



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

February 25, 2021

The Israel Securities Authority

The Tel Aviv Stock Exchange

Immediate Report – Examination of separation between broadband Internet infrastructure services and ISP Internet access – Secondary Hearing

Further to the immediate report of the Company dated October 5, 2020 regarding the hearing for the examination of the separation between broadband Internet infrastructure services and ISP Internet access services ("ISP") ("**first hearing**"), an immediate report, is hereby provided that on February 24, 2021 a secondary hearing was published on the Ministry of Communications (MOC) website ("**secondary hearing**") with material adjustments to the outline proposed in the first hearing, after the MOC considered all the comments received in the first hearing. The MOC's stated position is that they are adamant that they continue to promote the consolidation of retail broadband Internet services into one product offering alongside the existence of a competitive market in which each provider will have a direct connection with the final customer and the main tool for reaching this goal is the improvement of the wholesale market through self-regulation and equality.

The following are the main points of the amended outline:

- Immediately after publication of the secondary hearing, the infrastructure providers and ISP access providers will be given the opportunity to reach agreements on indices for the wholesale market and agreed compensation for non-compliance with such indices for a period of up to two months from the secondary hearing decision.
- At the end of this period, each infrastructure provider will submit to the MOC a shelf agreement that reflects these understandings. Within one month from the receipt of such agreement, the MOC will be allowed to either adopt the shelf agreement (which will be a uniform agreement for all operators seeking ISP Internet access on a network), to reject it and require the submission of a different agreement or to approve it with certain changes. To the extent that the shelf agreement is not agreed upon by the parties, the MOC will be entitled to set a different shelf arrangement that includes indices for the wholesale market and agreed compensation.
- Upon approval and implementation of the shelf arrangement, a "calibration period" of three months will apply during which the infrastructure providers will transfer the indices to the ISP providers and to the MOC on a monthly basis. A review of the agreed indices and compensation mechanisms will be conducted, and the MOC will examine claims regarding the effectiveness of the established model and the implementation process. In addition, it will perform comprehensive reviews on measures of productivity with the possibility to extend the



calibration period to a period not exceeding three months if significant discrepancies are found between the data presented by the infrastructure providers versus the ISP providers.

- After the calibration period, the MOC will announce the beginning of a three-month "preparation period" at the end of which the ban on infrastructure providers to offer a unified service " (**the determining day**)" will be lifted . The compensation mechanism will start operating at the beginning of the preparation period. From the determining date the infrastructure providers will be obliged to continue to publish the indices every month to the ISP providers operating in the wholesale market as well as the MOC. The MOC may provide these indices to the public or to any of the entities it supervises. It will monitor and enforce the agreement if the performance measurements indicate a breach of equality in the provision of wholesale services, in addition to enforcement of payment pursuant to the agreed compensation mechanism included in the shelf agreement.

Additional emphasis in the secondary hearing:

- Marketing of a reverse bundle will be permitted until the determining day.
- A complete calibration period will be required in relation to the wholesale market that will operate on the Company's fiber network. Therefore, if the fiber network begins operating after the start of the calibration period in relation to the traditional copper network, the preparation period in both networks will begin only at the end of the calibration period of the fiber network.
- If there will be significant difficulties in implementing a wholesale market, both with respect to the ultra wide broadband network and the existing broadband network, the MOC will review the policy on this issue and will act in accordance with the tools at its disposal.
- As stated in the first hearing, the MOC intends to establish a mechanism of automatic portability between providers that will take effect on the determining day.
- One year after the determining date, the MOC will review the number of subscribers that are still split between infrastructure providers and ISP providers. If the number is significant, the MOC will take further action in order to bring about a situation where broadband Internet service is provided as an end to end service by one provider.

The following is a link to the secondary hearing in Hebrew as published on the Ministry of Communications website:

https://www.gov.il/BlobFolder/rfp/24022021/he/Secondary_Hearing_ISP_24022021.pdf

The Company and its subsidiary Bezeq International Ltd ("Bezeq International") are studying the secondary hearing documents. The Company estimates that if implemented, and the ban on the Company to offer a unified service will be lifted from the determining date (and the Company will be permitted to offer a unified end-to-end broadband Internet service) it will have a positive impact on its operations. Regarding Bezeq International, the move could have a negative impact on its operations and result in an impairment of its assets. However, the total impact on the Group in the coming years is expected to be positive.



Sincerely,

Bezeq – The Israel Telecommunication Corp. Ltd.

The above information constitutes a translation of the Immediate Report published by the Company. The Hebrew version was submitted by the Company to the relevant authorities pursuant to Israeli law, and represents the binding version and the only one having legal effect. This translation was prepared for convenience purposes only.