



March 11, 2018

## **Immediate Supplementary Report**

### **Search and Appointment Process for Directors**

An Immediate Report is hereby provided that on March 8, 2018 the Interim Chairman of the Company's Board and the Company's Legal Advisor received a letter from the legal counsel of the Company's indirect controlling shareholder, B Communications Ltd ("BCom"), further to the Company's Immediate Report published on March 7, 2018 concerning the search and appointment process for candidates for the Company's Board ("the Search Process"). The main claim in the above letter was that part of the Search Process described in the said Immediate Report is not in accordance with the Communications Law (Bezeq and Broadcasts), 1982, including orders, ordinances, permits and licenses issued thereunder, in respect of control of Bezeq.

After the Company's representatives had discussed the said subject with representatives of BCom and received clarifications including a proposal for an amendment agreed by BCom to the Search Process in respect of the two candidates for the position of independent directors, the Company's Board discussed the issue and decided to introduce an amendment to the Search Process, according to the proposal of BCom as detailed below, mainly in order to reduce risks to the Company including legal uncertainties.

The selection of two candidates for the Board for the position of independent director will be as follows: the Appointments Committee appointed by the Board will formulate an initial list of candidates (the long list) for the position of two independent directors, which will include at least 8 candidates who meet the criteria required by law and the criteria the Appointments Committee will prepare; representatives of BCom will participate (only) in the discussions of the Appointments Committee to reduce the said initial list of candidates to a final list (the short list) that will be agreed upon by BCom and will include at least 4 candidates. The Appointments Committee will recommend to the Board from the final list of candidates two candidates for the position of independent directors.

*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.*