

Bezeq connects Israel to a **better future**

Environmental, Social and Governance Report 2021



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Connecting Israel to a better future



I am proud to present Bezeq Group's Environmental, Social, and Governance (ESG) report for 2021. Bezeq Group provides advanced communication services to all residents in Israel – from the north to the south of the country, in central and outlying areas, and for all population groups and sectors. In many respects, Bezeq is the essence of Israeli-ness. It is with good reason that Bezeq is regarded as a national company, even though it is a private company with business goals operating in a competitive market. We consider it a right to be an integral part of the Israeli experience. At the same time, we also have a moral obligation to the Israeli public, which is reflected, among other things, in our concept of corporate social responsibility.

We are aware of our impact on society and the environment, and therefore strive to improve and excel in our interactions with customers, employees, suppliers, and all other stakeholders. Based on this concept, we elected to promote sustainability principles in the Group's activities. We believe that proper ESG management should be accompanied by transparency, allowing a comprehensive dialogue with our stakeholders, and this is one of the objectives of this report.

Thanks to the employees

Addressing the Covid-19 pandemic over the last two years has generated immense

change and made communication services more significant in all of our lives. Working and learning from home has become the new normal for millions of people in Israel and billions around the world. Virtual connections have become a lifeline, and the dependence on advanced communication tools has become critical in the most basic everyday functions.

In this period, Bezeq Group employees worked to provide the best communication infrastructure and services to allow for the regular function of the economy, education, and every aspect of our lives, to the greatest extent possible. Many of the Group's employees did so as essential emergency workers.

I would like to take this opportunity to thank each and every one of our employees for their dedication. Bezeq Group employees are a key element in fulfilling the Company's vision of connecting Israel to a better future and providing safe, secure, and reliable communication infrastructure and services to the citizens of Israel.

In 2021, we continued to invest in the deployment of the fiber optic network, and we made Bezeq's fiber optics accessible to more than 1.1 million households. We aim to reach 1.5 million households by the end of 2022, and more than 2.2 million households in 2026.

Continuing to lead

Among Bezeq's subsidiaries, Pelephone continued to lead the expansion of cellular

infrastructure, particularly in the 5G network. **yes** continued to accelerate the migration of television broadcasts from satellite to IP while continuing to lead in original Israeli productions. Over the past year, we continued to learn and implement the ESG concept in the Group. We also harnessed the subsidiaries to produce profound and meaningful work on different ESG issues. After intense internal work, Bezeq's board of directors set long-term sustainability goals:

- 1. Zero carbon emissions (net) by 2050**
- 2. Implementation of gender equality in management positions by 2030**
- 3. Increasing the percentage of women on the Company's board of directors to at least 40% by 2030**
- 4. Doubling the employment of underemployed populations by 2030**

These are ambitious goals, and the full support of the Group is required to achieve them. We undertook actions to achieve these goals. This is a long journey that requires perseverance, determination, and patience.

The Group will continue to utilize ESG principles to develop and implement communication technologies in a way that benefits us all and connects Israel to a better future.

Best regards,

Gil Sharon,

Chairperson of Bezeq's Board of Directors



To have a positive influence on the country

I am proud to present Bezeq's third Environmental, Social, and Governance (ESG) report. This is the first report in which we've expanded the reporting scope to include the Group's major subsidiaries. The report reflects our extensive work in ESG, which is constantly expanding in all areas of our activities. We believe that as Israel's largest communication group, we are in a unique position with the opportunity to positively influence the quality and standard of living in the country and the robustness and development of Israel. Bezeq actively advances all ESG elements with each of the Company's stakeholders. We operate professionally and thoroughly in our business and apply the same approach to our ESG responsibilities and its multiple components.

Combining vision and performance capability

The intensive fiber deployment all over Israel, alongside the intensive activity to establish a 5G network, heavy investment in original productions serving as a platform for Israeli creativity, and leadership in the transition to IP television fulfills Bezeq Group's commitment to digital equality. The cornerstone of Bezeq's ESG program is to allow private and business customers to benefit from the advantages of a high-quality and reliable broadband economy. Advanced communication infrastructure expands the basis of our participation in the new economy and the many opportunities that arise from it.

If communication infrastructure is the cornerstone, it also needs foundations for support: Over the past year, we advanced our ability to offer technological services to improve network quality at home and to reinforce mobile browsing outside the home. We applied advanced security products in the network and took steps

to provide the best service to our customers. We also see how privacy and cyber protection play a central role in the considerations of customers and stakeholders. Bezeq works incessantly to ensure that the information transmitted to us as a company, as well as the information transmitted over our networks, is protected by the strictest and most advanced security system.

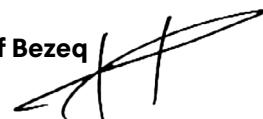
Due to the climate crisis and its severe consequences, we are committed to taking decisive action to reduce the carbon footprint of our activities. Moreover, we strive to lead the Israeli market in other critical issues, such as gender diversity and the employment of underemployed populations.

Constant improvement

The publication of our ESG report has great practical significance. It places a mirror before us, reflecting our activity in all ESG areas, and encourages us to constantly improve based on clear parameters. This report is a basis for continuous improvement, which will be reflected in our future reports. In this report, each of Bezeq's stakeholders can find significant strong points in Bezeq's ESG activities and issues that can be strengthened and improved. We act incessantly to continue to grow and excel.

Bezeq is not only the leading and central communications company in Israel, but also a beacon of professionalism, values, and home for all of its employees. Together, we will lead Israel to a better future in full partnership.

Best regards,
Ran Guron, CEO of Bezeq



Advanced communication services are the foundation of a strong society and economy



I am pleased and excited to introduce Bezeq Group's first ESG report that includes the subsidiaries, and to share with you for the first time the ESG achievements and challenges of the companies under my management.

Bezeq's subsidiaries are integral to the Group's vision to connect Israel to a better future. This includes two main circles of influence:

- 1. Wide outer circle of influence:** Leading the communication and content market that enables fast, stable, and reliable connectivity to digital content and communication. The importance of our services gained momentum at the beginning of the Covid-19 pandemic and even more so now, following the changes in employment conditions, the rise in hybrid work, the increase in video conference services, and more.
- 2. Close circle of influence:** The subsidiaries maintain and develop an advanced, beneficial, diverse, and equal work environment to support different social needs.

Leading the communication market

Over the past year, Pelephone solidified deployment of the 5G network in Israel and was the top cellular company in the service index, while yes continued to lead the market of original productions in Israel, accelerated

the migration from satellite to IP broadcasting, and became the largest internet broadcasting player in Israel. Bezeq International focused on developing server farms and cloud solutions, which serve as an important growth engine.

Alongside technological leadership, the subsidiaries also continued to lead with an ESG focus. In 2021 and 2022, we continued local collaborations with NPOs and community organizations, established new social partnerships, supported Ukraine refugees arriving in Israel, and participated in the combined efforts to locate and assist the Jewish community, most of which remained in battle zones.

At the same time, we led a series of significant measures in building the infrastructure that allows us to focus on managing our social and environmental impact. The implemented changes help us meet the highest standards of preparation for the new ESG world in employee management, partnership in achieving national and global climate goals, and more.

We are preparing for 2023 and anticipate continued growth and reinforcement of our business activities, alongside progress in and focus on ESG priorities. We are committed to transparency, which is the cornerstone of our ESG mission, and we will continue to share our progress in our next reports.

Best regards,

Ilán Sigal

CEO of Pelephone, yes, and Bezeq International



An important station on the journey to excellence

This is Bezeq's third ESG report. This report is an intermediate station in the journey to the development of our environmental, social, and governance (ESG) program, which we began a few years ago, and the first station for our subsidiaries, which are participating in the report for the first time. For us, 2021 and 2022 were years of ESG actions and achievements, including defining our ambitions and the tasks facing us in the future. This year, for the first time, we applied for the Maala ESG rating, and we have started to review the steps required for entry into other ESG frameworks, which we hope to report on later. We prepared and published the first ESG policy documents in various areas and established working groups headed by key VPs in the organization to prepare the work plans for achieving the ESG goals outlined by the board of directors. All of this occurred alongside ongoing efforts to improve the work experience at Bezeq, streamline resource consumption, reduce waste, revise the company's Code of Ethics, and countless other actions.

Contributing to the reinforcement of the social fabric

Over the past year, our strategic collaboration with Appleseeds Academy has allowed the Company to continue to narrow the digital divide and reach 50 thousand Israelis in hundreds of centers throughout the country. We donated advanced communication services to hundreds of organizations and associations. Further donations and volunteer work by our employees provided support and assistance to many other organizations that strive to strengthen Israel's social fabric and help disadvantaged populations. Our involvement does not depend on any report or legal obligation – it arises primarily from the nature of Bezeq, the spirit of its employees throughout the generations, who have a genuine sense of commitment to the public they serve and the environment to which they belong.

The ESG director is responsible for ensuring fair, proper, honest, and transparent use of different ESG tools to mark the middle ground for the organization, which preserves ESG values while integrating them into its

business and economic goals. For me, this report is a means, not an end. It is integrated into learning gap analysis and constant improvement, directly connected to our work plans.

I am deeply grateful to everyone who worked on this report, which required a great deal of special effort. Bezeq's ESG activity requires cooperation and dialogue across divisions and sectors, and reliable and transparent reflection of the collaboration is not at all simple. We commissioned the Good Vision of Grant Thornton Israel consultants to oversee the preparation of this report. Together, we were able to transform the pile of raw information into a coherent report of real value.

Thank you

Many thanks to the members of the steering committee, which includes representatives from all Bezeq divisions. Each made their unique contribution to this report:

Irit Nagar, Sigal Cohen, Moran Kita – Human Resources; Kobi Cohen, Rachel Salsi, Avi Levy and Erez Kelez – Security and Special Functions Division; Shlomit Tzur, Liat Rosner – Marketing; Moran Goleman – Private Customers Division; Martin Vaknin – Business Customers Division; Yoel Nagari – Legal Office; Haim Miller, Nachum Schwartzman, Lena Entin, Tomer Kfir, Yossi Menashe, Ziona Moalem – Engineering and Network; Shmuel Saidon – Economics; Lior Deree – Private Division; Lior Segal – Internal Auditor; Avi Ohana – Business Division; Naftali Sternlicht, Reut Uliel – Finance; Evyatar Amshalom, Shelly Bainhoren – Corporate Secretaries; and many others.

Best regards,

Guy Hadass,

VP of Communications and ESG Director

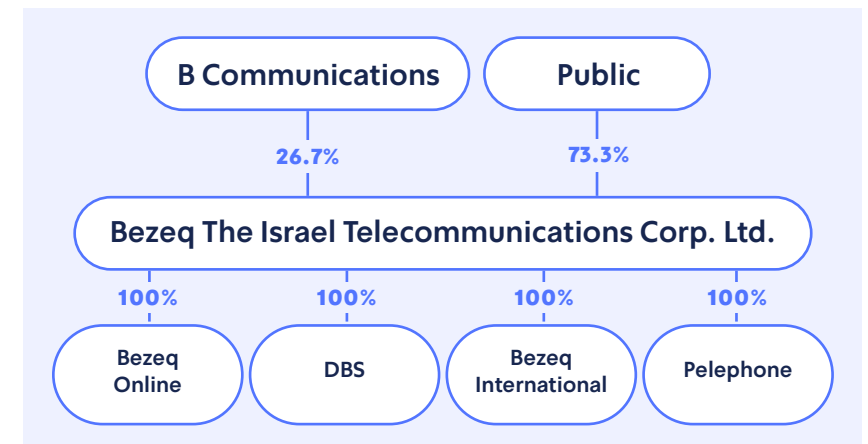


About Bezeq Group



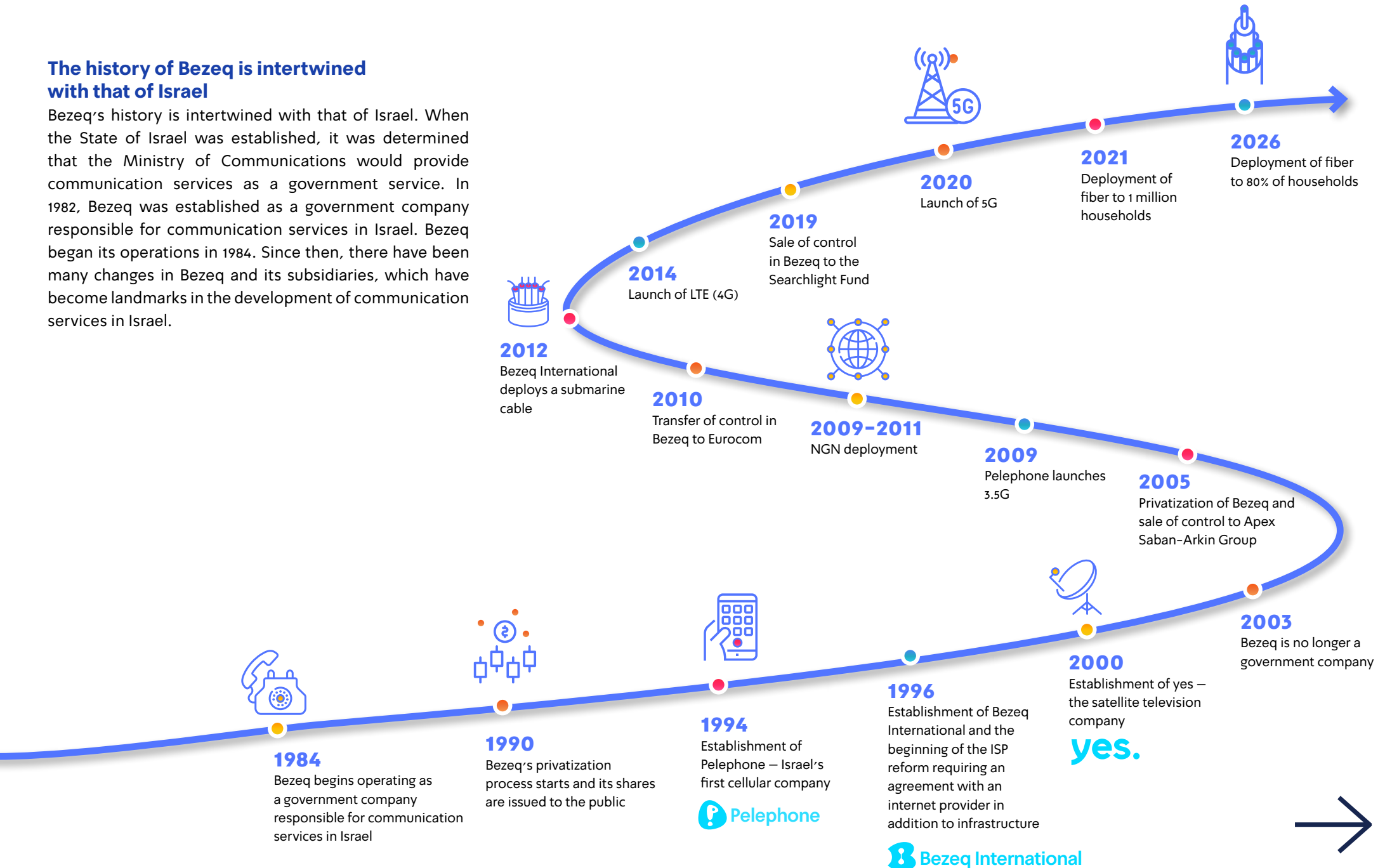
Organizational structure and geographic distribution of the Group

Bezeq is a public company listed on the Tel Aviv Stock Exchange. The head office of the parent company is in Holon, with employment centers in Jerusalem, Haifa, Beersheba, Kiryat Shmona, and other towns. Bezeq has nationwide service, sales, expert, and technical support centers. The head offices of Pelephone and Bezeq International are in Petah Tikva, the head office of yes is in Kfar Saba, and the subsidiaries have service and sales centers all over the country, from Eilat in the south to Kiryat Shmona in the north. All subsidiaries are wholly owned by Bezeq. Together, the Group employs 9,500 people all over Israel.



The history of Bezeq is intertwined with that of Israel

Bezeq's history is intertwined with that of Israel. When the State of Israel was established, it was determined that the Ministry of Communications would provide communication services as a government service. In 1982, Bezeq was established as a government company responsible for communication services in Israel. Bezeq began its operations in 1984. Since then, there have been many changes in Bezeq and its subsidiaries, which have become landmarks in the development of communication services in Israel.



Economic effects

The economic effects of Bezeq and its subsidiaries are measurable in direct financial terms. Bezeq also has a significant indirect effect on economic growth in the market:

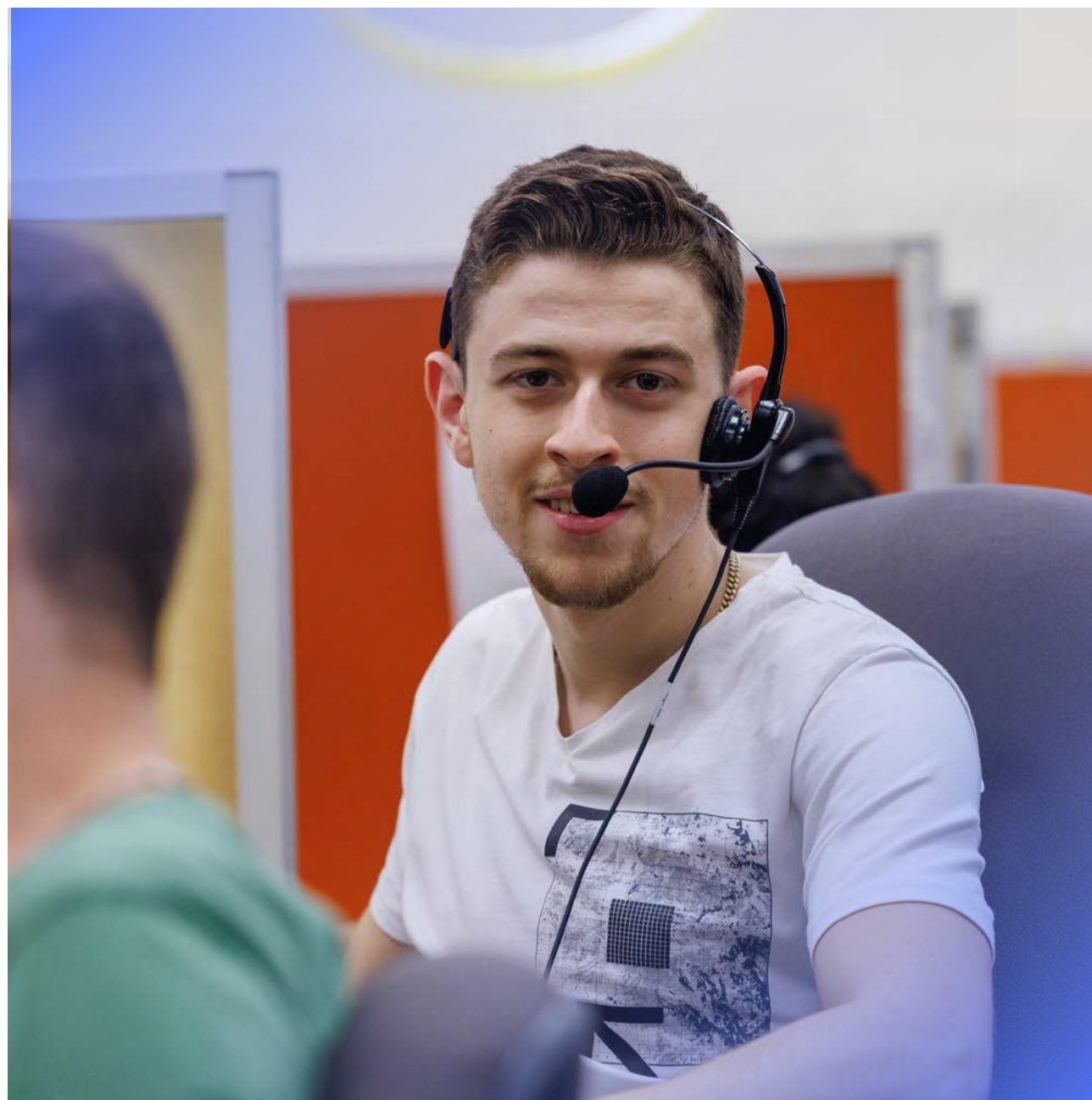
- ✓ Comprehensive study by ITU (the International Telecommunication Union of the UN for information and communication technologies) quantified the increasing impact of various ICTs on economic growth.
- ✓ The study measured the combined effect of fixed and mobile, internet use, and broadband on the gross domestic product (GDP).
- ✓ It was found that a 10% increase in penetration of these technologies results in a 1.54% increase in GDP in developed countries
- ✓ According to OECD data, in 2021, Israel's GDP was NIS 1.56 trillion. Therefore, it can be estimated that Bezeq's potential annual contribution to the increase in GDP is NIS 24 billion.
- ✓ The success of the Group and its activity is crucial, not only for the Company's employees and its shareholders, but for the entire Israeli economy

Based on direct financial results, 2021 ended with growth in most of the Group's significant parameters:

Financial performance (in NIS millions)	2021	2020	Change rate
Total revenue	8,821	8,723	+1.1%
Adjusted EBITDA*	3,709	3,659	+1.4%
Adjusted net profit	1,154	1,144	+0.9%
Investments	1,691	1,499	+12.8%

* Adjustment of other operating expenses/income, net, non-recurring losses/gains from impairment/appreciation, and expenses for share-based compensation

For further information about our financial performance, see the financial statements for 2021.



Bezeq service representative

Our ESG achievements in 2021

Environmental	Social	Governance
5% reduction in Scope 1-2 GHG emissions compared with 2020	37% addition of field safety tests at Bezeq	95% Bezeq employees participated in training and a refresher course on the Code of Ethics
NIS 60 billion annual financial savings from reducing the use of disposable cups at Bezeq	6 hours of safety training on average per employee	Release of a policy document for the prevention of bribery and conflicts of interest at Bezeq
270 thousand upcycled products at Bezeq Tech	94% of Bezeq employees and 96% of subsidiary employees received feedback and performance evaluation	22% women on the boards of directors of Bezeq and the subsidiaries
13% reduction in water consumption at Bezeq	8.22/10 average weekly satisfaction of Bezeq employees	40% participation in the first ethical climate survey at Bezeq
Release of Bezeq's environmental policy document	43% women in management positions in the subsidiaries 33% women in management positions in Bezeq	
	93% of Bezeq employees and 91% of subsidiary employees are employed under collective agreements	
	Release of policy documents on contribution to the community and responsible employment of Bezeq	



ESG management at Bezeq Group

Bezeq Group's vision for sustainability is to connect Israel to a better future. This vision was approved by Bezeq's board of directors in February 2022, and is based on the concept of corporate social responsibility with its three fixed criteria:

- ✓ Environment
- ✓ Society
- ✓ Corporate governance

Together, these three areas outline the development and setting of goals undertaken by the Company. The goals, approved unanimously by the Company's board of directors, place Bezeq in the group of companies that manage their impact on climate change, the environment, and society. These goals are the essence of routine work under the Company's policy.

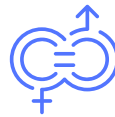
Environmental	0 carbon emissions resulting from the Company's activities by 2050 (Net Zero)
Social	50% of female executive officers in the Company by 2030 Increase in the rate of diverse populations to 20% of Bezeq employees from diverse populations (ultra-Orthodox, non-Jews, Israelis of Ethiopian descent) expected in 2030
Governance	At least 40% of women on the Company's board of directors by 2030

Environmental responsibility



Bezeq takes steps to minimize the environmental consequences of its activities and maintain the principles of sustainable development. The Company aims for zero carbon emissions from its operations by 2050 and is taking steps to expand the measurement of its carbon footprint. Bezeq is committed to setting annual goals to reduce our environmental impact through economic and regulatory developments and recognized international standards.

Social responsibility



We attribute utmost importance to maintaining our human capital. We take care of the well-being and professional development of the Group's employees in several ways. We consider the Group's human diversity as one of its strengths and believe in complete gender equality. Accordingly, we set targets for gender diversity and employment from underemployed populations. The board of directors set the gender equality goal at 50% by 2030, reflecting our deep belief in the value of equality.

In addition, we invest heavily in our involvement with and contribution to the community, focusing on narrowing the digital divide and reinforcing the social fabric. We plan to continue our strategic influence, while defining measurable goals for our activities.



Corporate governance

We believe that high-quality and efficient corporate governance is the sole basis for building long-term success. The Group companies invest heavily in continuous improvement of their corporate governance, including the adoption of advanced norms and a commitment to strive for excellence in the field.



ESG management

ESG in Bezeq Group companies is managed by Bezeq's VP Communications and Corporate Responsibility Director, and by the Deputy CEO in the subsidiaries. At Bezeq, the VP heads an executive manager forum and ESG officers forum to promote initiatives in the divisions and assist in the annual reporting process. Their activities are reported routinely to the CEO and Bezeq's board of directors. In the subsidiaries, the deputy CEO heads a managers forum that includes all the companies and divisions.

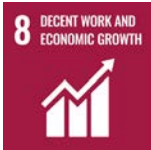
In 2021, we accelerated ESG development in all the Group companies:

- ✓ We built a multi-year work plan to develop and improve Bezeq's ESG performance.
- ✓ We provided professional support to outline the goals of the board of directors.
- ✓ We established the professional forums responsible for the Company's compliance with these goals
- ✓ We joined the Maala ESG rating (May 2022).
- ✓ We started preparing ESG policy documents for Bezeq. At the publication date of this report, four of them are available for review on Bezeq's website [here](#), and other documents will be added by the end of 2022
- ✓ External ESG initiatives, covenants, and principles



UN goals

In 2015, the UN Sustainable Development Goals (SDGs) were established. The goals offer a holistic approach to addressing key challenges facing humanity and include a wide range of social, economic, and environmental goals. Bezeq Group adopted SDGs as a basis for ESG management, to measure its progress, and identify relevant goals, which clearly demonstrates the significant contribution of its current activities.

SDG	Relevant secondary goals	Bezeq's contribution	Chapter
	4.4 To significantly increase the number of employees with relevant skills by 2030 4.4.1 To increase the proportion of people with IT and communication skills. 4.8 To increase the proportion of schools with internet access.	● Bezeq Group aims to offer a reliable and fast technological connection that serves as infrastructure for high-quality and advanced education. ● The Company makes a strategic contribution to the Appleseeds Academy – which strives to create digital equality in Israel and is a partner in the Computer for Every Child project. ● Bezeq Fixed-Line employs students from Ort schools as part of a project that reinforces their professional and occupational skills. ● Bezeq Group has training programs for the development of skills relevant to the Group's fields of employment.	☒ Reinforcing the social fabric
	5.5.2 Increasing the proportion of women in management positions	● Bezeq is taking steps to increase the proportion of women in senior management positions and has set a goal of 50% by 2030.	☒ Encouraging progressive employment – promoting gender equality
	8.2 Diversity, innovation, and upgrading of economic efficiency; increasing productivity 8.3 Promoting policies that support productive activities, creating fair workplaces, entrepreneurship, creativity, and innovation 8.5 Fair employment, equal pay 8.8 Protection of employee rights and promotion of a safe work environment	● Bezeq Group believes in diverse and inclusive employment, takes steps to create age diversity, and adheres to fair employment conditions ● The Group has a strict safety policy to protect its employees and diverse areas of activity contributing to economic growth	☒ Encouraging progressive employment – diversity and equal opportunities at work ☒ Encouraging progressive employment – protecting the rights of employees and organized labor ☒ Safety above all





- 9.1 Development of high-quality, reliable, and durable infrastructure
- 9.4 Upgrading and improving infrastructure by 2030
- 9.5 Improving scientific research and upgrading technological capabilities in the industrial sector

- Bezeq's fiber optics deployment project is leading the upgrade of digital connection infrastructure and connectivity of internet users. It is completed by deploying Pelephone's 5G infrastructure for cellular users.
- Bezeq aims to achieve fiber deployment in 80% of the country by 2025. For this purpose, the migration of **yes** to television broadcasts over the internet contributes to significant reduction in the use of dedicated end equipment and the energy required to operate the broadcasting system.

✓ Narrowing the digital divide



- 12.5 Waste reduction and encouragement of recycling by 2030

- Bezeq Fixed-Line implements measures to reduce the use of disposable plates and cups at the Company's head office and separates the waste generated there. The Company separates waste in the logistics centers and in the factory it owns (Bezeq Tech) and implements measures to optimize the use of natural resources.

✓ Addressing the climate crisis



- 13.2 Implementation of climate change indexes in policy, strategies, and national planning

- Bezeq has undertaken to bring its net carbon footprint down to zero by 2050.

✓ Addressing the climate crisis

Membership in Organizations

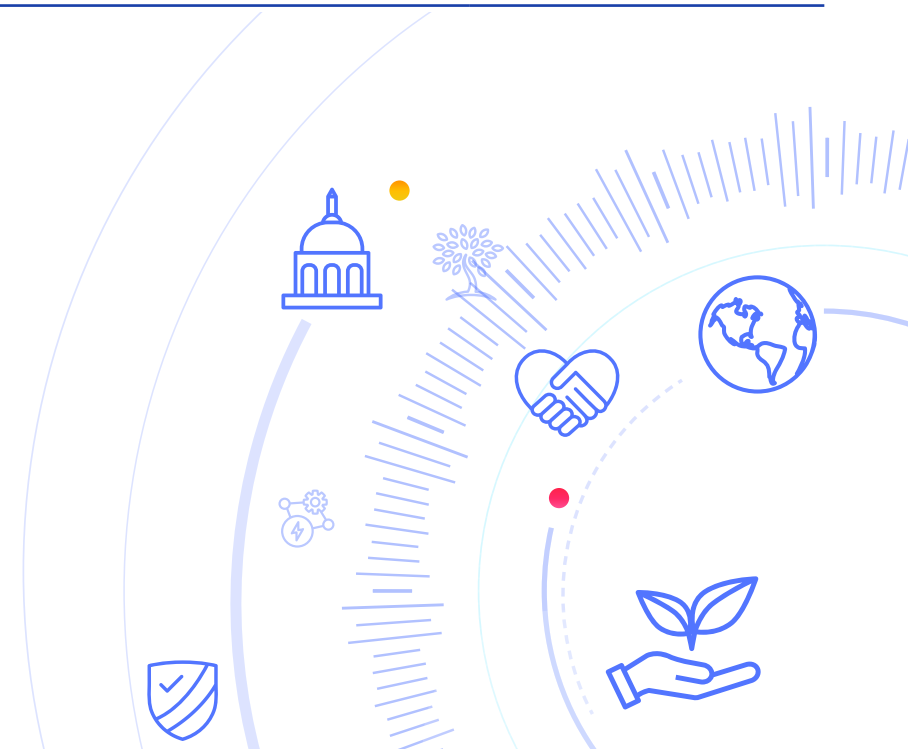


Maala rating

Maala is an umbrella organization of 110 of some of the largest companies in Israel, serving as a platform for ESG issues and development of standards for responsible management in Israel. In 2021, Bezeq and its subsidiaries Pelephone, yes, and Bezeq International joined the Maala network and Bezeq entered the rating for 2022.

The rating results are published on the Maala website.

Pelephone is a member of the cellular companies' forum and the Israel Marketing Association. Bezeq and its subsidiaries are also represented in professional forums in the European telecom industry, an example being the industry-wide innovation forum in which most of the largest companies on the continent are represented.



Service Commendation

Bezeq and its subsidiaries have received many awards over the past few years for product design, marketing, and service. Below is a partial list:



reddot winner 2022

Red Dot Award

Be Fiber and Mesh Fiber routers won the world's most prestigious product design award. In the decision of the award, it was stated that "Be Fiber and its network are home communication devices with a futuristic appearance, combining high coverage with user-friendly features. They combine innovative technologies, contemporary design, and holistic connectivity with an improved user interface and heat dissipation for daily use. The interplay of a white body and a wood-like base creates a particularly expressive appearance."



Effie Award

The subsidiaries yes and Pelephone won an Effie Award for exceptional and effective marketing. The Gold Effie in the communication market category was awarded for the launch of the yes+ service. The Silver Effie in the communications market category was awarded for the launch of Pelephone's 5G service. The Effie Awards is an international competition that has become a prestigious brand and a sign of recognition of and appreciation for successful and effective marketing.



BRAVO Award

In June 2021, 35 companies and brands, including yes, received the Bravo Award for service excellence in 2021. The winners were chosen by Israeli customers on the basis of a study conducted by the Kantar research institute, which assessed the outstanding service providers for each field. The competing companies were not required to submit an application or pay for participation in the

study. The research institute located customers in each area who received service in the past year and asked them whether they were satisfied with the service they received and whether they recommend it. The service excellence award was awarded to the service provider with the highest percentage of satisfied customers and recommendations (more than 80%).



The Cable and Satellite Broadcasting Council

Service excellence

yes continued to lead service in the television industry, as is demonstrated in the service report of the Cable and Satellite Broadcasting Council published in mid-2021, which reviews the number of complaints received per ten thousand customers.

The Public Inquiries Report of the Ministry of Communications, which was also published in mid-2021, shows that Pelephone continued to lead cellular service for the second consecutive year, with the fewest complaints submitted to the Ministry. Pelephone also received a score of "very good" in terms of the number of justified complaints in inquiries received by the Ministry.

In addition, the subsidiaries received a commendation in the human resources excellence competition of the Israel Society for Human Resources Management, for development and implementation of an organizational learning platform and implementation of a CRM system, which is described in detail within the chapter on employees in this report.



Commendation for service





Dialogue with stakeholders

As a communications group that provides diverse services to all citizens in Israel, as well as to businesses and government organizations, we influence and are influenced by the stakeholders that grant us the social license to operate. Stakeholders are all the entities that effect and are affected by the activities of the Group and its subsidiaries, including internet, mobile, and fixed-line telephony users, television service customers, employees, suppliers, government offices and local authorities, as well as community and environmental organizations. Each group has different expectations from us, according to its unique character and needs.

For us, one of the principles of ESG management is to maintain ongoing dialogue with all of our stakeholders, while being attentive to their needs and providing a solution to the challenges they set before us. The stakeholders were mapped in an internal discussion with the Group's managers involved in ESG.



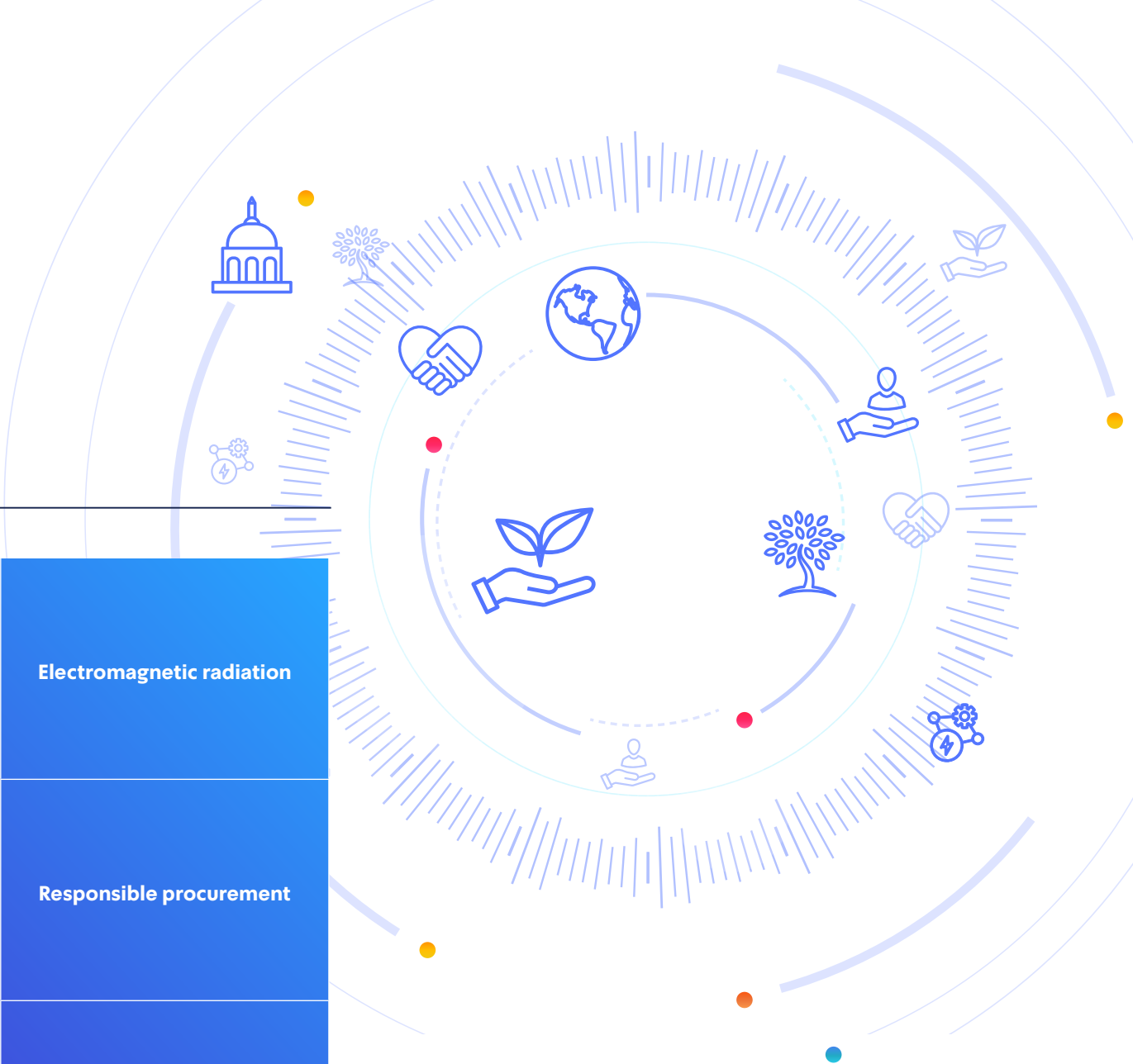
Stakeholders	Dialogue management
Customers	● The Group companies perform routine activities with their customers through various channels, such as: Service call centers, Digital channels, Physical service centers, Periodic satisfaction surveys, Focus groups ● The companies analyze the feedback results. In addition, the relevant factors in each company are analyzed proactively to improve service, focus investment in new products and services, and more.
Suppliers	The procurement units of the Group companies maintain a dialog with the suppliers. These act to: ● Reinforce the relationship with suppliers ● Expand the pool and competition ● Ensure supplier compliance with fair employment standards for outside service employees (for further information, see the chapter on Procurement Responsibility)
Regulators and government entities	● The Group maintains routine and ongoing dialogue with the regulators in general and with the Ministry of Communications in particular, as well as with relevant municipal departments, to provide infrastructure and maintenance services.
Employees	● The Group's employees are significant stakeholders. Therefore, dialogue with them is very important for the Company's success. ● Dialogue with the employees is held in diverse channels: Employees committees, Committees, Professional forums, Training, Regular discussions , Feedback discussions, Organizational climate surveys, Systems for inquiries and proposals
Civil society organizations	● The Group maintains widespread relationships with civil society organizations and associations to implement their social policies by donating resources and services as well as encouraging its employees to volunteer in the community. Our accessibility officers work with specialist organizations to develop the accessibility of the Company's services and products.
Holders of shares and other securities	The Group communicates with its investors through the TASE website and by publishing presentations for the capital market, as required by the securities laws.

Material reporting issues

In 2020, there was an internal process to assess and revise the material reporting issues in Bezeq's operations. The process was based, among other things, on surveys, personal interviews with Company managers, and analysis of external information sources, such as ESG reports of companies in the sector and international reporting standards. The issues that were selected as material are organized in the following matrix, according to their importance for Bezeq and its stakeholders. ●

Matrix of material issues at Bezeq

Importance to Bezeq	Customer satisfaction Network quality and reliability IT and cyber security	Network accessibility Data privacy	Electromagnetic radiation
	Compliance and ethics Professionalism of employees Innovation	Energy efficiency Reduction of the carbon footprint Waste and product recycling	Responsible procurement
	Digitization Health and safety	Diversity and variety Effectiveness of corporate governance	
	Importance to stakeholders		





Connecting Israel to a better future



Connecting Outlying Areas and Narrowing Divides

Our ESG strategy supports the Group's business vision: to provide the most advanced and safest communication services, which contribute to reducing the social and economic divide between the center and the periphery.

The fastest fiber optic deployment in the world

At the beginning of 2021, Bezeq made a strategic decision: to expand high-speed internet and fiber optics to cover all of Israel, and at record speed. An ambitious goal was set for one million customers by the end of that year, which was quickly reached in November of 2021. This figure positioned Bezeq as the company that completed the quickest deployment in the world, at a rate of one million households in just under one year.

We are determined to continue to advance rapid deployment to areas in Israel that have not yet been connected to the service, including planning of deployment in neighborhoods with single and double story homes. Our new objective is to deploy infrastructure for 2.5 million customers by 2025.

Over the year, Bezeq employees worked day and night

to support the sales, technology, and network divisions, to allow infrastructure connection and the best service in Israel. For example, the human resources division recruited hundreds of field workers in record time, as well as employees for the sales and customer service centers, and the procurement division led large-scale procurement of infrastructure and communication component.

Internet that is simply better

The migration to fiber optic internet is a key component in several branches of our ESG strategy:

- ✓ Narrowing the digital divide
- ✓ Reducing the consumption of energy consumption in network operation in the medium- and long-term
- ✓ Improving our ability to address the climate crisis and meeting goals for reducing GHG emissions according



Bezeq employees deploy the fiber optic infrastructure

to the government decision and state climate goals

- ✓ Contributing to growth in the Israeli economy

A comprehensive study by ITU (the International Telecommunication Union of the UN for information and communication technologies) in 2021 quantified the increasing impact of communication technologies on economic growth. The study measured the combined effect of fixed and mobile, internet use, and broadband on the gross domestic product (GDP). The study found that a 10% increase in penetration of these technologies results in 1.54% increase in GDP in developed countries.

Advancing the Israeli economy

According to OECD data, in 2021, Israel's GDP amounted to NIS 1,556 billion. Therefore, it can be estimated that this growth has a



potential contribution to the Israeli economy of NIS 24 billion each year. As such, we anticipate that the continued success of the deployment of fiber optics in Israel and 5G cellular networks will generate very significant dividends for the national economy and the wellbeing of all households in Israel, as well as being significant for the Company's customers and stakeholders.

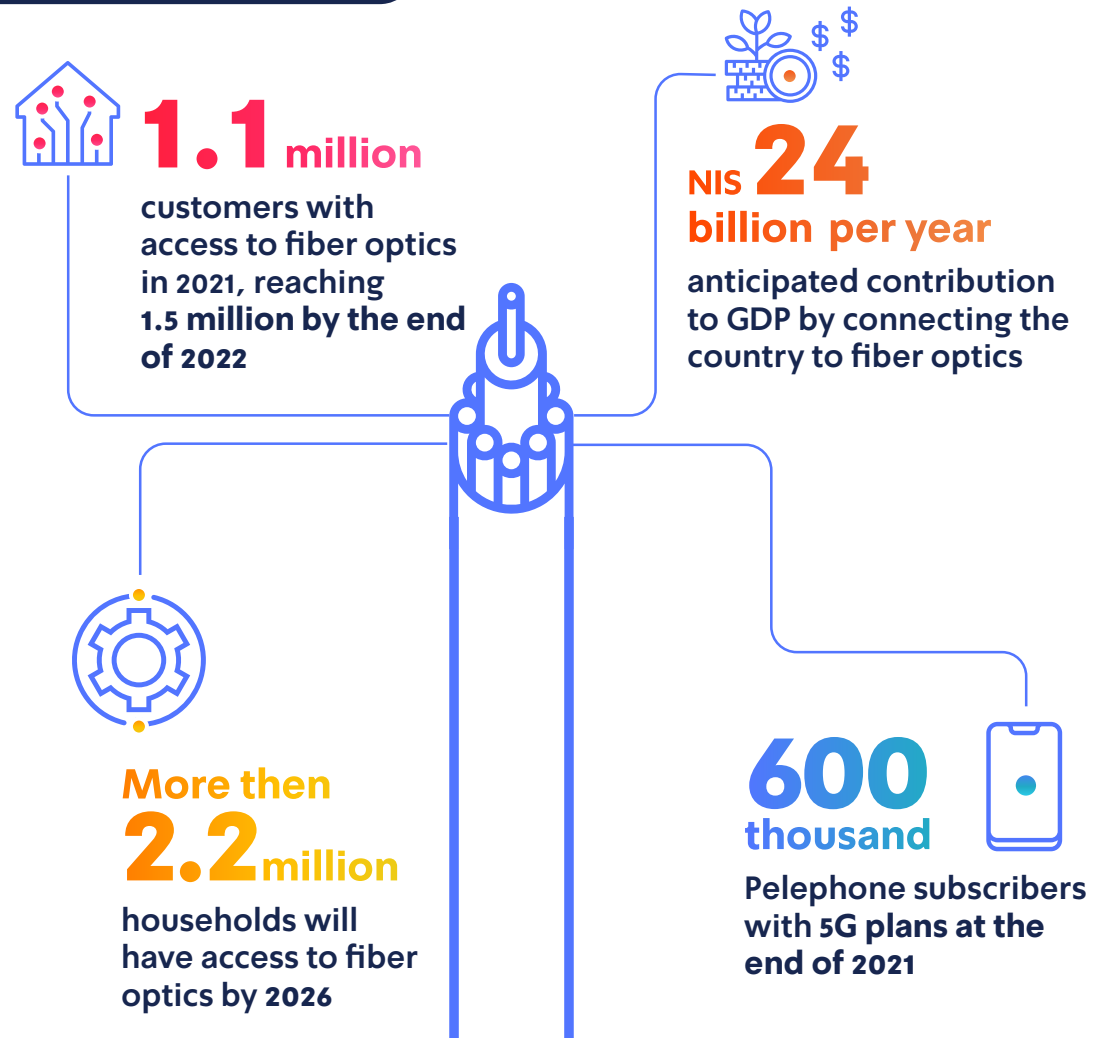
5G cellular – the world is more connected

5G is the fifth generation mobile network. It is able to provide a higher connection speed (up to 10 times the average traffic speed of a 4G LTE network), lower latency, and greater capacity for network traffic. This is one of the fastest and most powerful technologies the world has ever seen, and it will have a significant impact on how we live, work, and play. 5G speed and other connectivity advantages are expected to advance businesses, launch the next era of smart and connected devices (IoT), and provide many options for advanced use, in quality, speed, and continuity, including:

-  Gaming
-  Viewing content
-  Remote work and learning
-  Emergency and rescue organizations
-  Autonomous cars
-  Smart stadiums
-  Municipal traffic management infrastructure
-  A wide range of commercial services

Pelex was the first company to launch the 5G network and it continues to lead in the field. As at the end of 2021, Pelex had 600 thousand 5G subscribers. ●

Fiber optic project in numbers



Reinforcing the social fabric

Our ESG strategy supports the vision of universal connectivity and narrowing of the digital divide through collaborations with relevant social organizations, and strengthening the social fabric while supporting disadvantaged populations. We maintain strategic and long-term collaborations with social entities and initiatives. Below is a partial list:

Collaboration with Appleseeds for digital equality in Israel

The Appleseeds Academy was established in 2000, with the aim of serving as a bridge between the growing startup nation and the populations in the geographical and social periphery. Appleseeds works to create technological equality in Israel by developing and operating basic and advanced technology, employment, and life skills development programs.

Appleseeds has a team of 250 professional instructors operating in dozens of locations, from Kiryat Shmona in the north to Eilat in the south. Every year, the Academy reaches 80 thousand people, who benefit from significant and effective technological training. The Academy focuses on residents of the social and geographic periphery, who do not have an equal starting point for integration into society and the economy.

Bezeq has been working with Appleseeds for more than 20 years and is one of its longest-standing donors. In 2021, the value of the Company's donation to Appleseeds amounted to NIS 1.7 million, in money and services.

Narrowing the educational divide: a Computer for Every Child

Bezeq and Bezeq International are partners in the Computer for Every Child project, which was initiated by business executives



Training at the Appleseeds community knowledge center

under the auspices of the Israeli government, to provide computers, software, and training for children whose families cannot afford them. The project works to narrow the educational divide by creating equal basic computing conditions – equipment, usage time, and knowledge – for children from disadvantaged families.

Our goal is to enable children from disadvantaged backgrounds to acquire computer skills and connect to databases. These will help them develop creative thinking, contribute to their development, and raise their self-image, and will serve as a lever to narrow the social divide.

Narrowing the digital divide: infrastructure as a donation

In 2019, Bezeq started the Infrastructure as a Donation program, which contributes to achievement of the Company's social goals to narrow the digital divide.

Appleseeds Academy in numbers

 **250** instructors

 **80,000** people receive support every year

 **NIS 1.7 million** donated by Bezeq*

* In cash and services in 2021



Enabling children from all walks of life to gain important skills

The program provides NPOs and social organizations with a significant subsidy of up to 80% on the full range of Bezeq services.

Subsidizing internet services during the Covid-19 crisis

At the beginning of the Covid-19 pandemic, a program was launched to donate internet access to children from disadvantaged families, allowing them access to distance learning and narrowing the educational and social divide. The program operated in Jerusalem, Ashdod, and Petah Tikva. The participants were selected by the municipal

The project works to narrow the educational divide by creating equality in basic computing conditions.

welfare departments, which donated computers to these families. Bezeq supplemented the donation with free internet service for one year and a subsidized price from the second year onwards. We continued with the program last year as well, and added new families.



Thanks to Bezeq employees: food security for disadvantaged families

The Halav (Milk, Bread, and Eggs) Association was founded by Bezeq employees and retirees in 2006, given the severe poverty in Israel, with the aim of assisting children throughout the country. The objective of the association is to assist struggling families with children under the age of 14 by donating basic food products on a regular basis. The association's budgetary sources come from the donations

by the Bezeq employees' welfare association, the donation of leave days, standing orders of the Company's employees, and donations from the Company's retirees. The association works with welfare units at the local authorities, which locate families to join the project after receiving their consent. The families are asked to join Shufersal's customer club, and the Halav Association recharges the customer club card every month with basic consumer goods that will ensure nutritional security for the family's children. Families are also granted a budget for additional needs. Every year, the association donates holiday gift packages and financial grants to recognized organizations and institutions.

There are many advantages to this method of donation: there are no operating costs and it does not require transportation and warehouses. The search is focused and professional, and a regular supply of basic products is

assured. This is also a discreet and respectful process. The families purchase the groceries themselves, in a way that maintains their dignity and avoids social labeling.

The association has a unique operating model: all association activities are carried out in Bezeq's offices and all participants are Company volunteers, keeping 100% of the resources within the project. In the reporting year, the association supported 702 families and 774 children from 17 cities around the country.

Over the last two years, the association expanded its activities to include babies of families in distress, as part of the Baby Halav (Milk, Bread, and Eggs) project. It aims, among other things, to provide a solution for the unfortunate trend of diluting milk substitutes with water (because they are expensive). This trend may result in a deficiency of essential vitamins and minerals, which harms the baby and its development. The project is currently active in nine central cities, and in 2021, it supported 45 families and 46 babies under one year old.

Over the last two years, the association expanded its activities to babies in families in distress, in the Baby Halav project.

Notwithstanding Covid-19: we continued to volunteer and help

There has been a significant crisis in employee volunteering in the past two years due to shutdowns, restriction of movement, and the transition to flexible employment models. We also experienced this when many organizations closed their doors to external volunteering, and our employees found it difficult to join organized volunteering, which was part of their routine work before the Covid-19 pandemic. However, there were several projects in the past year with the Elem – Youth in Distress in Israel Association and Or Lamishpachot Association, and we continued the operation of the Halav Association. Employees volunteered for some of the projects when working from home.



Supporting food security

Milk, Bread and Eggs Association in numbers



774

children supported by the Association



17

towns all over Israel received support

Baby Milk, Bread and Eggs Association in numbers



46

babies received assistance



9

towns in Israel received support

Community and Society in The Subsidiaries

Pelephone, Bezeq International, and yes have widespread social and community involvement programs tailored to their needs and capabilities. In 2021, the subsidiaries donated to and were partners in significant projects in diverse organizations.

Setting up computer rooms in the community with the Israel association of community centers

Three fully equipped and well-designed computer rooms were set up in community centers of the Israel Association of Community Centers and were equipped with the best hardware and infrastructure. The rooms are used by the general public who receive services at the community center, from children of kindergarten age to senior citizens, for leisure activities, learning, and to expand social skills.

Click for friends project with the foundation for the welfare of holocaust victims

Due to the growing need for digital communication with the outbreak of the Covid-19 pandemic and the increase in online public services, we supported a project in which the foundation's volunteers taught Holocaust survivors online communication skills, how to place orders, and how to use online services on digital platforms.

yes continued to provide free airtime for various associations before major holidays. In doing so, the Company encouraged the public to support them and the population they serve. The Company also granted hundreds of free television subscriptions to organizations that support women victims of domestic violence, families in acute distress, children and adults with autism, and other causes.

In addition, many dozens of employees of the subsidiaries

contributed hundreds of volunteer hours and participated in fundraising campaigns for diverse needs, organizations, and communities over the year. Among other things, our employees assisted in collecting clothes, collecting school bags for the start of the school year, donating food products, and selling Purim treats on behalf of social organizations on the companies' websites.

We fought covid-19: lend a shoulder project

The Lend a Shoulder project, which operates together with the Latet (To Give) NGO, was founded to encourage vaccination among the subsidiaries' employees and to provide a solution for essential needs during the Covid-19 crisis. A meal was donated to a family in distress every time an employee announced that they had received a second Covid-19 vaccination. The activity received a tremendous response and was also adopted by other entities.

Following the war: emergency center for Ukrainian jews

After Russia invaded Ukraine and the extent of the events became clear, Bezeq International and Pelephone joined forces to support their customers located in Ukraine or those who have relatives there. The subsidiaries granted them call minutes free of charge. Pelephone also donated 150 prepaid SIM cards to refugees who arrived in Israel.

Bezeq International and Pelephone also teamed up to



Fully equipped computer rooms were set up in community centers.

establish a hotline for the Jewish community in Ukraine under the leadership of the Joint, the largest Jewish humanitarian organization in the world, and provided infrastructure at no cost. In partnership with the National Council for Volunteering in Israel, Israeli volunteers staffed the hotline and provided a response for the Jewish community in Ukrainian, including: food and medical aid, an attentive ear to alleviate anxiety and stress, and physical assistance and rescue on the ground, to the extent possible.

The infrastructure and services provided by the companies allowed ongoing contact with tens of thousands of elderly people, Holocaust survivors, disadvantaged families, and children with special needs in conflict zones. The companies also set up technological infrastructure to collect information from the hotline and deliver it to the Joint distribution teams in the field, which were able to provide a quick and efficient response to current needs. ●



Encouraging Progressive Employment





Encouraging Progressive Employment

We believe that responsible and fair employment is one of the cornerstones of the Group's success. We believe in fair, compassionate, and personal treatment for each of our 9,500 employees at Bezeq and its subsidiaries, from hiring to retirement

We strive to create working relationships in the Company based on trust, transparency, and dialogue, and we invest heavily in creating an innovative, pleasant, and respectful workplace, which is diverse and free of harassment; a workplace that allows professionalization and personal development, regardless of religion, race, ethnic origin, sexual orientation, and gender. We work to create synergy between and within the subsidiaries, to contribute to the growth of the Group's employees and to maximize their abilities and skills.

In recent years, we moved the head offices of the Group companies to locations providing a modern, pleasant, and efficient work environment. The new head offices offer catering services and leisure and sports activities for employees. Bezeq moved its head offices to a modern building in Holon, which has Leed Gold certification, the most advanced green building standard in the world, and Pelephone moved its head office to Petah Tikva.





Improving the employee experience

The human resources divisions take care of the wellbeing of the employees of Bezeq and its subsidiaries. Each division operates under an organized work plan, which includes goals and indexes.

In the last year, Bezeq Group increased its investment in the economic well-being of its employees:

- We increased the amount of holiday gifts for employees
- We distributed summer grants to employees with children between the ages of 3 and 10
- The Company's employees received cash gifts for family events
- Eligibility for these gifts was also extended to new employees

Bezeq also runs an aid foundation, which provides assistance to employees in distress. The foundation also provides support for employees of member companies who have children with special needs recognized by the National Insurance Institute.



Cultivating a healthy lifestyle

At the same time, we continued to invest in cultivating the healthy lifestyle of Bezeq employees.



Celebrating Rosh Hashana
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- We launched Femi – a digital health service provided at no cost, which includes consultation and house calls, as well as nutritional advice.
- We extended and upgraded the agreement for semi-annual general medical examinations for department managers and senior managers.
- We opened a gym at Bezeq's head office.
- We added a health and vegetarian café in addition to the regular catering services.



Tablets for the employees' children

In the past year, the Group continued its efforts to improve the employee experience:

- Care packages for employees who contracted Covid-19
- Hands-on fairs, including surprise booths, a farmers' market, and a gift market
- Fully equipped kitchenettes and restrooms on each floor of the buildings
- Private lessons for middle-school children and graduation preparation for high-school children of employees through the Class.Me Learning Center
- Distribution of tablets to employees' children starting first grade and to children celebrating a bar mitzvah or bat mitzvah to assist in distance learning



Rosh Hashana Company event



Pelephone's donations call center

Bezeq employees also benefit from annual teambuilding events, subscriptions to gyms nationwide, subscriptions to cultural events, discounted vouchers for leading chains, subsidized dining services, and more. In 2021, Bezeq launched an upgraded organizational welfare website with promotions and benefits for food, attractions, culture, and leisure.



Pelephone has a broad infrastructure of welfare activities throughout the year, with attention to the holidays of all sectors and religions. Over the year, events, gifts, and benefits are tailored to a range of target audiences.

The company holds departmental teambuilding events and summer vacations for employees and their families. Pelephone has sports teams, which compete in



the annual Sportiada, Israel's largest sports event for workplace leagues. In addition, milestones in the lives of the employees' children are marked (such as a bar mitzvah or bat mitzvah, entering first grade, and enlistment in the IDF), and summer camps are subsidized.

During the Covid-19 pandemic, the company's employees who tested positive for Covid-19 received packages at



Volunteer activity in yes



Donation event at "Helping Hand to a Friend" (Holocaust Memorial Day)

home and continued to benefit from the 10bis dining card. In addition, Pelephone gives surrogacy grants, participates in payment for summer camps and kindergartens, and grants other benefits. The Company also participates in health and dental insurance for its employees.

בינלאומי. Bezeq International held diverse welfare activities in 2021. The major events included the company's vacation in Eilat, tickets to Hanukkah plays, and the end of year party. Bezeq International distributed holiday gifts to employees, and gifts for children of employees celebrating their bar mitzvah or bat mitzvah, for enlistment in the IDF, births in the family, birthdays, weddings, and other occasions. There were also events to mark holidays, events to break routine and raising of toasts.

yes. yes invests in connecting its employees to the brand and holds a rich variety of activities and events for employees, including holidays and special occasions, company vacations, company events, conferences and fairs, a platform for choosing gifts, and many benefits through an extensive system of suppliers and companies in Israel.

The company also provides employees with many diverse benefits, including participation in summer camps for children, higher convalescence pay, health and dental insurance, pension savings, study funds, scholarships for company employees, participation in payment for kindergartens, a surrogacy grant, paid optional leave days, and retirement support.

The company provides its employees with financial and psychological support and advice through relevant institutes and specialists. yes promotes employees' health and quality of life through benefits including gyms, health care, culture and leisure centers, and informative lectures for employees and their families. The company and the

committee support the sports teams that train year-round and participate in the annual Sportiada, Israel's largest sports event for workplace leagues.

Supporting personal development by employee feedback and performance evaluation

94% of Bezeq employees and 96% of the employees of the subsidiaries participated in feedback and performance evaluation in 2021

As the leading communication group in Israel, we consider our employees' personal and professional development a central value. This development allows us to respond to the employees' needs and maintain the high level of professionalism they require. All the subsidiaries have an annual training program, which is regularly revised based on performance evaluation and business and professional development.

For example, last year, there were dozens of employee enrichment workshops on many topics:

- Building mental resilience
- Storytelling
- Reinforcing communication skills
- Creative thinking
- Conveying a message and building partnerships

There were also personal training sessions for representatives and managers to improve job performance, opportunity management courses for sales representatives, courses for skills, sales, and retention for all service providers in the Company, and a Manager as a Coach course.

Additionally, the Company has an extensive set of professional courses, such as network and IT security management certification (CCNA), with the participation of hundreds of Company employees. This course serves as an entry ticket to the high-tech and cyber industries.



In 2021, we held another two classes to develop personal and professional skills for outstanding employees. This is the tenth year that the prestigious course has been held at Bezeq, with the participation of employees identified as having management and professional leadership potential, which the Company seeks to preserve and develop.

We use a range of organizational tools to assess the contribution of the training system and the Company's heavy investment in them and in the development courses:

- Degree of satisfaction of participants in the programs
- Long-term employee retention rate
- Rate of participants switching to higher positions in the Company

Two subsidiary projects received a commendation in the Human Resources Excellence Competition held by the Israel Society for Human Resource Management.



Triplelearn –synergistic electronic learning

In 2021, we launched a synergistic e-learning program for head office employees in the Group companies. The project was launched out of the understanding that employee learning and development are key areas requiring investment, which will positively affect organizational goals and personal development. The program includes diverse content for personal development and acquisition of professional skills for the new world of work, lectures by internal and outside content experts, and content designed to reinforce the employees' familiarity with the other Group companies. By the end of the year, close to 1,000 employees had registered for the platform, which was accessed more than 6,500 times.

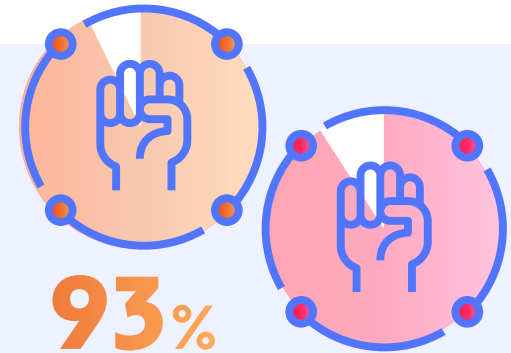


Implementation of customer relationship management (CRM) in the subsidiaries

In 2021, a CRM system was implemented in Telephone, Bezeq International, and yes. As well as the professional challenge in implementing a new and uniform system in three different companies, all training for implementing the system was remote. A dedicated organizational portal was built to support managers who received initial training and were required to pass it on to their employees, including:

- Presentations
- Videos
- Exercise environment
- Knowledge management site
- Training system
- Videos of tips for remote training

Until the outbreak of Covid-19, training for the implementation of new systems was frontal and included close supervision. Due to the challenge of distance learning, the learning process was different and innovative, and



93%
of Bezeq employees
and
91%
of the employees of
the subsidiaries are
employed under
collective agreements



94%
of Bezeq employees
and
96%
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participated in feedback and
performance evaluation in 2021



Protecting employee rights and organized labor

Bezeq Group respects and honors the right to organized labor under state laws and effective agreements. We encourage organized labor based on mutual respect and compliance with collective agreements while protecting the rights of employees. We do not prevent or restrict the right to organized labor and the right to representation by a labor union.



Each of the Group companies has an employee union recognized by the Company's management, with which ongoing dialogue is held, and periodic agreements are signed. A total of 93% of Bezeq's employees and 91% of the subsidiaries' employees are unionized under a collective employment agreement.

In 2021, the labor dispute at Bezeq International and Pelephone continued.

In March 2022, the boards of directors of Bezeq, Bezeq International, and yes resolved to cancel the restructuring plan and approve an alternative plan. This is expected to affect the continuation of conflict management and negotiations between the management and employees regarding the structural change.

For further information, see [Bezeq's financial report for 2021](#). In the past year, we prepared our [Responsible Employment Policy](#), which reflects our commitment to appropriate, progressive, and equal employment.



Prevention of child labor and forced labor

Bezeq and its subsidiaries vehemently denounce child labor and forced labor, as well as any infringement to the rights of our employees and in general. The Group companies do not employ children and youth under the age of 18.

Bezeq and its subsidiaries have projects for the employment of employees' children over the summer holiday as well as the Trainees at Bezeq project, which are in compliance with all labor laws (see the Contribution to the Community chapter).



Listening to our people

We encourage the Company's employees and managers to maintain a continuous dialogue while providing them with the organizational tools to support this. For example, Bezeq has an open channel managed by the Company's human resources division, where employees are welcome to send questions about employment conditions, rights, obligations, and any other employment-related questions. The answers to the questions are published on the organizational portal. In addition, every year, Bezeq's employees are invited to express their opinion about the Company through

Employee satisfaction surveys

We asked 3,613 Bezeq employees to rate, on a scale of 1-10, to what extent they agree with the following:



the employee pulse survey. The survey teaches us about employee satisfaction, their attitudes and feelings about different work-related aspects, the management culture, and Company values.

3,613 of the Company's employees, who represent 68% of potential respondents, responded to the 2021 survey.

The overall average score this year demonstrates an increase in satisfaction compared with last year.

The survey also indicates that Bezeq employees:

- Believe that Bezeq will continue to be Israel's leading and most successful



communications company (9.07)

- **Are proud to work at Bezeq (8.91)**
- **Feel that they are trusted and relied on (8.89)**
- **Foresee that they will continue to work in the Company in the coming years (8.73)**
- **Feel that their work in the Company is valuable and significant (8.70)**

* On a scale of 1–10

These scores are highly consistent with the factors identified as making Bezeq a good company to work for:

- ✓ Salary and compensation
- ✓ Job security
- ✓ Feeling that they are significant and have a contribution
- ✓ Promotion options at work
- ✓ Appreciation shown for their work
- ✓ Options for learning new things

Unsurprisingly, these are also the factors that the employees

wanted to reinforce, together with the ability to innovate, bring creative solutions, and implement new ideas. Issues identified as requiring attention and improvement referred to the management's connection to the field, the Company's ability to adapt to a changing reality, personal and professional development options and the respondents' ability to influence job-related issues. However, these questions received a higher score compared to last year and are high compared to the standard index. The results of the annual organizational survey are monitored and presented to the Company's management and board of directors.



Revising the work plans

As a learning organization attentive to its employees, we revise our work plans to address issues identified as requiring attention. Following the findings of the last survey, many diverse actions were taken, including management meetings in the line units throughout the country, integration of VPs in executive development programs, and the CEO's presentation of business results at a conference of department managers.

There were also customized programs to reinforce the sense of partnership among the units. Other insights from the survey results led us to reschedule the performance evaluation to the middle of the year so that employees and managers could benefit from the dialogue later that year. We also initiated an organizational career fair to increase exposure to the range of jobs and organizational requirements for employees.

Over the past year, we wrote and approved the employee inquiries policy, which includes how our employees can contact us on various issues, including ethical and personal ones.

A business approach that supports diversity and inclusion empowers our employees, cultivates innovation, and helps build trust.



Home-office balance

Bezeq and its subsidiaries attribute great importance to employees' ability to maintain a balance between their work and their private and family lives, especially during the Covid-19 pandemic. Out of attentiveness to the employees' welfare, the employees of Bezeq and the subsidiaries have the option of working from home one or two days a week, depending on their position and the requirements of the companies

Everyone is special – diversity and equal opportunities at work

We believe that a business approach that supports diversity and inclusion empowers our employees, cultivates innovation, and helps build trust. Diversity and inclusion are a business need as well as a fundamental belief. They represent the fundamental values and code of conduct deeply embedded in our corporate culture, our ethics, and the decisions we make every day.

We believe that diversity improves our ability to respond to customers, and allows us to achieve better and more appropriate business results in the long term. For us, diversity and inclusion are the result of our appreciation of others and caring for our thousands of employees and the millions of people we reach every day.



Bezeq technicians installing fiber



Promoting gender equality

In 2021, 33% of the management positions at Bezeq were filled by women, who comprise 34% of all Company employees. In the subsidiaries, 43% of the department managers and 20% of senior management members were women.



Employing diverse populations

Bezeq and its subsidiaries employ diverse populations in a wide range of positions, including in call centers for ultra-Orthodox women in Kiryat Sefer, and in Ashdod and Rahat. As of 2021, almost 8% of Bezeq employees were from the non-Jewish population. In 2021, Bezeq had a number of significant collaborations for training and hiring employees from diverse populations. These included training for a range of

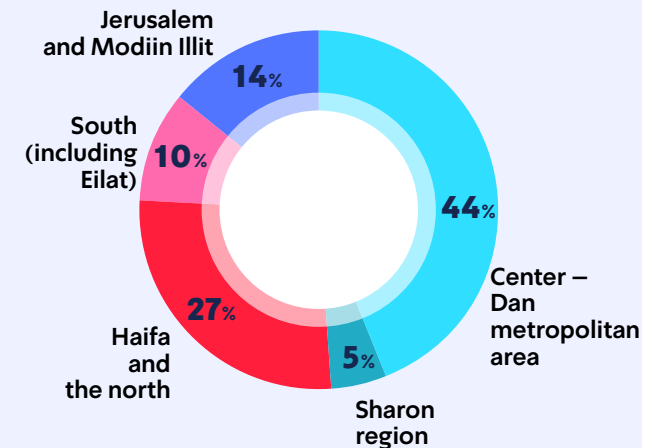
positions in the Company's technical service centers. In cooperation with a private college, 80 employees outside the employment circle were trained and participated in a data communication course. A group of 13 ultra-Orthodox women from Betar Illit participated in a training course, allowing them to integrate into customer call centers.



Employees with disabilities

Bezeq Group invests great effort in hiring and retaining employees with disabilities. We estimate that 5% of all employees in Bezeq and the subsidiaries have disabilities. Since this is a sensitive issue and the number of employees with disabilities cannot be accurately measured, we believe that this percentage is underestimated.

Where do our employees live?



Proportion of women in Bezeq Group

Bezeq

33%
of management
positions filled by
women

34%
of all company
employees are women

The subsidiaries

43%
of the department
managers are women

20%
of senior management are women



Geographic diversity

Bezeq and its subsidiaries provide services all over Israel. Accordingly, our employees live in all areas of the country, from Dan in the north to Eilat in the south.



Age diversity

Bezeq and its subsidiaries have employees from a wide age range and benefit from age diversity: a combination of professional experience and preservation of organizational knowledge with innovation and adaptation of products and services to the modern environment. Some employees are over the retirement age after expressing interest in continuing to work based on the Company's requirements.

Safety above all



Safety policy: zero accidents

As responsible employers, Bezeq and its subsidiaries attribute utmost importance to occupational health and safety and have adopted an uncompromising approach of zero accidents.

The companies comply with all the relevant laws and regulations, and go above and beyond as part of the constant effort to improve and implement the safety culture among the employees and third parties working on their behalf.

Our commitment to the health and safety of our employees, suppliers, and the general public is key in our management concept and all planning and implementation aspects.



Information and training: equipment of the highest standard

We provide our employees with the relevant information and training required for their duties, in addition to providing them with the personal protective equipment required by law in accordance with the highest standards. We also identify occupational risk factors in order to reduce them.

The Group allocates numerous resources to the implementation and continuous improvement of our management system, policy, minimum standards, and frameworks. This allows us to maintain a safe and healthy workplace and prevent work-related injuries and illnesses. At Bezeq and the subsidiaries, we monitor safety performance to identify opportunities for improvement. We also help the contractors working for us and on our behalf to improve occupational safety and health in their activities, and we expect them to meet the high standards we set for ourselves. In addition to the internal

procedures, we anchored our commitments to maintain and promote a safe work environment at Bezeq in our Responsible Employment Policy of 2021.



Safety management

The safety officer is responsible for safety management in the Group companies. Safety at Bezeq is overseen by the Company's national safety director, who is responsible for the regional safety officers. Each subsidiary has a safety officer who is responsible for preparing the safety plan, revising it, and supervising its implementation. The safety officer in each company reports to the director of the synergic security and safety department.



Safety committees: disciplinary measures for infringement of the provisions

The safety officers in the Group manage the national safety committees in the companies, which convene as required by law. The safety committee has several duties:

- To discuss and analyze cases for the purpose of drawing conclusions and preventing their recurrence
- To improve safety and health conditions in the divisions
- To take disciplinary measures against employees who breach standard safety rules

Bezeq's VP of Logistics heads the safety committee. A periodic review of the safety performance of the companies is submitted to the boards of directors and the CEOs of the companies at least once a year. In addition to the national committees, other safety committees operate in Bezeq's divisions to provide a solution to the safety challenges of their operations.



Every manager is responsible for the safety of their employees

Another element of safety for management

in companies is the emphasis on the managers' responsibility for employee safety. For this purpose, the managers are trained to address the many safety aspects in the operations under their management. Each manager is responsible for obtaining all the permits required by the employees to perform their duties, the integrity of the equipment, and for the employees to have the full knowledge required to operate it.

Bezeq and its subsidiaries have a regular procedure for the assessment of compliance with safety management goals by the safety officer and the security officers of the subsidiaries.

The plan includes:

- Risk surveys, which are revised at least once a year
- Risk management
- Control

Dedicated risk surveys are performed in accordance with specific projects, in addition to the safety management plan.



Bezeq technician

Safety trustees in all Company units and facilities perform activities on a monthly basis. The safety officer reviews their activities twice a year.



Open and undercover safety inspections

Bezeq performs regular open and undercover safety inspections. The officers are authorized to suspend work when necessary, and to summon employees and/or contractors for investigation by a disciplinary committee. Once every few years, the Company performs an external safety audit.



There's an app for that

We recently launched a dedicated app for on-site audits. The inspectors use the app on their mobile phones to take photos, receive satellite location data and other features. This simplifies and improves on-site audit management. The app allows the construction of reliable and uniform organizational

knowledge that is accessible. The Company is currently developing a knowledge management system for work accidents. The system will combine the employees' reports to the human resources department with the safety management system and is expected to improve and streamline the Company's ability to respond quickly and professionally to these incidents.



Safety training

All Group companies have an annual safety training program, including general training and training relevant to different positions.

In 2021, Bezeq Fixed-Line held 270 frontal courses with the participation of 3,718 employees and 33 online courses with the participation of more than 1,600 employees. There were many advantages to courses that were converted to an online format:

- ✓ Avoiding crowding of participants in the class.
- ✓ Saving employees time and travel to the training place.

- ✓ Increasing the number of participants in each class
- ✓ Cutting the training time required for the effective transfer of the material by 50%.

In 2021, Bezeq began training technicians to work with electrical hazards. To date, if and when addressing a malfunction, it was discovered that a voltage network had been installed on Bezeq infrastructure (such as a power cable or wiring for security cameras), Bezeq technicians had to suspend work until a qualified electrician arrived to address the hazard. Now, having the appropriate training, protective measures, and professional and

Safety training in 2021



270 frontal courses with the participation of **3,718** employees



33 online courses with the participation of **1,600** employees

sophisticated testing equipment, the technicians are able to solve these problems at the outset, shortening the time required to solve the problem.

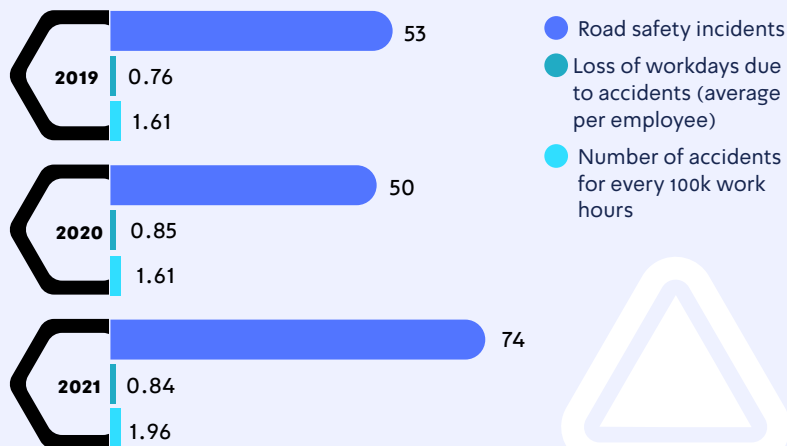


Safety incidents

In 2021, there were 149 safety incidents at Bezeq, including near misses and incidents at sports and social events. There were also 74 road safety incidents (including near misses). In addition, the number of accidents per 100 thousand working hours in the Company increased. The increase in the three safety indexes is due to the rebound of the economy and also due to the increase in the Bezeq onsite activity in the fiber optic project. However, it should be noted that there was no change in the severity of the safety incidents. Last year there were 67 work accidents in the subsidiaries, resulting in a loss of 1,126 working days.

All safety incidents at Bezeq and its subsidiaries are documented and investigated, and we use the investigation results to draw conclusions and make recommendations that are implemented in full in the annual safety plan. ●

Key safety indexes at Bezeq, 2019-2021





Addressing The Climate Crisis



Taking care of the future – reducing the carbon footprint

Global climate change is a serious threat that justifies significant action. We are committed to doing whatever we can to reduce our carbon footprint

We act routinely and continuously to reach this goal:

- ✓ Migrating from the old energy-intensive copper technology to fiber optic technology
- ✓ Deploying our 5G network nationwide while reducing the use of earlier technologies (3G)
- ✓ Streamlining the offices
- ✓ Installing energy-efficient systems such as LED lighting
- ✓ Constant improvement in our technologies to supply our core services in the data centers
- ✓ Planning to reduce the use of disposable plates and cups
- ✓ Improving waste management to increase recycling in the workplaces
- ✓ Upcycling electronic equipment returned from our customers, after comprehensive treatment and quality tests

In addition, in 2021 we set up the energy efficiency forum, headed by the VPs of network technologies, logistics, and infrastructure. The forum includes



Working together to reduce environmental damage. Bezeq employees

We expect to build an efficiency plan to meet the goals by 2050 and even earlier

all the officers responsible for reducing emissions in the Company's departments: properties, transportation, engineering, and electricity. In the future, we expect to prepare an efficiency plan to meet the goals by 2050 and even earlier. Last year, we published Bezeq's environmental policy in Hebrew and English, and the document is available [on the Company's website](#).



We have reduced energy consumption

In 2021, we reduced Bezeq's electricity consumption by 3% compared with 2020 and by 7% compared with 2019.

* As of the preparation date of the report, there is no public emissions data



for private manufacturers, therefore, when calculating GHG emissions, coefficients of the Israel Electric Corporation are used.



We switched to renewable energy

The way to achieve zero carbon is to change our energy mix. Last year, we started assessing the feasibility of producing solar energy at various Bezeq sites. The first pilot will be launched in 2022.

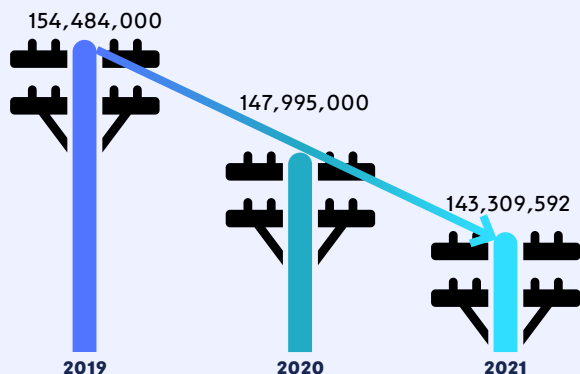


We optimized fuel consumption

There was particularly extensive infrastructure activity in 2021, when Bezeq deployed fiber optics at an unprecedented rate. This had a direct effect on the mileage of the Company's vehicles. However, we were able to offset the effect on the Company's fuel consumption by increasing the number of hybrid and electric vehicles in the vehicle fleet.

In recent years, we have consistently increased the number of hybrid vehicles in Bezeq's fleet. At the end of 2021,

Electricity consumption at Bezeq (kWh)



hybrid vehicles made up 46.5% of the company car fleet. Concurrently, since 2019, there has been a 55% decrease in the number of diesel vehicles. We intend to continue to increase the use of energy-efficient transportation means and to completely discontinue the use of ordinary fuel. We are also constantly testing new technologies and vehicles and are committed to adopting technologies that will contribute to our efforts to achieve our carbon emission reduction goals.



We increased employee transportation

Despite the relative comfort of the private car, as traffic jams worsen, the value of the expanded use of employee shuttles increases. The many advantages they offer include:

- Saving money
- Saving time
- Removing barriers in hiring employees due to access to the workplace
- Increasing employee satisfaction
- Reducing GHG emissions
- Improving the balance between work, family life, and leisure

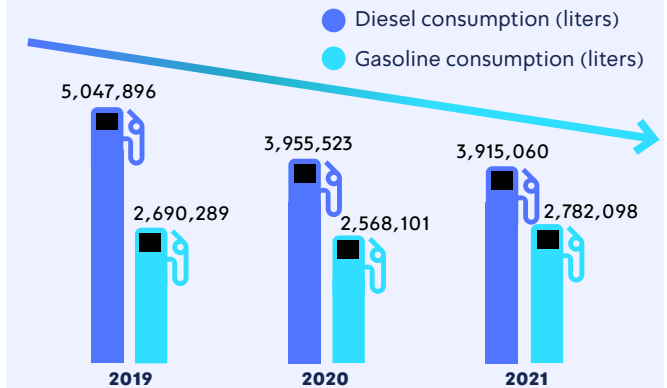
Following the move of Bezeq's head office to Holon, we offer employees shuttle services from the train stations in Tel Aviv to the head office.



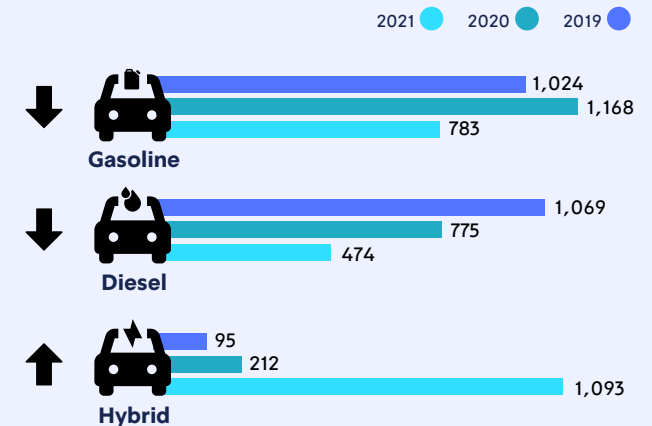
We expanded the use of electric vehicles

Following the direction of energy efficiency in the fleet, last year, we launched an electric vehicle pilot at the head office in Holon. In the pilot, we encouraged employees who were due to change their company car

Fuel consumption in the vehicle fleet



Trends in the company car fleet (No. of vehicles)



to use an electric vehicle. At the same time, we installed EV charging stations in the Company's parking lot, and we monitored employee satisfaction with the cars and how they use them for their needs, with the intention of increasing the proportion of electric vehicles in the fleet.



We reduced GHG emissions

In 2021, we reduced the direct and indirect GHG emissions attributed to our activities (Scope 1-2) by 5% compared with 2020, and by 18% compared with 2017. In the last year, we expanded the measures for meeting the 2050 goals, and we are making preparations for the study and calculation of Scope 3 in the near future. The subsidiaries are also making preparations to start environmental reporting on their activities in 2023.



We recycle more waste

The increase in the amount of waste sent for recycling continued in 2021 as well. Israel's waste problem is getting worse every year, and we are investing effort in responsible management of the waste produced by our activities. The main waste produced by the companies is electronic. Bezeq has agreements with certified waste management companies. Hazardous waste (mainly batteries) is also disposed of in accordance with the law, as well as cardboard and paper.

Last year, we sent more than 530 tons of electronic waste and more than 1,600 batteries for treatment and recycling, weighing a total of 1.5 tons.

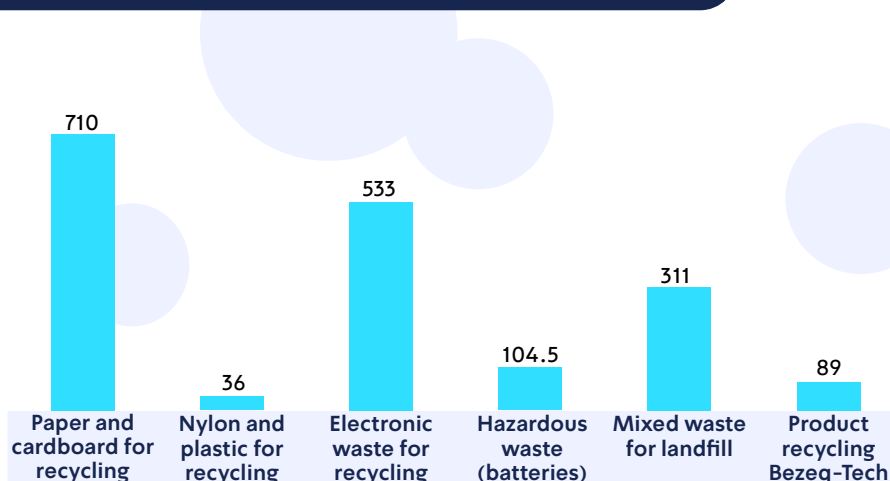
In recent years, we have implemented many measures to transition to paperless management, both in internal work processes and in customer interfaces.

- We canceled the generation of printed forms after returning repaired devices to customers following the repair
- We canceled the printing of shipping certificates in the distribution process.
- We reduced the number of labels printed in the conversion process (translation of product documentation into Hebrew).

Other electronic equipment, such as communication cabinets and electronic equipment that is replaced when upgrading and that is still usable, is sold in a tender in



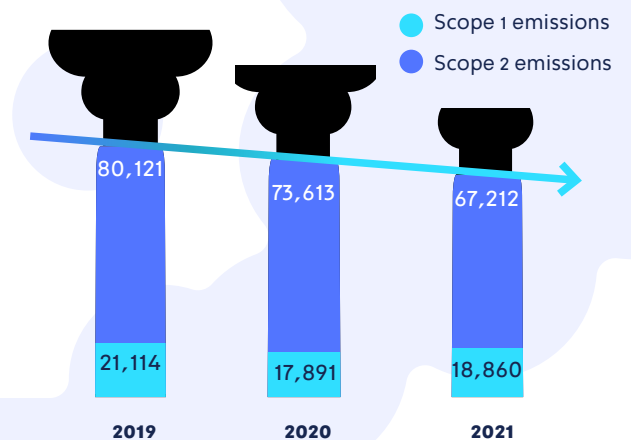
Weight of landfill and recycling waste 2021 (tons)



Electronic waste recycling (tons)



Bezeq's scope 1-2 GHG emissions (tCO2e)



* The emissions figures for 2020 were revised in relation to the previous report due to the revision of the emission coefficients of the Company's electricity consumption.

which the buyer undertakes to purchase the equipment for continued use.



We no longer use disposable cups

In 2021, we held a successful pilot to reduce the use of disposable cups at kitchenettes at Bezeq's head office. In the pilot, compact office cup washers were installed in the kitchenettes and employees were given reusable glass cups. We also explained the significance and importance of this measure in e-mail messages and through other channels.

The pilot succeeded beyond expectations. Hundreds of employees changed their habits and gave us warm and supportive responses. We calculate that the transition to reusable cups will save the Company tens of thousands of shekels every year. In the coming year, we plan to expand the project to other buildings as well.



We reused electronic devices

Bezeq owns the Bezeq-Tech factory, which upcycles electronic devices for reuse. The factory repairs and upcycles routers and business communication equipment. The number of upcycled products increases every year. In 2021, more than 270,000 units weighing a total of 89 tons were treated at the factory and reused instead of becoming electronic waste.

Tens of thousands of devices are also sent to Pelephone laboratories every year, with the aim of returning them to customers in good condition and ready for use.



We met radiation targets

Radiation is closely governed by regulation, and Bezeq and its subsidiaries comply with all the relevant laws and regulations. Annual inspections are carried out at Bezeq for all facilities that require a construction permit. All inspections in 2021 were in order.



The employees of the laboratories of Bezeq and the subsidiaries implement a greener format

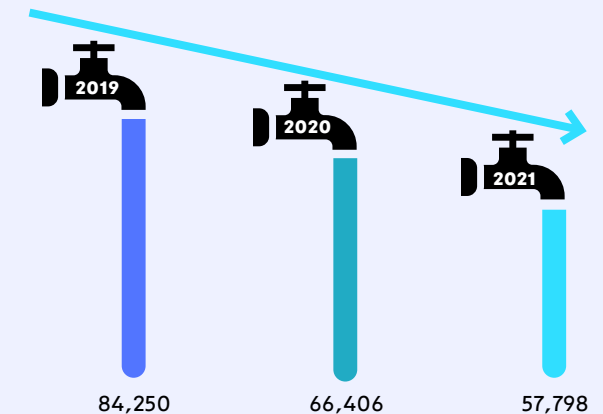
The subsidiaries have an environmental officer who is responsible for the radiation values of more than 2,000 antennas all over Israel. Each facility is inspected once a year in accordance with the law, and the inspection findings are reported to the companies' boards of directors and to the Ministry of Environmental Protection, as required by law.



We reduced water consumption

At Bezeq, water is used mainly for sanitary purposes and for operation of the buildings (cleaning and gardening). We have implemented many measures in recent years to reduce operational costs (consolidating buildings, raising employee awareness, installing washing appliances and water efficient faucets in new or renovated buildings), resulting in a significant decrease in our water consumption. In 2021, we reduced Bezeq's water consumption by 13% compared with 2020, and by 32% compared to 2019. ●

Water consumption at Bezeq (cube)



Securing the Network and Protecting Privacy



Securing the network and protecting privacy

More and more essential services are assimilated into the digital space, increasing cyber threats and information security. These threats may materialize due to several factors, including the organization's employees (intentionally or accidentally), hackers, criminal and terrorist organizations, and political entities.

These factors may expose organizations to risks related to the protection of intellectual property, theft of customer information, damage to the continuity of business activity, damage to critical infrastructures, financial fraud, and damage to the organization's reputation.

At Bezeq Group, we strive to manage secure communication networks in Israel, protecting both physical infrastructure and software-based telecom services, as well as our databases. We invest enormous efforts in the creation of security circuits to protect all Bezeq systems and customer services against accidental or intentional internal and/or external damage to create functional continuity for our customers and us, while maintaining operational flexibility and preserving the customer experience.



320+ billion

application and infrastructure hacking attempts were stopped in the first line of security.

45,000

SIEM alerts

Our cyber protection in 2021



10,000+

special alerts were addressed by the information security team at the SOC

350+

targeted attacks by advanced hackers without significant damage or any damage at all

A global leader in intra-organizational capabilities

To address cyber security threats efficiently and professionally, we have developed some of the world's leading intra-organizational capabilities. A chief information security officer (CISO), who heads a team of the best professionals in the field, is responsible for the information security strategy, which includes policy, standards, architecture, and engineering processes in the Group.

Our comprehensive information security plans include compliance with strict regulations and standards and the use of the most advanced technologies for cyber risk management, disaster recovery plans (DRP), virus and malware monitoring, file integrity monitoring, encryption, and access controls.

Every quarter, our CISO leads a quarterly review and discussion about cyber risks, threats, and protection with the board of directors. The CISO reports the results of capability maturity model integration (CMMI) for cyber and information security and the actions taken for improvement. We also have a comprehensive cyber security insurance plan.



Risk assessment and vulnerability management

The organizational information security policy of Bezeq and its subsidiaries is adapted to adhere to Ministry of Communications regulations, Israel Broadcasting Authority directives, Ministry of Justice Privacy Protection Council guidelines, SOX provisions, Cable and Satellite Broadcasting Council guidelines, and the satellite broadcasting license. We work in full and close cooperation with the national cyber system.

The Company also complies with global industry standards and the Framework for Improving Critical Infrastructure Cybersecurity, Version 1.1 of the US National Institute of

Standards and Technology (NIST). The Cybersecurity Framework includes five main functions: identify, protect, detect, respond, and recover. These functions are divided into 22 main categories and 98 subcategories. Each defines a detailed set of desired outcomes. In our compliance with these guidelines, we have developed a comprehensive corporate vulnerability management plan for the identification of and protection against information security risks.

Key points of the program

Framework: Our plan is based on a comprehensive policy, which outlines the core elements, pace, and division of responsibilities required.

Risk assessment: We constantly assess potential threats and vulnerabilities using commercial, government, supplier, and public information sources. Identified vulnerabilities are classified based on their assessed risk, using an industry standard scoring model.

Risk identification: We use manual and automated identification methods, including static application security testing (SAST) and dynamic application security testing (DAST), on a scheduled and real-time basis to identify network vulnerabilities.

Restoration: Vulnerabilities are reported to the relevant owners and to the entities responsible for vulnerability remediation. If the vulnerability cannot be fixed within the time set in the policy, a work plan is opened to track remediation. In rare circumstances, an exception may be approved, which is documented and tracked in a central system.

Indexes and reporting: We collect and store data for



Advanced BE routers

reporting purposes to improve management responsibility for repairing vulnerable assets. We also use the data to assess threats, and for strategic planning of ongoing program improvements.



Outside audits and assessments

To verify our organizational vulnerability management plan, Bezeq recruits outside experts to perform audits and assessments. Every year, the Company is tested by an external qualified security assessor (QSA) for Payment Card Industry Data Security Standard (PCI DSS) compliance.

Our cybersecurity center for network management and our data collection infrastructure and data analysis platforms have ISO 9000 and ISO 27001 certification for information security management at Bezeq, and ISO 27017 and ISO 27018 certification for cloud storage protection. Our infrastructure is also audited annually by external inspectors. The test results are presented to the Company's board of directors.



Employee training and empowerment

Even the most sophisticated technologies cannot replace the informed



and careful use of organizational information systems. Therefore, our employees are an extremely important line of defense. We invest heavily in their training to protect our networks from attackers. All employees of Bezeq and its subsidiaries attend annual information security training and other training as required, according to their position. Our employees are sent simulated phishing messages to help them learn to identify such threats. Employees who fail to identify these messages as suspicious (whether e-mail or SMS) receive additional training. We also hold ransomware simulations for the organization's management.

Moreover, throughout the entire year, we run a continuous learning program to reinforce best practices for security. This includes articles, videos, and internal organizational communication.



Security solutions for our customers

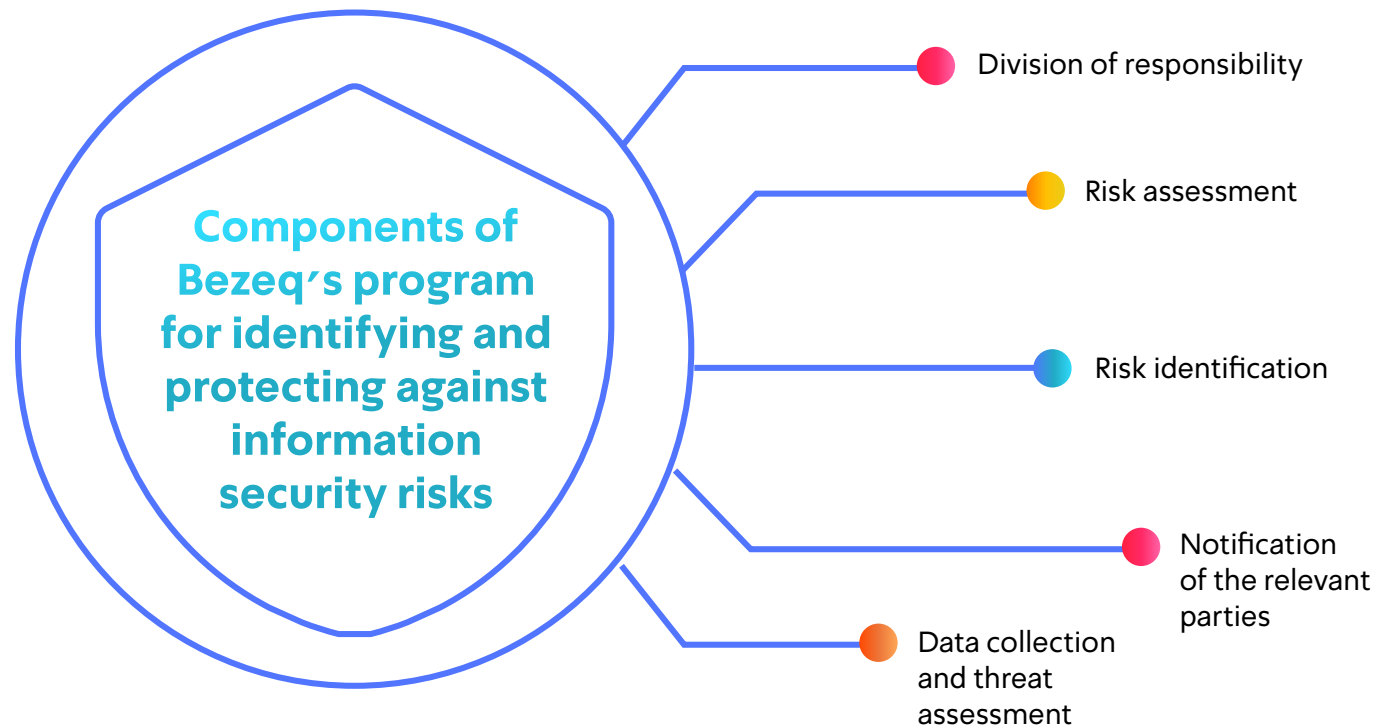
We offer our customers a growing range of security solutions to increase network information and browsing security. These include an advanced antivirus service for PC and smartphone protection. The software interface is in Hebrew, and it is automatically updated and supported by Bezeq representatives 24/7.

Bcyber offers comprehensive cyber protection for the home network and all devices connected to it (up to 30 devices at the same time). The Be router protects the Company's customers from invasion of privacy, credit fraud, identity theft, impersonation, and hacker attacks on devices connected to the internet at home. The Be router identifies, blocks, and neutralizes the dangers, and informs customers in real time through a user-friendly management application.

We also offer free filtered internet service to ISP customers to protect household members from inappropriate content.

Protecting your privacy

Privacy is a fundamental right set out in the Basic Law: Human Dignity and Liberty. As such, Bezeq and its subsidiaries attribute great importance to this in all areas of activity, and invest great effort in proper protection of the information reaching them. Bezeq and its subsidiaries comply with legislation for privacy and work in accordance with the values of the companies. Each of the Group companies has a public privacy policy setting out how the Company uses the information provided to it, including information obtained by using the website or the services offered by the Company. ●





To excel in Service



To excel in service

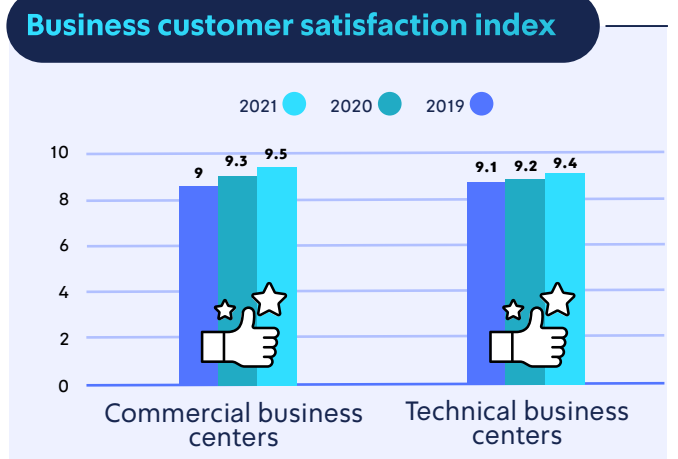
Bezeq, Israel's leading communication group, invests its full attention and resources in providing its customers with a high-quality communication experience at the highest standards of innovation. Accordingly, in the service experience as well, the Company ensures a multi-channel solution. For example, the subsidiaries have advanced service systems, such as a multi-channel system used to provide a response through diverse digital channels, such as Facebook, Twitter, WhatsApp, SMS, chat, and email.



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These factors may expose organizations to risks related to the protection of intellectual property, theft of customer information, damage to the continuity of business activity, damage to critical infrastructures, financial fraud, and damage to the organization's reputation.

At BezeqGroup, we strive to manage secure communication networks in Israel, protecting both physical infrastructure and software-based telecom services, as well as our databases. We invest enormous efforts in the creation of security circuits to protect all Bezeq systems and customer services against accidental or intentional internal and/or external damage to create functional continuity for our customers and us, while maintaining operational flexibility and preserving the customer experience.





Service excellence in the subsidiaries

In 2021, a customer relationship management (CRM) system was implemented in the three Group subsidiaries. Implementation of the system was a significant professional challenge because the companies were required to adapt different work processes and operating concepts for joint work.

Covid-19 restrictions also forced us to find innovative training solutions for employees. At the end of a successful process, for which we received a commendation (see

We streamlined work processes of the division's technicians, to increase their professional independence and improve troubleshooting speed

the professional and personal development section in the employees chapter), the system was implemented with success.



Telephone and yes are leaders in service

In July 2021, the Ministry of Communications published its annual public inquiries report, according to which Pelephone continued to lead and improve, providing the best service in Israel's cellular market.

Pelephone is the only cellular company that showed an improvement compared to the corresponding year, despite the outbreak of Covid-19 in 2020 and the fact that 80% of the Group's service and sales teams worked from home.

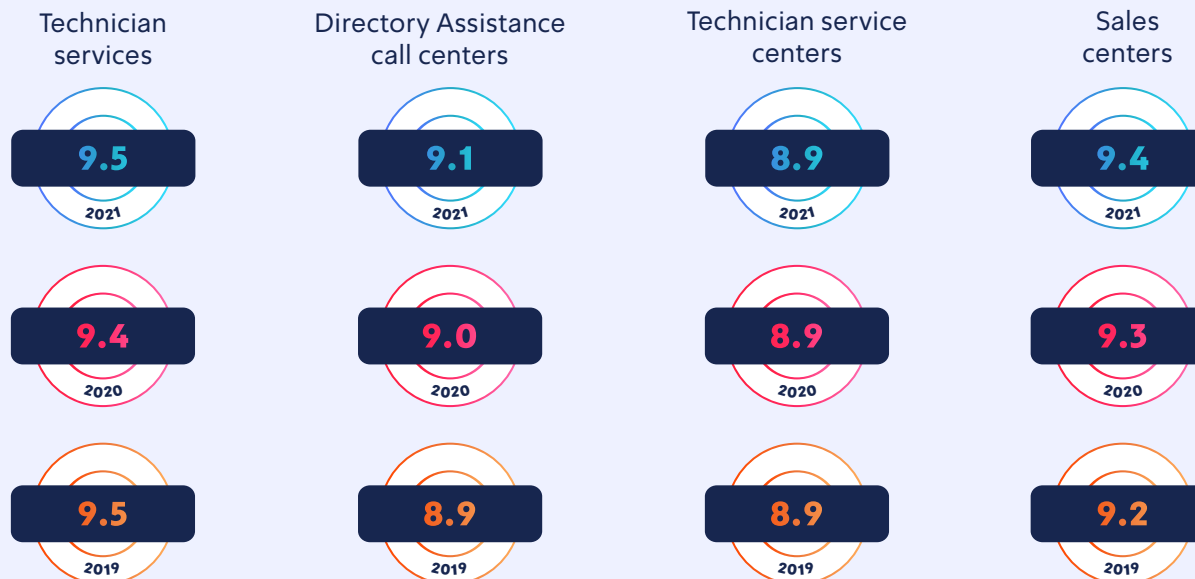
Pelephone also led the indexes with the lowest

The malfunctions at our customers were also fixed faster

The number of days for a technician's visit for irregular malfunctions (most malfunctions are addressed remotely)



Every year, customers award us excellent scores in all service categories



number of complaints among all the companies and presented a further leap by being the only company that demonstrated significant improvement and received a score of "very good" for justified complaints.

This report was in addition to the Ministry of Communications' service quality index, which was published one month earlier, in which Pelephone also led in customer service, response times, and addressing complaints, and most importantly – in customer satisfaction.

According to the service report of the Cable and Satellite Broadcasting Council, yes has been a leader in television service for many years, ahead of its competitors by a considerable margin. Service is at the core of the company's activities, and it implements advanced service on digital platforms, alongside a response on traditional platforms.



Maintaining security

As the leading communications provider in Israel, Bezeq is committed to operational continuity in any



scenario. Beyond the financial damage that the Group's private and business customers may incur, Bezeq Fixed-Line customers include medical, government, and other entities – and for these customers, communication continuity has a direct impact on human life. Accordingly, we invest great effort – technological and human – in providing all our customers with the most secure and reliable service possible, and operation backup and survivability programs that are revised and tested frequently.

As part of these efforts, in 2021, Bezeq participated in an extensive national exercise initiated by the Ministry of Communications. In the exercise, the preparedness of the home front to address a war scenario was assessed in two main arenas: external (missiles) and internal (widespread disruption). The exercise simulated many scenarios, such

We invest great effort, technological and human, in providing all our customers with the most secure and reliable service

as the interruption of electricity supply to the Company's facilities, including the communication centers and server farms, and intentional attacks on infrastructure.



Accessible and sensitive service for people with disabilities

People with disabilities make up 20% of Israel's population of working age and even more in the older population. Bezeq and its subsidiaries attribute social, business, and human value to the accessibility of service for this population, and are in full compliance with accessibility regulations relating to equal rights for people with disabilities and the Communications Law (Telecommunications and Broadcasting).

As such, accessibility officers were appointed at Bezeq and its subsidiaries, whose role is to manage accessibility issues. All websites and applications of Bezeq and its subsidiaries are accessible and maintained regularly, with the assistance of outside experts. Accessibility adjustments were based on the recommendations of Israeli Standard (IS 5568) for AA level content accessibility and



Telephone's call centers

Average response time



Telephone has the **shortest** response time of all cellular companies

High scores from customers

Resolution of the issue of the request **8.2**

Time to resolve the request **8.2**

Satisfaction with response to request **8.3**

0 1 2 3 4 5 6 7 8 9 10

Telephone received the **highest score** among cellular companies

the international Web Content Accessibility Guidelines (WCAG) 2.0.

The websites of Bezeq and its subsidiaries include a section that is accessible to people with disabilities, with a description of all the accessible services provided by the Company. Bezeq and its subsidiaries provide options for customers to receive information in accessible formats. The information is provided free of charge for people with disabilities.



Call center for customers with a hearing disability

The Company has an accessible call center for sending messages and for communicating with a wide range of service providers and public entities. The call center assists users in making inquiries, making medical appointments, receiving towing services, and more.

Call center services are available in several forms, including a phone call, a chat with a representative, sending a text message, or by transmitting a fax. The call center operates 24/7 all year, other than on Yom Kippur and high holidays. The call center provides assistance free of charge. Documents in an accessible format, assistance in filling out forms, and document reading services are available from Bezeq and the subsidiaries. Bezeq and Pelephone also provide their customers with an alternative SMS service for translating text to audio. The service is in Hebrew and Arabic.

Bezeq, Pelephone, and Bezeq International have a range of telephone devices and terminal equipment with features adapted to people with different types of disabilities. As

We have started deploying innovative technology to provide direction and orientation in public areas and in Bezeq stores

required by law, different models of Bezeq's fixed-line devices and Pelephone's mobile devices are suitable for all types of disabilities.



Accessibility in the Group's stores and branches

All Bezeq Stores are accessible, and all have accessible parking spaces, an accessible entrance, a hearing loop (a sound system used by people with a hearing aid), and accessible service stations. We have also started deploying innovative technology to provide direction and orientation in public areas and receive service according to requirements.

All of Pelephone's service centers, sales points, and branches have been accessible for several years. We conduct accessibility surveys and spot checks and monitor accessibility routinely. We carried out accessibility surveys in all branches, addressed the gaps that were discovered, and prepared a permanent accessibility plan for them.

All Pelephone centers and sales points are equipped with:

- ☒ An accessible service and sales counter
- ☒ An accessible entrance to the branch
- ☒ Accessible chairs at the accessible service counter and waiting area
- ☒ Accessible line management
- ☒ Services for customers with disabilities inside the service center or inside the shopping center in which the service center is located
- ☒ Hearing aids
- ☒ Free demos and trials

At yes, we made four broadcast channels accessible in 2021, and are going above and beyond the requirements of the law to make satellite broadcasts accessible. For example: although accessibility to internet broadcasting is not a legal requirement, we invest considerable resources in making



Customer service representative

channels accessible on the internet, out of recognition of the importance of the service and a desire to continue to provide solutions that are tailored to our customers.

On June 6, a day of awareness and solidarity with the blind and visually impaired community, we uploaded a pop-up channel accessible to people with vision impairment, using audio description. The channel aired Channel 12 News, the Fauda television series, as well as iconic Israeli films from over the years.

In addition, last year we signed the convention for equal opportunities and adequate representation for people with disabilities in the film and television industry.



Maintaining high employee awareness

To maintain a high level of knowledge, awareness, and involvement in accessibility among our employees, we developed new accessibility training courses (and a consolidated training course for the subsidiaries); we produced a new accessibility video for employees of the subsidiaries; and we held training sessions for all Bezeq Group employees. We also communicated our commitment to accessibility in the organizational communication means in all companies throughout the year. ●



Promoting Responsibility in Procurements and Fairness with Suppliers



Promoting responsibility in procurements and fairness with suppliers

As Israel's leading communications group, which manages large-scale procurement of products and services, it is our responsibility to ensure that the ESG standards we set for ourselves are also applied when working with our suppliers. We maintain fair agreements with them, we fulfill all our obligations towards them, and we have a highly ethical payment policy benefiting small-scale suppliers, suppliers of labor-intensive services, and more

Bezeq has a written procurement policy for the Company's procurement and purchasing employees. These employees participate in qualification, training, and assimilation when starting the job, as well as in their routine training. The procurement policy includes reference to aspects such as:

- Checking that there are business licenses and regulatory permits
- The supplier's compliance with proper employment conditions, including compliance with laws for protecting employee rights
- Safety management and the absence of conflict of interest in agreements with the Company
- Absence of a criminal record for infrastructure and construction contractor employees, at the discretion of the Company's security officer



Spot checks of supplier payments

Bezeq and its subsidiaries are subject, among other things, to the provisions of the law to increase the enforcement of labor laws. They supervise their compliance through fair planning of tender rates for services, as well as through periodic inspections and monitoring of the compliance of the companies from which services are

purchased, such as cleaning, security, and catering, all under the employment conditions set out in the tender.

In 2021, Bezeq carried out more than 100 sample inspections and spot checks of the pay slips and payments for the service providers' employees. Several deficiencies were found in the inspections, all of which were at a low level of severity, and we contacted the suppliers immediately to correct them and closely monitored their corrective actions. Due to the low severity of the deficiencies that were discovered and the immediate action that was taken to correct them, work was not suspended by any of them. The inspection results and the corrective actions are reported to the Company's CEO once a year.

Out of social awareness and a desire to support the Israeli economy, we give priority to local suppliers to the greatest extent possible. However, the nature of the procurement and equipment purchased by the Company dictates the need for equipment manufactured outside of Israel, but mainly purchased from local companies. In addition to all of the above, we allocate part of the procurement budget to small- and medium-scale businesses, to socially conscious businesses for the purchase of gifts for employees, and more. ●

100 spot checks of pay slips and payments of Bezeq service providers in **2021**



Advancing an Ethical Culture



Advancing an ethical culture

Proper conduct is one of the cornerstones of our culture at Bezeq and its subsidiaries. We cultivate an advanced ethical culture, allowing for all of our employees to know what is expected of them, to examine the dilemmas they may face, and to make the best decisions for them, for the Company and for its stakeholders. We consider our ethical conduct as the key to our continued success in the long term.

All Bezeq Group companies have a code of ethics that is revised periodically, and it defines what the companies expect of their employees. Each company has procedures and controls for the prevention of bribery and corruption, prohibition of the use of inside information, and other ethical restrictions. The employees of all companies participate in refresher and ethics training every two years, after which they sign a declaration that they understand the specific code of ethics of the company in which they work.



The Code of Ethics continues to be revised

Bezeq's VP of Human Resources, Moran Kita, who chairs the corporate ethics committee, is responsible for the management and cultivation of ethics at Bezeq. The Company's internal auditor is also a member of this committee. The committee meets twice a year for two main purposes: to define the annual work plan for the subjects under its responsibility and to assess the progress of its implementation. Our VP of Human Resources reports the state of organizational ethics management to

the audit committee of the board of directors annually. Since the Code of Ethics is a living document, which reflects the Company's values and which changes along with it, we revise it from time to time. To revise the Code of Ethics in 2022, we held a series of meetings with managers and employees from different units. In one of the meetings, we gathered a diverse and representative group with the aim of discussing and revising the existing set of values, so that it accurately reflects the Company's business culture.

In the workshop, the participants were divided into groups, expressed their opinion on possible changes, were asked to contribute suggestions and highlights from their experience, and influenced the final wording of the Code of Ethics. The proposals were presented in additional meetings with Level A members (division managers and VPs), after a discussion with the Company's management, a decision was made to revise the Code of Ethics with the addition of partnership and service values, and other adjustments were made for compliance with international standards. The revised document was presented to the audit committee of the board of

directors. The new Code of Ethics will be sent to the entire Company in 2022 after approval by all members of the board of directors.



Rules of conduct and action

Bezeq's Code of Ethics is a document setting out the rules of proper conduct for the Company's senior officers, directors, and employees. The Code of Ethics outlines the rules for ethical business conduct within the Company, with customers, investors, business partners, competitors, the community, and the environment. The Code of Ethics also outlines conduct on social networks and determines how to report unethical behavior and the policy for implementation, assimilation, and control.

The Code of Ethics sets out ten principles of action, reflecting the foundation of Bezeq's concept of ethics:

- 1. Integrity:** Be genuine and true to what we believe in. Act sincerely, fairly, and with decency, and do the right thing without compromise.
- 2. Respect for others:** Treat everyone with respect: our colleagues, customers,



business partners, and all the parties involved in our work, because proper behavior comes before business.

- 3. Personal responsibility:** Each and every one of us bears personal responsibility for our actions, even when working as part of a group, whether large or small.
- 4. Equality and fairness:** We believe in equality and non-discrimination based on gender, religion, or ethnicity. We will treat our customers and colleagues, employees, business partners, our competitors, and the Israeli community fairly and honestly, out of a set of practical, systematic considerations, with the underlying rationale also being understood by a neutral party.
- 5. Caring:** Our conduct is connected and attentive to our environment, and we invest the effort required to produce value and genuine meaning in every meeting with our customers, colleagues, the community, and society in Israel and among ourselves.
- 6. Openness:** We will approach every person, subject, or idea with curiosity, enthusiasm, and sincerity, out of a conception that they are offering us new and surprising opportunities for the future.
- 7. Excellence:** The responsibility of each and every one of us is for high-quality and exceptional performance in every task and every management action we undertake. Professionalism, excellence, and constant striving for improvement should be our guiding principles.
- 8. Transparency:** We ensure open, clear, up-to-date, proactive, and honest communication as a basis for trust among ourselves and with all our stakeholders. We must ensure that the information we pass on is fully



760 hours
of ethics training
in the subsidiaries



Training for employees

understandable and clear to the other party.

- 9. Innovation:** In a work environment that is constantly progressing, we always strive to be one step ahead of others. This is to maintain leadership and progress in products, processes, services, and technologies in all our activities.
- 10. Partnership:** As a foundation for excellence in service and quality, we will work together with our colleagues from all the Company's divisions so that each division will contribute its part for the benefit of our customers.



Ongoing training

As well as the Code of Ethics, Bezeq and its subsidiaries have procedures and policies to prevent corruption and conflict of interest, with the aim of describing the principles of the Code of Ethics and clarifying the principles of proper conduct in specific issues. The following topics are important to us:

- ☒ Prevention of benefits, bribery, and corruption, accepting and giving gifts

The responsibility of each and every one of us is for high-quality and exceptional performance in every task and every management action we undertake

- ☒ Knowledge refreshers on integrity and ethics for all employees

- ☒ Additional and specific training relevant to a position
- Moreover, each of the companies has internal procedures for addressing cases of identification or concern of deviation from the law, the Company's regulations, and the rules of ethics. There are several channels available for employees and business partners for anonymous or open applications for advice or reporting. These regulations and Company policies include the principle of non-retaliation to prevent harm to and harassment of whistleblowers.



Bezeq's executive development programs include a special training unit dedicated to the subject, with a workshop on solving dilemmas. In 2021, one hundred employees and managers participated in a workshop for ethical business management. A unique activity called "I have a dilemma" was carried out in two divisions, in which employees and managers were invited to present their dilemmas.

In 2020–2021, 95% of Bezeq's employees signed the Code of Ethics and passed a digital training refresher. In Bezeq's subsidiaries, there were a total number of 760 hours in ethics training.



High scores for ethics

In 2021, Bezeq held the first ethical climate survey, in which the Company's employees and managers were asked questions about Bezeq's ethical culture and how they feel about it. Some 40% of the Company's employees responded to the survey, and the high percentage demonstrates that Bezeq employees attribute great importance to this issue. The results were encouraging.

The statement: "Companies that are successful in the long term are those with ethical and value-oriented conduct towards their stakeholders", received a score of 5.6 on a scale of 1–6. The following statements also received a similar score: "It is important to my managers that my conduct is ethical and value-oriented towards achieving my business goals", and "I am familiar with Bezeq's leading ethical values". High scores were also recorded for statements related to the employees' acquaintance with the parties to which they can report if they encounter unethical conduct. The organizational ethics committee discussed the survey results, which were presented and discussed with the Company's management and the audit committee of the board of directors.

Employees who wish to consult someone on ethical issues can contact the managers, the ethics committee,

or the Company auditor, anonymously or openly.



Protection of whistleblowers

The bribery and corruption compliance policy aims to help all stakeholders in the Company to identify and prevent these situations. The policy describes actions that are permitted and prohibited in business hospitality, accepting gifts, and travel expenses. The policy clarifies the types of donations and loans that may be granted or received, it explains how to prevent a conflict of interest in the employment process, and it provides examples of red flags that may constitute a breach of anti-bribery standards and laws. In accordance with the policy for preventing a conflict of interest, decisions about the employment and promotion of an employee or an agreement with a third party, are based solely on business considerations and are not based on personal or other motives that are irrelevant. Bezeq has other procedures that reinforce anti-bribery and anti-corruption processes, such as:

- ✓ An operating procedure based on integrity and prohibition of accepting and giving bribes
- ✓ A policy for the prevention of embezzlement and fraud
- ✓ A procedure for the prevention of fraud in sensitive positions
- ✓ An embezzlement and fraud forum, which convenes at least once a year

Human rights

At Bezeq, we believe in the duty to uphold human rights, to protect the individual's freedom, dignity, freedom of movement, property, security, bodily integrity, equality, and prevention of discrimination of any kind. Full respect for human rights is an important and key value for the Group, which takes steps to promote and uphold them. The Group

complies with all the provisions of the law and beyond.

In 2020, Bezeq adopted a policy for the protection of human rights, which was approved by the management and reviewed by the board of directors. The policy document describes the main points of the policy:

- ✓ The process of assimilating human rights in the Company
- ✓ The rights of the Company's employees
- ✓ The human rights activities undertaken by the Company

In 2021, Bezeq's management received a review of the Company's compliance with international guidelines for the protection of human rights. The review referred to two basic documents that outline the principles for protecting human rights within the Company's business activities: the UN Guiding Principles on Business and Human Rights and OECD Guidelines for Multinational Enterprises.

Together we prevent discrimination, harassment, and abuse

As a responsible employer, we undertake to maintain a safe, healthy work environment, free of racism, abuse, and sexual harassment. Bezeq follows a policy of zero tolerance for any form of discrimination, harassment, abuse, and display of violence of any kind.

Preventing sexual harassment

As required by law, the Company has a sexual harassment prevention officer, who is responsible for implementing the policy and procedure for preventing sexual



harassment. Each Company employee is required to take an online course on the prevention of sexual harassment once a year. The Company requires its managers to take an active and leading role in preventing sexual harassment and harassment at work. To eliminate these issues, all the necessary information about the Company's measures to prevent sexual harassment and harassment at work is accessible to the Company's employees.

A complaint to the sexual harassment officer can be submitted orally, by telephone, or in writing. A committee chaired by VP of Human Resources convenes according to the need to address sexual harassment cases.

Preventing abuse

Bezeq acts to ensure a respectful organizational culture for all employees, especially in relations with managers, with the aim of reducing incidents of abuse at work. The actions include the appointment of an abuse prevention officer, a complaints hotline, and the integration of the topic into orientation and training days for new employees on preventing abuse at work.

Prohibition of discrimination

Bezeq is committed to preventing discrimination of any kind – on the basis of race, sexual orientation, gender, language, religion, political opinion, and nationality.

Internal audit

Bezeq's internal auditor, Lior Segal, heads the internal audit team and is responsible for its management in

Contact with the internal auditor can be by name or anonymously, and employees are guaranteed protection against harassment.

the Company, including checking the proper actions of the Company and the actions of its officers, checking the reliability and integrity of financial and operational information, reviewing financial management, and reviewing the Company's IT systems and information security system. The auditor has the following powers:

- ☑ To receive any information, explanation, and document required for auditing duties
- ☑ To access any of the Company's regular or digital databases, any database and any automatic or non-automatic data processing work plan of the Company and its units
- ☑ To obtain permission to enter any property of the Company
- ☑ To receive an invitation to all meetings of the management, board of directors, and committees

The internal auditor is also responsible for reviewing employee complaints and inquiries, in accordance with the procedures established by the audit committee. Contact with the auditor can be by name or anonymously, and employees are guaranteed protection against harassment. It is the auditor's responsibility and authority to monitor and control the addressing of complaints, which must be reported to the audit committee of the board of directors both routinely and periodically.

Internal compliance plan

Bezeq attributes great importance to compliance and continues to expand and develop compliance management. The Company has compliance plans in several areas:

- Consumer protection
- Privacy protection
- Environmental quality
- Working relationships with employees and subcontractors



Customer service representative



Customer service representative

- Occupational safety
- Restrictive practices

Internal compliance for securities laws

We attribute great importance to strict compliance with the Israel Securities Law and the Companies Law. As such, we have adopted an internal compliance policy for securities and corporate laws to minimize violations. The compliance policy includes the prevention of the use of inside information, the duty to publish periodic and immediate reports, agreements with related parties, the prospectus and raising of capital/debt, the prohibition of fraud or fraudulent influence on the price of securities, and the transfer of information to the Company's controlling shareholder. The policy also outlines the control, audit, and supervision in this area, as well as preventative actions and sanctions, and determines how employees report violations of the law and the internal compliance procedure. ●

Committed to high-quality corporate governance

As a leading Group in its field, Bezeq and its subsidiaries are committed to a business culture based on proper and high-quality corporate governance and proper and ethical conduct in all areas of activity.

Bezeq's board of directors outlines the Group's policy and determines its action plans, is responsible for approving the Company's financial statements and financial situation, and supervises the Group's CEO and his actions. The board of directors operates within the powers granted to it under the Companies Law and in accordance with binding regulations. The members of Bezeq's board of directors (with the exception of the employee director) also serve as members of the board of directors of the subsidiaries, which is managed separately.

The board of directors' role in ESG management

In February 2022, Bezeq's board of directors approved the expansion of ESG management, following the Company's growing activity in the field. In this context, the board of directors approved the Company's sustainability vision: Bezeq connects Israel to a sustainable future. The board of directors also set long-term ESG goals and approved ESG policy documents on responsible employment, environmental policy, employee complaints, and community involvement policy.

Meetings of the board of directors

In 2021, Bezeq's board of directors held 22 meetings, with the participation of all members of the board of directors, other than directors who could not participate in some of the meetings or part of a meeting. The board of directors has four active committees, which together hold another 48 meetings on matters on the agenda.

Bezeq's risk management policy identifies potential risks

Type of committee	Number of meetings in the reporting year	Absences of board members in the reporting year
Audit committee	23	1
Committee for reviewing the financial statements	9	0
Compensation committee	15	0
Security committee	1	0

Members of the board of directors

As of the end of 2021, the Company had nine directors, including three outside directors and one independent director (who is not an outside director).

Name	Position
Gil Sharon	Chairman of the board of directors
Tomer Raved	Director
Darren Glatt	Director
Ran Fuhrer	Director
David Granot	Independent director
Zeev Vurembrand	Chairman of the financial statement review committee and Chairman of the compensation committee (outside director)
Edith Lusky	Chairperson of the audit committee (outside director)
Tzipi Livni	Outside director
Patrice Taieb	Employee director



Gender diversity in the board of directors

As at the end of 2021, 22% of the members of the board of directors were women. At the beginning of 2022, the board of directors undertook to raise the proportion of women board members to at least 40% by 2030. Bezeq is the first telecommunications company to set itself a binding target in this area, reflecting the importance attributed by the Company and its key stakeholders to the issue. A number of months after setting the target, the EU reached an agreement on a law requiring public companies to increase the proportion of women board members to 40% by 2026.

Training and instruction for directors

The vast majority of Bezeq board members have accounting and financial education and expertise. The Company implements many actions to train and maintain the competence of the board members throughout their term of office. First, there are onboarding training sessions for the directors, including processes for learning about the Company. The Company holds routine annual training for the board members, including training on corporate governance and risk management issues and seminars on professional issues. The Company's internal auditor assesses the effectiveness of the board of directors as a tool for strengthening corporate governance. The board of directors itself discusses the assessment results.

בניינים: Communication of issues critical to the board of directors

The Bezeq's VP of Corporate Communications is responsible for implementation of ESG in the Company. The VP reports periodically to the board of directors on the development of ESG issues. The board of directors also receives periodic reviews on issues related to ESG management.

Compensation policy

As required by law, Bezeq defined a compensation policy for the Group's officers: the CEOs of Bezeq and the major subsidiaries, VPs at Bezeq, and the directors. The compensation policy addresses the amount of compensation, its components, and how it is determined.

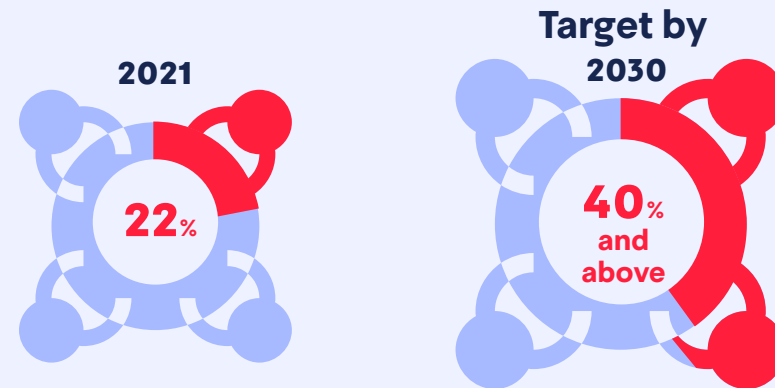
The objectives of the policy are:

- To promote the goals of the Company and the Group
- To create an appropriate compensation system for officers
- To allow the Company to hire and retain senior managers

The parameters for assessing compensation conditions include:

- The education and expertise of the officer

Proportion of women on the board of directors



- The officer's contribution to the Company's performance
- Market conditions
- The Company's needs to retain the officer

Bezeq's compensation committee, the board of directors, and the general meeting of shareholders are involved in setting the compensation policy. Investors, shareholders, and stakeholders are also able to express objections and reservations to this policy.

Risk management

Risk management, including risk identification and assessment, is revised continuously. The risk map changes and depends on many factors, such as the nature of the services offered by the Company and outside influences. Bezeq's risk management policy identifies potential risks, the realization of which may have a negative effect on the achievement of the Company's goals. The policy defines the processes required for employees and managers, establishes methodological principles, serves as a management decision-making tool, and defines areas of responsibility and officers.

The policy is implemented through:

- Quarterly reports from each division
- Semi-annual forums and workshops for representatives from each division
- Semi-annual management forum on risk management
- Reporting to the audit committee
- Presentation of the risk management report to the board of directors ●

About the report and the GRI index

This report, which refers to 2021, is Bezeq's third ESG report and the first report that includes the Group's main subsidiaries.

The report presents the ESG activities of the companies. As such, it discloses information about these activities and makes it available to the general public.

The objective of the report is to reflect the Company's stakeholders, primarily its employees, managers, and customers, the issues that the Company has chosen as the core areas of its activity and the achievements in the reporting period. The information presented in the report was collected from interviews with the Company's officers (employees and managers), the analysis of the financial reports, and internal documents.

The report was written in accordance with the reporting guidelines of the Global Reporting Initiative (the GRI) and in accordance with the SRS.

The topics that were essential for the report were selected on the basis of the process preceding the preparation of Bezeq Fixed-Line's second report in 2020. This process included interviews with division managers of the companies, compiling a benchmark for the reporting topics of leading international companies, and a review of the SASB reporting standard.

The report was written with the assistance of Good Vision – ESG consultants of the Fahn Kanne-Grant Thornton Group and a member of the GRI community.

If you have any questions about the report and its contents, please contact us:

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