



Bezeq – 2020 Environmental, Social & Governance (ESG) Review



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A Word from the Chairman of the Board and Chief Executive Officer

We are pleased to present Bezeq's revised Environmental, Social & Governance (ESG) Report for 2020.

In early 2020, the COVID-19 pandemic became part of our lives affecting us in multiple ways. Daily routines changed, social distancing was widespread, and remote work and distance learning intensified the need for high-quality and reliable digital communications.

As Israel's largest and leading telecommunications company, Bezeq overcame the challenge, maintaining a high standard of service and professionalism during the crisis, at a time when the demand for its services rose substantially. We were able to provide advanced communication capabilities to various health entities and met the immense demand, while boosting and strengthening Israel's internet infrastructure.

Bezeq provides services to all segments of the country: from the north to the south, in the center and in the periphery, and to all population groups and sectors. We are aware of our impact on society and the environment, as such, we are taking steps to excel and improve our conduct vis-a-vis our customers, employees, suppliers and all other stakeholders.

Following this approach, we continuously seek to promote sustainability, making it part of the Company's business decision-making process. We believe that proper conduct should be accompanied by transparency that facilitates a comprehensive dialogue with the stakeholders. The Environmental, Social & Governance (ESG) Review presented to you is designed for this purpose.

The publication of the ESG Report and its biennial revision is also an opportunity for Bezeq to monitor and measure its business conduct. It enables the Company to map the goals achieved, set initiatives for further improvement, and establish targets for its continued social and environmental endeavors.



Bezeq Chairman,
Gil Sharon



Bezeq CEO,
Dudu Mizrahi





Chapter 1

About the Company and its sustainability approach

About the Company and its sustainability approach

Bezeq's Vision

The Bezeq Group will lead the communications market in Israel, and provide all the communications requirements of the residential and business markets while continuously seeking to improve its financial results.

Our Sustainability Approach

Bezeq's corporate responsibility approach is captured in three main spheres: the environment, society, and corporate governance.

Environmental responsibility - Bezeq is taking steps to mitigate the environmental impact and maintaining the principle of sustainable development with responsibility and transparency.

Social responsibility - the Company regards retention of its human capital - its employees - as extremely important, and therefore, continuously seeks their welfare and development in multiple ways. Bezeq also invests many resources in community involvement and outreach. The goal of maximizing profit is intertwined with moral and responsible conduct, while incorporating

social considerations into the Company's regular conduct. In this context, Bezeq makes monetary donations, as well as services and communications infrastructure donations, while encouraging employees to volunteer in a variety of community activities.

Corporate governance - high-quality and efficient governance is the basis for the Company's proper conduct. At Bezeq, we invest many resources to continuously improve our corporate governance practices. Bezeq is committed to ongoing improvement and excellence in these areas.

The UN's Sustainable Development Goals (SDGs)

Bezeq's approach to sustainability is also based, on a global approach to sustainability. As a result, Bezeq has chosen to promote a number of the UN's Sustainable Development Goals (SDGs). These goals involve global challenges in society, the environment, and the economy. They are designed to create a common global language to assess the impact generated by commercial activities, among them Bezeq's activities.



SDGs addressed in this review

SDG's symbol and name	Nature and Number of the SDG	Chapter in the Report
No Poverty 	1.4 By 2030, ensure that all men and women, in particular the poor and vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance.	Social Responsibility Chapter
Quality Education 	4.3 By 2030, ensure equal access for all women and men to affordable and quality technical, vocational, and tertiary education, including university. 4.4 By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs, and entrepreneurship.	Social Responsibility Chapter
Gender Equality 	5.5 Ensure full and effective participation and equal opportunities for women in leadership at all levels of decision-making in political, economic, and public life.	Employees and Work Environment Chapter Operational Excellence Chapter
Decent Work and Economic Growth 	8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work at equal value. 8.8 Protect labor rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment conditions.	Employees and Work Environment Chapter
Reduced Inequalities 	10.4 Adopt policies, especially fiscal, wage and social protection policies, and progressively achieve greater equality.	Employees and Work Environment Chapter Social Responsibility Chapter
Responsible Consumption and Production 	12.2 By 2030, achieve the sustainable management and efficient use of natural resources. 12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling, and reuse. 12.6 A Sustainable Reporting Culture – Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.	Social Responsibility Chapter

ESG Ratings

ESG ratings awarded to Bezeq by leading international firms such as ISS, Bloomberg, and MSCI rose. This improvement constitutes additional evidence of Bezeq's significant steps to improve its ESG performance. Bezeq will continue measuring its progress aimed at achieving further improvement in these areas in the future.

Material Topics

During 2020, in the course of work on this report, an internal process was conducted in order to examine and revise the material topics to report Bezeq's commercial activity, following a number of surveys, interviews, meetings, and an analysis of external information sources (such as ESG and corporate social responsibility (CSR) reports, etc.).

The material topics are organized using the following matrix, and displays the degree of importance of each of these topics for Bezeq and its stakeholders.

Bezeq's Material Topics Matrix

<ul style="list-style-type: none"> • Electromagnetic radiation 	<ul style="list-style-type: none"> • Network accessibility • Data privacy 	<ul style="list-style-type: none"> • Customer satisfaction • Quality and reliability of the network • Information cyber security
<ul style="list-style-type: none"> • Improving energy efficiency • Reduction of emissions 	<ul style="list-style-type: none"> • Anti-competitive behavior • Prevention of bribery 	<ul style="list-style-type: none"> • Ethics, trust and compliance • Employees' professionalism • Innovation
<ul style="list-style-type: none"> • Sustainable procurement • Recycling 	<ul style="list-style-type: none"> • Diversity • Effectiveness of corporate governance 	<ul style="list-style-type: none"> • Digitization • Safety and health

Importance to Bezeq →

↑ Importance to stakeholders

High

Very High

Especially High





Chapter 2

Corporate Governance and Organizational Ethics

Board of Directors

As of the end of 2020, the Company had eight directors, two of whom were external, one independent director (who was not external), and five directors who were not independent (including one director from among the employees):

On December 2, 2020, external director Amnon Dick ended his term at the Company.

As of the end of 2020, the proportion of women on the Board of Directors was 12.5%. In May 2021, an additional female director was appointed, and the percentage of women on the Board of Directors increased to 25%.

Name	Title
Gil Sharon	Chairman of the Board
Tomer Raved	Director
Darren Glatt	Director
David Granot	Independent director
Zeev Vurembrand	Chairman of the Financial Statements Review Committee (external director)
Mrs. Idit Lusky	Chairman of the Audit Committee (external director)
Ran Fuhrer	Director
Joseph Abergel	Director from among the Company's employees

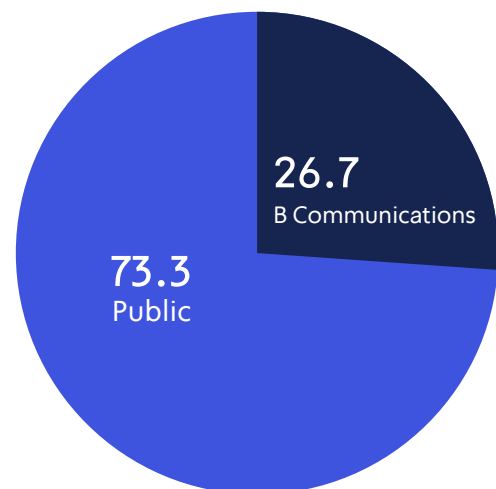
Type of committee	No. of meetings during the reporting year	Absences of Directors in the Reporting Year
Audit Committee	18	2
Financial Statement Review Committee	10	0
Compensation Committee	23	0
Security Committee	1	0

A total of 33 Board meetings took place during 2020.

Shareholders

All of the shareholders' meetings at the Company are conducted in accordance with the provisions of the Companies Law, the Securities Law, and the regulations thereunder.

Breakdown of Holdings (% of voting rights)



Corporate Responsibility Manager

Guy Hadass, VP Corporate Communications at Bezeq, is in charge of managing corporate responsibility in the Company. The highest ranking officer to approve ESG Reports is Dudu Mizrahi, the Company's CEO.

Promotion of ESG Topics at Bezeq IR Forum

During 2021, Bezeq began developing a revised investor relations (IR) strategy. In this context, an IR Forum was established, headed by the Company's CFO, Tobi Fischbein, with the participation of various executives and directors. The Forum convenes at least once per quarter. One of the goals of the IR strategy is to build and develop confidence in Bezeq's corporate governance, and adapt ESG at Bezeq to strengthen the IR area.

Risk Management

Risk management is an area that undergoes constant and ongoing revisions and renewals in the process to identify and assess the risks. The risk map changes, depending on many factors, among them is the nature of the services offered by the Company and external impacts (such as the COVID-19 pandemic). In 2020, the Company continued to assess and revise the procedure based on Bezeq's risk management policy.

Bezeq's risk management policy is a mechanism established to detect potential risks that may likely have an adverse effect on the Company's achievement goals. It determines methodological principles, serves as a tool in management decision-making, and defines areas of responsibility and the officers responsible for them. The policy is implemented through quarterly reports from each division, forums, and workshops for relevant persons in each division (about twice a year), a risk management forum that also meets twice during the year, reporting to the Audit Committee, and a risk management presentation to the Board of Directors.

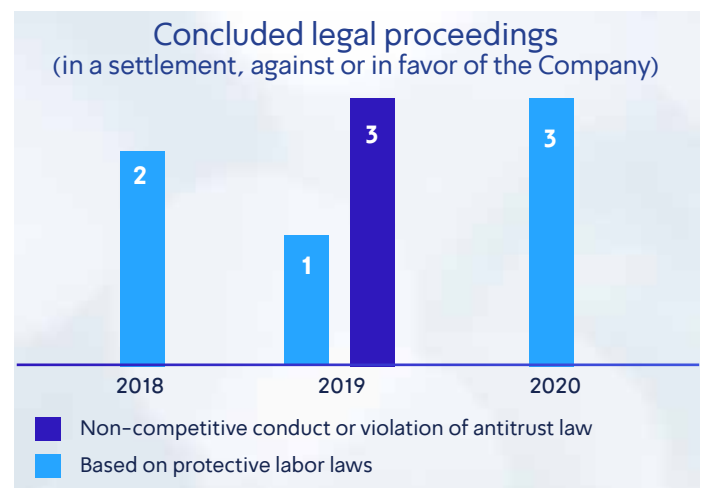
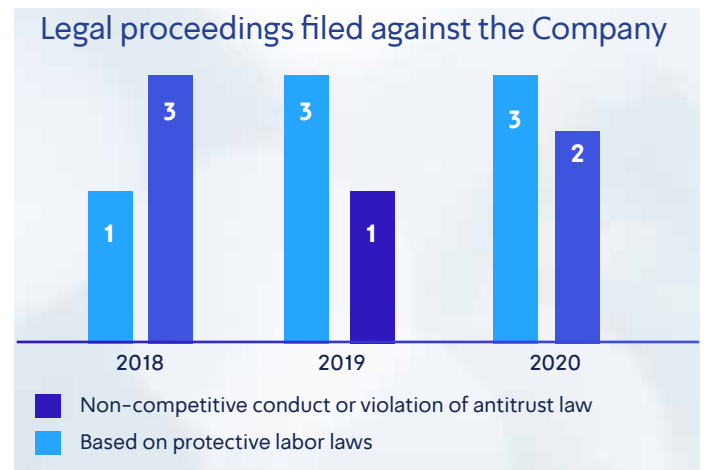
Regulations, Hearings, and Decisions

In December 2020, the Ministry of Communications announced a hearing on lowering telephony rates to promote competition among landline communications. Bezeq submitted its response and the hearing is still ongoing.

In March 2021, the Ministry of Communications announced a hearing regarding the interface between Bezeq and Internet service providers ahead of Bezeq's launch of fiber-optics. The hearing is still ongoing.

In June 2021, the Company was notified in a hearing of a decision made by the Minister of Communications to cancel the separation between broadband infrastructure service and Internet Service Provision (ISP) and outlined the regulation of key performance indicators (KPIs) and arrangements on agreed compensation with an ISP license holder requesting access with at least 10,000 active customers in the wholesale market.

The following chart displays the number of pending and/or concluded legal proceedings on various topics during 2018-2020:



Monetary Sanctions

1. Ministry of Communications:

Wholesale telephony: In December 2018, the Company received a notice from the Ministry of Communications regarding a monetary sanction amounting to NIS 11,163,290 for the violation of regulations governing the implementation of wholesale telephony services between August and September 2018 (a petition was filed and dismissed). The Company paid the sanction amount.

Marketing a reverse bundle: following a supervision procedure in which it was alleged that the Company had not fully complied with the license provisions concerning splitting the reverse bundle after one year (before the cancellation of this format), the Company received a monetary sanction in June 2020 amounting to NIS 2,013,760 related to the marketing of the reverse bundle despite the Company's claims in the matter. The Company paid the sanction amount.

2. Consumer Protection and Fair-Trade Authority:

Planned assessment: in February 2021, the Company received a notice from the Consumer Protection and Fair-Trade Authority stating that it planned to impose a monetary sanction amounting to NIS 6.75 million. The Authority alleged that the Company had not provided thousands of customers, who had purchased a TOP 100 surfing package, the speed. The Company submitted its response to this notice and requested its cancellation, since the assessment of the finding showed there was no concern that customers had been misled.

3. The Competition Authority:

Ruling by the Competition Authority director general: In September 2019, the Company received a ruling by the Competition Authority director general about wrongful use of the Company's status and a demand for payment of NIS 30 million from the Company and NIS 500,000 from the Company's former CEO. The Company paid the sanction, and an appeal was filed.

In September 2019, the Company received another notice from the Competition Authority stating that the Competition Authority director general was planning to impose additional monetary sanctions on the Company amounting to NIS 8,285,810 for failure to respond to the demand to provide information and data and provision of misleading data. In July 2020, the Competition Tribunal approved an agreement between the parties under which the Company would pay a sanction amounting to NIS 4.2 million. For further information, please see Bezeq's annual financial report for 2020.

As stated in the Company's most recent ESG report, an indictment was filed in the Jerusalem District Court on January 28, 2020 against former Company controlling shareholder Mr. Shaul Elovitch in the "Case 4000 Affair." In December 2020, the Company received notice from the Tel Aviv District Attorney's Office that it was considering prosecution of the Company. The notice contained a summons to a hearing on Case 4000 (offenses involving bribery and reporting designed to mislead a reasonable investor). In the written response that it submitted to the hearing, the Company stated that it should not be prosecuted. An oral hearing was also conducted in August 2021. No decision has been made yet in the hearing.

Prevention of Bribery and Corruption

In August 2018, Bezeq approved a policy of compliance in the prevention of bribery and corruption to help all Company's stakeholders identify situations in which compliance on giving bribes and prevention of corruption is required. The policy contains a breakdown of the permitted and forbidden actions in business accommodation, accepting gifts, and travel expenses. It clarifies the types of donations and loans that may be granted and received, it explains how to prevent a conflict of interest in the employment process and provides examples of red flags liable to constitute a breach of the standards and laws against bribery. Insofar as is known, there were no events of bribery and corruption in the reporting year.

Furthermore, Bezeq also has additional procedures to strengthen organizational processes to prevent bribery and corruption. These include a policy that prevents embezzlement and fraud, and a procedure related to positions sensitive to embezzlement and fraud - rotation, compulsory continuous vacation, etc. In addition, an Embezzlement and Fraud Forum convenes at least once a year.

There are additional procedures designed to regulate the Company's activity. These procedures involve all people that are authorized signatories, investor relations, handling accounts, collection from customers, etc.



Ethics

Bezeq's Code of Ethics - "Our Way in Business"

Bezeq's Code of Ethics constitutes the Company's north star - an explicit and concrete statement of the values in which Bezeq believes, and according to which it strives to act.

Ethics are managed by an Ethic Committee that convenes twice a year, formulates the work plan for assimilating organizational ethics, and reports its actions. A report is sent to the Audit Committee once a year.

The Company has had an ethics officer since February 2021 - VP human resources Moran Kita-Ashrovitch.

93% of Bezeq's employees underwent training on ethics in 2020.

In August 2021, Bezeq began the process of revising its Code of Ethics and plans to publish it in 2022.

Human rights

Bezeq takes proactive measures to promote and uphold human rights in a range of areas and activities where it operates. Full adherence to the rights to which a person is entitled, as a person and by law, is an important value for the Company. Bezeq complies with all of the legal provisions concerning upholding of human rights and takes proactive measures to promote these rights beyond compliance.

Bezeq believes in the need and duty to uphold human rights; to protect people's freedom, dignity, freedom of movement, property, security, bodily integrity; and to prevent discrimination of any kind. Bezeq believes in equality between people.

In 2020, the Company adopted a policy on protection of human rights. The policy was approved by management and reviewed by the Board of Directors.

The policy describes the process of implementing human rights values at Bezeq - the rights of the Company's employees and the activities undertaken by the Company for human rights.

The person responsible for handling queries on human rights is the Internal Auditor, who reports to the Board Directors' Audit Committee once a quarter on the handling and status of these reports.

Bezeq's Reporting Policy

Bezeq encourages its employees to report irregular cases, among them ethical violations, noncompliance with Company procedures, violations of human rights and employee rights, etc. In order to encourage the reporting culture at Bezeq, and preserve the rights of those making reports, a whistleblowers procedure exists for queries by employees filed with the Company's auditor. This procedure defines methods for contacting the Internal Auditor, whether this is done anonymously, so that the Company's employees can raise red flags about failures. The procedure contains provisions for protecting those making reports in accordance with the rules established for the matter, in accordance with the provisions of the Companies Law, 1999. The Company's Internal Auditor oversees the matter, and once a quarter, sends a mailing to all employees containing information about the procedure and methods of communications.

Anyone wishing to file a complaint can do so by reporting orally, submitting a complaint form to one of the Company's executives or the Internal Auditor, submitting a complaint in a physical box, sending an email directly or anonymously, etc.

If the employees making the report wish to remain anonymous, their identity will be kept confidential by all the parties involved. After the complaint is submitted, an investigation is conducted as soon as possible to assess the case and the appropriate way to handle it. The complaint remains open until handling is completed.

All queries are monitored. Several complaints and the status of their handling are presented once a quarter to the Board of Directors' Audit Committee.



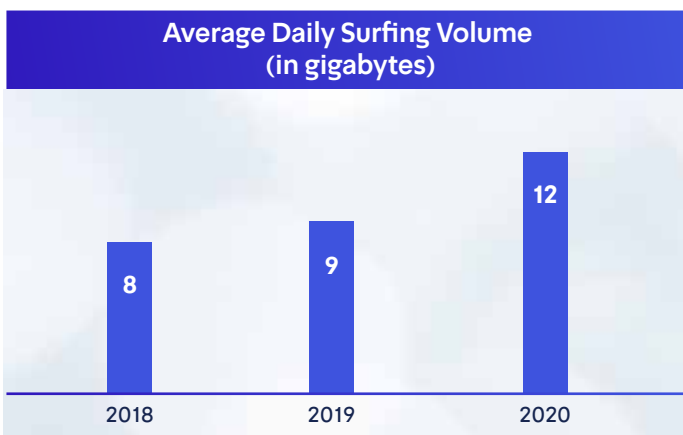


Chapter 3

Customer service

Customer Service

2020 featured many changes, such as prolonged stays at home, extensive use of digital services, etc. The Internet, which Bezeq's customers used for work, study, and leisure, accordingly, became increasingly important. These trends led to the need of increasing broadband usage, and reinforced the demand for additional Internet services. According to figures from Bezeq's Internet report, 71% of Israelis invested in upgrading their Internet infrastructure and equipment in 2020.



Services for Customers

Bezeq focuses on providing high-quality customer service and response to all its customers.

In view of the increase in use during the COVID-19 period, Bezeq prepared for a rise in the number of calls by hiring additional personnel, and facilitated the appropriate response to each customer.

Bezeq continued to provide its customers with a broad range of communications products and services in 2020.

Providing Optimal and Accessible Service to Everyone

Bezeq provides optimal service to all customers, and charges private customers a uniform rate. Different rates are charged for fiber optic installation service. The price, which depends on the cost of installation, is different for a private home and a residential building, because there is a significant difference between the two types of buildings in terms of the installation cost incurred by Bezeq.

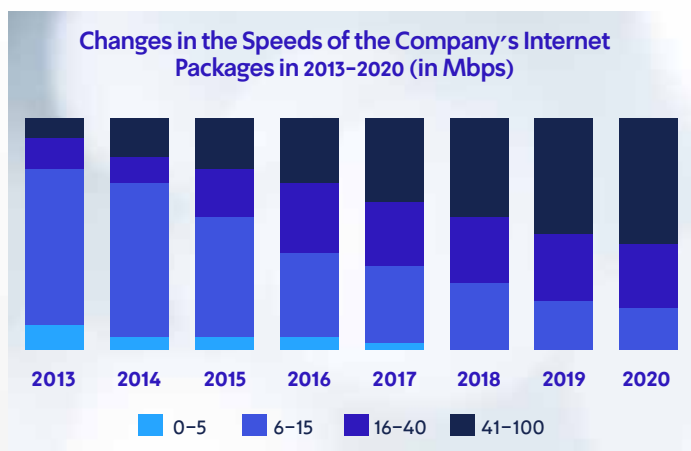
New Services for Residential Customers

In 2020, Bezeq launched several new services, which it marketed to its customers:

In telephony, Bezeq launched a variety of plans with many call minutes. This was designed to provide a solution to mandatory social distancing given the COVID-19 pandemic.

Internet services were also upgraded with the launch of Be Mesh, a product that gained momentum in 2020. Bezeq also launched additional surfing packages (packages offered at speeds of 100, 200, 600, and 1,000 megabytes). There were additional significant changes in 2021, such as nationwide deployment of fiber optics and a surfing speed of up to 2.5 gigabytes. A more detailed description will appear in the next annual report.

In cloud computing and digital services, an updated "smart home" service was launched – Be Home 2.0. Different rates were charged for installing fiber optics.



New services for Business Customers

As part of the services offered to the business sector, several adjustments were made in order to provide a solution to meet the changing needs following global trends.

Tools designed for working from home were added (safe virtual conference rooms, solutions providing remote access for employees, etc.).

Digitalization, Customer Service and Experience

A focus on 24/7 service and support with especially high SLA for critical applications, upgrading, and management of customer interfaces on digital portals; launching an e-commerce store for businesses; and expanding sales activity with a variety of communications products for businesses.

B144 - Promotion and improvement of a customer experience of Israel's leading search index for businesses and people; expansion, promotion, and automation of the online digital marketing and advertising platform for businesses; inclusion of big data; enhancement of the Facebook-Google premier partnership; and positioning of B144 as "experts in digital marketing and advertising for small businesses."

Expansion of the Retail Store Chain

Services were also added in retail and e-commerce, among them the opening of stores in Eilat and Umm al-Fahm and the launching of online sales services for the Company's business customers. Presently, Bezeq's e-commerce website is gaining momentum, and is expanding to a variety of additional categories (smart watches, gaming consoles, television, etc.).

Procedures

In customer service, there is an **internal enforcement procedure on consumer legislation**, for which the Marketing division is responsible.

Future Objectives

In the fourth quarter of 2020, Bezeq began large-scale deployment of its fiber optic network. In addition, a 2.5 gigabyte ultra-fiber package was subsequently launched. Deployment was carried out by crews working simultaneously all over Israel. As of August 2021, the Company's fiber optic network covered 718,000 households all over Israel, with the goal being deployment of approximately one million households by the end of 2021. Transferring customers to the fiber optic network is generating energy savings of 75% per customer. Fiber optics uses technology based on light rays, and therefore consumes very little energy in comparison with copper cables. Fiber optics can therefore transmit more information over especially long distances, and significantly increases energy conversion efficiency. When the transition to the fiber optic network is finalized, the resulting savings will be significant.



Bezeq CEO, Dudu Mizrahi:

"Bezeq's advanced fiber optics will sweep through the country from Metula to Eilat, in the center and in the periphery, across the lengths and depths of the land"



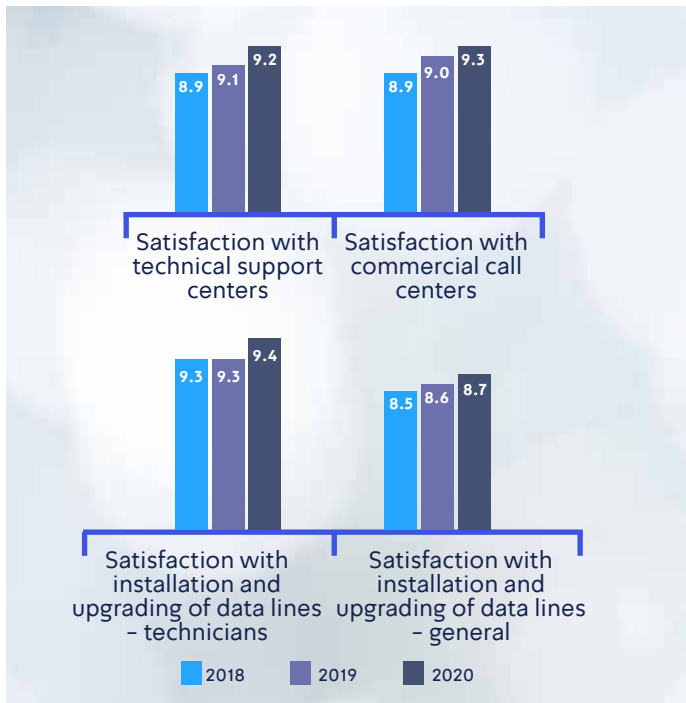
Commitment to customer satisfaction

As part of Bezeq's goal to provide excellent professional service, special emphasis was placed on customer service, and steps are being taken to maintain customer satisfaction and even increase it.

In 2020, Bezeq set the objective of providing a high professional level of service for its customers through various communications channels and call centers.

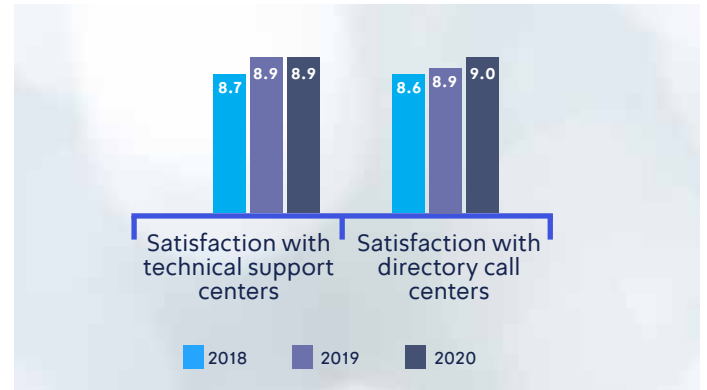
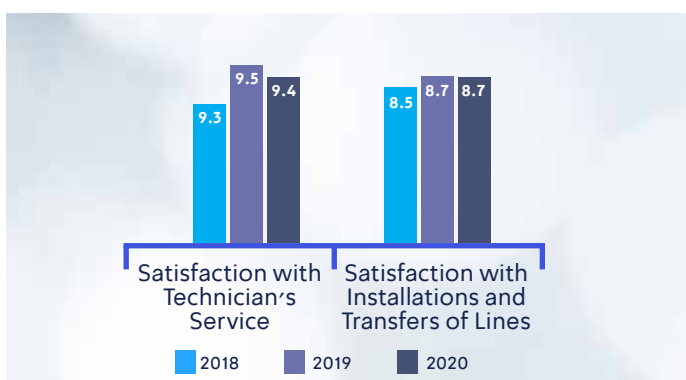
The Company also measured and assessed its service performance through regular surveys and a thorough analysis.

Business Customers Satisfaction Survey:



The surveys show a very high level of satisfaction among customers in the business sector, with the level continuing to improve. It is clear that the business and strategic customers are satisfied with the service at the commercial and technical call centers, and with the process of installing data lines.

Residential Customers Satisfaction Survey:



The level of customer satisfaction remained very high, similar to 2019.

Public Complaints

The number of queries opened at Bezeq's service call centers increased significantly in 2020. The increase in the number of queries followed a more extensive use of Internet services due to the COVID-19 pandemic. Despite this increase, there was a clear improvement in the proportion of queries closed during the year: 98% of the queries opened at the call center were closed. This is a very high proportion in comparison with previous years: 83% in 2018 and 80% in 2019.

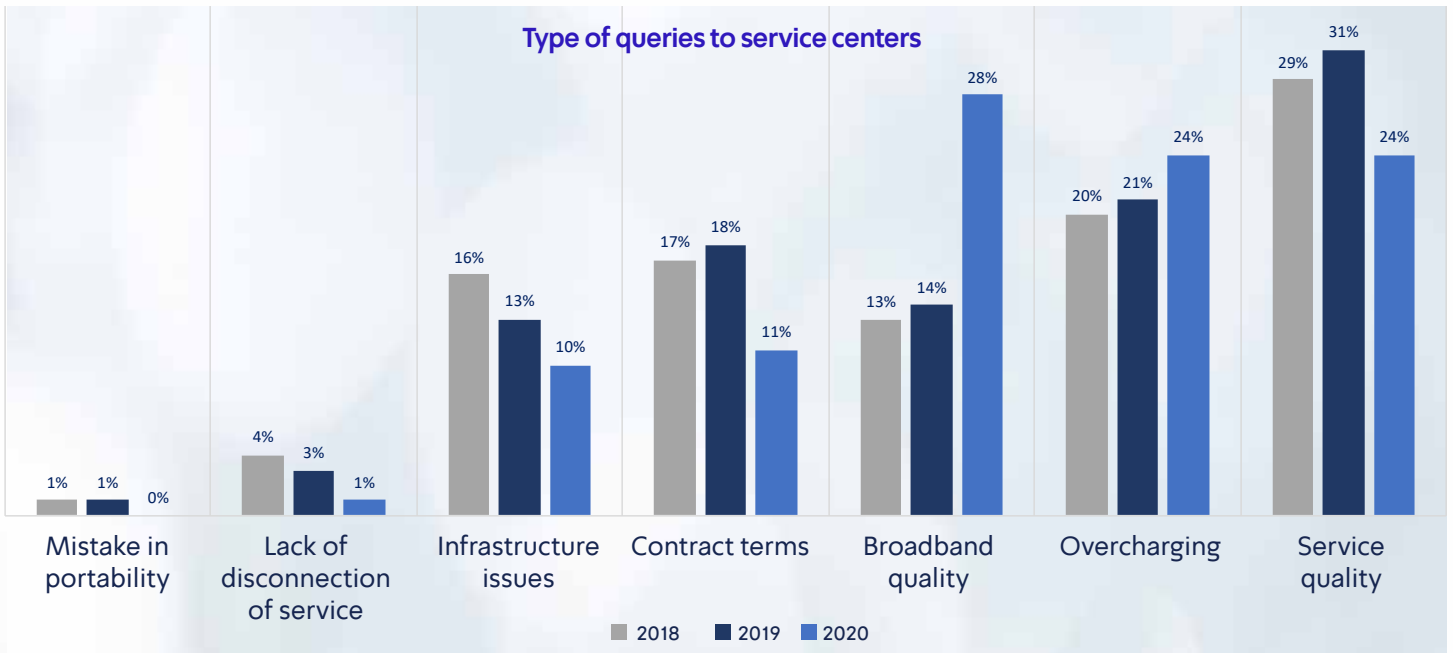
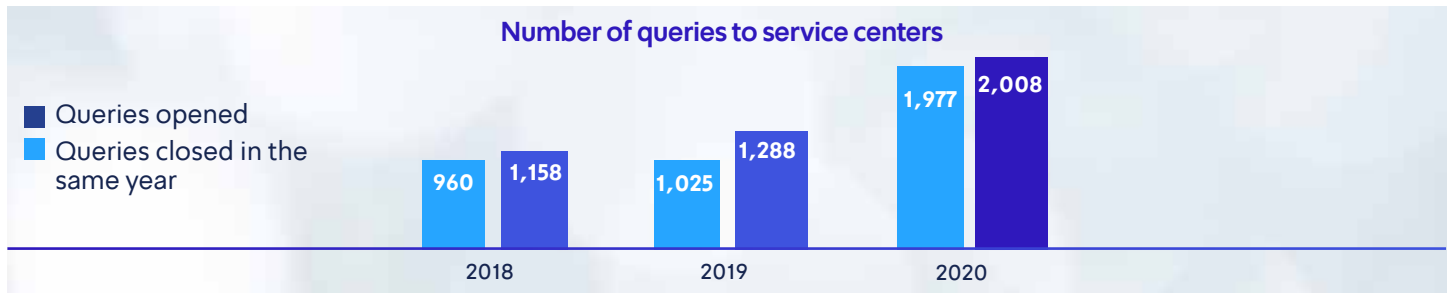
Most of the queries to call service centers concerned the service and broadband quality, overcharging, contract terms and conditions, and infrastructure issues. The large number of queries about surfing quality was probably due to the load on the home networks at peak and intensive times caused by remote work and learning.

The large number of queries on overcharging was most likely due to exceptional use of the telephony services by customers that had not adjusted their call plans to their current needs. This increase was mostly related to the fact that the majority of children in ultra-Orthodox families in Israel switched to learning on the telephone, rather than on a computer.

Bezeq detected the exceptional increase in this type of query, and made real-time adjustments in order to save time and money for its customers. The consumption packages were adjusted to what was actually consumed, and customers were offered expanded packages. These steps followed due to the change in customers' needs.

The extent of retroactive credits granted to customers (on a fully voluntary basis by Bezeq) amounted to approximately NIS 20 million.

Following the upgrading of Internet access infrastructure in the past two years, a consistent drop in the number of queries received on this matter was observed.



Future objectives

In 2021–2022, Bezeq’s objective is to maintain its high standard of service, and to continually improve the services that it offers to its customers. For example, one of the new goals for 2021 is to increase the number of customers using fiber optic technology, and thereby improve broadband quality for a large number of people.

Customer information security and privacy

In 2020, Bezeq again maintained a high and strict standard of information security, following its commitment and responsibility to its customers and relevance. Bezeq's Technology and Network Division is making strong efforts to prevent information security events, and to ensure that all of Bezeq's services and products meet leading standards in the global communications industry. Measures were taken in 2020 to ensure the internal organizational information security of Bezeq employees. Among other actions, steps were taken to apply and implement advanced defense solutions in cloud computing services for e-mail, surfing, and information storage. Most of the work in information security and fiber optics in 2020 involved securing access to the organization's systems for employees working remotely.

In addition, maintenance measures were implemented to comply with the PCI and ISO 27001 standards. These standards are validated by an external audit from the Standards Institution of Israel.

Also, to comply with the information security standard, Bezeq conducts technology security drills.

These drills simulate a cyberattack and bring the Company to a high level of preparedness for a real event. A response team has been assembled for this purpose. **Once a year, all Company employees undergo a tutorial on the subject of information security.**

Bezeq is constantly taking steps to detect and prevent security exposure that threatens its customers. The Company's information security system again provided protection against break-in efforts in 2020 and maintained customer privacy.

Procedures

Bezeq maintains various procedures and work instruction documents focused on information security in the Company. These documents set forth the Company's policy in terms of information security, including guarding of passwords, access to Bezeq's systems for outside parties, a policy on handling credit data and transfer of sensitive data outside the organization, etc. The Technology and Network Division oversees these procedures and their revision.





Chapter 4

Operational Excellence

Operational Excellence

Bezeq strives to excel in all areas, always providing its customers with optimal service while maintaining high safety standards.

2020 presented many new challenges requiring creative and innovative responses from Bezeq's Operations Division, while maintaining excellence.

Safety at Work

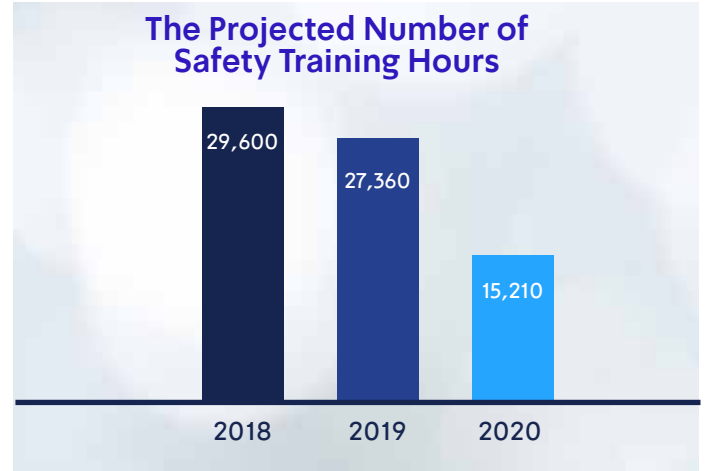
Bezeq regards safety as being of supreme importance. It acts to the best of its ability to preserve the safety of its employees, customers, suppliers, and the public in general. Measures to prevent safety hazards are taken regularly aiming at constantly reducing safety events to a minimum.

Safety Procedures

Bezeq follows rigorous safety procedures in many areas, such as **fire safety, operation of machinery, diesel fuel spills, work on the roads and roadsides, personal protection equipment, safety in high altitude work, etc.**

Safety Training

The information pertaining to safety procedures and other relevant information is shared with employees as part of safety training during the year. In 2020, 2,157 Bezeq employees underwent safety training. This figure is low compared with previous years due to the cancelation of in-person training and switch to remote training in accordance with the COVID-19 regulations. Certification training for high-altitude work was conducted as usual.

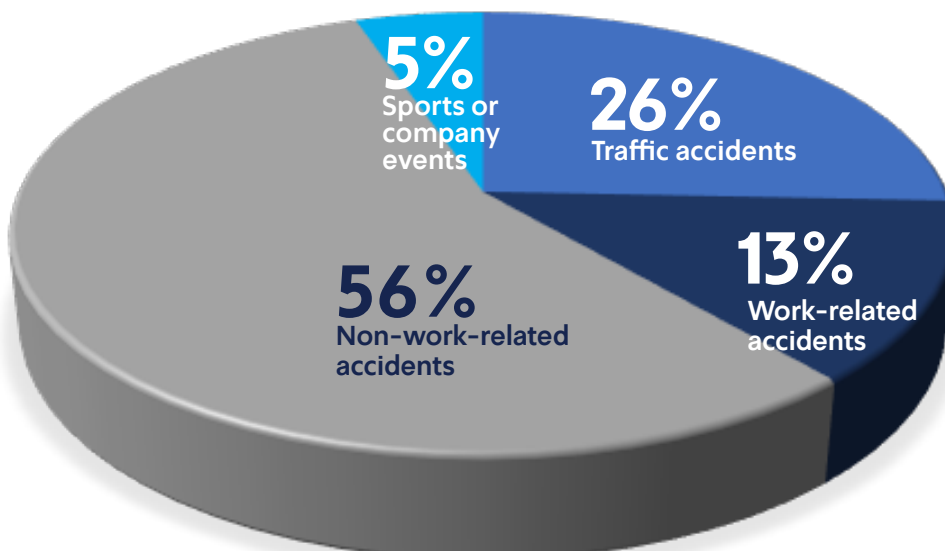


Safety Incidents

A total of 191 safety incidents were reported at the Company in 2020. The number of absence days due to safety incidents was 5,043 days (equal to an average absence of 26 hours per safety event). Safety incidents include traffic accidents, work-related and non-work-related accidents, accidents resulting from sports or company events, and occupational diseases.

The distribution of types of hazards in 2020 shows an increase in the number of non-work-related events, since such cases also include cases in which Bezeq employees contracted COVID-19.

Type of safety incidents at Bezeq in 2020



Safety during the COVID-19 pandemic

During 2020, the Safety Department operated a COVID-19 situation room, the main function was to gather information and communicate it to the various divisions, emphasizing the enforcement of COVID-19 regulations. The war room kept in touch with outside parties (the Ministry of Health, the Home Front Command, Israel Police, hospitals) on how to implement emergency regulations, including rules for activity in offices, service call centers, the customer's home, and work with the public.

The COVID-19 period featured frequent changes and evolving procedures, which the Safety Department communicated to all Company employees. The Safety Department also monitored enforcement of the regulations at Bezeq facilities, and supplied disinfectant and protective gear for the office and field employees as needed.

Future Objectives

- Creation of a dashboard for managers use to keep track of accidents and conduct safety inspections.
- Accident prevention, focusing on training and preventive actions related to high-altitude work.
- Digitization of safety trainings using videos that will shorten their duration and make them accessible to employees in an interactive and attractive way.
- Certification and implementation of the activities for teams dealing with electrical hazards.

Supply chain and procurement

As a responsible company, Bezeq carefully reviews and acts fairly in its agreements with external parties, such as suppliers.

Procurement

In 2020, the Bezeq Procurement Subdivision completed the implementation and expansion of an automation process aimed at streamlining the approval and fulfillment of agreements with the suppliers. In addition, and in consideration of ethical conduct reasons in the Procurement Subdivision, a decision was made to handle all relevant matters by the subdivision while rotating the managers of the subdivision's departments.

Suppliers

In 2020, Bezeq worked with 2,500 suppliers in various areas. To promote and incentivize the domestic economy, Bezeq gives preference to local suppliers when possible. Most of its suppliers are indeed local. Nevertheless, many of the suppliers' supply equipment and software products are produced outside Israel.

Supplier Preference

Bezeq prefers suppliers that share its values and act responsibly. An agreement with a supplier usually includes the signing of a conflict-of-interest statement and a statement about Bezeq's Code of Ethics. There is also a clause regarding the suppliers' commitment not to grant or accept any favors or other illegal advantages, nor act in any way likely to be considered a bribe or fraud. To verify that Bezeq's suppliers in security, cleaning, and catering are complying with the standards and granting their employees the required rights and conditions, the Company conducts a periodic audit using external auditing accountants. Among other things, these accountants review employees' salaries on behalf of the suppliers.

Adjustments during the COVID-19 Pandemic

Bezeq made an effort to meet its suppliers halfway during the worst times in 2020. It willingly helped them to maintain their production and supply processes as usual, including during the crisis.

Bezeq's support to its suppliers included advancing payments in millions of shekels to suppliers with cash flow problems caused by the situation, and other suitable methods of support them.



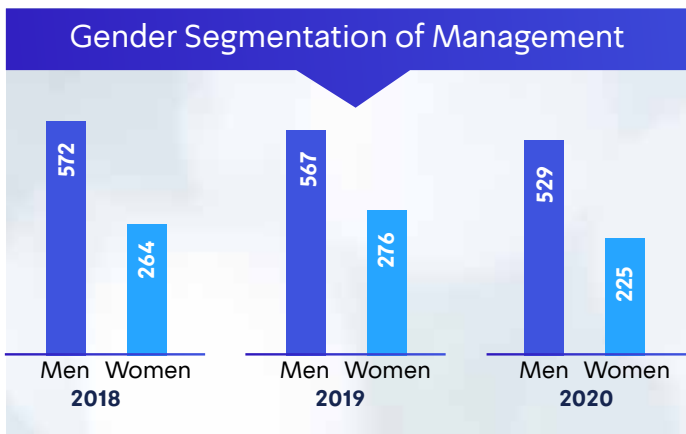
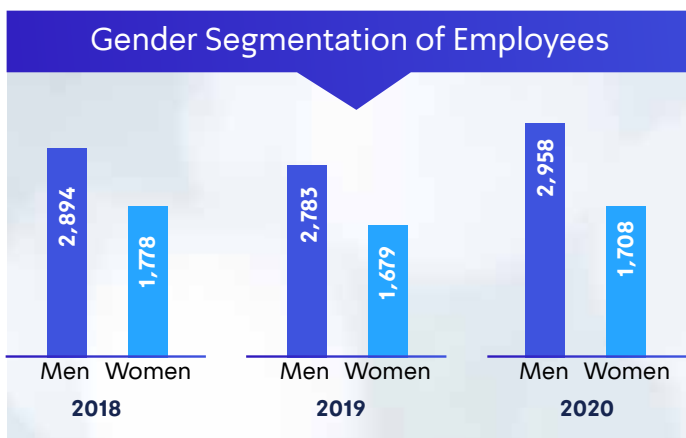
Chapter 5

Employees and work environment

Employees and work environment

Numbers and gender

Bezeq has 5,420 employees and managers, 36% of whom are women and 64% are men (as of the end of 2020). Bezeq seeks to integrate women in key positions within the company, and especially within the management level, thus it takes proactive measures to create further equality between women and men.

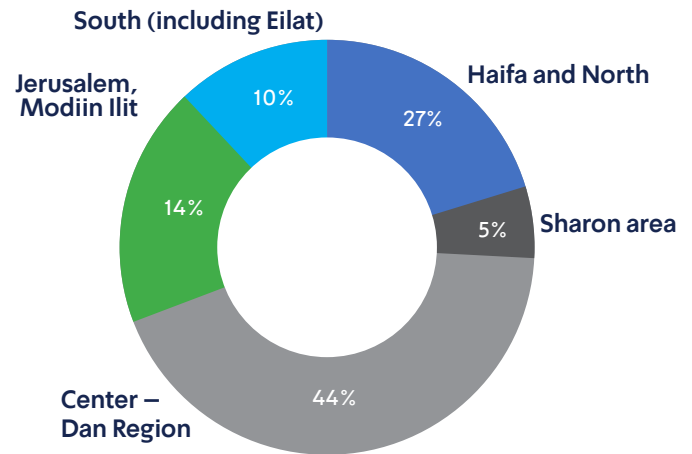


Bezeq on the Map

Bezeq employees are from all over Israel, and represent different and diverse population groups. A breakdown shows that residency of Bezeq employees remained similar to the previous reporting year.

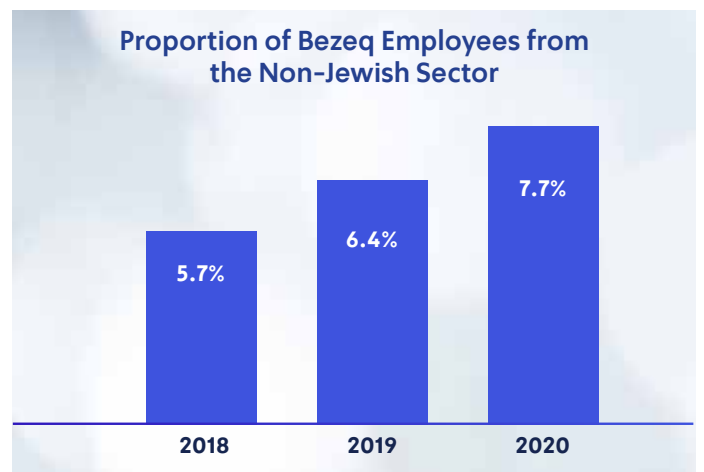
The Company believes that employment of diversity, multiple opinions and cultures contribute to its business. Approximately a third of the Company's employees live in peripheral areas.

Geographic Segmentation in 2020



Sectoral diversity

Bezeq is taking various proactive measures to promote employment diversity among its employees, and is taking steps in recruitment, retention, and promotion of the employees. These steps are designed to further the hiring of employees from less privileged population groups that have issues finding opportunities in the labor market. The proportion of employees at Bezeq from the non-Jewish sector (Druze, Muslims, and Christians) in 2020 was 7.7%. Beyond the regular hiring of employees from minority groups, the Company furthered a project aimed at hiring women service representatives from the town of Hura in the Negev (and later integrated the project in the service call center in Beer Sheva).



Bezeq also employs ultra-orthodox men and women in a variety of jobs. In Kiryat Sefer, a town with an ultra-orthodox character, a special project was conducted to employ women from the ultra-Orthodox sector as service and sales representatives.

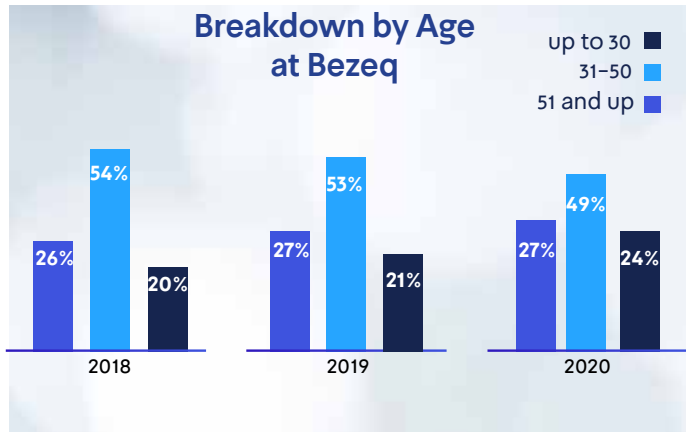
The proportion of employees with disabilities at Bezeq is 4.75%.

Bezeq also joined the Valuable 500 enterprise, which coordinates 500 leading companies around the world. The companies are undertaking to promote accessibility and hiring of employees with disabilities.

Inter-Generational Stimulation - Age Diversity

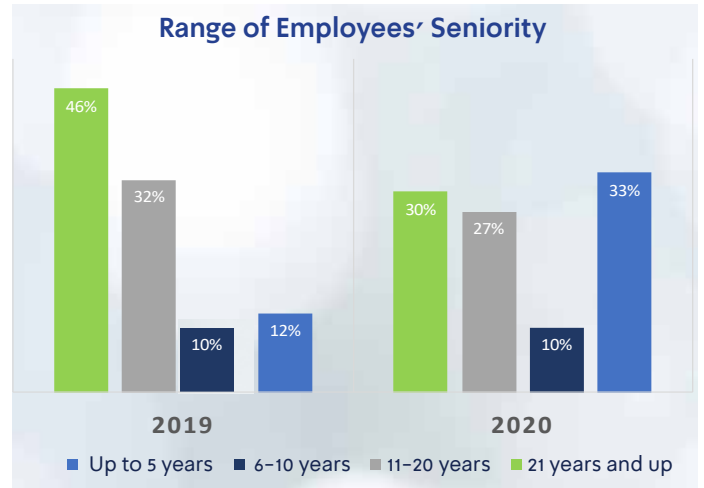
Bezeq has employees from a broad range of ages. It enjoys the benefits of an aging population, given the combination professional experience and innovation and adaptation of the product and services to the modern living environment.

The Company also has employees above retirement age, on the condition that they still possess the necessary work skills and meet the Company's needs.



Bezeq is the Best for the Home

Due to the increase in the number of queries received at the service call center, Bezeq conducted a large-scale hiring program, resulting in the hiring of 1,080 new employees in 2020, 20% more than in the previous year.



Bezeq - Full-Time Professionalism

As in the preceding year, 92% of Bezeq's employees in 2020 were employed under collective labor agreements. During the last three years, 89% of Bezeq employees were full-time and 11% were part-time employees.

The COVID-19 Period

Due to the constraints of the period, many outside and welfare activities for employees were suspended or canceled. Bezeq did its best, to encourage employees to maintain a healthy lifestyle even during the lockdown period, and to listen to their changing needs. Following the switch to working from home, the dividing line between work and leisure blurred, and the importance of finding a balance was emphasized.

COVID-19 posed difficult challenges and required development of new creative tools. For example, an organizational system to disseminate internal information on COVID-19 was established, through which employees were informed of changes in guidance issued from time to time.

Work from home became much more common: 70% of staff workers, and service and sales representatives switched to working partly or completely working from home during the lockdowns. When arriving at the Company's offices and facilities, the guidance was strictly observed, and proper protection equipment was supplied to the employees.

Bezeq is classified as an essential enterprise, and employees in relevant positions were identified and were expected to work even during the lockdowns. Some of the suppliers and contractors that Bezeq works with were also classified as essential and continued to work throughout the entire year. During 2020, 194 employees were put on unpaid leave. **Not a single employee was laid off because of cutbacks or personnel economies during the COVID-19 period. As of today, all employees put on unpaid leave have returned to work.**

As a result of the strict adherence to the guidance, combined with other measures taken, the proportion of COVID-19 patients among Company employees was low: 31 verified patients who were absent for a total of 521 days (an average of 16.8 days per patient).

Bezeq emphasized maintaining continuous contact with its employees, and steps were taken to make employees feel that they were still part of the Bezeq family.

An exciting initiative to foster mutual responsibility among the employees led to the founding of a special fund for voluntary donations of vacation days. Employees who worked continually during the entire COVID-19 period contributed vacation days to employees who had to use up their vacations days during this period. Special treatment was given to employees from single-parent families and parents of special needs children.

Sports, Health, and Employees' Wellbeing

Due to the constraints of the period, many outside and welfare activities were adjusted. Agreements were reached with suppliers to conduct activities (such as vacation orders, sports subscriptions, and cultural subscriptions) on later dates. Furthermore, a fitness rooms app was purchased with hundreds of virtual sports lessons of various types for the benefit of all Bezeq employees. In substitution of the annual event, children of employees entering first grade and those reaching bar mitzva age received a tablet as other events could not be held because of the COVID-19 restrictions. Furthermore, an arrangement with the Class.Me mobile platform was made to facilitate educational and social communications, reinforcing virtual in English and mathematics classes at nominal prices for children of employees in grades 4-12, and for released soldiers wanting to complete their matriculation exams.



Due to the growing demand for shopping vouchers during this period, the monthly amount increased from NIS 3,000 to NIS 4,000 and it was also allowed to use the welfare basket (which remained unused with halt of leisure activities) to purchase shopping vouchers. Another unused budget was converted to purchase a Shavuot holiday gift (a shopping voucher to purchase dairy products at supermarkets). Most of the vouchers' purchasing power were transferred to smart wallet technology with vouchers downloaded directly to cellular devices and purchases made online from a number of supermarket chains.

In order to maintain the connection with Bezeq pensioners, a **“Warm Connection” project** was launched to monitor their general situation, including an examination of their needs and referral to a social worker, if necessary. Furthermore, since pensioners clubs were closed, a Passover gift was distributed to all Company pensioners through a Bezeq technician.

Flexible Work Hours

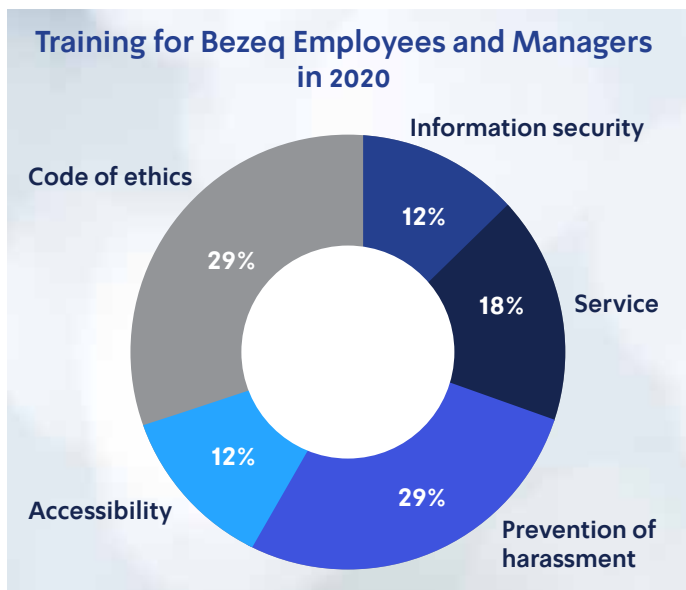
The COVID-19 increased the understanding and importance of life-work balance. Bezeq decided to institutionalize this matter. Depending on the positions and the Company's needs, Bezeq employees are allowed to work from home one day a week.

It's all about people

Excellence and training development

In order to maintain a high professional level for its employees, and to enrich and develop them, the Company is creating a fruitful and high-quality work environment, including a training program and training hours for all Company employees.

In 2020, despite the restrictions and social distancing, **Bezeq provided a total of 25,071 training hours**, the same as in 2019. Employees received an average of 3.6 training hours, and management level employees received an average of 2.5 hours. The training dealt with diverse subjects, including service awareness, information security, and sexual harassment prevention. As part of this training, Company procedures such as organizational ethics and prevention of corruption were communicated to Company employees and management.



Beyond the professional training depending on their level, Bezeq employees also participated in workshops for personal qualifications development, and learn in depth subjects such as project management, presentation skills, sales

skills, negotiations, etc. This training accounts for 25% of all the training received by the employees in the year.

*The figures do not include safety training - for further information, see the Excellence in Operations Chapter.

Employee Satisfaction

Bezeq believes that by receiving an evaluation and constructive feedback on performance and functioning it is possible to learn and improve. The Company has therefore adopted a management approach to promote receiving criticism from Company employees. Once a year, Bezeq conducts a "pulse taking" satisfaction survey amongst all of its employees. The survey results are used to set future objectives.

In 2020, most Company employees answered the survey questions. The average was 8.1 among all respondents, increasing the satisfaction level in comparison with 2019. The average rate on the survey questions indicated that employees were generally satisfied with various aspects of their work.

Questions focused on examining the employee's experience during the COVID-19 period were added. For example, the employees were asked about different aspects of their work that changed due to the restrictions, and aspects that were working well, and others that required improvement.

Forty-four percent of the employees reported that, in their opinion, the adjustment of the organization's infrastructure to remote work was performed well. It therefore appears that the employees appreciated the Company's preparations for remote work in both the technological and management aspects.

Furthermore, 54% of the employees noted the need to improve and strengthen cooperation and the work of the inter-unit interfaces. This is a significant challenge in a large organization such as Bezeq, and COVID-19 definitely added to the difficulty.



Employee evaluation

Because of its wish to promote and develop the personal capabilities and performance of Bezeq employees, the Company is strict about the conducting of regular evaluation processes

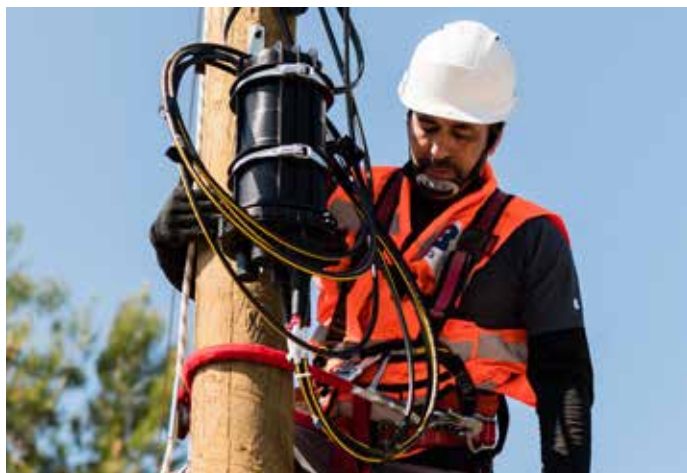
In 2020, 94% of the Company's employees and managers underwent feedback and evaluation processes.

I have a brilliant idea! "A Bright Bezeq Idea"

The "An Idea is Needed" campaign launched by Bezeq in 2020 invited Company employees to propose and share innovative ideas. The Company seeks to involve and empower employees and also promoting innovative and entrepreneurial thinking in the Company. Employees proposed 155 "Bright Bezeq Ideas": 10 of these ideas were assigned and rapidly implemented, 31 were sent to a "Bright Bezeq Ideas" committee, and 14 were presented to a committee headed by the Company CEO. These initiatives proposed by employees were very diverse. The company is making a great contribution to a feeling of inclusion and empowerment among the employees, and is also promoting innovative and entrepreneurial thinking within the Company.

Procedures

To help generate a pleasant and fair work environment for the large number of Bezeq employees, the Company has established instructions and procedures to create a common and equal language. The rules cover many areas of the Human Resources Division's work, including hiring processes, processing new employees, employee welfare, conduct at ordinary times and in an emergency, and a rule against sexual harassment.



Bezeq Workers' Committee

Approximately 92% of Bezeq workers are represented by the Bezeq Workers' Committee. The Bezeq Workers' Organization, the Histadrut (General Federation of Labor in Israel), and Bezeq management have signed a collective labor agreement. This agreement creates certainty for employees, and improves their salary and employment terms and conditions.

In 2015, an amendment to the agreement was signed, and remains valid until the end of 2021. This amendment improves employment terms and conditions for all Bezeq employees: both tenured employees and employees hired on a monthly or hourly basis. The agreement also improves retirement terms and conditions within the Company, and increases the bonus budget for the employees. It is worth noting, that agreement puts special emphasis on the Company's low-paid employees, in the realization that they should be advanced and guaranteed a fair wage and economic security.

Bezeq management and the leaders of the Company's Workers Organization signed a labor agreement and these employment terms and conditions as part of the ongoing investment and commitment to the Company's employees. This agreement will continue to guarantee that Bezeq employees' employment and retirement terms and conditions are among the best in the economy, and will enhance their job security. There were no strikes by employees at Bezeq in 2019-2020.

Future Objectives

Bezeq wants to continue and expand the services provided to employees and managers in the framework of the internal portal and in general.

The future training program will include various sales skills, increasing technology knowledge among the service and sales representatives, upgrading the technicians' skills, training on the new fiber optic equipment, etc. As part of the training for managers, there is expanded content about competition skills and improving performance, techniques for retaining employees and developing an experience of well-being, tools for training employees with an emphasis on sales management, etc.



Chapter 6

Environmental responsibility

Environmental responsibility

Bezeq recognizes its impact on the environment and is taking proactive measures to manage it and limit the impact by setting targets.

Bezeq took proactive actions in 2020 to limit its impact on the environment and to develop services that will also enable its customers to limit their negative impact and improve energy efficiency.

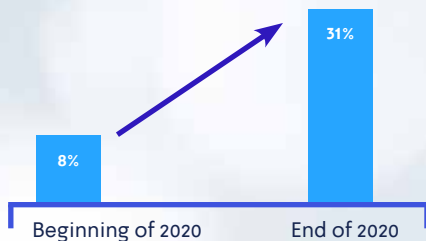
Vehicle Fleet and Fuel Consumption

In order to reduce GHG emissions and the use of fuel, Bezeq will gradually switch to using hybrid or electric vehicles within its vehicle fleet.

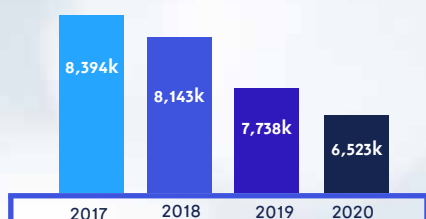
During 2020, the proportion of hybrid vehicles within Bezeq's vehicle fleet rose from 8% to 31%. In the coming years, the Company plans to continue increasing its proportion of hybrid and electric vehicles at the expense of vehicles consuming ordinary fuel.

Consumption of fuel by the Company's vehicles declined significantly in 2020, but the effect of the lockdowns, which significantly lowered the use of vehicles, should be considered.

Proportion of Hybrid Vehicles in the Company's Total Fleet (%)



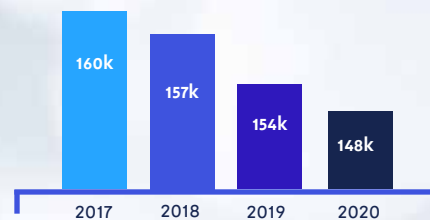
Fuel Consumption (Liter)



Power consumption

Bezeq continues to assess and specify its energy consumption in offices and server rooms, while assiduously looking for ways to make its energy use more efficient. As a result of these proactive measures, including moving to an energy-efficient building, and passive effects like COVID-19 restrictions in Israel, the electricity consumption is now on a downtrend.

Electricity Consumption (in kWh)



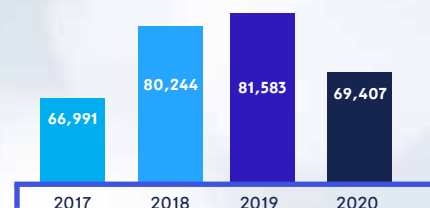
Total Energy Consumption (in GJ)



Water consumption

Monitoring of water consumption at Bezeq facilities continues, and a downtrend was observed in late 2020. The reduction in water consumption was related to the move into a building that complies with the green construction standard, the use of advanced technologies for limiting water consumption, and the limited use of offices during the lockdowns, among other factors.

Water Consumption in Cubic Meters



GHG Emissions

Bezeq is proud to join the leading companies and corporations, and to take responsibility for its carbon footprint, thereby furthering its vision of sustainable organizational conduct.

Bezeq's GHG emissions were calculated using the GHG Protocol methodology, and according to criteria based on the Ministry of Environmental Protection's voluntary mechanism for calculating GHG emissions.

In order to compare and monitor the change from year to year, the reported emissions for areas owned by the Company were normalized.

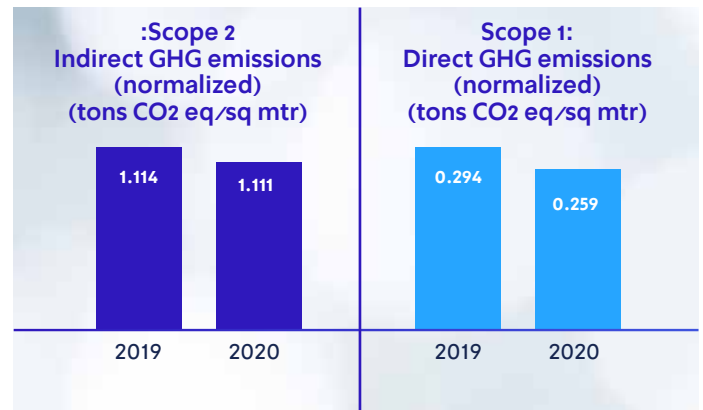
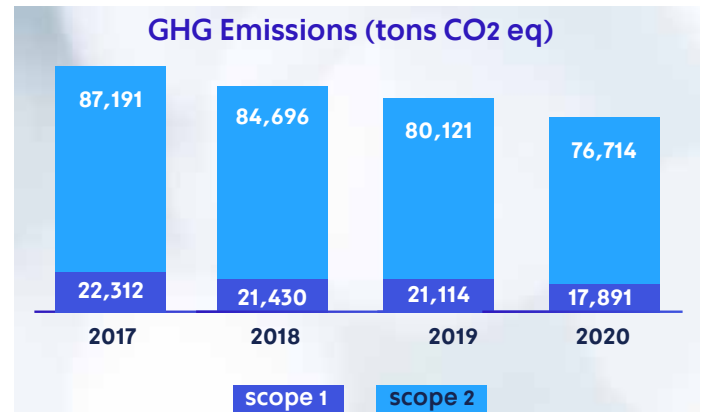
Reporting of GHG emissions for 2019-2020

There are two sources for GHG emissions in Bezeq's activity that meet the definition of Scope 1 (direct emissions): gases emitted from portable incinerators (vehicles) and gases released in the use of gas mixtures from air conditioning systems.

The reported emissions as part of Scope 2 are emissions caused by electricity consumption at the Company's facilities.

In 2020, the absolute quantity of Bezeq's emissions fell 6.5% in comparison with 2019, with most of the reduction coming from Scope 1, where the reduction was 11.76% in the normalized quantity, while the reduction in Scope 2 was 0.3%.

Source of Emissions		(Amount of CO ₂ eq emitted, in tons)	
		2019	2020
Scope 1	Portable incinerators	19,184	16,296
	Special gases	1,929	1,595
	Total Emissions - Scope 1	21,114	17,891
Scope 2	Power consumption	80,121	76,714
	Total Emissions - Scope 2	80,121	76,714
Total GHG emissions		101,234	94,605



Bezeq's GHG Emissions Are Trending Down

A number of measures were instituted aimed at reducing the quantity of GHG emitted as a result of the Company's activity. These measures included, concentrating Bezeq offices in a central green and economical building, while reducing office space; the purchase of hybrid vehicles; energy efficiency processes in the server rooms; energy efficiency testing; replacement of chillers; closing cold passages between servers cabinets; replacement of light bulbs to LED lighting; replacement and reduction of uninterruptible power supply systems with no change in power capacity, etc. The Company has an employee in charge of energy, who is responsible for reducing energy consumption and making it more efficient.

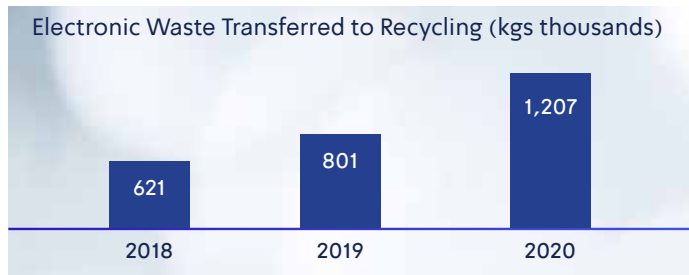
Management of the product lifecycle at Bezeq

The problem of waste in Israel is getting worse every day, and Bezeq is trying to manage the waste produced by its activity responsibly.

Electronic Waste Management

The main type of waste produced by the Company is naturally electronic waste, which is recycled through an agreement with Ecommunity, a recognized entity for handling electronic waste. The rising trend in the quantity of recycled waste continued in 2020.

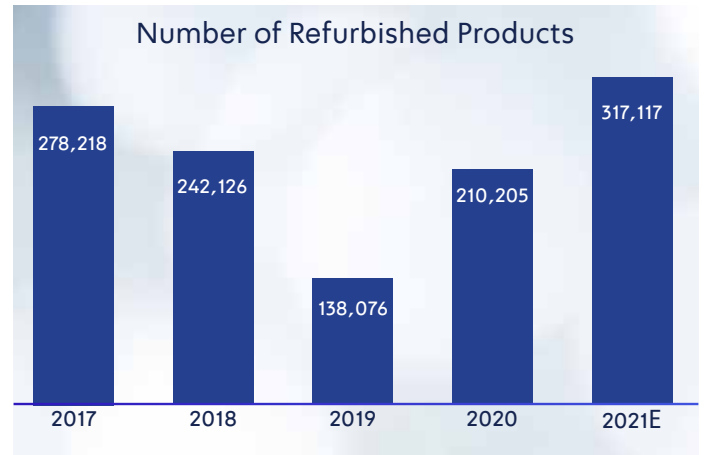
Bezeq also collects paper and cardboard for recycling through Amnir Recycling Industries Ltd.



Repeat Use

Bezeq operates Bezeq Tech, a unit whose purpose is to upcycle electronic devices, so that they can be reused. The project includes repair and reuse of products such as home and business routers, Bspot kits, types of receivers, smart stations, etc.

In 2020, 210,000 products were repaired in Bezeq-Tech laboratories and reused. This is approximately 70,000 more products than in 2019. Instead of becoming waste, these devices are being reused. In this way, Bezeq is contributing to a reduction in the volume of electronic waste.



Future objectives

Bezeq launched a pilot program to collect organic waste and waste from tin cans and beverage containers waste generated at the Company's facilities in order to send such waste for recycling in the future.



Radiation

The Company continues to operate in accordance with all of the rules and regulations governing radiation. Bezeq has three types of facilities emitting radiation according to the legal definition: as of the end of 2020, there were 558 equipment facilities exempted from testing, 1,670 equipment facilities requiring a "type approval" as legally defined, and 36 equipment facilities requiring a construction and operation permit.

Bezeq conducts radiation tests every year at 100% of the facilities requiring a construction and operation permit and at 10% of the facilities requiring "type approval" according to the law and the regulations. All of the tests performed were found to be adequate.

LEED GOLD Building

As part of Bezeq's efforts to limit its impact on the environment, it decided to put an emphasis on green construction. The move by Bezeq management to a new building was finally completed in October 2020. The building was rated according to the American LEED standards and won a LEED GOLD rating.

The LEED rating method is the most common one among environmental rating for buildings. It considers all of the elements of green constructions, and sets a high standard in operation of the construction site, water management, quality of air and materials, waste management, energy efficiency, etc.

Bezeq headquarters and other units have moved to a new building located in Holon. A number of actions were taken in the new offices that constitute a support system for the green construction standards. These measures are increasing energy efficiency and saving resources in the building.

In terms of lighting, the optimal utilization of sunlight and correct shading, economical lightbulbs, installation of sensors for switching lights off automatically in board rooms and waiting areas, etc. were emphasized. The building has an advanced air conditioning system that uses fresh air and ensures good air quality within the building. Use of CFC gas in the building's cooling and heating systems is banned, and there are directives governing the

Queries and Irregularities

In 2020, one query about radiation was received from tenants in a residential building. It was checked, and the situation was in order. A inquiry was also received by the Ministry of Environmental Protection about an aggregate irregularity on a site on which other communications providers operate, among other things. The inquiry was checked and immediately processed by Bezeq and all suppliers in coordination with the Ministry of Environmental Protection.



selection of environmentally friendly alternative gases that do not dilute the ozone layer (ODP=0). All the chillers in the building are at efficiency level A, or at least B. To achieve maximum saving of water, dual-flush toilet cisterns and electronic toilet bowls and faucets with aerators installed are used. Another water saving method, a leak monitoring system, was installed to monitor regular water consumption and issue an alert in the event of a leak.





Chapter 7

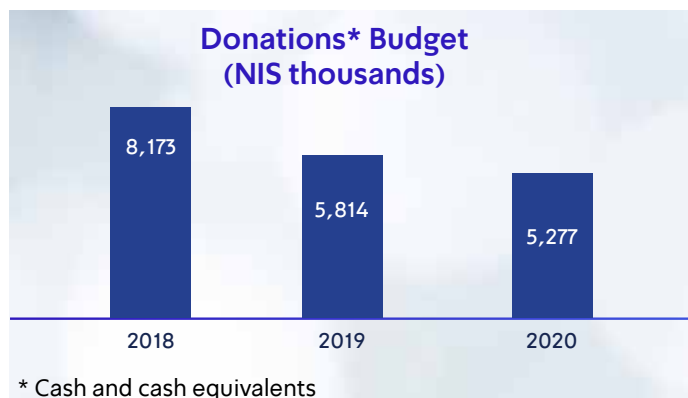
Social responsibility

Social responsibility

As the leading communications company in Israel, Bezeq serves all Israelis and considers itself an integral part of the country. The Company therefore regards extensive social involvement as very important, according to a detailed strategy and policy, and promotes ethical activity on behalf of the community among its employees.

Donations

Bezeq also continued to promote its social and community goals in 2020 by making donations to various voluntary associations. In addition, Bezeq makes donations by subsidizing communications and Internet infrastructure costs for voluntary associations. Bezeq continues to select the voluntary associations with which it is involved according to predefined criteria. Bezeq does not make political donations.



Bezeq's budget for donations in cash and cash equivalents totaled NIS 5.3 million in 2020. **Donations of cash equivalents**, which increased to NIS 2 million, were divided among 145 voluntary associations.

Part of the budget for cash equivalent donations was designated to support voluntary activities by Bezeq employees. The decrease in employees volunteering (due to COVID-19 restrictions) prevented use of the entire 2020 budget for donations.

As in previous years, Bezeq continues to donate computers and electronic equipment that were withdrawn from use at the Company.

Social Projects - Appleseeds Academy



For over 20 years, Bezeq has been a partner of the Appleseeds Academy to promote technological equality in order to close the digital gap through development and implementation of programs in technology, employment, and education. As part of this deep-seated partnership, Bezeq donated NIS

1,546,213 in cash and cash equivalents to the Appleseeds Academy in 2020.

Bezeq embraces the partnership with the Appleseeds Academy, which shares the set of values that Bezeq aims to promote. By combining forces, Bezeq and Appleseeds Academy are reaching many communities all over Israel.

Volunteering by Employees

As a result of the COVID-19 crisis, Bezeq was unable to meet the volunteering objectives that it set for itself in 2020. Nevertheless, Bezeq employees enlisted as volunteers in a number of voluntary associations, such as "Ezra from the Bottom of My Heart," "ELEM/Youth in Distress in Israel," "Or Association," and others, and assisted disadvantaged communities, among them Holocaust survivors, youth at risk, and bereaved families. The employees also engaged in these volunteering activities when they were working from home.

Bezeq's Social Activities during the COVID-19 Period

The COVID-19 period brought new needs to the fore in Israeli society, and Bezeq took part in the effort to meet these needs.

At the beginning of the COVID-19 crisis, a plan was launched to donate Internet access to children from needy families. Bezeq thereby enabled these children to access remote learning and narrowed the educational and social gaps. The program was active in Jerusalem, Ashdod, and Petah Tikva. The families were selected to participate in the program by the municipal welfare departments. The municipalities donated computers to these families, and Bezeq supplemented the donation with free Internet services for a year and a permanently subsidized price starting in the second year. There are plans to continue and expand the program in 2021.

Bezeq for Progress in Healthcare

Cooperation with Magen David Adom (MDA): MDA selected Bezeq as a partner in ordinary times and in emergencies. MDA's challenge grew during the COVID-19 period, when it had to provide a solution for over 60,000 daily calls and over 1,500 simultaneous calls at the peak of the crisis. Bezeq developed an entire telephone system for MDA and provided continuous help throughout the entire period.

Bezeq upgraded infrastructure in COVID-19 wards in six hospitals, more than 500 clinics, and dozens of homes of doctors and support representatives of health agencies all over Israel. All these actions facilitated a continuous connection between the patients and their families and the medical staff.



This review supplements the detailed information in Bezeq's full report for 2019. The review was written along the lines of the GRI (SRS) and SASB standards, with help from the Good Vision consultancy firm for corporate responsibility of the Fahn Kanne-Grant Thornton Israel Group. The Company chooses to publish ESG reports once every two years. Between the full reports, ESG reviews similar to this booklet will be published. In any case of a contradiction between the information cited in this review and the information included in the Company's periodic reports, the periodic reports take precedence.