

## **Notice of Annual and Special General Meeting – May 9, 2017**

Notice is hereby given that an extraordinary annual general meeting of the Company's shareholders will take place on Tuesday, May 9, 2017, at 11:00 a.m., in the Company's offices on the 27<sup>th</sup> floor of 2 Azrieli Center (Triangular Tower), Tel Aviv.

### **Agenda**

- Item 1 – Discussion of the Company's financial statements for 2016.**
- Item 2 – Approval of a current dividend distribution.**
- Items 3-7 – Reappointment of directors.**
- Item 8 – Appointment of independent directors.**
- Item 9 – Letters of undertaking to indemnify and exempt candidates for the post of independent director.**
- Item 10 – Appointment of the audit firm Somekh Chaikin and Co. for 2017, and authorization of the board of directors to determine their salary.**
- Item 11 – Update of the monthly salary of the Company's CEO.**

### **Proposed text of the resolutions and summary of their principal points**

#### **Item 2 - Approval of a current dividend distribution**

To approve the distribution to Company shareholders of a cash dividend of NIS 578 million, which at the date on which this resolution was passed constitutes 0.2090049 per share and 20.90049% of the Company's issued and paid-up capital ("the Current Dividend"). The sum of the actual dividend per share to be paid will be determined on the basis of the number of shares in the Company's issued and paid-up capital as it shall be at the end of the trading day of May 15, 2017. The dividend will be paid to the Company's shareholders who will be registered in the Company's shareholder register at the end of the trading day of May 15, 2017. The record date and the "ex" date will be on May 16, 2017 and the payment date will be on May 29, 2017. For further details regarding distribution of the dividend, see the immediate report published by the Company on March 30, 2017 regarding the board's recommendation for distribution of current dividends.

#### **Items 3-7 – Reappointment of directors**

To reappoint Messrs. Shaul Elovitz, Or Elovitz, Orna Elovitz-Peled, Rami Nomkin (employee director), and Dr. Joshua Rosenzweig to serve additional terms, until the date of the next annual general meeting<sup>1</sup>.

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<sup>1</sup> It is noted that the directors Shaul Elovitz, Or Elovitz, and Orna Elovitz-Peled are not entitled to compensation for their service, beyond the consideration paid under the management services agreement with Eurocom Communications Ltd. ("the Management Agreement"), as set out in an immediate report published by the Company on May 26, 2016. The director Rami Nomkin is an employee director, and all the compensation paid to him is for his service as a Company employee and not as a Company director. Subject to approval of the appointment of the independent director/s Dr. Joshua Rosenzweig and/or Mr. David Granot (see Item 8 on the meeting's agenda), Dr. Joshua Rosenzweig, Mr. David Granot and Ms. Tali Simon (outside director) will be entitled, for their service as directors of the Company and/or of companies wholly owned by the Company, to payment of participation compensation and annual compensation in the maximum amounts set out in the Second Schedule and Third Schedule of the Companies Regulations (Rules Regarding Compensation and Expenses for an External Director), 2000 ("the Compensation Regulations"), as they may be from time to time, in accordance with the rating of the Company and/or the subsidiary, where applicable, on the relevant date, as stated in the Compensation Regulations, and pursuant to their provisions, as well as to the reimbursement of travel expenses incurred by participation in meetings, as set out in the Compensation Regulations. All the directors are entitled to indemnification and exemption worded in a manner identical to that of the letters of undertaking for indemnification and exemption approved for all the Company's officers and for insurance of the

Details of the director candidate/s pursuant to Regulation 26 of the Securities Regulations (Periodic and Immediate Reports), 1970, are included here by way of reference to Regulation 26 of Part D of the periodic report for 2016, as published on March 30, 2017, shortly before the date of publication of this report (reference number: 2017-01-027466).

#### **Item 8 – Appointment of an independent director**

To appoint Mr. David Granot as a new independent director in the Company from the date of approval of the appointment by the annual general meeting on May 9, 2017, until the date of the next annual general meeting<sup>2</sup>. Attached is a copy of the declaration of eligibility of Mr. Granot.

Mr. Granot has been classified by the Company's Audit Committee as an independent director.

For details of a candidate for office as a director pursuant to Regulation 7(A)(5)(A) of the Company's Regulations (Written Vote and Position Notices), 2005 and Regulation 26 of the Securities Regulations (Periodic and Immediate Reports), 1970, see Section 6 of the voting slip attached to this report.

#### **Item 9 – Letters of undertaking to indemnify and exempt candidates for the post of independent director**

To confirm that, subject to approval of the appointment as a director in the Company, Mr. David Granot will receive a letter of undertaking of indemnification and exemption ("Letter of Indemnification and Exemption") worded in a manner identical to that of the letters of undertaking for indemnification and exemption approved for all the other Company directors.

#### **The Board of Directors' reasons for the decision to grant letters of undertaking for indemnification and exemption**

- a. To provide adequate standard protection for Company officers which will enable them to act for the benefit of the Company effectively and without fear, with scope for action suited to making business decisions entailing calculated risks, all while acting in good faith and with care, in the knowledge that even if he makes a mistake he will be protected within the limitations imposed by law.
- b. The provision of an undertaking for indemnification and exemption supplements the protection afforded the officer by the Officers' Liability Insurance.
- c. The scope of the indemnification is limited (as required by law) to the types of events which are expected given the Company's operations when the undertaking for indemnification was granted and to a sum which is reasonable in the circumstances.
- d. The provision of an indemnification and exemption undertaking to officers which is customary in the Company and in other companies in addition to the officers' liability insurance, is not exceptional and is accepted practice. The terms of the Letter of Indemnification and Exemption are identical for all Company officers and directors.
- e. The letter of undertaking for indemnification and exemption is in accordance with the Company's compensation policy which has been lawfully approved by the general meeting of the Company's shareholders.

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directors and officers pursuant to the Company's directors' and officers' liability policy, which was approved by its general meeting.

<sup>2</sup> For details of the compensation to which Mr. Granot is entitled, subject to his appointment by the general meeting and approval of Item 9 on the agenda, see Footnote 1.

## **Item 10 – Appointment of the auditors Somekh Chaikin and Co. for 2017 and authorization of the board of directors to determine their salary**

To approve the appointment of the auditors Somekh Chaikin and Co. as the auditors for 2017 until the date of the next annual general meeting and to authorize the board of directors to determine their salary for 2017<sup>3</sup>.

## **Item 11 – Update of the salary of the Company's CEO**

To approve for the Company's CEO, Ms. Stella Handler, an update in her current monthly salary as of January 1, 2017, which is NIS 140,000, plus linkage to the CPI from the date on which she started her term of service on April 14, 2013, amounting to NIS 15,000. For details of the Company's CEO as well as the current conditions of her term of service and employment, see Regulations 21 and 26A of Part D of the periodic report for 2016, as published on March 30, 2017, shortly before the date of publication of this report, the contents of which are included in this document by way of reference.

Below are the details of the terms of employment of the Company's CEO in 2017, based on the assumption of maximum payment after the updated salary is submitted for approval of the general meeting, for the salary components included in the employment agreement at this date.

Details of recipient of compensation					Compensation (in NIS 000)				Total (in NIS 000)
Name	Position	Gender	Employment	Holding of Company's capital	Salary <sup>4</sup>	Bonus <sup>5</sup>	Share-based payment	Other (management fee)	Total
Stella Handler	Company CEO	Female	Fulltime	-	2,447	2,367	-	-	4,814

## **Reasons of the compensation committee and the board of directors**

The Company's compensation committee and board of directors approved the update of the above salary, in their meetings on March 22, 2017 and March 29, 2017, respectively, during which they reviewed the proposed salary update, taking into account the ceilings and restrictions set by the Company's compensation policy, the parameters set in its compensation policy, including her education, qualifications, areas of expertise, professional experience and proven achievements, as well as her contribution to the Company's performance, the extent of her responsibility and the reasonableness of the proposed salary update, also in relation to market conditions for officers serving in similar positions in similar companies.

After the four years during which Ms. Handler has served as Company CEO, with no change in the terms of her employment since she started her term of office, and in light of the Company's good results in this period, the Compensation Committee and

<sup>3</sup> In the meeting, there will also be a report on the auditor's fees for 2016, pursuant to the authorization received by the board of directors from the general meeting on May 3, 2016.

<sup>4</sup> The salary comprises its cost as well as its associated components, including social benefits and allowances, such as cover for telephone expenses, company car, of a type which is customary in the Group (cost of vehicle leasing or depreciation expenses), in-service training fund (in relation to some of the managers), pension fund contribution as well as contributions for the termination of employer-employee relations (in respect of employees who are subject to Section 14 of the Compensation Law), reimbursement of expenses and a quota of vacation, annual sickness and convalescence days as is customary, expenses for holiday gifts to employees (grossed up), fees for membership of professional organizations paid for the employee (not in the employee's area of activity) and if a loan has been granted to the employee, the value of the benefit grossed up in the loan's interest.

<sup>5</sup> The sum of the bonus specified in the table is calculated theoretically based on the ceiling of the bonus awarded to the CEO pursuant to her employment agreement and pursuant to the Company's compensation policy, which is 125% of the CEO's annual salary, without incidentals, in the event of overperformance.

**board of directors believe that the above salary update which is within the range set in the Company's compensation policy, is fair, appropriate and reasonable compensation in the circumstances.**

**Adv. Linor Yochelman  
Group Legal Counsel and Corporate Secretary  
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.*