



Bezeq The Israel Telecommunication Corp. Ltd.
(The "Company" or "Bezeq")

April 16, 2018

To Israel Securities Authority <u>Via the Magna system</u>	To Tel Aviv Stock Exchange Ltd. <u>Via the Magna system</u>
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Re: Notice regarding a Special General Meeting - May 21, 2018

In accordance with the Securities Regulations (Periodic and Immediate Reports), 1970, the Companies Law, 1999 ("the Companies Law") and the Companies (Notice and Announcement of a General Meeting and a Class Meeting in Public Company) Regulations, 2000, notice is hereby given of a Special General Meeting of Company shareholders. The Meeting shall take place on May 21, 2018 at 11am at the Company's offices at the Azrieli Center 2, Triangular Building, 27th Floor, Tel-Aviv.

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

Approval of an amendment to the Company's compensation policy -
Pursuant to Amendment 20 of the Companies Law ("Amendment 20"), on September 3, 2013 the General Meeting of Company approved the Company's compensation policy. On May 5, 2016, the General Meeting approved a new compensation policy and on April 4, 2017, the General Meeting approved amendments to the Company's compensation policy ("Compensation Policy").

The Company now wishes to submit an amendment to the wording of the current Compensation Policy ("Amendment to the Compensation Policy") for approval by the General Meeting of Company shareholders, in accordance with the provisions of section 267A of the Companies Law. The Amendment to the Compensation Policy was approved by the Company's Board of Directors after weighing the recommendations of the Compensation Committee in this regard, in accordance with sections 118(B)1 and 267B of the Companies Law.

Accordingly, the resolution submitted for approval of the General Meeting is: To approve the Amendment to the Compensation Policy, as set out in section 3.1 below, in accordance with the provisions of section 267A(a) of



the Companies Law. The full and updated version of the Compensation Policy, including the proposed amendment marked in track changes compared with the current Compensation Policy, is attached as Appendix to this Notice.

2. Method of approval of the Compensation Policy:

- 2.1. Due to the need to maintain the scope of the directors and officers insurance, the Company is required to update the officers insurance section in its Compensation Policy so as to increase the maximum annual premium which the Company may pay to the insurance company for acquisition of an officers insurance policy and the cost of the deductible.
- 2.2. At its meeting on April 11, 2018, the Compensation Committee approved the Amendment to the Compensation Policy and formulated its recommendations on the matter for the Company's Board of Directors. In the foregoing meeting, in which the Compensation Committee¹ discussed the Amendment to the Compensation Policy, data regarding the Company's insurance coverage, including the scope of insurance, the amount of the deductible and the limit of liability in the officers insurance policy were presented to the committee with the aim of granting appropriate insurance coverage to the Company's officers according the type, size and activities of the Company. In addition, the position of the CFO of the Bezeq Group concerning the market conditions was presented.
- 2.3. On April 15, 2018, the Company's Board of Directors² approved the Amendment to the Compensation Policy after discussing the proposed amendment, based on the Compensation Committee's recommendations.

¹ The Compensation Committee members are: Mordechai Keret, Yehoshua Rosenzweig, Tali Simon and Zeev Vurembrand.

² All members of the Board participated in the meeting as follows: David Granot, Ami Bar-Lev, Doron Turgeman, Rami Nomkin, Shlomo Rodav, Yehoshua Rosenzweig, Mordechai Keret, Zeev Vurembrand and Tali Simon.



3. Proposed revision concerning the existing Compensation Policy:

- 3.1. Officers insurance - revision of the maximum potential annual premium to USD 1 million instead of USD 500 thousand and setting of a maximum deductible.

Following is the wording of the proposed revised section (section 8.1 of the Compensation Policy, the amendments

Bezeq will enter into agreements from time to time with an insurance company/ies to provide Directors and Officers liability insurance (D&O) for its directors and other Officers, as may be from time to time. Bezeq will also be able to include other directors and Officers in its subsidiaries in these policies. The limit of liability in the insurance policies shall be between USD 100 to USD 250 million per claim and in aggregate for each insurance year, and an additional USD 20 million for legal expenses. The amount of the annual premium to be paid by the Company shall not be more than USD 1 million with a deductible of up to USD 1 million.

4. Reasons based on which the Compensation Committee and Board of Directors approved the Amendment to the Compensation Policy

The members of the Company's Compensation Committee and Board of Directors believe that the Amendment to the Compensation Policy, which increases the maximum annual premium which the Company may pay for purchasing its officers insurance policy, is appropriate, inter alia, for the following reasons:

- 4.1. Increasing the maximum premium and the proposed annual deductible in the Amendment to the Compensation Policy will enable purchasing of appropriate insurance coverage in the officers liability policy considering, inter alia, the size of the Company, the characteristics of its business operations, its goals and its risk management policy.
- 4.2. The recent legal reality indicates an increase in filing of legal proceedings against officers in public companies in Israel and a rise in legal proceedings initiated against officers of the Company. As a result, the premiums for purchasing officers insurance policies and the



demands of the insurers to increase the amount of the deductible are higher. In the opinion of the members of the Compensation Committee and Board of Directors, considering the foregoing circumstances and the limits of liability required by the Company, the proposed maximum amount of the premium and the deductible in the Amendment to the Compensation Policy are reasonable and under market conditions.

- 4.3. Increasing the maximum threshold of the annual premium and the amount of the deductible is not expected to have any material impact on the Company's profits, assets or liabilities.

5. Name of the controlling shareholder and nature of its personal interest³:

The controlling shareholder of the Company is B Communications Ltd. ("BCom"), which holds 26.34% of the Company's issued capital and voting rights. To the best of the Company's knowledge, the controlling shareholder of BCom (indirectly) is Mr. Shaul Elovitch. Mr. Elovitch and his family members Or Elovitch and Orna Elovitch-Peled may have the same personal interest as that of the other directors serving in the Company, as set out in section 6 below, due to being beneficiaries of the insurance policy for their term of office as directors.⁴

6. Personal interest for directors:

All directors serving in the Company may be considered as having a personal interest concerning the resolution on the agenda, due to being beneficiaries under the officers liability insurance policies.

7. Convening of the General Meeting

7.1. Time and place of the Meeting

A Special General Meeting of Company shareholders will be held on May 21, 2018 at 11am at the Company's offices, Azrieli Center 2, Triangular Building, 27th Floor, Tel-Aviv, with the subject stated in section 1 above on the agenda.

³ For further information concerning the controlling shareholder of the Company and its indirect holdings, see immediate report published by the Company on April 9, 2018.

⁴ On March 7, 2018, Messrs. Shaul Elovitch and Or Elovitch resigned from their position as Company directors. On April 26, 2018, (the date of the Company's Annual General Meeting), the term of office of Orna Elovitch-Peled as a Company director will expire.



7.2. Majority required to pass the resolution

The majority required to pass the resolution set out in section 1 above is an ordinary majority of all the votes of shareholders present at the Meeting who are entitled to vote and do so, on condition that one of the following is fulfilled:⁵

- (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 or do not have a personal interest in approval of the resolution on the agenda of the Meeting, as the case may be, who take part in the vote; in the count of all votes of the shareholders, abstentions will not be taken into account.
- (2) The total number of votes against among the shareholders stipulated in sub-section (1) above shall not exceed two percent of all voting rights in the Company.

7.3. Quorum and time of an adjourned meeting

If after the elapse of half an hour from the time set for the Meeting there is no quorum present (two shareholders present, in person, by a proxy or who sent a voting slip to the Company indicating their vote, and who hold or represent 25% or more of the voting rights of the Company), the Meeting shall be adjourned to May 28, 2018 at the same time and in the same place. If at the adjourned meeting a quorum is not present after the elapse of half an hour from the time set for it, the meeting shall be held with any number of attendees.

7.4. Effective date, rights to participate in a meeting and voting method

The effective date for determining the right to attend and vote at a meeting in accordance with section 182(C) of the Companies Law and Regulation 3 of the Companies (Voting in Writing and Position Notices) Regulations, 2005, is the close of trading of the Company's securities on the TASE on April 23, 2018 ("the Effective Date").

In accordance with the Companies (Proof of Ownership of a Share for Voting at the General Meeting) Regulations, 2000 ("Proof of Share Ownership Regulations"), a shareholder in whose name a

⁵ In accordance with section 267A(b) of the Companies Law.



share is registered with a TASE member and that share is included in the shares written in the register in the name a nominee company ("Unregistered Shareholder") is entitled to prove ownership of Company shares on the Effective Date for the purpose of voting at the General Meeting by presenting a confirmation to the Company from the TASE member with which the right to the share is registered, no later than 24 hours prior to the date of the Meeting.

A shareholder whose shares are registered with a TASE member shall be entitled to receive a confirmation of ownership from the TASE member through which he holds the shares at a branch of the member or by mail to his address, in consideration of delivery fees only, if he so requested. A request in this regard shall be provided in advance for a specific securities account.

In accordance with the provisions of Regulation 4A of the Proof of Share Ownership Regulations, an email approved in accordance with section 44K5 of the Securities Law, 1968 ("the Securities Law"), concerning the data of users of the electronic voting system is tantamount to a confirmation of ownership in respect of every shareholder included therein.

A shareholder of the Company at the Effective Date shall be entitled to participate and vote in a meeting, in person, using a voting slip (as described in section 7.5 below), or by proxy, after depositing a letter of appointment at the Company's offices at least 48 hours prior to the time set of the General Meeting ("Letter of Appointment"). The Letter of Appointment shall be prepared and signed by the appointing party or his representative authorized in writing to do so, and if the appointing party is a company, the Letter of Appointment shall be prepared by the company's signatory (if any) and in the absence of a signatory - by the party authorized to do so together with the stamp of that company. In addition, an unregistered shareholder who is not a controlling shareholder of the Company on the Effective Date shall be entitled to vote at the General Meeting using the electronic voting system (as described in section 7.5 above). The Letter of Appointment shall be prepared and signed by the appointing party or his representative authorized in writing to do so, and if the appointing party is a



company, the Letter of Appointment shall be prepared by the company's signatory (if any) and in the absence of a signatory - by the party authorized to do so together with the stamp of that company 7.6 below).

7.5. Voting slip, position notice and adding items to the agenda

- 7.5.1. Voting with respect to an item set out above shall also be possible using the voting slip attached to this immediate report. Voting by voting slip shall be done on the second part of the voting slip published on the distribution website.
- 7.5.2. Addresses of distribution sites of Securities Authority and website of Tel Aviv Stock Exchange Ltd. where the wording of the voting slip and position notices can be found: The distribution website of the Securities Authority: www.magna.isa.gov.il, website of the Tel Aviv Stock Exchange Ltd.: www.maya.tase.co.il and the Company's website: www.bezeq.co.il.
- 7.5.3. A TASE member shall send a link to the text of the voting slip and position notices on the distribution website of the Securities Authority by e-mail free of charge to any unregistered shareholder whose shares are registered with that member, unless the shareholder notifies the TASE member that they are not interested in receiving it, provided that the notice is given with respect to a specific securities account and on a date prior to the Effective Date.
- 7.5.4. A shareholder may contact the Company directly to obtain the wording of the voting slip and the position notices.
- 7.5.5. The deadline for submission of position notices of shareholders to the Company is until ten (10) days prior to convening the General Meeting, meaning by May 11, 2018. The deadline for provision of responses by the Board of Directors to position notices is until five (5) days prior to convening the General Meeting meaning by May 16, 2018.
- 7.5.6. An unregistered shareholder who wishes to vote using a voting slip shall indicate their vote on the second part of the



voting slip and submit it to the Company or send it by registered mail together with a confirmation of ownership, to reach the Company's registered offices no later than four (4) hours prior to the time of convening the General Meeting.

- 7.5.7. A shareholder who is registered in the Company's shareholders register and wishes to vote using a voting slip will indicate their vote on the second section of the voting slip and submit it to the Company or send it by registered mail together a photocopy of their ID card, passport or certificate of incorporation, to reach the Company's registered offices no later than (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 with at least one (1) percent of the voting rights at the General Meeting may request the Board of Directors to include a matter on the agenda of the General meeting, provided that it is appropriate to discuss such a matter in the General Meeting. Pursuant to the Notice of a General Meeting Regulations, a request in accordance with section 66(B) of the Companies Law shall be presented to the Company by seven (7) days following notice of the Meeting, meaning by April 23, 2018. If such request is submitted, items may possibly be added to the agenda of the Meeting and their details will appear on the distribution website of the Securities Authority.

7.6. Voting using the electronic voting system:

As stated above, an unregistered shareholder is also entitled to vote on the above subject using the electronic voting system. Voting using the electronic voting system shall 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 to six (6) hours prior to the time of convening the General Meeting, ("Time of Closing the System"), when the electronic voting system will be closed.



Voting using the Electronic Voting System can be changed or canceled until the Time of Closing the System and it may not be changed using the electronic voting system after such time. It should be noted that in accordance with section 83(D) of the Companies Law, if a shareholder votes by more than one method, the last vote will be counted, when in such case a vote by the shareholder in person or by proxy shall be deemed later than voting using the electronic voting system.

An unregistered shareholder shall be entitled to send confirmation of ownership to the Company using the electronic voting system until the foregoing Time of Closing the System; an email approved in accordance with section 44K5 of the Securities Law, 1968 ("the Securities Law"), concerning the data of users of the electronic voting system is tantamount to a confirmation of ownership in respect of every shareholder included therein.

7.7. Company Representative

The Company's representative for handling this notice is the Group Secretary, Shelly Bainhoren, Adv., Azrieli Center 2, Triangular Building, 27th Floor, Tel Aviv (Tel: 03-626-2200, Fax: 03-626-2209).

7.8. Review of documents

Company shareholders will be able to review this notice and the document attached to it (if any) at their request at the Company's offices, Azrieli Center 2, Triangular Building, 27th Floor, Tel-Aviv, on Sunday to Thursday, between 10am and 3pm, by appointment at Tel: 03-6262200.

Sincerely,
Shelly Bainhoren, Adv.
Group Secretary
Bezeq The Israel Telecommunication Corp.
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.



Appendix – Compensation Policy (Proposed Amendment)