



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

November 20, 2019

Attn.
Israel Securities Authority
Via Magna

Attn.
The Tel-Aviv Stock Exchange Ltd
Via Magna

Re: Immediate Report Concerning Convening of a Special General Meeting of
Shareholders of the Company

In accordance with the Securities Regulations (Periodic and Immediate Reports), 1970 (“Periodic and Immediate Reports Regulations”), the Companies Law, 1999 (“the Companies Law”) and the Companies Regulations (Announcement and Notice of a General Meeting and of a Type Meeting in a Public Company and Addition of an Item to the Agenda), 2000, notice is hereby given of the convening of a Special General Meeting of the Company's shareholders. The Special General Meeting will take place on **December 25, 2019 at 11:00 am** at the Company's offices at the Azrieli Center 2, Triangular Building, 27th Floor (“the Company's Offices”).

1. On the agenda of the General Meeting

On the agenda of the General Meeting are the following items:

1.1. Amendment of the Statement of Indemnity and Exemption for Directors

Subject to approval of an amendment to the Company's Articles of Association and an amendment of the Compensation Policy as stated in sections 1.3 and 1.4 below, to approve the amendment of section 2.2 of the Statement of Indemnity and Exemption for Directors granted to directors serving the Company at the date of the Board's resolution to convene this Meeting, November 17, 2019, and/or who will serve in the Company from time to time (including those who are considered as the Company's controlling shareholder and/or his relatives and/or officers of companies of the controlling shareholder), to be valid from June 30, 2019, such that its wording will be as follows (the amendment is marked with an underline):

“The amount of indemnification the Company undertakes to pay in accordance with this Statement of Indemnity and Exemption to each officer, cumulatively, is limited to 25% (twenty five percent) of the Company's shareholders' equity according to the last published financial statements of the Company prior to

grant of actual indemnification or the amount of USD 400 million, whichever is the higher ("Maximum Compensation Amount")."

For details about the reasons of the Company's Compensation Committee and Board for the amendment, see section 2.3 below.

1.2. **Amendment of the Statement of Indemnity and Exemption for the Company's CEO**

Subject to approval of an amendment to the Company's Articles of Association and an amendment to the Compensation Policy as stated in sections 1.3 and 1.4 below, to approve the amendment of section 2.2 of the Statement of Indemnity and Exemption for the Company's CEO at the date of the Board's resolution to convene this Meeting, November 17, 2019, to be valid from June 30, 2019, as detailed in section 1.1 above.

1.3. **Amendment to the Company's Articles of Association**

To approve an amendment to section 114.2 of the Company's Articles of Association, to be valid from June 30, 2019, whose wording will be as follows (the amendment is marked with an underline):

"The Company is entitled to indemnify an officer (in its meaning in the Companies Law) retroactively ("Indemnification") or to provide an undertaking in advance to indemnify ("Undertaking of Indemnification") to an officer as detailed below in this section. Concerning Undertaking of Indemnification - the Indemnification amount that the Company will be entitled to make available, for each of its officers, cumulatively, for one or more indemnification events detailed in paragraphs 1 - 6 below, shall not exceed 25% of the Company's shareholders' equity according to the Company's last financial statements published prior to the actual Indemnification or an amount of NIS 400 million, whichever is the higher."

1.4. **Amendment to the Compensation Policy for the Company's Officers**

Subject to approval of the amendment to the Company's Articles of Association as stated in section 1.3 above, to approve an amendment to section 8.2 of the present Compensation Policy for officers of the Company, to be valid from June 30, 2019, the wording of the section will be as follows (the amendment is marked with an underline):

"Bezeq will grant officers and directors of Bezeq Statements of Indemnity with an Undertaking of Indemnification for every liability or cost awarded against any

officer or director on account of his actions in his capacity as an officer (including actions in subsidiaries of Bezeq), all subject to the provisions of the law, including in accordance with the Companies Law, the Securities Law, 1968, and the Bezeq Articles of Association, as shall be from time to time. The Indemnification amount that Bezeq undertakes to pay cumulatively to each officer and director is limited to a ceiling of 25% of Bezeq's shareholders' equity as it was at the date of grant of Indemnification or an amount of NIS 400 million, whichever is the higher. The Undertaking of Indemnification shall not apply to an event for which the insurance company acknowledges its responsibility under the insurance policy and has paid the officer the amount required. The Statement of Indemnification will apply to a list of types of event customary in statements of indemnification of companies with similar characteristics to Bezeq."

Part A - Details in connection with items on the agenda

2. Description of the main points of the Compensation Policy and its amendment

- 2.1. On May 3, 2016 the General Meeting of the Company's shareholders approved the Company's Compensation Policy for the Company's officers for a period of 3 years. On April 4, 2017, May 21, 2018, July 26, 2018, September 17, 2018 and May 23, 2019 the Company's shareholders' General Meeting approved amendments to the existing Compensation Policy (jointly "the Compensation Policy").
- 2.2. In the light of the changes that have occurred in the Company's shareholders' equity in the period since the date of adoption of the Compensation Policy, which as of this date is negative, the Company's Compensation Committee and Board have decided to amend the existing Compensation Policy (and accordingly the Company's Articles of Association and Statement of Indemnification and Exemption), in order not to impair the ability of officers to carry out their jobs professionally and without concern that they would not obtain the customary protection of indemnification.

For further details about the reasons of the Company's Compensation Committee and Board for the amendment, see section 2.3 below.

- 2.3. **The considerations that guided the Compensation Committee and the Board in amending the Compensation Policy, the Company's Articles of Association and the Statement of Indemnification and Exemption**

- 2.3.1. As stated in the Company's periodic reports, in the light of a number of events that occurred recently (of an accounting nature), and including the impairment of value of a subsidiary, DBS Satellite Services Ltd ("yes"), and including the write-off of a deferred tax asset on account of carried forward losses at yes of NIS 1,166 million, and impairment of value of a subsidiary, Pelephone Communications Ltd, the Company's shareholders' equity dropped significantly in comparison with previous years and as of June 30, 2019 was negative.
- 2.3.2. In accordance with the Company's present Compensation Policy, the Company's Articles of Association and the wording of the Statement of Indemnification and Exemption, the Company has undertaken to pay each of the Company's officers, cumulatively, an indemnification amount that is "limited to 25% (twenty five percent) of the Company's shareholders' equity according to the Company's last financial statements published prior to grant of actual indemnification for the Company's officers". Namely, in this situation, as long as the Company's shareholders' equity is negative, the Company's officers are exposed to significant financial liability in carrying out their jobs, or that monies, including legal costs, which have been expended on account of their actions as officers of the Company, will not be entitled to indemnification by the Company.
- 2.3.3. In the light of the foregoing, in order to avoid such exposure, and in order to allow the Company's officers and directors to carry out their positions in the Company professionally and without concern, especially in the light of the nature of the Company's business, the complexity of its activities, and the risks to which officers are exposed, the Company's Compensation Committee and Board determined that the cumulative amount of indemnification for the Company's officers must be amended, so that even in a situation where the Company's shareholders' equity is negative, officers will retain the right to receive indemnification in a reasonable and fair amount for sums expended or charged to them on account of their work in the Company.
- 2.3.4. It should be noted that in the opinion of the Company's Compensation Committee and Board, exchanging the maximum indemnification amount of NIS 400 million represents a reasonable amount in respect of the scale of the Company's operations and is not materially different from 25% of the Company's shareholders' equity as it was in the

Company's financial statements prior to the material impairment of value carried out in the financial statements recently as detailed in section 3.2 above.

3. Controlling Shareholder of the Company

The Company's controlling shareholder is B Communications Ltd ("B Com"), which holds 26.34% of the Company's issued capital and voting rights.

For additional details, including about the controlling shareholders of B Com, see the Immediate Report on the holdings of interested parties and senior officers dated October 7, 2019, (this information is included by way of reference). It should be noted, as informed to the Company on June 24, 2019 that a binding agreement was signed for transfer of control to Searchlight and a company controlled by the Fuhrer family. For additional information concerning signing of the agreement, see the Immediate Report dated June 24, 2019. As of the reporting date, the acquisition transaction for control of Bezeq by the Searchlight Fund and David Fuhrer has not yet been completed, however, it is expected that it will be completed before the date of this Meeting. For additional information concerning the updated planned date for completion of the transaction, see the Immediate Report dated November 12, 2019.

4. Names of directors who have a personal interest in approval of the items on the agenda of the Meeting and the nature of this interest

All the directors of the Company have a personal interest in items 1.1, 1.3 and 1.4 on the agenda, dealing inter alia with an amendment of the Statement of Indemnification and Exemption for them.

5. Names of directors who participated at the meeting of the Company's Compensation Committee and Board of Directors in respect of the items on the agenda of the Meeting

- 5.1. At the meeting of the Compensation Committee held on September 10, 2019 that discussed the items on the agenda, all members of the Compensation Committee participated: Mr. Amnon Dick - Chairman of the Committee, Mr. Zeev Vurembrand, Mrs. Idit Lusky (external directors), Mr. David Granot (independent director), and Mr. Dov Kotler (independent director at the time of that meeting). At further meetings of the Compensation Committee at which the items on the agenda were discussed, on September 25, 2019 and November 3, 2019, all the above members of the Compensation Committee participated (except Dov Kotler, who had ceased to serve as a director of the Company).

- 5.2. At the Company's Board meeting on November 17, 2019, which discussed the items on the agenda, the following directors participated: Mr. Shlomo Rodav, Chairman of the Board, Mr. Doron Turgeman, Mr. Ami Barlev, Mr. Rami Nomkin (regular directors), Mr. David Granot (independent director), Mr. Amnon Dick, Mr. Zeev Vurembrand and Mrs. Idit Lusky (external directors).

Part B - Additional details about the Convening of the General Meeting

6. Additional details

6.1. Majority required for passing a resolution

- 6.1.1. The majority required to pass the resolutions detailed in sections 1.1 and 1.3 above is a regular majority of all the votes of shareholders participating and voting at the General Meeting, abstentions will not be taken into account in the number of votes.
- 6.1.2. The majority required to pass the resolution detailed in section 1.2 above, is a regular majority of all the votes of shareholders present at the Meeting who, on condition that one of the following is fulfilled:
- 6.1.2.1. The count of the majority votes at the General Meeting shall include a majority of all the votes of shareholders who are not controlling shareholders in the Company or personally interested parties concerning the update to the Statement of Indemnification and Exemption for the CEO, who are taking part in the vote; in the count of all votes of the shareholders, with abstentions not being taken into account. If someone has a personal interest the provisions of section 276 of the Companies Law shall apply, with binding modifications;
- 6.1.2.2. The total number of votes against among the shareholders stipulated in section 6.1.2.1 above shall not exceed two percent of all voting rights in the Company.
- 6.1.3. The majority required to pass the resolution detailed in section 1.4 above, is a regular majority of all the votes of shareholders present at the Meeting and voting in this vote, on condition that one of the following is fulfilled:
- 6.1.3.1. The count of votes at the General Meeting will include a majority of all the shareholder votes that are not controlling shareholders in the Company or who have a personal interest

in approval of the updated Compensation Policy, as applicable, that are participating in the vote; in the count of all votes of all said shareholders abstentions will not be taken into account; for those who have a personal interest, the provisions of section 276 of the Companies Law shall apply, with necessary modifications.

6.1.3.2. The total number of votes against among the shareholders stipulated in section 6.1.3.1 above shall not exceed two percent of all voting rights in the Company.

6.2. **Place of convening of General Meeting, date and quorum and date of holding deferred meeting**

The General Meeting will convene on Wednesday, December 25, 2019, at 11am, at the Company's offices. According the Company's Articles of Association, the Meeting can only start if there is a quorum present to open the debate. A quorum is the attendance of at least two shareholders who hold twenty five percent (25%) at least of the Company's voting rights (including attendance through a representative or by way of a voting slip), within half an hour of the time set for opening the Meeting.

If at the opening of the General Meeting there is not present, as applicable, a quorum after half an hour from the time set for opening the Meeting, as applicable, the date of the Meeting will be deferred, accordingly, by a week to the same day, the same time and the same place and/or a later date if noted otherwise on the notice of the deferred Meeting.

6.3. **The date of record, entitlement to participate in the Meeting and manner of voting**

The date of record for entitlement to participate in the vote at the General Meeting according to section 182(C) of the Companies Law and Regulation 3 of the Companies' Regulations (Vote in Writing and Position Notices), 2005, will be November 27, 2019 ("the Date of Record"). If there is no trading on the Date of Record, then the Date of Record will be the last trading day before that date.

In accordance with the Companies Ordinances (Proof of Ownership of Shares to Vote at a General Meeting), 2000 ("Proof of Ownership of Shares Ordinances"), a shareholder who has a share registered with a member of the stock exchange and such share is among the shares registered on the Company's register of shareholders ("Unregistered Shareholder") is entitled to prove its ownership of the Company's shares at the Date of Record for the purpose of voting at the

General Meeting, by presenting the Company with a confirmation from a member of the stock exchange with whom its entitlement to a share is registered, not later than 24 hours before the time of convening of the Meeting.

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

A shareholder in the Company at the Date of Record shall be entitled to attend at the General Meeting either personally or through a representative after the power of attorney will have been deposited at the Company's offices not less than 48 hours prior to the time of the General Meeting ("Power of Attorney"). The Power of Attorney shall be in writing and shall be signed by the appointer or its authorized representative for this purpose in writing, and if the appointer is a company, the Power of Attorney shall bear the company's seal (if there is one), and in the absence of a seal, by the party authorized to do so together with the stamp of that company.

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

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

The website addresses of the Securities Authority, the Tel-Aviv Stock Exchange Ltd and of the Company, on which can be found the wording of voting papers and positions notices: the distribution website address of the Securities Authority: www.magna.isa.gov.il, the website of the Tel-Aviv Stock Exchange Ltd: www.maya.tase.co.il and Company's website at: www.bezeq.co.il.

A member of the stock exchange shall be sent, free of charge by email, a link to the wording of the voting slip and position notices on the distribution website of the Securities Authority, to every Unregistered Shareholder whose shares are registered at this stock exchange member, unless the shareholder announces that it is not interested, on condition that such notice be given for a specific securities account and at a date prior to the Date of Record.

The latest date to submit position notices of the Company's shareholders is up to ten (10) days prior to the date of convening the General Meeting, namely by December 15, 2019. The latest date to submit responses of the Board of

Directors to the position notices shall be up to five (5) days prior to the date of convening of the General Meeting, namely by December 20, 2019.

An Unregistered Shareholder who wishes to vote using the voting slip shall mark on the second part of the voting slip its vote, and hand it to the Company or send it by registered mail together with confirmation of ownership, such that the voting slip will reach the Company's registered office not later than four (4) hours prior to the time of the General Meeting.

Latest time to submit a voting slip (including documents that need to be attached, including confirmation of the ownership, as detailed above and on the voting slip):

A Shareholder registered on the Company's register of shareholders who wishes to vote using the voting slip shall mark on the second part of the voting slip its vote, and hand it to the Company or send it by registered mail together with a copy of his/its identity card or passport or certificate of incorporation, such that the voting slip will reach the Company's registered office not later than four (4) hours prior to the time of convening of the General Meeting.

In accordance with section 66(B) of the Companies Law, one or more shareholders holding at least one (1) percent of the voting rights at the General Meeting is entitled to request the Board to include an item on the agenda of the General Meeting, on condition that the item is suited to be discussed at the General Meeting. In accordance Regulation 5A(a) of the Regulations of Announcement and Notice, a request under section 66(B) of the Companies Law shall be submitted to the Company up to seven (7) days after convening of the General Meeting. If such a request shall be submitted, there is the possibility that items will be added to the Meeting's agenda and details of them will appear on the website of the Securities Authority.

Voting using the electronic voting system

In addition to the foregoing, an unregistered shareholder is also entitled to vote in respect of the item detailed above using a voting slip that will be submitted to the Company using the electronic voting system (in its meaning in the Written Voting Regulations) ("the Electronic Voting System"). Voting using the electronic voting slip will be possible from the time of receipt of confirmation from the electronic voting system of safe receipt of the list of those entitled to vote using the Electronic Voting System and up until six (6) hours prior to the time of convening the General Meeting ("Time of Closing the System"), namely up until December 25, 2019 at 5:00am, when the Electronic Voting System will be closed. Voting using the Electronic Voting System can be changed or canceled up to the time

of closing the system. It should be noted that in accordance with section 83(D) of the Companies Law, in the event that a shareholder votes by more than one method, the last vote will be counted, which in this case a vote by the shareholder himself or by way of a proxy shall be deemed later than voting using the Electronic Voting System.

6.5. **Examination of the documents**

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

Yours sincerely,

Shelly Bainhoren, Adv.

Group Corporate Secretary

"Bezeq" The Israel Telecommunication Corp., Limited