronic voting system – will be deemed the same as a certificate of title for any shareholder included in it.
- 4.7.4 An Unregistered Shareholder on whose behalf shares are registered with a TASE member may receive from such TASE member the access details for the electronic voting system. The vote will be according to the electronic voting slip appearing in the electronic voting system

#### 4.8 Company representative

The Company's representative dealing with this report is the Group Secretary, Adv. Michal Kuperstein. Her address is 7 Hamanor St., Holon (tel. 972-3-626-2200, Fax 972-3-626-2209)



#### 4.9 Review of documents

The Company's shareholders may, at their request, inspect this notice and the documents (if any) attached to it, at the Company's offices at 7 Hamanor St., Holon, 5th Floor, on Sunday-Thursday between 10:00 AM - 15:00 PM and by prior appointment by telephone: 972-3-626-2200.

**Sincerely,**

**Michal Kuperstein, Adv.**

**Group Secretary and Internal Compliance Officer**

**Bezeq – The Israel Telecommunication Corporation Ltd.**

*The above information constitutes a translation of the Immediate Report published by the Company. The Hebrew version was submitted by the Company to the relevant authorities pursuant to Israeli law, and represents the binding version and the only one having legal effect. This translation was prepared for convenience purposes only.*