



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

March 23, 2022

The Israel Securities Authority

The Tel Aviv Stock Exchange Ltd.

Notice of Annual and Extraordinary General Meeting of the Company's Shareholders

In accordance with the Companies Law, 1999 (the "**Companies Law**"); the 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, and the Companies Regulations (Written Vote and Position Statements), 2005 (the "**Written Vote Regulations**"), the Company hereby gives notice of an Annual General Meeting of shareholders of the Company (the "**Meeting**"), to be held on **Thursday, April 28, 2022, at 11:00 a.m.**, 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 Meeting:

- 1.1 Discussion of the Board of Directors' report on the state of the Company's affairs and the Company's financial statements for 2021, which were published on March 23, 2022. No resolution will be adopted on this item.
- 1.2 Approval of reappointment of Somekh Chaikin KPMG accounting firm as the Company's auditors for 2022, until the end of the next Annual General Meeting of shareholders.
- 1.3 Approval of reappointment of the director (who serves as Chairman of the Board), Mr. Gil Sharon, to an additional term on the Board of Directors, until the end of the next Annual General Meeting of shareholders.
- 1.4 Approval of reappointment of the director, Mr. Darren Glatt, to an additional term on the Board of Directors, until the end of the next Annual General Meeting of shareholders.
- 1.5 Approval of reappointment of the director, Mr. Ran Fuhrer, to an additional term on the Board of Directors, until the end of the next Annual General Meeting of shareholders.
- 1.6 Approval of reappointment of the director, Mr. Tomer Raved, to an additional term on the Board of Directors, until the end of the next Annual General Meeting of shareholders.
- 1.7 Approval of reappointment of the independent director, Mr. David Granot, to an additional term on the Board of Directors, until the end of the next Annual General Meeting of shareholders.
- 1.8 Approval of reappointment of the employee director, Mr. Patrice Taieb, to an additional term on the Board of Directors, until the end of the next Annual General Meeting of shareholders.

For further information on the directors listed in sections 1.3-1.8 above, in accordance with Regulations 26 and 36B(a)(10) of the Reports Regulations, and for information on their terms of reference and employment, which will remain unchanged, except for a proposed change in the



terms of reference and employment of the Chairman of the Board, see sections 2.3-2.8, as applicable.

- 1.9 Subject to approval of the appointment of the candidate for the office of employee director, as set out in section 2.8 below, approval of the grant of a letter of indemnification and letter of exemption to Mr. Patrice Taieb, who is a candidate for the office of employee director, in the same wording as the letters of indemnification and letters of exemption that were approved by the General Meeting for the Company's other officers on February 6, 2020, May 14, 2020, September 6, 2020, January 18, 2021 and April 22, 2021.
- 1.10 Approval of dividend distribution.
- 1.11 Approval of amendments to the Company's Articles, as set out in section 2.11 below.
- 1.12 Approval of an adjustment to the terms of reference and employment of Mr. Gil Sharon, who serves as Chairman of the Board, as of 2022 and onwards – addition of an annual performance-based cash bonus.
- 1.13 Approval of grant of a discretionary annual bonus equal to three monthly salaries to the Chairman of the Board for 2021.
- 1.14 Approval of amendment and extension of the Compensation Policy for Officers of the Company, within the meaning of section 267A(a) of the Companies Law, for a period of three (3) years, as of January 1, 2022.

2. Key points of the proposed resolutions and their terms:

2.1 Discussion of the Company's Periodic Report for 2021 (section 1.1 on the agenda)

- 2.1.1 Discussion of the Company's Periodic Report for 2021, which includes, inter alia, the Board of Directors' report on the state of the Company's affairs and the financial statements for the year ended December 31, 2021, which was published on March 23, 2022 (the "**Periodic Report for 2021**").
- 2.1.2 The Company's Periodic Report for 2021 (including the financial statements and the Board of Directors' report for that period) can be viewed on the distribution site of the Israel Securities Authority, at magna.isa.gov.il, and on the website of the Tel Aviv Stock Exchange Ltd., at maya.tase.co.il.
- 2.1.3 No vote will be held on this item.

2.2 Reappointment of Somekh Chaikin KPMG accounting firm as the Company's auditors (proposed resolution in section 1.2 on the agenda)

- 2.2.1 It is proposed to approve the reappointment of Somekh Chaikin KPMG accounting firm as the Company's auditors for 2022, until the end of the next Annual General Meeting of



shareholders. In accordance with the Company's Articles, the Board of Directors is authorized to determine the auditors' fee.¹

2.2.2 Proposed resolution: "To reappoint Somekh Chaikin KPMG accounting firm as the Company's auditors for 2022, until the end of the next Annual General Meeting of shareholders."

2.3 **Reappointment of the director (who serves as Chairman of the Board), Mr. Gil Sharon, to an additional term on the Board of Directors (proposed resolution in section 1.3 on the agenda)**

2.3.1 It is proposed to reappoint Mr. Gil Sharon ("**Mr. Sharon**") (who serves as Chairman of the Board of the Company and the subsidiaries) as a director on the Board of Directors of the Company, for an additional term until the end of the next Annual General Meeting.

2.3.2 The terms of employment of Mr. Sharon for his service as Chairman of the Board were approved by the General Meeting on January 18, 2021, with effect as of August 27, 2020. For information on the terms of reference and employment of Mr. Sharon, see amending report on convening of a General Meeting published by the Company on January 14, 2021 (said information is included herein by reference).

For information on the proposal to approve the addition of an annual performance-based cash bonus component to the terms of reference and employment of the Chairman of the Board, and the proposal to grant Mr. Sharon a discretionary annual bonus for 2021, which are being submitted for approval by the Meeting pursuant to this report on convening of the Meeting (separately from the proposed resolution for extending his term of office as a director, as stated), see sections 2.12 and 2.13 below.

2.3.3 In addition, in accordance with a resolution of the General Meeting dated January 18, 2021, Mr. Sharon was granted a letter of indemnification and letter of exemption, in the same wording as the letters of indemnification and letters of exemption that were approved by the General Meeting for the Company's other directors,² and Mr. Sharon is also entitled to insurance coverage under a directors and officers insurance policy, at the same terms as those granted to the Company's other officers.³

2.3.4 The director submitted to the Company a statement as required by sections 224B and 241 of the Companies Law.

2.3.5 For the information required by Regulations 26 and 36B(a)(10) of the Reports Regulations, see Regulation 26 in Chapter D of the Periodic Report for 2021.

¹ For information on the fee of the Company's auditors for 2021, see the Board of Directors' report that is included in the Periodic Report for 2021.

² For the customary wording of the Company's letter of indemnification and letter of exemption, see Appendix A to the report on convening of a General Meeting of shareholders of the Company, as published on January 2, 2020 (said information is included herein by reference).

³ The Company's Compensation Committee approved the inclusion of Mr. Sharon, who serves as Chairman of the Board, in the Company's directors and officers liability insurance policy, in accordance with regulation 1B1 of the Companies Regulations (Reliefs in Transactions with Interested Parties), 2000. For information on the Company's customary policy, see the Company's immediate report dated June 9, 2021 (said information is included herein by reference).

- 2.3.6 Proposed resolution: "To approve the reappointment of the director (who serves as Chairman of the Board), Mr. Gil Sharon, to an additional term on the Board of Directors, until the end of the next Annual General Meeting of shareholders."
- 2.4 **Reappointment of the director, Mr. Darren Glatt, to an additional term on the Board of Directors (proposed resolution in section 1.4 on the agenda)**
- 2.4.1 It is proposed to reappoint Mr. Darren Glatt ("**Mr. Glatt**") as a director on the Board of Directors, for an additional term until the end of the next Annual General Meeting. The terms of reference of the director will remain unchanged.
- 2.4.2 The director submitted to the Company a statement as required by sections 224B and 241 of the Companies Law.
- 2.4.3 For the information required by Regulations 26 and 36B(a)(10) of the Reports Regulations, see Regulation 26 in Chapter D of the Periodic Report for 2021.
- 2.4.4 Proposed resolution: "To approve the reappointment of the director, Mr. Darren Glatt, to an additional term on the Board of Directors, until the end of the next Annual General Meeting of shareholders."
- 2.5 **Reappointment of the director, Mr. Ran Forer, to an additional term on the Board of Directors (proposed resolution in section 1.5 on the agenda)**
- 2.5.1 It is proposed to reappoint Mr. Ran Fuhrer ("**Mr. Fuhrer**") as a director on the Board of Directors, for an additional term until the end of the next Annual General Meeting. The terms of reference and employment of the director will remain unchanged.
- 2.5.2 The director submitted to the Company a statement as required by sections 224B and 241 of the Companies Law.
- 2.5.3 For the information required by Regulations 26 and 36B(a)(10) of the Reports Regulations, see Regulation 26 in Chapter D of the Periodic Report for 2021.
- 2.5.4 Proposed resolution: "To approve the reappointment of the director, Mr. Ran Fuhrer, to an additional term on the Board of Directors, until the end of the next Annual General Meeting of shareholders."
- 2.6 **Reappointment of the director, Mr. Tomer Raved, to an additional term on the Board of Directors (proposed resolution in section 1.6 on the agenda)**
- 2.6.1 It is proposed to reappoint Mr. Tomer Raved ("**Mr. Raved**") as a director on the Board of Directors, for an additional term until the end of the next Annual General Meeting. The terms of reference and employment of the director will remain unchanged.
- 2.6.2 The director submitted to the Company a statement as required by sections 224B and 241 of the Companies Law.
- 2.6.3 For the information required by Regulations 26 and 36B(a)(10) of the Reports Regulations, see Regulation 26 in Chapter D of the Periodic Report for 2021.



- 2.6.4 Proposed resolution: "To approve the reappointment of the director, Mr. Tomer Raved, to an additional term on the Board of Directors, until the end of the next Annual General Meeting of shareholders."
- 2.7 **Reappointment of the independent director, Mr. David Granot, to an additional term on the Board of Directors (proposed resolution in section 1.7 on the agenda)**
- 2.7.1 It is proposed to reappoint Mr. David Granot ("**Mr. Granot**") as an independent director on the Board of Directors, for an additional term until the end of the next Annual General Meeting. The terms of reference and employment of the director will remain unchanged.
- 2.7.2 The director submitted to the Company a statement as required by sections 224B and 249B of the Companies Law, in which he stated that he meets the qualifying conditions for the appointment of an independent director as prescribed in section 240(b) to (f) of the Companies Law, and accordingly he meets the required conditions for classifying him as an independent director.⁴
- 2.7.3 For the information required by Regulations 26 and 36B(a)(10) of the Reports Regulations, see Regulation 26 in Chapter D of the Periodic Report for 2021.
- 2.7.4 Proposed resolution: "To approve the reappointment of the independent director, Mr. David Granot, to an additional term on the Board of Directors, until the end of the next Annual General Meeting of shareholders."
- 2.8 **Reappointment of the employee director, Mr. Patrice Taieb, to an additional term on the Board of Directors (proposed resolution in section 1.8 on the agenda)**
- 2.8.1 In accordance with the Company's Articles, on December 27, 2021, the Board of Directors approved the appointment of Mr. Patrice Taieb as an employee director, effective as of January 1, 2022 until the next General Meeting of shareholders, or for a period of six months (whichever is earlier).
- 2.8.2 It is proposed to approve the appointment of Mr. Patrice Taieb (the "**Candidate**") as an employee director on the Board of Directors, as of the date of the approval of the General Meeting of shareholders that is being convened pursuant to this report on convening of the Meeting, until the end of the next Annual General Meeting of shareholders.

⁴ For the sake of good order, it is noted regarding Mr. Granot, as well as his employers and/or partners and/or relatives and/or companies in which he serves as chairman or CEO and/or companies controlled by him, insofar as relevant, that they may purchase from the Company and from other companies in the Bezeq Group, various telecommunications services in the ordinary course of business during his tenure as director. In the Company's opinion, which applies to all the Company's external and independent directors, the purchase of ordinary telecommunications services of this kind for a customer who is classified by the Company or its subsidiary as a customer of the Private Division (subject to the exceptions laid down by the Audit Committee) in the ordinary course of business of the Company, does not constitute a business relationship for purposes of the definition of "relationship." Furthermore, in 2021 no purchases of telecommunications services were made that constitute a business relationship. In addition, the independent director instructed the parties related to him that he would not be involved in or informed about any purchase of telecommunications services as aforesaid for those related parties.



- 2.8.3 The terms of reference and employment of the Candidate, subject to the approval of his appointment as an employee director by the General Meeting of shareholders, will be as follows:
- a. Apart from the compensation the Candidate is entitled to as an employee of the Company, he will not be entitled to any additional compensation for his service as an employee director on the Board of Directors.
 - b. The grant of a letter of indemnification in the most recent wording approved by the Board of Directors and the General Meeting of shareholders, and the grant of a letter of exemption in the Company's customary wording, subject to approval of the proposed resolution in section 2.9 below.
 - c. Insurance coverage under a directors and officers insurance policy, at the same terms as those granted to the Company's other officers.⁵
- 2.8.4 The director submitted to the Company a statement as required by sections 224B and 241 of the Companies Law.
- 2.8.5 For the information required by Regulations 26 and 36B(a)(10) of the Reports Regulations, see Regulation 26 in Chapter D of the Periodic Report for 2021.
- 2.8.6 Proposed resolution: "To approve the reappointment of the employee director, Mr. Partrice Taieb, to an additional term on the Board of Directors, until the end of the next Annual General Meeting of shareholders."

2.9 **Approval of grant of a letter of indemnification and letter of exemption to the candidate for the office of employee director (proposed resolution in section 1.9 on the agenda)**

- 2.9.1 Subject to approval of the appointment of the candidate for the office of employee director, as set out in section 2.8 above, it is proposed to approve the grant of a letter of indemnification and letter of exemption to the candidate for the office of employee director, in the same wording as the letters of indemnification and letters of exemption that were approved by the General Meeting for the Company's other officers on February 6, 2020, May 14, 2020, September 6, 2020, January 18, 2021 and April 22, 2021.
- 2.9.2 For the customary wording of the Company's letter of indemnification and letter of exemption, see Appendix A to the report on convening of a General Meeting of shareholders as published on January 2, 2020 (said information is included herein by reference).
- 2.9.3 Proposed resolution: "Subject to approval of the proposed resolution in section 2.8 on the agenda, to approve the grant of a letter of indemnification and letter of exemption to the candidate for the office of employee director, in the same wording as the letters of indemnification and letters of exemption that were approved by the General Meeting for

⁵ See footnote 3 above.



the Company's other officers on February 6, 2020, May 14, 2020, September 6, 2020, January 18, 2021 and April 22, 2021."

2.10 Approval of dividend distribution (proposed resolution in section 1.10 on the agenda)

2.10.1 The Board of Directors recommends to approve the distribution of a cash dividend to the Company's shareholders for a total of NIS 240 million, representing as of the date of this convening report NIS 0.0867835 per ordinary share of NIS 1 par value of the Company ("**Share**"), and 8.67835% of the Company's issued and paid-up share capital ("**Dividend**"). The actual amount of the dividend per share that will be paid is to be determined based on the number of shares in the issued and paid-up share capital of the Company as at the end of the trading day of May 8, 2022.

The record date and the ex-date will be May 9, 2022, and the payment date will be May 16, 2022.

For further information on the dividend distribution, see the immediate report published by the Company on March 23, 2022, concerning the recommendation of the Board of Directors of the above dividend distribution.

2.10.2 Proposed resolution: "To approve the distribution of a cash dividend to the Company's shareholders, as set out in section 2.10.1 of this report on convening of the Meeting."

2.11 Approval of amendments to the Company's Articles (proposed resolution in section 1.11 on the agenda)

2.11.1 The Board of Directors recommends to approve the amendment of the Company's Articles as follows:

a. Amendment of Regulation 64 of the Articles, in accordance with section 2(a1) of 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, such that the Company will not be required to deliver to its shareholders a copy of a notice of a meeting that was published in accordance with the provisions of said Regulations. Below is the proposed wording of the amendment:

64. Notice of a General Meeting will be published in accordance with the provisions of the Law and the Regulations concerning the publication of a notice of meetings in a public company that were issued under section 69(a) of the Companies Law. ~~Except for such notice of a General Meeting,~~ The company will not deliver a notice of a General Meeting to the registered shareholders, to the unregistered shareholders or to the shareholders holding a share certificate.

b. Amendment of Regulations 96 of the Company's Articles, which adapts its provisions to the provisions of section 103(b) of the Companies Law concerning the passing of a resolution without convening the Board of Directors. Below is the proposed wording of the amendment:

96. The Board of Directors may pass resolutions even without actually convening, provided that all the directors entitled to attend and vote on the matter brought for



resolution in the discussion, have agreed not to convene to discuss that matter ~~and signed the resolution~~. Where such resolutions were passed, the minutes of the resolutions, including the resolution not to convene, will be signed by the Chairman of the Board of Directors.

- c. Addition of Regulation 117 in the wording set out below, in accordance with section 271 of the Companies Law which permits a company to prescribe in the articles the manner of approval of transactions for which that stated in section 270(1) of the Companies Law holds true and which are not exceptional transactions:

"117. Approval of transactions

Subject to the provisions of the Companies Law, a transaction of the Company with an officer thereof, or a transaction of the Company with another person in which an officer of the Company has a personal interest, and which is not an exceptional transaction, will be approved by the Board of Directors or by the Audit Committee or by an officer of the Company who does not have a personal interest in the transaction and is not subordinate to the officer who has a personal interest in the transaction, all in accordance with the Company's procedures as approved from time to time. For the avoidance of doubt, such approval may be for a class of transactions or for a particular transaction."

2.11.2 Proposed resolution: "To approve the amendment of the Company's Articles as follows as set out in section 2.11.1 of this report on convening of the Meeting."

2.12 **Approval of an adjustment to the terms of employment of Mr. Gil Sharon, who serves as Chairman of the Board, as of 2022 and onwards – addition of an annual performance-based cash bonus (proposed resolution in section 1.12 on the agenda)**

2.12.1 The terms of employment of Mr. Gil Sharon for his service as Chairman of the Board were approved by the General Meeting on January 18, 2021, with effect as of August 27, 2020. Said approved terms of employment did not include the grant of a variable performance-based cash bonus. For information on the terms of employment of Mr. Sharon, see amending report on convening a General Meeting published by the Company on January 14, 2021 (said information is included herein by reference).

2.12.2 On December 19, 2021 and December 27, 2021, the Compensation Committee and the Board of Directors, respectively, approved an amendment to the terms of employment of the Chairman of the Board, subject to the approval by the General Meeting of the Revised Compensation Policy for Officers of the Company as set out in section 2.14 below, such that starting from 2022, the Chairman of the Board will be entitled also to an annual performance-based cash bonus equal to up to nine monthly salaries (up to 75% of the annual base salary), to be granted in accordance with the provisions of the revised Compensation Policy. For further information on the reasons of the Compensation Committee and the Board of Directors for approving the amendment to the terms of reference and employment of Mr. Sharon, see section 3.2 below.

2.12.3 Presentation in a table

For the sake of convenience and in accordance with the Sixth Schedule to the Reports Regulations, attached as **Appendix B** to this report on convening of the Meeting is a table



presenting the components of the compensation Mr. Sharon is entitled to over a period of twelve (12) months, insofar as the grant of the annual performance-based bonus is approved.

2.12.4 Proposed resolution: "To approve an adjustment to the terms of reference and employment of the Chairman of the Board, subject to the approval by the General Meeting of the revised Compensation Policy for Officers of the Company, such that starting from 2022, the Chairman of the Board will be entitled also to an annual performance-based cash bonus equal to nine monthly salaries (up to 75% of the annual base salary), to be granted in accordance with the provisions of the Revised Compensation Policy."

2.13 **Approval of grant of a discretionary annual bonus to Mr. Gil Sharon, who serves as Chairman of the Board, for 2021**

2.13.1 Due to appreciation for the performance of the Chairman of the Board, Mr. Gil Sharon, and his contribution to the Company's results for 2021, and for the reasons set out in section 3.3 below, the Compensation Committee and the Board of Directors approved on March 10, 2022 and March 22, 2022, respectively, the grant of an annual bonus that is not based on measurable targets (discretionary bonus), equal to three (3) gross monthly salaries of Mr. Gil Sharon, who serves as Chairman of the Board, subject to the approval of the General Meeting ("**Discretionary Bonus to Mr. Sharon**").

2.13.2 For further information on the reasons of the Compensation Committee and the Board of Directors for approving the grant of the Discretionary Bonus to Mr. Gil Sharon, see section 3.3 below.

2.13.3 Proposed resolution: "Subject to the approval of the proposed resolution in section 2.14 on the agenda, to approve the grant of a discretionary bonus equal to three (3) monthly salaries to Mr. Gil Sharon, who serves as Chairman of the Board, for 2021."

2.14 **Approval of amendment and extension of the Compensation Policy for Officers of the Company (proposed resolution in section 1.14 on the agenda)**

2.14.1 On May 23, 2019, the General Meeting approved the Compensation Policy for Officers of the Company for a period of three (3) years, as of January 1, 2019, and on February 6, 2020, May 14, 2020, January 18, 2021 and April 22, 2021, the General Meeting approved amendments to the Company's Compensation Policy ("**Previous Compensation Policy**").⁶

2.14.2 It is hereby proposed to approve the Company's Compensation Policy, within the meaning of section 267A(2) of the Companies Law, which includes several amendments as compared to the Previous Compensation Policy, in the wording attached as **Appendix C** to this convening report and forming an integral part hereof ("**Revised Compensation Policy**"), for a period of three (3) years, as of January 1, 2022. The Revised Compensation

⁶ See report on the convening of a General Meeting of the Company's shareholders, as published on March 18, 2021 (said information is included herein by reference).



Policy will also apply to the officers, including the Chairman of the Board, in relation to the targets set for 2022.

2.14.3 Below is a summary of the main amendments and revisions in the Revised Compensation Policy compared to the Previous Compensation Policy:

- a. Clarifying amendments in section 7.2.1.11, regarding the return of compensation that was granted based on erroneous financial information.
- b. Chairman of the Board – Revision of the Compensation Policy in a manner enabling the grant of variable performance-based compensation to the Chairman of the Board, through the amendment of section 9.2.5 of the Compensation Policy.
- c. Formulation amendments and other technical amendments.

2.14.4 Manner of implementation of the Previous Compensation Policy

Pursuant to Legal Department Staff Position Paper 101-21 of the Israel Securities Authority (Questions and Answers – Compensation Policy), below are details of the ratio between the limit set in the Policy and the compensation amounts actually paid to the CEO and to the Chairman of the Board in 2021, broken down by the relevant compensation components:

Component	Chairman of the Board		CEO	
	Limit in the Policy	Actual Compensation	Limit in the Policy	Actual Compensation
Monthly base salary	NIS 171,000	NIS 170,000	NIS 172,500	NIS 150,000
Percentage of annual performance-based bonus (excluding special bonus) from annual base salary	-	⁷	Up to 125% (in case of over-performance)	Approx. 121.4%
Special bonus	-	-	The higher of 25% of annual bonus or 3 months of base salary ⁸	Approx. 3 months of base salary
Percentage of value of package of equity grants on the grant date from the total maximum annual salary ⁹	101%	Approx. 85%	55%	Approx. 32.7%

2.14.5 Proposed resolution: "To approve the Revised Compensation Policy for a period of three (3) years, with effect as of January 1, 2022."

3. Considerations and reasons that guided the Compensation Committee and the Board of Directors, as applicable, in the resolutions proposed in sections 1.9, 1.12 and 1.13 on the agenda

3.1 Approval of indemnification letter and exemption letter for candidate for the office of employee director (proposed resolution in section 1.9 on the agenda)

3.1.1 The grant of a letter of exemption from liability and indemnification undertaking is in accordance with the Companies Law, the Company's Articles and the Company's Compensation Policy.

3.1.2 The grant of a letter of exemption from liability and indemnification undertaking is a generally accepted protection accorded by public companies in Israel and is essential for enabling the Company's directors to act freely for its benefit, while reducing their personal exposure, subject to the limitations of the law.

3.1.3 The indemnification undertaking is for events that in the opinion of the Compensation Committee and the Board of Directors can be expected in light of the Company's actual

⁷ In this convening report, the approval of the General Meeting is requested for the grant of a discretionary bonus for 2021 equal to three monthly salaries to the Chairman of the Board of Directors.

⁸ According to the Policy, the limit applies cumulatively to a discretionary bonus and/or special bonus and/or equity-based award, unless the approval of the General Meeting of the shareholders is received. At the time of approval of the allocation of options to the Company's CEO in January 2021, the General Meeting approved the exclusion of the allocation of these options from said limit.

⁹ The value per year on the grant date is calculated by dividing the total value of the equity-based grants on the grant date by the number of vesting years (linear spread); **total maximum annual salary** – base salary (cost) + maximum cash bonus.



activity, and the maximum amount of indemnity under the indemnification undertaking is reasonable in the circumstances of the case.

- 3.1.4 The letter of exemption and letter of indemnification are issued to all the Company's officers at identical terms.
 - 3.1.5 The grant of a letter of exemption from liability and indemnification undertaking may enable the Company to save on the monetary costs involved in paying an insurance company for an increase in the limit of liability for officers.
 - 3.1.6 The grant of a letter of exemption from liability and indemnification undertaking does not involve preferential terms in comparison with the terms of reference and employment of other persons who previously served as a director.
 - 3.1.7 The terms of reference and employment of the employee director, as a director, do not involve preferential terms in comparison with the terms of reference and employment of the person who previously served in this capacity.
- 3.2 **Approval of an adjustment to the terms of reference and employment of Mr. Gil Sharon, who serves as Chairman of the Board, as of 2022 and onwards – addition of an annual performance-based cash bonus. (proposed resolution in section 1.12 on the agenda)**
- 3.2.1 The grant of a performance-based bonus to the Chairman of the Board is appropriate considering the complexity of the function of the Chairman of the Board, who serves as an active chairman and also serves as chairman of the board of the Company's significant subsidiaries, as well as the significant challenges facing the Company and the Group in the coming years and the desire to give him an additional incentive to act to improve the performance of the Company and the Group, in keeping with their strategic plans, which are delineated and formulated under the responsibility of the Chairman of the Board.
 - 3.2.2 Considering the supervisory function of the Chairman of the Board and the desire to strengthen the aspects of supervision and control and risk management in the Chairman's activity within the framework of his responsibilities, it was decided to set the bonus limit at 75% of the annual base salary, in contrast to CEOs of the Company who are entitled to a performance-based bonus up to a limit of 125% for over-performance in accordance with the Company's Compensation Policy.
 - 3.2.3 Based on a comparative opinion of an independent external consultant, the terms of employment of the Chairman of the Board after the grant of the performance-based bonus are within the customary range of compensation of the chairman of the board in companies with similar characteristics to those of the Company (in the upper range – 90th percentile).
 - 3.2.4 The overall compensation of Mr. Sharon is commensurate with the scope of his employment and the great responsibility imposed on the chairman by virtue of his function, it is consistent with the size of the Company and the Group, the scope of their activity and their character, and it is appropriate for the promotion of their goals, work plans, long-term



policy and objectives and the desire to retain the Chairman of the Board, in order to lead the Company forward in contending with the challenges it faces.

3.2.5 The overall compensation of Mr. Sharon also does not exceed the overall remuneration of the Company's CEO.

3.2.6 The ratio between the fixed component and the variable component (in terms of cost to the Company) out of the total compensation under the terms of reference and employment of the Chairman, assuming full payment of the maximum bonus the Chairman is entitled to, stands at 61.1% and 38.9% (respectively), which is reasonable and within the limits of the ranges set in the Company's Revised Compensation Policy, after its approval.

3.2.7 The ratio between the cost of the terms of reference and employment of Mr. Sharon and the average cost of salary and the median cost of salary of the Company's employees (including the Company's contractor workers), which stands at 1:23.4 and 1:25.5,¹⁰ respectively, is reasonable and appropriate, and the members of the Committee and the Board of Directors do not expect the approval of the grant to affect labor relations in the Company.

3.3 **Approval of grant of a discretionary annual bonus to Mr. Gil Sharon, who serves as Chairman of the Board, for 2021 (proposed resolution in section 1.13 on the agenda)**

3.3.1 The compensation the Chairman of the Board is entitled to according to the present Compensation Policy, for 2021, includes only fixed salary and equity grant components and does not include a performance-based bonus component. The Company's present Compensation Policy also does not enable the grant of a discretionary bonus to the Chairman of the Board. However, in the framework of the proposed amendments in the Revised Compensation Policy as approved by the Compensation Committee and the Board of Directors and which are to be submitted to the approval of the General Meeting, it is proposed to enable the payment of an annual performance-based cash bonus to the Chairman of the Board, and to establish that a part of the annual bonus to the Chairman of the Board, or the entire bonus, up to the limit set in the Policy, may be paid as a discretionary bonus, subject to the approval of the Compensation Committee, the Board of Directors and the General Meeting.

3.3.2 As Chairman of the Board of the Group, Mr. Sharon is responsible for the activity of the Board of Directors and for outlining the Group's strategy. Mr. Sharon has extensive managerial experience, and in addition to serving as Chairman of the Board of the Company, also serves as chairman of the boards of the subsidiaries.

¹⁰ The cost of salary of Company employees, including contractor workers, was calculated by normalizing their positions to 100% (full-time position). The data relating to Company employees is based on the data for December 31, 2021, and for contractor workers is based on the data for December 2021, and was calculated for employees who worked in the Company for a full year. The value of the equity-based compensation taken into account in the calculation of the cost of compensation of the Chairman of the Board was calculated based on a linear spread of the value of the grant (as of the date of the Board of Directors' approval of the grant of the equity-based award) over the vesting years.



- 3.3.3 In 2021, Mr. Sharon acted extensively to promote and develop the activity of the Company and the subsidiaries, while coping with unique and complex challenges, including, among others, promoting strategic plans, overseeing complex processes for furthering structural and organizational changes within the Group, complex examination procedures relating to historical errors in the financial statements of Bezeq International and measures for strengthening the control mechanisms, conducting an ongoing and effective dialogue with the regulators on regulatory matters, which contributed significantly to the advancement of the Company's interests, creating an effective work environment with the Group's managers, and managing the work of the Board of Directors in an effective and optimal manner.
- 3.3.4 The scope of the proposed bonus – three gross monthly salaries, is reasonable and appropriate, considering also the limit on the annual performance-based bonus it is proposed to approve in the framework of the amendments to the Compensation Policy.
- 3.3.5 In view of the fact that the Company's existing Compensation Policy did not enable the payment of a performance-based bonus to the Chairman of the Board, no targets were set for a bonus at the beginning of 2021, thus the bonus is being submitted to the approval of the General Meeting as a bonus that is not based on measurable targets (discretionary bonus).

4. Name of the Company's controlling shareholder

To the best of the Company's knowledge, and as of the date of this convening report, the holder of the permit for control of the Company is B Communications Ltd. ("**BCOM**"), which holds 26.72% of the Company's issued and paid-up share capital and of the voting rights in the Company. The controlling shareholders of B Communications are Searchlight II BZQ L.P., a limited partnership incorporated in the Cayman Islands ("**Searchlight**"), and T.N.R. Investments Ltd. ("**TNR**"), a private company incorporated in Israel (jointly: "**Holders of the Permit for Control of the Company**").

5. Names of the directors who attended the meetings of the Compensation Committee and the Board of Directors which approved the Revised Compensation Policy

- 5.1 The meeting of the Compensation Committee on March 10, 2022, which approved, *inter alia*, the Revised Compensation Policy, was attended by all the Committee members: Mr. Zeev Vurembrand (external director), Mr. David Granot (independent director), Ms. Idit Lusky (external director) and Ms. Tzipi Livni (external director).
- 5.2 At the meeting of the Board of Directors on March 22, 2022, the following directors participated in the discussion held on the Revised Compensation Policy: Mr. David Granot (independent director), Mr Zeev Vurembrand (external director), Ms. Idit Lusky (external director), Ms. Tzipi Livni (external director), Mr. Ran Fuhrer (ordinary director) and Mr. Tomer Raved (ordinary director). Mr. Gil Sharon, the Chairman of the Board, did not participate in the discussion and vote on the proposed resolutions on items 1.12, 1.13 and 1.14.



6. Names of directors with a personal interest in the proposed resolutions in sections 1.9, 1.12 and 1.13 on the agenda, and the nature of such interest

To the best of the Company's knowledge, the Company's directors do not have a personal interest in the proposed resolutions on the agenda, except for the following proposed resolutions:

6.1 Approval of grant of a letter of indemnification and letter of exemption to Mr. Patrice Taieb, as an employee director (proposed resolution in section 1.9 on the agenda)

To the best of the Company's knowledge, the Company's directors do not have a personal interest in the approval of the above resolution, with the exception of Mr. Patrice Taieb, since the proposed resolution relates to his terms of reference and employment.

6.2 Approval of an adjustment to the terms of reference and employment of the Chairman of the Board, Mr. Gil Sharon, as of 2022 and onwards – addition of an annual performance-based cash bonus: approval of grant of a discretionary annual bonus equal to three monthly salaries to the Chairman of the Board (proposed resolution in sections 1.2 and 1.3 on the agenda)

To the best of the Company's knowledge, the Company's directors do not have a personal interest in the approval of the above resolutions, with the exception of Mr. Gil Sharon, since the proposed resolutions relate to his terms of reference and employment.

6.3 Approval of amendment and extension of the Compensation Policy for Officers of the Company (proposed resolution in section 1.14 on the agenda)

To the best of the Company's knowledge, the Company's directors do not have a personal interest in the amendments and revisions to the Company's Compensation Policy. For the sake of caution, Gil Sharon did not participate in the discussion and vote on the resolution in connection with the amendments to the Compensation Policy, since the amendments, as mentioned, include, among other things, the addition of a possibility to grant the Chairman of the Board variable performance-based compensation component.

7. Convening of the General Meeting

7.1 Place and time of the Meeting

An Annual General Meeting of the Company's shareholders has been convened for April 28, 2022, at 11:00 a.m., at the Company's offices at 7 Hamanor St., Holon, having on its agenda the items set out in section 1 above.

7.2 Majority required for passing the resolutions on items 1.2 to 1.14 on the agenda of the Meeting

- a. The majority required for passing the resolutions set out in sections 1.2-1.12 on the agenda of the Meeting is a simple majority of all the votes cast by shareholders present and entitled to vote at the meeting, without taking abstentions into account.
- b. The majority required for passing the resolutions proposed in sections 1.13 and 1.14 on the agenda of the Meeting, in accordance with section 267A(b) of the Companies Law, is a simple



majority of all the votes cast by shareholders present and entitled to vote at the meeting, provided one of the following is satisfied:

- (1) 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 approval of the item on the agenda of the Meeting, as applicable. Abstentions will not be taken into account. A person having a personal interest will be subject to the provisions of section 276 of the Companies Law.
- (2) The total number of dissenting votes from among the shareholders referred to in paragraph (1) does not exceed two percent (2%) of all the voting rights in the Company.

7.3 Disclosure of personal interest

In accordance with sections 267A(b)(1) and 276 of the Companies Law and Regulation 7(a)(8) to the Written Vote Regulations, a shareholder participating in the vote on the proposed resolutions in sections 1.13 and 1.14 above, must mark on the voting slip, in the space allotted for this, whether he is a controlling shareholder, interested party in the Company, personally interested in the resolution, senior officer or institutional investor (as these terms are defined in the Written Vote Regulations). In addition, any other relationship between such voter and the Company, the controlling shareholder or a senior officer thereof must be specified, detailing the nature of the relationship. In case of voting under a power of attorney, such details must be provided both for the principal and for the agent. If a shareholder fails to give notice as stated regarding the above resolutions, he may not vote and his vote will not be counted in respect of those resolutions.

7.4 Quorum and adjourned meeting

If within half an hour from the time set for the Meeting, a quorum is not present (two shareholders who are present in person or by proxy or have sent the Company a voting slip indicating the manner of their voting, and hold or represent at least 25% of the voting rights in the Company), the Meeting will be adjourned to May 8, 2022, to the same time and place. If after half an hour from the time set for the adjourned meeting a quorum is not present, the meeting will be held with any number of participants.

7.5 Date of record, eligibility to attend the meeting and voting

7.5.1 The date of record for eligibility to attend and vote at the Meeting, under section 182(c) of the Companies Law and Regulation 3 of the Written Vote Regulations will be the end of the day of trading in securities of the Company on the Tel Aviv Stock Exchange Ltd. ("**TASE**") falling on March 28, 2022 ("**Date of Record**").

7.5.2 Under the Companies Regulations (Proof of Title to a Share for Voting at a General Meeting), 2000 ("**Proof of Title to Share Regulations**"), 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, ("**unregistered shareholder**"), and he is interested in voting at a shareholders' meeting, may prove



ownership of shares of the Company at the Date of Record, for the purpose of voting at the General Meeting, by providing the Company with a certificate from the TASE member with whom his title to the share is registered, no later than 24 hours before the time of convening of the meeting.

- 7.5.3 An unregistered shareholder may, if he so requested, receive the certificate of title from the TASE member through whom he holds his shares, at the branch of such TASE member or by post to his address, solely against postage fees. Such a request will be given in advance for a particular securities account.
- 7.5.4 In accordance with Regulation 4A of the Proof of Title to Share Regulations, a certified electronic message under section 44K5 of the Securities Law, 1968 ("**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.
- 7.5.5 A shareholder of the Company at the Date of Record may attend and vote at the Meeting in person, through a voting slip (as described in section 7.6 below), or by proxy, after depositing an instrument of appointment at the Company's offices at least forty eight (48) hours before the time of convening of the General Meeting ("**instrument of appointment**"). The instrument of appointment must be in writing under the hand of the appointor or his representative authorized in writing for that purpose, and where the appointor is a corporation – it must be executed under the seal of the corporation (if there is any), and in the absence of a seal – by the person authorized to do so together with the stamp of the corporation. In addition, an unregistered shareholder who is a shareholder of the Company on the Date of Record, may vote at the General Meeting also through the electronic voting system (as described in section 7.7 below).

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

- 7.6.1 Votes on all the items on the agenda of the 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.
- 7.6.2 Addresses of the distribution site of the Israel Securities Authority and the website of the Tel Aviv Stock Exchange Ltd. and the Company's website, containing the text of the voting slips and the position statements: distribution site of the Israel Securities Authority – www.magna.isa.gov.il; website of the Tel Aviv Stock Exchange Ltd. – maya.tase.co.il; Company's website – www.bezeq.co.il.
- 7.6.3 A TASE member must send by email, free of charge, a link to the text of the voting slip and the position statements 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 he does not wish to receive such a link, provided the notification has been given for a particular securities account, prior to the Date of Record.



- 7.6.4 A shareholder may apply directly to the Company and receive from it the text of the voting slip and position statements.
- 7.6.5 The deadline for the submission of shareholders' position statements to the Company is up to ten (10) days before the date of convening of the General Meeting, that is, up to August 18, 2022. The deadline for the submission of the Board of Directors' responses to position statements is up to five (5) days before the date of convening of the General Meeting, that is, up to April 24, 2022.
- 7.6.6 An unregistered shareholder who wishes to vote by a voting slip must enter his vote in the second part of the voting slip and deliver the slip to the Company or send it by registered post 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 of the General Meeting.
- 7.6.7 A shareholder registered in the Company's shareholders register, who wishes to vote by means of a voting slip, must enter his vote in the second part of the voting slip and deliver the slip to the Company or send it by registered post, attaching a photocopy of his ID card or passport or a photocopy of the certificate of incorporation, such that the voting slip reaches the Company's registered office no later than six (6) hours before the time of convening of the General Meeting.
- 7.6.8 Under section 66(b) of the Companies Law, one shareholder or more holding at least one percent (1%) of the voting rights in the General Meeting may request the Board of Directors to include an item on the agenda of the General Meeting, provided such item is suitable for consideration in the General Meeting. Under the Notice of General Meeting Regulations, a notice pursuant to section 66(b) of the Companies Law must be submitted to the Company up to seven (7) days after the General Meeting was called, i.e. by March 30, 2022. Where such a request has been submitted, there is a possibility that items will be added to the agenda of the Meeting, and their details will appear on the distribution site of the Israel Securities Authority.
- 7.7 Voting via the electronic voting system
- 7.7.1 As stated above, an unregistered shareholder may also vote on the items set out above via the electronic voting system. A vote by means of an electronic voting slip may be cast starting from the time of receipt from the electronic voting system of confirmation of receipt in good order of the list of those entitled to vote via the electronic voting system and up to six (6) hours before the time of convening of the General Meeting ("**System Closing Time**"), at which time the electronic voting system will be closed.
- 7.7.2 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 his 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.

7.7.3 An unregistered shareholder may send the Company a certificate of title through the electronic voting system up to the System Closing Date. As stated above, a certified electronic message under section 44K5 of 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.

7.7.4 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.

7.8 Company's representative

The Company's representative dealing with this report is Adv. Shelly Bainhoren, Group Secretary. Her address is 7 Hamanor St., Holon (telephone: 03-626-2200, fax: 15536262209).

7.9 Inspection 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, Sunday through Thursday, between 10:00 a.m. and 3:00 p.m., by prior appointment by telephone 03-626-2200.

Sincerely,

**Shelly Bainhoren, Adv.
Group Secretary**

Bezeq – The Israel Telecommunication Corp. Ltd.



**Appendix B – Terms of Compensation of the Chairman of the Board
in Accordance with the Sixth Schedule to the Reports Regulations**

Below are details pursuant to the Sixth Schedule to the Securities Regulations (Periodic and Immediate Reports), 1970, regarding the terms of compensation of Mr. Gil Sharon, Chairman of the Board, over a period of 12 months, assuming the approval of the resolution set out in section 2.12 of the report on the convening of the Meeting (in NIS thousand):

Details of compensation recipient				Compensation (in terms of cost to the Company)						
Name	Position	Scope of employment	Percentage of holding in the Company's equity ⁽¹⁾	Salary ⁽²⁾	Mgmt. fees	Bonus ⁽³⁾		Consulting fees	Other	Total
						Cash	Equity ⁽⁴⁾			
Gil Sharon	Chairman of the Board	100%	0.43%	2,700		1,531	2,319			6,550

- (1) Fully diluted, assuming exercise of all the options into Company shares, Mr. Gil Sharon is expected to hold 0.43% of the Company's issued share capital (without taking into account that the options are allotted by means of the "net exercise" mechanism, thus the actual dilution rate is expected to be lower than stated).
- (2) The annual cost of salary for Mr. Sharon in 2021 includes a company car/reimbursement of expenses in lieu of a car, contributions to the National Insurance Institute, social and other benefits; excluding provision for early notice period and for non-compete agreement.
- (3) Assuming that Mr. Sharon was paid an annual bonus at the maximum amount of 75% of the annual salary (calculated as a percentage of the base salary excluding fringe benefits).
- (4) The fair value of the stock options as of the date of their allotment, using the Monte Carlo model, in the vesting year (fair value of the total amount of allotted options divided by the number of vesting years)



Appendix C – Revised Compensation Policy of the Company