

## Chairman's statement

# Strong business, strong governance

Gerard Kleisterlee has been Chairman of Vodafone for two years. Previously he was CEO of Philips for ten years. Here he gives his perspectives on Vodafone's strategy, the impact of regulation, the role and composition of the Board, our approach to management and shareholder remuneration, and Vodafone's role in society.



## Personal perspectives

In a world that is becoming increasingly digital, Vodafone's strategy is to deliver individuals and companies the seamless internet experience they will increasingly demand, irrespective of technology or platform. Our commitment to providing the leading mobile network in each of our markets is stronger than ever, and will be supplemented by increasing our access to next generation fixed line infrastructure, which provides additional capability. We have made strong progress in this respect this year, with over £8.7 billion invested in spectrum and capex, and the acquisitions of CWW and TelstraClear.

However, the industry remains severely constrained by regulatory intervention. Spectrum auctions are designed to maximise short-term proceeds at the expense of long-term investment in service quality and coverage, and new entrants are artificially supported. I will continue to work closely with Vittorio, our Group CEO, to engage with local and regional regulators to construct a framework which can better combine investment certainty with suitable consumer protections.

## The role of the Board

An effective Board needs to have the right balance of knowledge and experience among the non-executive directors, and to be well informed on the relevant technological, regulatory and market developments.

In February 2013 we were delighted to announce the appointment of Omid Kordestani to the Board. Omid was one of Google's very first employees, and brings

## Summary of key points

**Our strategy is to deliver individuals and companies the seamless internet experience they will increasingly demand, irrespective of technology or platform.**

**We have strength in depth in the management team and a Board comprising business leaders with a wide range of expertise.**

**We want to broaden that experience further, while achieving a greater gender balance.**

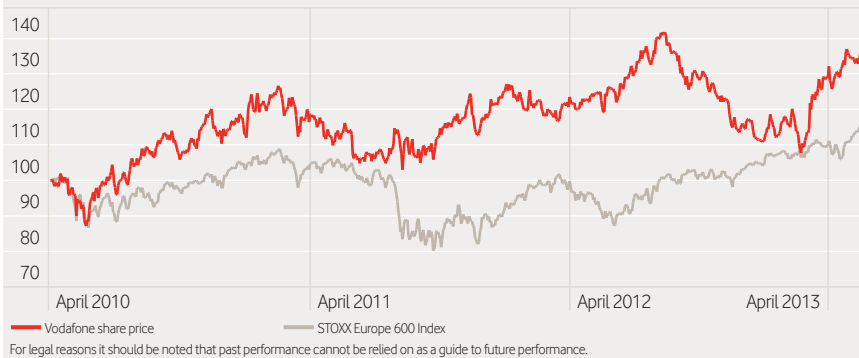
**Strong returns to shareholders with total dividends for the year of 10.19 pence and £1.6 billion invested in share buybacks. Total cash returns to shareholders during the year amounted to £6.4 billion.**



# £6.4bn

**Vodafone share price vs STOXX Europe 600 Index**

1 April 2010 to 20 May 2013, in €, rebased to 100

**Cash returns to shareholders**

Strong cash returns to shareholders are an established priority for Vodafone. The ordinary dividend is the core element of shareholder remuneration, with any surplus capital distributed via special dividend or share buybacks.

2010	£4.1bn
2011	£6.6bn
2012	£10.2bn
2013	£6.4bn



You can find more information on our [remuneration policies on pages 67 to 82](#)



You can find more information on our [sustainability programmes on pages 36 and 37](#)

with him a depth of insight into internet businesses built up over nearly 20 years as a pioneer in the industry.

Sir John Buchanan stepped down from his role as Deputy Chairman and Senior Independent Director in July 2012, after nine years of dedicated service to the Vodafone Board. His experience was invaluable to me personally in my first year as Chairman, and I would like to thank him for his wisdom and commitment. I am delighted that Luc Vandeveldt agreed to become Senior Independent Director in Sir John's place.

Luc has also served on the Board for nine years, and has therefore reached the milestone after which the UK Corporate Governance Code recommends Boards take account of a director's period of service when considering whether or not he remains independent. The Board considers that it is not in the best interests of shareholders to lose the experience of two such distinguished international business leaders in close succession.

My medium-term ambitions for the composition of the Board are to bring in further marketing expertise, and achieve a greater gender balance towards our ambition of 25% of Board members being women by 2015.

**Take a lead in financial reporting**

This year's annual report incorporates a number of new features to make our strategy and performance easier to understand, such as our innovative move to incorporate a high level business review with our primary financial statements (pages 90 to 97). In addition, we have adopted a number of aspects of the

revised UK Corporate Governance Code a year earlier than required. These include the Board's confirmation that the report presents a fair, balanced and understandable assessment of Vodafone's position and prospects, and an enhanced audit report. We have also adopted some of the new disclosure requirements on directors' remuneration a year early.

**Strong capital discipline**

The Board considers the ordinary dividend to be the core element of shareholder remuneration, and something on which shareholders should be able to depend. This year we raised our ordinary dividend per share by 7% for the third year in a row, and remain focused on at least maintaining the dividend per share at this level in the future.

In addition, during the year we completed a £6.8 billion share buyback programme, funded by the disposal of non-controlling interests, and committed an additional £1.5 billion to share buybacks on receipt of a further dividend from VZW in December 2012. We have demonstrated a highly disciplined approach to capital allocation, and will continue to manage our portfolio of assets in the best interest of shareholders.

Taking ordinary and special dividends, and the buyback programmes, total cash returns to shareholders have been equivalent to approximately 34% of our average market capitalisation over the last four years. Furthermore, in the period from 1 April 2010 to 20 May 2013, our share price has outperformed the STOXX Europe 600 Index by 20.9%.

**Aligning management's interests to shareholders'**

Our incentive schemes have a bias towards long-term, share-based plans, which incentivise our leaders to prioritise multi-year investment decisions and align their interests closely with those of institutional shareholders. We deepened this alignment last year by introducing shareholding requirements throughout the senior leadership team. The Executive Committee owns Vodafone shares worth around 500% of their combined salaries in total.

You can find more information on our remuneration policies on pages 67 to 82.

**Vodafone's role in society**

Mobile technology is a massive driver of economic and social improvement. Our vision is to unleash the power of Vodafone to help transform societies and enable sustainable living for all. Whether through low cost mobile banking services, mobile agriculture solutions or mobile health initiatives, we are making a real difference to people's lives. We have also stepped up our commitment to responsible and ethical business practices in our new Code of Conduct, published during the year.

You can find more information on our sustainability programme on pages 36 and 37.

**Gerard Kleisterlee**  
Chairman