



**“Bezeq” The Israel Telecommunication Corp Limited**  
**(“The Company” or “Bezeq”)**

August 12, 2018

Israel Securities Authority

The Tel-Aviv Stock Exchange Ltd

**Re: Notice of Convening of Special General Meeting**

In accordance with the Securities Regulations (Periodic and Immediate Reports), 1970, the Companies Law, 1999 (“the Companies Law”) and further to the decisions of the Compensation Committee on June 12, 2018, June 25, 2018 and July 26, 2018, and the decision of the Company’s Board of Directors dated July 26, 2018, notice is hereby provided of convening a Special General Meeting of the Company’s shareholders (“the Meeting” or “the General Meeting”). The Special General Meeting will take place on September 17, 2018 at 11am at the Company’s offices at the Azrieli Center 2, Triangular Building, 27th Floor, Tel-Aviv.

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

- 1.1. Approval for the Company to enter into an employment agreement with Mr. David Mizrahi as the Company’s CEO, from his commencement in the position on September 1, 2018 (“Mr. Mizrahi”, “Employment Agreement”, “the Contractual Relationship”, respectively).
- 1.2. Approval of the Company entering into a Contractual Relationship with a management company of which 50% of the means of control are held by Mr. Shlomo Rodav, in an agreement to receive services of Chairman of the Board of Directors from Mr. Shlomo Rodav, commencing April 30, 2018 (“Management Company”, “Mr. Rodav”, “Management Agreement” and “the Contractual Relationship”, respectively) (approval of the Contractual Relationship in this sub-section above is subject to approval of the shareholders’ General Meeting to update the Company’s Compensation Policy as detailed in section 1.4 below).
- 1.3. Approval to grant annual compensation and attendance fees for board meetings to directors who are not external and/or independent, from their date of appointment, up to the maximum compensation level for an expert external director that has been set in the Fourth Addendum to the Companies Regulations (Rules Concerning Compensation and Expenses for an External Director), 2000 (“Compensation Regulations”) (according to the ranking of the Company in the Compensation Regulations, as it shall be from time to time), distinguishing between an expert director and a director who is not an expert, as stipulated in section 2.3 below (approval for the grant of compensation in this sub-section



above is subject to approval of the shareholders' General Meeting to update the Company's Compensation policy as detailed in section 1.4 below).

1.4. Approval of the Company's current Compensation Policy (as defined below) in accordance with the provisions of section 267A of the Companies Law, whereby the possibility can be added of grant of compensation to the Chairman of the Company's Board of Directors, and the addition of grant of compensation to directors who are not external and are not independent up to the maximum compensation level for an expert external director that has been set in the Compensation Regulations. The full, updated text of the Compensation Policy including the proposed modifications, marked in relation to the current Compensation Policy (in its meaning below), is attached as Appendix A to this Notice Report.

## 2. **Description of main points of the Contractual Relationships and their terms:**

### 2.1. **The Company to enter into an employment agreement with Mr. David Mizrahi as the Company's CEO, from his commencement in the position on September 1, 2018 (item 1.1 on the agenda)**

Further to the approval by the Company's Board of Directors of the appointment of Mr. Mizrahi as the Company's CEO, commencing September 1, 2018 (see Immediate Report of June 17, 2018, ref. no. 2018-01-058405<sup>1</sup>), on the agenda of the General Meeting is approval of the terms of tenure and employment of Mr. Mizrahi as the Company's CEO.

Below is a description of the main points of the employment of Mr. Mizrahi and additional information:

#### A. Functions of the Company's CEO:

The functions of Mr. Mizrahi are, inter alia, as follows: (1) day to day management of the Company, by implementation of the strategy set by the Company's Board; (2) promoting and developing the Company; (3) formulating an annual work plan; (4) supervision of the officers who report to him; and (5) seeking out commercial opportunities.

#### B. Employment period, prior notice and severance grant

The Employment Agreement will be valid from September 1, 2018 for an undetermined period. However, each party is entitled to terminate it at any time by prior, written notice of 6 months, on condition that Mr. Mizrahi has been employed at least one year in the position. If Mr. Mizrahi shall be employed less than one year in the position: if the Company shall wish to terminate the Contractual Relationship, it

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<sup>1</sup> (This information constitutes an inclusion by way of reference).



can do so by prior, written notice of 3 months. If Mr. Mizrahi shall wish to terminate the Contractual Relationship, he can do so by prior, written notice of 6 months, and the Company's Board may shorten this period at its discretion<sup>2</sup>.

C. Salary

Mr. Mizrahi will be entitled to a monthly salary of NIS 150 thousand gross ("the Basic Salary"), which will be linked to increases in the Consumer Prices Index ("the Index") and will be updated every January by the percentage change in the Index published the previous December as compared with the previous Index to which it had been linked.

It should be noted that the first update of the salary will be against the Index known at the start of Mr. Mizrahi's employment, namely September 1, 2018.

It is clarified that if the Index is negative Mr. Mizrahi's salary will not be reduced accordingly, however, the negative Index will be set off against the next positive Index (until the negative Index has been fully set off).

D. Benefits and associated terms

Mr. Mizrahi will be entitled to the usual social benefits, including provisions to a savings fund. Similarly, the Company will provide Mr. Mizrahi with a car as is usual in the Company, according to its procedures as they shall be from time to time, and will bear all the costs involved in the use of a car and its maintenance.

In addition, Mr. Mizrahi will be entitled to reimbursement of expenses for the telephone bill including Internet and reimbursement for expenses for use of a cellular phone, subject to the Company's procedures as they shall be from time to time.

E. Options

If an option plan is approved for the Company's senior officers, then as part of it Mr. Mizrahi will be entitled to receive options for the Company's shares, whose number, terms of exercise and other applicable terms will be according to what is determined by the competent bodies of the Company, subject to receiving the approvals required by law.

F. Grant

1. Once a year, as close as possible to the beginning of the calendar year, the Company's authorized bodies will determine the targets for the following calendar year, based on the following principles: The CEO will be paid an annual grant of 100% of the Annual Salary (calculated based on the Basic Salary

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<sup>2</sup> Notwithstanding the foregoing, it is clarified that in accordance with the Employment Agreement the Company may terminate the Contractual Relationship with Mr. Mizrahi immediately without any prior notice in any case where there are circumstances where severance pay and/or prior notice can be revoked for an employee in whole or in part.



without associated terms), on condition of having met the targets set for that year. In addition, a formula will be set for exceptional performance (against the targets set) of up to 125% of the Annual Salary and a formula for a partial grant in the event of performance that falls short of the targets set.

2. For the rules used by the bodies to set the targets and assessment of whether they are met, as well as the list of targets which will be defined each year for the Company's CEO, see sections 7.2.1.6.5 and 7.2.1.6.3 of the current Compensation Policy for the Company's officers, respectively. Similarly, for the weighting of a targets-based component and the matter of conditional compensation, see sections 7.2.1.6.1 and 7.2.1.6.2 of the Compensation Policy. Similarly, it should be noted that in accordance with the provisions of section 7.2.1.9 of the current Compensation Policy, the Company's Compensation Committee and Board of Directors are entitled to remove from the calculation of performance, in order to calculate the aforesaid grant, the impact on the Company's financial results arising from accounting changes, changes in taxation, regulatory changes and material failings (in their meaning in the Company's Compensation Policy).
3. The Company will be entitled to determine, up until the date of approval of the financial statements for the year in question, that there were exceptional circumstances justifying not paying the bonus or part of it notwithstanding meeting the targets set.
4. The qualifying condition for receipt of the annual grant is dependent on the performance of the Company's CEO, together with approval of the budget for the year in question based upon the alternatives listed in section 7.2.1.6.4 of the current Compensation Policy.
5. In respect of 2018, Mr. Mizrahi will be entitled to a partial grant according to his period of tenure and employment in 2018 (commencing from the start of his tenure on September 1, 2018).
6. The grant will not be considered as part of the salary for any purpose, including calculation of severance pay and the associated terms of any sort. The bonus will be set gross and tax will be deducted in accordance with the law.
7. Mr. Mizrahi will return to the Company sums paid to him for the annual grant, if they are paid, based on data that it transpires was incorrect and were restated in the Company's financial statements. It is clarified that in accordance with section 7.2.1.12 of the current Compensation Policy, the said repayment can only occur if not more than three years have passed from the date of the financial statements based upon which the surplus payments were made.



G. Under the Employment Agreement Mr. Mizrahi is obliged to maintain usual confidentiality and to a “cooling off” period of six months following the termination of his employment relations. In this period Mr. Mizrahi will not work for a body competing with the Company's business and will not maintain commercial connection with a body competing with the Company's business (including the businesses of subsidiaries), whether directly or indirectly.

H. Indemnification, exemption and insurance

Mr. Mizrahi will be entitled to a statement of indemnity and exemption from responsibility in the Company's usual wording (“Statement of Indemnity and Exemption from Responsibility”), and will be entitled to be included in the insurance policy of the Company's officers, in accordance with its terms<sup>3</sup>. For information concerning the terms of the insurance policy, see section 8.1 of the Company's Compensation Policy.

I. Additional details concerning approval of the Employment Agreement

1. To the best of the Company's knowledge, Mr. Mizrahi is not related to an interested party of the Company.
2. The Company is a second-tier public company.
3. The ratio of the cost of the proposed terms of tenure and employment of Mr. Mizrahi and the median and average salary of the Company's other employees, including temporary placement workers employed by the Company, is 18.27:1 and 17.08:1 respectively<sup>4</sup>.

It is clarified that the above ratios are on the assumption of payment of a grant in accordance with Appendix B.

4. The ratio between fixed components (including associated benefits and terms) and the variable component is 1.3:1.
5. For details of the cost to the Company for the compensation that will be paid to Mr. Mizrahi over a one year period, based on the proposed terms of tenure and employment, see Appendix B attached to this Notice Report.
6. For details of Mr. Mizrahi's education, skills, expertise, achievements and professional experience over the last 5 years, see the Company's Immediate Report dated June 17, 2018 (ref. no. 2018-01-058405) (this information constitutes an inclusion by way of reference).

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<sup>3</sup> For the wording of the Statement of Indemnity and Exemption, see Appendix C of the Notice of Convening a Meeting dated April 4, 2016 (ref. no. 2016-01-041008) (this information constitutes an inclusion by way of reference).

<sup>4</sup> The ratios have been calculated by adjusting the positions of the Company's employees, including temporary placement workers, to a 100% full-time position. The data is according to 2017 data and calculated for employees that worked for a full year.



**2.2. The Company entering into a Contractual Relationship with a management company of which 50% of the means of control are held by Mr. Shlomo Rodav, in an agreement to receive the services of Chairman of the Board of Directors from Mr. Shlomo Rodav, commencing April 30, 2018, subject to approval of the update to the Compensation Policy (item 1.2 on the agenda)**

Further to the approval by the Company's Board of Directors of the appointment of Mr. Rodav as the Company's Chairman of the Company's Board of Directors, (see Immediate Report of April 30, 2018, (ref. no. 2018-01-034461)<sup>5</sup>, on the agenda of the General Meeting is approval of the Company entering into a Contractual Relationship with a management company in an agreement to receive the services of Chairman of the Board of Directors from Mr. Shlomo Rodav.

Below is a description of the main terms of the Contractual Relationship in the Management Agreement and additional information:

A. The management company will grant the Company services, in which Mr. Rodav will serve as Chairman of the Company's Board of Directors in a 75% position, including (1) the management services will include guiding the Company and laying down its strategy, by implementing the strategy determined by the Company's Board; (2) the management services will include promoting and developing the Company, and (3) Mr. Rodav will carry out, inter alia, the functions of Chairman of the Board in accordance with the law ("Management Services"). It is clarified that Services will be provided by Mr. Rodav alone, and that between Mr. Rodav and the Company there shall not be any employee-employer relations.

B. Period of the Management Agreement and prior notice

The Management Agreement will be valid from April 30, 2018 for an undetermined period. The parties can terminate the Contractual Relationship in the Management Agreement by prior, written notice of 60 days. Notwithstanding the foregoing, if Mr. Rodav shall cease to serve as a director, including in the event his appointment is not renewed at a General Meeting of the Company's shareholders, the Company shall be entitled to terminate the Management Agreement immediately and Mr. Rodav will grant the incoming Chairman of the Board the usual overlap.

C. Management fees

For the provision of the said management services the management company will be entitled to management fees of NIS 3 million per annum (for a 75% position), plus VAT as required in law. In addition, the Company will pay reasonable expenses of the management company subject to presentation of supporting documentation.

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<sup>5</sup> (This information constitutes an inclusion by way of reference).



D. The Management Agreement includes an undertaking of confidentiality as usual in agreements of this sort.

E. Indemnification, exemption and insurance

Mr. Rodav will be entitled to a Statement of Indemnity and Exemption from Responsibility (in its meaning above), and will be entitled to be included in the insurance policy of the Company's officers, in accordance with its terms. For information concerning the terms of the insurance policy, see section 8.1 of the Company's Compensation Policy.

F. Additional details concerning approval of the Management Agreement

1. To the best of the Company's knowledge, Mr. Rodav is not related to an interested party of the Company.
2. The ratio of the cost of the proposed terms of tenure of Mr. Rodav and the median, average salary of the Company's other employees, including temporary placement workers employed by the Company, is 16.41:1 and 15.3:1 respectively<sup>6</sup>.
3. For details of the cost to the Company for the compensation that will be paid to Mr. Rodav over a one year period, based on the proposed terms of tenure and employment, see Appendix B attached to this Notice Report.
4. For details of Mr. Rodav's education, skills, expertise, achievements and professional experience over the last 5 years, see the Company's Immediate Report dated April 30, 2018 (ref. no. 2018-01-034461) (this information constitutes an inclusion by way of reference).

G. It is clarified that approval of the above Contractual Relationship is subject to approval by the General Meeting of the Company's shareholders of the update of the Compensation Policy in order to add the possibility of granting compensation to the Chairman of the Company's Board of Directors through a management company.

2.3. **Approval to grant annual compensation and attendance fees for regular directors subject to update of the Company's Compensation Policy (item 1.3 on the agenda)**

A. On July 26, 2018 the Company's Board of Directors approved, after approval by the Company's Compensation Committee on June 12, 2018 and July 26, 2018, subject to receipt of approval by the General Meeting, the grant of compensation to directors who are not external directors an/or independent directors from the date of their appointment as detailed below:

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<sup>6</sup> The ratios have been calculating by adjusting the positions of the Company's employees, including temporary placement workers, and by adjusting the position of the Chairman of the Board of Directors to a 100% full-time position (namely NIS 4 million per annum). The data is according to 2017 data and calculated for employees that worked for a full year.



1. The grant of annual compensation and attendance fees for Board meetings up to the maximum level as stipulated in the Second and Third Addendums to the Compensation Regulations (according to the ranking of the Company in the Compensation Regulations as they shall be from time to time), to Mr. Ami Barlev, from April 26, 2018.
  2. The grant of annual compensation and attendance fees for Board meetings for an external expert director as stipulated in the Fourth Addendum to the Compensation Regulations (according to the ranking of the Company in the Compensation Regulations as they shall be from time to time), to the following directors:
    - a. Mr. Shlomo Rodav, from the date of his appointment on March 6, 2018 until the day prior to his appointment as Chairman of the Company's Board of Directors on April 30, 2018;
    - b. Mr. Doron Turgeman, from the date of his appointment on March 6, 2018;
    - c. Mr. Ilan Biran and Ms. Orly Guy from the date of their appointments on April 26, 2018.
  - B. It is clarified that the approval stated in sections A(1) and A(2) above is subject to approval by the General Meeting of the Company's shareholders of the update of the Compensation Policy in order to add the possibility of granting compensation to regular directors up to the level of compensation stipulated in the Compensation Regulations for an external expert director.
- 2.4. **Update the Compensation Policy for the Company's officers in accordance with the provisions of section 267A of the Companies Law (item 1.4 on the agenda)**
- A. On May 3, 2016 the General Meeting of the Company's shareholders approved the Company's Compensation Policy for a period of 3 more years, starting May 3, 2016. On April 4, 2017 and May 21, 2018 the General Meeting of the Company's shareholders approved amendments to the Company's Compensation Policy (above and below, "Current Compensation Policy").
  - B. At the discussions of the Company's Compensation Committee and Board of Directors it was decided to approve adding the possibility to provide compensation to the Company's Chairman of the Board of Directors through a management company, and adding the possibility to pay compensation to directors who are not external and not independent up to the maximum compensation level for an expert external director that has been set in the Fourth Addendum to Compensation Regulations.
  - C. It is clarified that there have not been any other changes to the Company's Compensation Policy.



- D. For the full text of the proposed updates to the Compensation Policy, as marked as compared with the Company's Current Compensation Policy, see Appendix A to this Notice Report.

3. **The considerations and reasoning that guided the Company's Compensation Committee and Board**

3.1. **Entrance into an employment agreement with Mr. David Mizrahi as the Company's CEO, from his commencement in the position on September 1, 2018 (item 1.1 on the agenda)**

The Company's Compensation Committee and Board approved the Contractual Relationship in an Employment Agreement for the following reasons:

- A. His education, skills, expertise - Mr. Mizrahi's knowledge of the Company having been employed by the Company for 20 years, from May 1996, of which for 9 years as Vice President for Economics and Budgeting and in his last position as the Company's Deputy CEO and CFO 2013-2016, and his extensive professional experience in the field. It should be noted that during the CEO selection process the Company was assisted by an outside body that provided support to the Board's Search Committee, whose task was to recommend a suitable candidate to the Company's Board.
- B. The overall compensation of Mr. Mizrahi is compatible with the scope of his position, the scale of his areas of responsibility and tasks and is within the scope stipulated in the Company's Compensation Policy. Similarly, the compensation is appropriate for the size of the Company, the scale and nature of its operations and for advancing the Company's targets, its work program, the Company's long-term policy and targets in terms of recruiting capable, quality managers.
- C. Based upon acquaintance with the Company's areas of operations, compared with the terms of employment of the Company's present CEO, based upon a comparative opinion prepared by an independent outside consultant, the terms of the Employment Agreement of the CEO do not exceed the accepted terms of employment of CEOs of companies of a similar sort to the Company.
- D. The ratio between the terms of tenure of Mr. Mizrahi and the average, median cost of compensation in the Company is reasonable, reflects what is acceptable and does not impact on employment relations in the Company. Similarly, in the opinion of the Company's Compensation Committee and Board the ratio between the fixed and variable components is proper and reasonable.
- E. In the opinion of the Company's Compensation Committee and Board, a significant part of the Employment Agreement is based on the grant which



is dependent on performance in terms of targets set in advance, which is in line with the Company's Compensation Policy and accordingly an incentive thereby placing the interests of Mr. Mizrahi and the Company in tandem, with a long-term view and subject to the Company's risk management strategy.

- F. In the opinion of the Company's Compensation Committee and Board, the grant mechanism, based upon measurable parameters, is reasonable and proper, as is the grant ceiling, which is reasonable and suited to Mr. Mizrahi's position.
- G. Provision of a Statement of Indemnification and of a Statement of Exemption from Responsibility and Mr. Mizrahi's inclusion in the directors' and officers' insurance policy, are for the following reasons:
  - 1. Entering into the said liability insurance and the provision of a Statement of Exemption from Responsibility and of a Statement of Indemnification are in accordance with the Companies Law, the Securities Law, 1968, the Company's Articles of Association and the Company's Compensation Policy.
  - 2. Exemption, indemnity and insurance are accepted protections in Israeli public companies, and are critical to let the Company's officer act freely in the interests of the Company, while reducing their personal exposure, in the knowledge that if an error should be caused by them, they will be granted protection, within the limitations of the law.
  - 3. The terms of indemnification, exemption and insurance are identical for all the Company's officers.
  - 4. The maximum indemnification amount is reasonable in the circumstances.
  - 5. By providing a Statement of Exemption from Responsibility and/or a Statement of Indemnification the Company is likely to save financial costs involved in paying the insurance company to expand the liability limits for officers.

**In conclusion, in the light of the foregoing, the Company's Compensation Committee and Board of Directors determined that the terms of the Employment Agreement are reasonable, appropriate and fair taking into account what is stated above as well as: (1) the size of the Company, its financial strength, profitability and nature; (2) the Company's long-term policies and targets, which include inter alia the desire to recruit a suitable CEO, with rich experience, talented and quality, since the appointment of a senior, high level CEO is a material factor in its success including providing value for shareholders.**

- 3.2. **The Company entering into a Contractual Relationship with a management company of which 50% of the means of control are held by Mr. Shlomo Rodav, in**



**an agreement to receive the services of Chairman of the Board of Directors from Mr. Shlomo Rodav, commencing April 30, 2018, subject to approval of the update to the Compensation Policy (item 1.2 on the agenda)**

The Company's Compensation Committee and Board approved the Contractual Relationship in a Management Agreement for the following reasons:

- A. His education, skills, expertise - Mr. Rodav's knowledge of the Company having served as the Company's Chairman of the Board of Directors between 2006 and 2010, and his extensive professional experience in the field.
- B. In the opinion of the Company's Compensation Committee and Board, the overall compensation of Mr. Rodav is compatible with the scope of his position, the scale of his areas of responsibility and tasks. Similarly, the compensation is appropriate for the size of the Company, the scale and nature of its operations and for advancing the Company's targets, its work program, the Company's long-term policy and targets in terms of recruiting capable, quality directors.
- C. Based upon acquaintance with the Company's areas of operations, compared with the terms of employment of the Company's previous Chairman of the Board, based upon a comparative opinion prepared by an independent outside consultant, the proposed terms of the Employment Agreement of the Chairman of the Board do not exceed the accepted terms of employment for the position of Chairman of the Board of companies of a similar sort to the Company.
- D. In the opinion of the Company's Compensation Committee and Board, the ratio between the terms of tenure of Mr. Rodav and the average, median cost of compensation in the Company is reasonable, reflects what is acceptable and does not impact on employment relations in the Company.
- E. Provision of a Statement of Indemnification and of a Statement of Exemption from Responsibility and Mr. Rodav's inclusion in the directors' and officers' insurance policy, are for the following reasons enumerated in section 3.1 (G) above, with necessary modifications.:

**In conclusion, in the light of the foregoing, in the opinion of the Company's Compensation Committee and Board of Directors the terms of the Management Agreement are reasonable, appropriate and fair taking into account what is stated above as well as: (1) the size of the Company, its financial strength, profitability and nature; (2) the Company's long-term policies and targets, which include inter alia the desire to recruit a suitable Chairman of the Board, with rich experience, talented and quality, since a senior, high level Chairman of the Board is a material factor in its success including providing value for shareholders.**



3.3. **Approval to grant annual compensation and attendance fees for regular directors subject to update of the Company's Compensation Policy (item 1.3 on the agenda)**

The Company's Compensation Committee and Board of Directors approved providing compensation to the Company's regular directors as stated above, up to the maximum level as stipulated in the Second and Third Addendums to the Compensation Regulations or at the compensation level of an external, expert director, as applicable, for the following reasons:

- A. In the opinion of the Company's Compensation Committee and Board, the provision of compensation and its level are fair, reasonable, appropriate, suited to the directors' areas of responsibility and their contribution to the Company, taking into account the Company's size and its scale of operations and profitability, and taking account of their education, professional experience, skills and expertise.
- B. In the opinion of the Company's Compensation Committee and Board and taking into account the expertise and professional experience of the Company's aforementioned directors, it is proposed comparing the compensation of directors who are not external or independent to the compensation paid to independent and external directors, except in respect of the compensation terms of the Company's Chairman of the Board from April 30, 2018 (the date when the Company's Chairman was appointed) and of a director from among the employees, Mr. Rami Nomkin, who receives a salary from the Company, paid to him for his work in the Company (and he does not receive compensation for his work as a director), differentiating between a director classified as an expert and one who is not. In respect of a director classified as an expert it was decided to grant higher compensation than that granted to a director not classified as an expert.

3.4. **Update the Company's Current Compensation Policy in accordance with the provisions of section 267A of the Companies Law (item 1.4 on the agenda)**

The Company's Compensation Committee and Board of Directors approved an update of the Company's Current Compensation Policy, whereby the possibility was added to grant compensation to the Company's Chairman of the Board as well as the possibility of granting compensation to directors who are not external and not independent up to the maximum compensation level for an expert external director that has been set in the Compensation Regulations for the reasons stated in sections 3.2 and 3.3 above.

4. **Name of controlling shareholder and nature of its personal interest<sup>7</sup> in the transactions enumerated in items 1.1 to 1.4 of the Meeting's agenda.**

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<sup>7</sup> For details concerning the Company's controlling shareholder and its indirect holdings, see the Immediate Report published by the Company on April 9, 2013 (ref. no. 2018-01-029310).



The Company's controlling shareholder is B Communications Ltd ("B Com"), which holds 26.34% of the Company's issued capital and voting rights. To the best of the Company's knowledge, the (indirect) controlling shareholder of B Com is Mr. Shaul Elovitch ("Controlling Shareholder"). For further details see the Immediate Report on the holdings of interested parties and senior officers dated April 9, 2018 (ref. no. 2018-01-029310) (this information constitutes an inclusion by way of reference).

To the best of the Company's knowledge, the Company's Controlling Shareholder has no personal interest in items 1.1 to 1.4 on the agenda of the Meeting.

5. **Personal interest for directors:**

5.1. **The Company to enter into an Employment Agreement with Mr. David Mizrahi as the Company's CEO, from his commencement in the position on September 1, 2018 (item 1.1 on the agenda)**

To the best of the Company's knowledge, the Company's directors have no personal interest in the approval of the terms of employment and tenure of Mr. Mizrahi.

5.2. **The Company entering into a Contractual Relationship with a management company of which 50% of the means of control are held by Mr. Shlomo Rodav, in an agreement to receive the services of Chairman of the Board of Directors from Mr. Shlomo Rodav, commencing April 30, 2018, subject to approval of the update to the Compensation Policy (item 1.2 on the agenda)**

To the best of the Company's knowledge, the Company's directors have no personal interest in the Company entering into a Contractual Relationship with a management company, apart from Mr. Shlomo Rodav, on account of the Contractual Relationship being with a company 50% of whose means of control are held by him and on account of him providing services as Chairman of the Board.

5.3. **To grant annual compensation and attendance fees for regular directors of the Company up to the maximum compensation level for an expert external director that has been set in the Fourth Addendum to the Compensation Regulations, subject to approval of the update to the Compensation Policy (item 1.3 on the agenda)**

Messrs Shlomo Rodav, Doron Turgeman, Ami Barlev and Ilan Biran, and Ms. Orly Guy are likely to be considered having a personal interest in approval of the annual compensation and attendance fees, since the update refers to the compensation paid to them.

5.4. **Update the Company's Current Compensation Policy in accordance with the provisions of section 267A of the Companies Law (item 1.4 on the agenda)**



Messrs. Shlomo Rodav, Doron Turgeman, Ami Barlev and Ilan Biran, and Ms. Orly Guy are likely to be considered having a personal interest in approval of the update of the Company's Current Compensation Policy for the reason that the update includes adding the possibility to grant compensation to the Company's Chairman of the Board and adding the possibility to grant compensation to directors who are not external or independent up to the maximum level of compensation for an external, expert director as stipulated in the Compensation Regulations.

6. **Names of the directors who attended the meetings of the Company's Compensation Committee and Board of Directors**

6.1. At the meetings of the Compensation Committee on June 12, 2018 and June 25, 2018 and at the decision of the Compensation Committee on July 26, 2018 that approved items 1.1 to 1.4 on the agenda, all members of the Committee attended: Mrs. Orly Guy (regular director), Mr. Amnon Dick (external director), Mr. Zeev Vurembrand (external director), Mrs. Idit Lusky (external director), Mrs. Tali Simon (external director) and Mr. Mordechai Keret (external director).

It should be noted that Mrs. Orly Guy and Mr. Amnon Dick did not take part in item 1.3 on the agenda. In addition, Mr. Amnon Dick did not take part in item 1.2 on the agenda.

6.2. At the Board meeting on July 26, 2018, which approved the items on the agenda, the following directors participated: Mr. Shlomo Rodav, Chairman of the Board, Mr. Ami Barlev (regular director), Mrs. Orly Guy (regular director), Mr. David Granot (independent director), Mr. Amnon Dick (external director), Mr. Zeev Vurembrand (external director), Mrs. Idit Lusky (external director), Mr. Rami Nomkin (regular director from among the employees), Mrs. Tali Simon (external director), Mr. Dov Kotler (independent director), Mr. Mordechai Keret (external director) and Mr. Doron Turgeman (regular director).

It should be noted that Messrs. Shlomo Rodav, Ami Barlev, Mrs. Orly Guy and Doron Turgeman did not take part in item 1.3 on the agenda. In addition, Mr. Shlomo Rodav did not take part in item 1.2 on the agenda.

7. **Convening of the General Meeting**

7.1. **Date and place of Meeting**

A Special General Meeting of the Company's shareholders has been convened for September 17, 2018 at 11am at the Company's offices, Azrieli Center 2, Tel-Aviv (Triangular Building, 27th Floor), the agenda including the matters described in item 1 above.



7.2. Majority required to pass resolutions 1.1 to 1.4 on the agenda of the Meeting

- A. The majority required to pass the resolutions detailed in sections 1.1 to 1.4 on the agenda of the Meeting, is a regular majority of all the votes of shareholders present at the Meeting entitled to vote in this vote, on condition that one of the following is fulfilled:
- (1) The count of the majority votes at the General Meeting shall include a majority of all the votes of shareholders who are not controlling shareholders in the Company or personally interested parties to the approval of the item on the agenda, as applicable, who are taking part in the vote; in the count of all votes of the shareholders, with abstentions not being taken into account; for those with a personal interest the provisions of section 267 of the Companies Law shall apply.
  - (2) The total number of votes against among the shareholders stipulated in subsection (1) above shall not exceed two percent of all voting rights in the Company.
- B. Majority required to pass resolutions stated in items 1.2 to 1.3 on the agenda of the Meeting is a regular majority.

7.3. Quorum and date for holding a postponed Meeting

If after half an hour from the time set for the Meeting there is no quorum (two shareholders present in person or by proxy or who have sent the Company a voting slip stating how they are voting, and holding or representing 25% and above of the Company's voting rights) the Meeting will be postponed to September 25, 2018 at the same time and same place. If after half an hour of the time set for the postponed Meeting there shall not be a quorum, the meeting shall take place with any number of participants.

7.4. Date of record, entitlement to participate in the Meeting and manner of voting

The date of record for entitlement to participate and vote in the Meeting in accordance with section 182(C) of the Companies Law and Regulation 3 of the Companies Regulations (Vote in Writing and Position Notices), 2005, will occur at the end of the trading day for the Company's securities on the Tel-Aviv Stock Exchange Ltd ("TASE") on August 20, 2018 ("the Date of Record").

In accordance with the Companies Regulations (Proof of Ownership of Shares to Vote at a General Meeting), 2000 ("Proof of Ownership of Shares Regulations"), a shareholder who has a share registered with a TASE member and such share is among the shares registered on the Company's register of shareholders ("Unregistered Shareholder") who wishes to vote at the shareholders' General Meeting is entitled to prove its ownership of



the Company's shares at the Date of Record for the purpose of voting at the General Meeting, by presenting the Company with a confirmation from a TASE member with whom its entitlement to a share is registered, not later than 24 hours before the time of convening of the Meeting.

An Unregistered Shareholder is entitled to receive confirmation of ownership from the TASE member, through whom its shares are held, at a branch of the TASE member or by post to its address after payment of postal charges only, if so requested. A request in this regard shall be provided in advance for a specific shares account.

In accordance with the provisions of section 4A of the Proof of Ownership of Shares Regulations, an electronic message is approved under section 44K5 of the Securities Law, 1968 ("the Securities Law"), whose subject matter is user data in the electronic voter system, has the same legal status as confirmation of ownership of every shareholder included therein.

A shareholder in the Company at the Date of Record shall be entitled to attend and vote at the Meeting either personally, through a voting slip (as described in section 8.5 below) or through a proxy after the power of attorney will have been deposited at the Company's offices not less than 48 hours prior to the time of the General Meeting ("Power of Attorney"). The Power of Attorney shall be in writing and shall be signed by the appointer or its authorized representative for this purpose in writing, and if the appointer is a company, the Power of Attorney shall bear the company's seal (if there is one), and in the absence of a seal, by the party authorized to do so together with the stamp of that company. In addition, an Unregistered Shareholder, who was a shareholder in the Company at the Date of Record, shall also be entitled to vote at the General Meeting using the electronic voting system (as detailed in section 7.6 below).

7.5. Voting slip, position notices and addition of items to the agenda

7.5.1. Voting for the item stated above can be by using the voting slip attached to this Immediate Report. A written vote shall be made on the second part of the voting slip as published on the distribution website.

7.5.2. The website addresses of the Securities Authority and of the Tel-Aviv Stock Exchange Ltd on which can be found the wording of voting papers and statement of positions: the distribution website address of the Securities Authority; the website of the Tel-Aviv Stock Exchange Ltd: [www.maya.tase.co.il](http://www.maya.tase.co.il) and the Company's website at: [www.bezeq.co.il](http://www.bezeq.co.il).

7.5.3. A member of TASE shall be sent, free of charge by email, a link to the wording of the voting slip and position notices on the distribution website of the Securities



Authority, to every Unregistered Shareholder whose shares are registered at this TASE member, unless the shareholder announces that it is not interested, on condition that such notice be given for a specific securities account and at a date prior to the Date of Record.

- 7.5.4. A shareholder may contact the Company directly, to receive from it the wording of the voting slip and position notices.
- 7.5.5. The latest date to submit position notices of the Company's shareholders is up to ten (10) days prior to the date of convening the General Meeting, namely by September 7, 2018. The latest date to submit responses of the Board of Directors to the position notices shall be up to five (5) days prior to the date of convening of the General Meeting, namely by September 12, 2018.
- 7.5.6. An Unregistered Shareholder who wishes to vote using the voting slip shall mark on the second part of the voting slip its vote, and hand it to the Company or send it by registered mail together with confirmation of ownership, such that the voting slip will reach the Company's registered office not later than four (4) hours prior to the time of convening of the General Meeting.
- 7.5.7. A Shareholder registered on the Company's register of shareholders who wishes to vote using the voting slip shall mark on the second part of the voting slip its vote, and hand it to the Company or send it by registered mail together with a copy of his/its identity card or passport or certificate of incorporation, such that the voting slip will reach the Company's registered office not later than four (4) hours prior to the time of convening of the General Meeting.
- 7.5.8. In accordance with section 66(B) of the Companies Law, one or more shareholders holding at least one (1) percent of the voting rights at the General Meeting are entitled to request the Board to include an item on the agenda of the General Meeting, on condition that the item is suited to be discussed at the General Meeting. In accordance the Notice of a General Meeting Regulations, a request under section 66(B) of the Companies Law shall be submitted to the Company up to seven (7) days from the invitation to the Meeting, namely up until August 19, 2018. If such a request shall be submitted, there is the possibility that items will be added to the Meeting's agenda and details of them will appear on the website of the Securities Authority.

7.6. Voting using the electronic voting system

As stated above, an Unregistered Shareholder is also entitled to vote using the electronic voting system for the items detailed above. Voting using the electronic voting slip will be



possible from the time of receipt of confirmation from the electronic voting system of safe receipt of the list of those entitled to vote using the Electronic Voting System and up until six (6) hours prior to the time of convening the General Meeting ("Time of Closing the System").

Voting using the electronic voting system can be changed or canceled up until the Time of Closing the System and it will not be possible to change it using the electronic voting system after this time. It should be noted that in accordance with section 83(D) of the Companies Law, in the event that a shareholder votes by more than one method, the last vote will be counted, which in the case of a vote by the shareholder himself or by way of a proxy shall be deemed later than voting using the Electronic Voting System.

An Unregistered Shareholder will be entitled to send the Company confirmation of ownership using the electronic voting system up until the Time of Closing the System as stated above, a confirmed email in accordance with section 44K5 of the Securities Law, concerning data on users of the electronic voting system - will have the same status as confirmation of ownership of a share for every shareholder contained therein.

An Unregistered Shareholder who has shares registered in his name at a TASE member is entitled to receive from the above TASE member access details to the Electronic Voting System. Voting shall be according to the electronic voting slips that appear in the Electronic Voting System.

7.7. Company's representative:

The Company's representative for handling this report is the Group's Corporate Secretary, Adv. Sheli Bainhoren. Her address is the Azrieli Center 2 Triangular Building, "Bezeq House", (27th Floor), Tel-Aviv, (Tel. 03-626-2200; Fax: 03-626-2209).



Examination of the documents

The Company's shareholders can, upon request, examine this Notice and the documents attached (if there are any) at the Company's offices, Azrieli Center 2 Triangular Building, "Bezeq House", (27th Floor), Tel-Aviv, Sundays - Thursdays between 10am and 3pm, by prior appointment by telephone: 03-626-2200.

**Yours sincerely,**

**Shelly Bainhoren, Adv.**

**Group Corporate Secretary**

**"Bezeq" The Israel Telecommunication Corp Limited**



**Appendix A - Compensation Policy - Proposed Amendment**

See attached



**Appendix B -Compensation terms**

Below are details of the proposed Compensation Terms for Mr. Rodav and Mr., Mizrahi based on this Notice Report in accordance with the Sixth Addendum to the Securities Regulations (Periodic and Immediate Reports), 1970, for a period of 12 months.

Details of recipient of remuneration				Compensation (in terms of cost to the Company) (1)						
Name	Position	Scope of position	Percentage holding in company	Salary (1)	Management fees	Grant (2)		Consulting fees	Other	Total
						In cash	Capital			
Mr. Rodav	Chairman of the Board of Directors	75%	-		3,000,000	-	-	-	-	3,000,000
Mr. Mizrahi	Chief Executive Officer	100%	-	2,515,416		1,935,000	-	-		4,450,416

- (1) Including car, provisions for National Insurance, benefits and associated terms. Not including provision for prior notice period of six months.
- (2) Assuming Mr. Mizrahi will be paid an annual bonus of 100% of the Annual Salary (calculated based on the Basic Salary without associated terms), on condition of having met the targets set for that year plus provisions for National Insurance.

*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.*