Governance

Chairman's overview

Dear shareholder

Effective corporate governance is integral to the successful delivery of business goals: for our many and diverse stakeholders, how we work is as important as what we do. Vodafone operates under a well-developed governance framework designed to foster transparency, honesty and an informed approach to risk management across our worldwide business. We have clear standards of behaviour we expect from everyone who works for Vodafone: further details of our mandatory Code of Conduct are set out on page 67.

The Board's role is to set the strategy for the Group, appoint the right leadership and ensure consistent implementation whilst monitoring business performance and ensuring the timely and effective assessment and management of business risk. Our goal is to build an enduring and profitable Vodafone business admired by customers and other stakeholders, whilst achieving strong returns for our shareholders. As I explain in my statement on page 2, this was a significant year for Vodafone, and your Board played a leading role in the conduct of the major transactions described in the Chief Executive's review on page 12. As the Group's strategy continues to evolve, the Board is focused on maintaining a strong alignment of the interests of management with long-term value creation. Central to this is our remuneration policy (explained on page 71) which for the first time will be put to a shareholder vote at our annual general meeting this year, in line with new regulations.

There were a number of changes to the Board during the year. Andy Halford has retired from the role of Group Chief Financial Officer after eight years, during which period he developed a track record of value creation for shareholders which few, if any, CFOs could hope to match. Andy has been succeeded by the Chief Executive of the AMAP region, Nick Read, under whose leadership our emerging markets businesses have achieved strong rates of growth. In March 2014, it was announced that Anne Lauvergeon intended to stand down from the Board; Alan Jebson and Anthony Watson have also informed the Board they will not seek re-election at the annual general meeting. On behalf of the Board, I would like to express our gratitude to Andy, Anne, Alan and Tony for their contribution to Vodafone and wish them well for the future. Valerie Gooding joined the Board as a non-executive director in February 2014, and in May 2014 we announced that Sir Crispin Davis will join the Board on 28 July and Dame Clara Furse on 1 September, both as non-executive directors. I am delighted to welcome Valerie, Sir Crispin and Dame Clara to the Board.

"Businesses must ensure absolute integrity in their business activities and decision-making processes if they are to earn and retain public trust."

I am fortunate as Chairman to be able to call on a broad and diverse range of skills and perspectives around the boardroom table. In their new composition, our Board consists of 13 Directors, drawn from six different nationalities with international leadership experience across more than ten different industrial sectors. With three female directors, I am pleased to say that from September we will be well on our way to achieving our intention that women will hold 25% of Board roles by the end of 2015. The recruitment of further female directors will continue to be a priority in future.

Whilst your Board is confident that Vodafone is well-placed to continue to reward shareholders for their support for our strategy, we expect operating conditions to remain challenging in a number of our key markets over the year ahead. We will remain focused on ensuring the Group maintains a rigorous and analytical approach to the management of risk whilst seeking to encourage the innovation and entrepreneurship necessary to drive growth across the portfolio.

Gerard Kleisterlee
Chairman

20 May 2014

How have we complied with the UK Corporate Governance Code?

Throughout the year ended 31 March 2014 and to the date of this document, we complied with the provisions and applied the Main Principles of the UK Corporate Governance Code (the 'Code'), published in September 2012. The Code can be found on the FRC website (frc.org.uk). We describe how we have applied those Main Principles in this section of the annual report which includes our statement of internal control and risk management, together with the "Directors' remuneration" section on pages 69 to 85.

How have we complied with the corporate governance statement requirements?

We comply with the corporate governance statement requirements pursuant to the FCA's Disclosure and Transparency Rules by virtue of the information included in this "Governance" section of the annual report together with information contained in the "Shareholder information" section on pages 182 to 189.

Board of directors and Group management

Who are the directors and senior management?

Our business is managed by our Board of directors ('the Board'). Biographical details of the directors and senior management as at 20 May 2014 are as follows (with further information available at vodafone.com/board):

Gerard Kleisterlee
Chairman

Age: 67
Tenure: 3 years
Nationality: Dutch

Skills and experience:
- Deep knowledge of consumer electronics, technology, healthcare and lifestyle sectors
- Wealth of experience operating in developed and emerging markets
- Koninklijke Philips Electronics N.V. – President/Chief Executive Officer and Chairman of Board of Management (2001–2011)
- Career with Philips spanning over 30 years
- Gerard has also held non-executive director positions at Daimler AG (2009–2014) and Dell Inc. (2010–2013)

Other current appointments:
- Royal Dutch Shell – Non-executive director and member of the Audit Committee
- IBEX Global Solutions plc – Non-executive director

Board Committees:
- Nominations and Governance (Chairman)

Vittorio Colao
Chief Executive – Executive director

Age: 52
Tenure: 7 years
Nationality: Italian

Skills and experience:
- Over 20 years' experience working in the telecoms sector
- Vodafone Group Plc – Chief Executive Europe (2006–2008)
- RCS MediaGroup – Chief Executive (2004–2006)
- Vodafone Group Plc – Regional Chief Executive Officer, Southern Europe (role later expanded to include Middle East and Africa regions) (2001–2004)
- Omnitel Pronto Italia S.p.A. (became Vodafone Italy) – appointed Chief Executive in 1999 (1996–2004)
- McKinsey & Company (1986–1996)

Other current appointments:
- Bocconi University, Italy – International Advisory Board member
- European Round Table of Industrialists – Steering Committee member
- McKinsey & Company – International Advisory Board member
- Oxford Martin School – Advisory Council member

Board Committees:
- None

Nick Read
Chief Financial Officer – Executive director

Age: 49
Tenure: <1 year
Nationality: British

Skills and experience:
- Extensive experience in senior finance roles both at Vodafone and other multinational companies
- Vodafone Group Plc – Chief Executive, Africa, Middle East and Asia Pacific (2008–2013)
- Vodafone Limited (UK operating company) – various senior roles, including Chief Financial Officer, Chief Commercial Officer and Chief Executive Officer (2002–2008)
- United Business Media plc – Chief Financial Officer of subsidiary Miller Freeman Worldwide plc (1999–2001)
- Federal Express Worldwide – senior global finance positions (1989–1999)

Other current appointments:
- None

Board Committees:
- None

Stephen Pusey
Chief Technology Officer – Executive director

Age: 52
Tenure: 4 years
Nationality: British

Skills and experience:
- Wealth of international experience across wireline and wireless industries
- Extensive understanding of business applications and solutions
- Nortel Networks Corporation – various positions over period of 23 years, including Executive Vice President and President of EMEA region (2001–2005)
- British Telecom (1977–1982)

Other current appointments:
- None

Board Committees:
- None

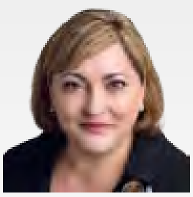
Valerie Gooding CBE
Non-executive director

Age: 64
Tenure: <1 year
Nationality: British

Skills and experience:
- Wealth of international business experience obtained at companies with high levels of customer service
- BUPA – Chief Executive Officer (1998–2008)
- British Airways – various positions held over a period of 23 years, including director for Asia-Pacific
- Non-executive director of the BBC (2008–2011), J Sainsbury plc (2007–2011), Standard Chartered (2005–2013), Compass Group plc (2000–2006), BAA plc (1998–2004) and Cable & Wireless Communications (1997–2000)
- Valerie was also a Board member of the Confederation of British Industry and the Association of British Insurers

Other current appointments:
- Premier Farnell plc – Non-executive Chairman
- TUI Travel PLC – Non-executive director
- English National Ballet – Trustee
- Historic Royal Palaces – Trustee

Board Committees:
- None



Renee James
Non-executive director

Age: 49
Tenure: 3 years
Nationality: American

Skills and experience:
- Deep knowledge of the high-tech sector
- Wide ranging experience of international management
- Intel Corporation – President (2013–present)
- Intel Corporation – Executive Vice President and General Manager of the Software and Services Group (2012–2013)
- Intel Corporation – Senior Vice President (2010–2012)
- Intel Corporation – Vice President (2005–2010)
- Intel Software and Services Group – General Manager (2005–2010)
- Intel's Microsoft Program Office – Vice President and General Manager (2000–2005)
- Intel Online Services (Intel's datacentre business) – Director and Chief Operating Officer (1998–2000)

Other current appointments:
- Software subsidiaries of Intel Corporation: Havok Inc., Wind River Systems Inc. and McAfee, Inc. – Chairman

Board Committees:
- Remuneration

Alan Jebson
Non-executive director

Age: 64
Tenure: 7 years
Nationality: British

Skills and experience:
- Senior leader in international business
- Knowledge of international IT systems
- MacDonald, Dettwiler and Associates (Canada) – Non-executive director (2006–2012)
- HSBC Holdings plc – Group Chief Operating Officer (2003–2006); Group Chief Information Officer (1997–2003)
- Saudi British Bank – Senior Manager, Planning and Operations (1984–1987)
- HSBC Holdings plc – Head of IT Audit (1978–1984)

Other current appointments:
- Experian plc – Non-executive director

Board Committees:
- Audit and Risk

Samuel Jonah
Non-executive director

Age: 64
Tenure: 5 years
Nationality: Ghanaian

Skills and experience:
- Widespread experience of business in Africa, particularly South Africa and Ghana
- Standard Bank of South Africa – Non executive director (2006–2012)
- Advisor to the former Presidents of Ghana (2001–2009) and South Africa (1999–2008)
- Awarded a Lifetime Award by the Commonwealth Business Council and African Business Magazine (2006)
- Awarded the Companion of the Order of the Star (Ghana's highest national award) (2006) and honorary Knighthood (2003)
- AngloGold Ashanti Ltd – Executive President (2002–2005)
- Lonmin Plc – Director (1992–2004)
- Ashanti Goldfields Co Ltd – Chief Executive Officer (1986–2002)
- Advisory Council of the President of the African Development Bank – Member (1990–1992)

Other current appointments:
- Advisor to the Presidents of Togo and Nigeria
- Imara Energy Corp. – Chairman
- Iron Mineral Benefeciation Services – Non-executive Deputy Chairman
- Jonah Capital (Pty) Limited – Executive Chairman
- Range Resources Limited – Non-executive Chairman
- Metropolitan Insurance Company Limited – Chairman
- The Investment Climate Facility – Member of Trustee Board

Board Committees:
- Remuneration

Omid Kordestani
Non-executive director

Age: 50

Tenure: 1 year

Nationality: American

Skills and experience:
- Innovator in the technology industry
- Commercial leader
- Google – Senior Vice President Sales and Business Development (1999–2009)
- Netscape Communications – Vice President of Business Development (1997–1999)
- Netscape Communications – Director of OEM Sales (1995–1997)
- The 3DO Company – Director of Product Management (1993–1995)
- GO Corporation – Director of Business Development (1991–1993)
- Hewlett-Packard – Product Marketing Manager (1984–1989)

Other current appointments:
- Google – Senior Advisor to the Office of CEO/Founders

Board Committees:
- None

Nick Land
Non-executive director

Age: 66

Tenure: 7 years

Nationality: British

Skills and experience:
- Financial expert with extensive international experience
- Retired from Ernst & Young in 2006 after a career spanning 36 years
- Ernst & Young – Chairman (1995–2006); Managing Partner of North European, Middle East, India and Africa Region (1999–2006)

Other current appointments:
- Alliance Boots GmbH – Non-executive director
- Ashmore Group plc – Senior Independent Director
- BBA Aviation plc – Senior Independent Director
- Farnham Castle – Chairman of the Board of Trustees
- Financial Reporting Council – Non-executive director
- The Vodafone Foundation – Chairman of the Board of Trustees
- Nick is also an advisor to Alsbridge plc, Dentons UKMEA LLP and Silicon Valley Bank, London

Board Committees:
- Audit and Risk (Chairman)

Anne Lauvergeon
Non-executive director

Age: 54

Tenure: 8 years

Nationality: French

Skills and experience:
- Wealth of international business knowledge
- GDF SUEZ – Non-executive director (2000–2012)
- AREVA group – Chief Executive Officer (2001–2011)
- AREVA NC (formerly Cogema) – Chairman and Chief Executive Officer (1999–2011)
- Alcatel – Senior Executive Vice President; Executive Committee member (1997–1999)
- Lazard Frères & Cie – Partner (1995–1997)
- French Presidency – Deputy Chief of Staff (1991–1995); Advisor for Economic International Affairs (1990)

Other current appointments:
- ALP S.A. – Chief Executive Officer
- American Express Company – Non-executive director
- EADS N. V. – Non-executive director
- Efficiency Capital – Partner
- Total S.A. – Non-executive director
- Rio Tinto plc – Non-executive director

Board Committees:
- Audit and Risk

Luc Vandevelde
Senior Independent Director

Age: 63

Tenure: 10 years

Nationality: Belgian

Skills and experience:
- Financial, management and marketing skills in international business
- Société Générale – Director (2006–2012)
- Carrefour S.A. – Chairman (2005–2007)
- Marks and Spencer Group plc – Chairman (2000–2004)
- Promodès/Carrefour – Chief Executive Officer (1995–2000)
- Kraft General Foods (1971–1995)

Other current appointments:
- Change Capital Partners LLP – Founder and Chairman

Board Committees:
- Nominations and Governance
- Remuneration (Chairman)

Anthony Watson CBE
Non-executive director

Age: 69

Tenure: 8 years

Nationality: British

Skills and experience:
- Extensive experience in investment and asset management
- Queen's University, Belfast – Honorary degree of Doctor of Science (Economics) (2012)
- Awarded a CBE for his services to the economic redevelopment of Northern Ireland (2009)
- Norges Bank Investment Management – Advisory Board member (2007–2012)
- Marks and Spencer Pension Trust – Chairman (2006–2011)
- Financial Reporting Council – Member (2004–2007)
- Strategic Investment Board in Northern Ireland – Chairman (2003–2010)
- Hermes Pensions Management Ltd – Chief Executive (2002–2006); Chief Investment Officer (1998–2002)
- Asian Infrastructure Fund – Chairman (1999–2010)
- AMP Asset Management plc – Managing Director (1995–1998)
- Citicorp Investment Management – Chief International Investment Officer (1991–1998)

Other current appointments:
- Senior Independent Director of Hammerson plc, Witan Investment Trust plc and Lloyds Banking Group plc
- Norges Bank Investment Management – Corporate Governance Advisory Board member

Board Committees:
- Audit and Risk
- Nominations and Governance

Philip Yea
Non-executive director

Age: 59

Tenure: 8 years

Nationality: British

Skills and experience:
- Private equity investor with experience of business and financial turnaround
- 3i Group plc – Chief Executive (2004–2009)
- HBOS plc – Non-executive director (2001–2004)
- Manchester United plc – Non-executive director (2000–2004)
- Investcorp – Managing Director (1999–2004)
- Guinness PLC – Finance Director, becoming Finance Director of Diageo plc upon merger of Guinness and Grand Metropolitan PLC in 1997 (1993–1999)

Other current appointments:
- Aberdeen Asian Smaller Companies Investment Trust PLC – Non-executive director
- bwin.party digital entertainment plc – Non-executive director and Chairman designate
- British Heart Foundation – Chairman of the Trustees
- The Francis Crick Institute – Independent director of Trustee Board

Board Committees:
- Nominations and Governance
- Remuneration

Copies of the service agreements of the executive directors and letters of appointment of the non-executive directors are available for inspection at our registered office.

Board diversity

Your Board has due regard for the benefits of diversity in its membership, including gender, and strives to maintain the right balance. It comprises individuals with deep knowledge and experience in core and diverse business sectors within local, international and global markets bringing a wide range of perspectives to the business. Further information on our board diversity policy may be found in the Nominations and Governance Committee report on page 58.

Tenure

0–2 years	21%
3–6 years	29%
7–10 years	50%

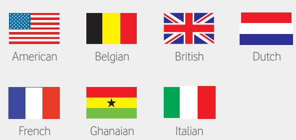
Male/female

Male	79%
Female	21%

Executive/non-executive

Executive	21%
Non-executive	79%

Geographic representation



Board of directors and Group management (continued)

Who is on the Executive Committee?

Chaired by Vittorio Colao, this Committee focuses on our strategy, financial structure and planning, financial and competitive performance, succession planning, organisational development and Group-wide policies. The Executive Committee includes the executive directors, details of whom are shown on page 50, and the senior managers who are listed below. Further information on the Executive Committee can be found on page 65.

From left to right:
Serpil Timuray; Nick Jeffery; Warren Finegold; Matthew Kirk; Nick Read; Stephen Pusey; Paolo Bertoluzzo; Vittorio Colao; Philipp Humm; Ronald Schellekens; Rosemary Martin.

Senior management

Members of the Executive Committee who are not also executive directors are regarded as senior managers of the Company.

Paolo Bertoluzzo
Group Chief Commercial and Operations Officer
Age: 48
Tenure: 1 year
Nationality: Italian

Career history:
- Vodafone Group Plc – Chief Executive Officer, Southern Europe (2012–2013)
- Vodafone Italy – Chief Executive Officer (2008–2013); Chief Operating Officer (2007); Chief Commercial Officer (2006); Consumer Division Director (2005)
- Vodacom – Board member (2010–2012)
- Omnitel Pronto Italia S.p.A. (became Vodafone Italy) – various senior roles including Strategy & Business Development Director and Commercial Director (1999–2005)
- Bain & Company – Manager (1995–1999)
- Monitor Company – Consultant (1991–1994)

Warren Finegold
Group Strategy and Business Development Director
Age: 57
Tenure: 8 years
Nationality: British

Career history:
- UBS Investment Bank – Managing Director and Head of its Technology team in Europe (1995–2006)
- Goldman Sachs International – Executive Director, holding positions in New York and London (1985–1995)
- Hill Samuel & Co. Limited – Corporate Finance Executive (1981–1985)

Philipp Humm
Regional CEO Europe
Age: 54
Tenure: 1 year
Nationality: German

Career history:
- Vodafone Group Plc – Chief Executive Officer, Northern and Central Europe (2012–2013)
- T-Mobile USA – President and Chief Executive Officer (2010–2012)
- T-Mobile International – Chief Regional Officer Europe; Executive Committee member (2009–2010)
- T-Mobile Germany – Chief Executive Officer; Chief Sales Officer (2005–2008)
- Entrepreneur (2002–2005)
- Amazon – Managing Director, Germany and France; Vice President Europe (2000–2002)
- Tengelmann (German grocery retailer) – Executive Board member; Chief Executive Officer of Plus (food-discounter) (1992–1999)
- McKinsey & Company (1986–1992)

Nick Jeffery
Group Enterprise Director
Age: 46
Tenure: 1 year
Nationality: British

Career history:
- Cable & Wireless Worldwide – Chief Executive (2012–2013)
- Vodafone Global Enterprise – Chief Executive (2006–2012)
- Vodafone Group Plc – Marketing Director (2004–2006)
- Ciena – Senior Vice President (2003–2004)
- Microfone – Founder (2002–2003)
- Cable & Wireless plc (Mercury Communications) – led UK and international markets business units (1991–2002)

Matthew Kirk
Group External Affairs Director
Age: 53
Tenure: 5 years
Nationality: British

Career history:
- Vodafone Group Plc – Group Director of External Relationships (2006–2009)
- British Ambassador to Finland (2002–2006)
- Member of the British Diplomatic Service for more than 20 years

Rosemary Martin
Group General Counsel and Company Secretary
Age: 54
Tenure: 4 years
Nationality: British

Career history:
- Practical Law Group – Chief Executive Officer (2008)
- Reuters Group Plc – Group General Counsel and Company Secretary (2003–2008), Company Secretary (1999–2003), Deputy Company Secretary (1997–1999)
- Mayer, Brown, Rowe & Maw – Partner (1990–1997)

Ronald Schellekens
Group Human Resources Director
Age: 50
Tenure: 5 years
Nationality: Dutch

Career history:
- Royal Dutch Shell Plc – HR Executive Vice President for global downstream business (2003–2008)
- PepsiCo – various international senior human resources roles in England, South Africa, Switzerland and Spain (1994–2003)
- AT&T Network Systems – human resources roles in the Netherlands and Poland (1986–1994)

Serpil Timuray
Regional CEO, Africa, Middle East and Asia Pacific
Age: 44
Tenure: <1 year
Nationality: Turkish

Career history:
- Vodafone Turkey – Chief Executive Officer (2009–2013)
- Danone Turkey – Chief Executive Officer (2002–2008)
- Danone Turkey – Executive Committee Member and Marketing and Sales Director (1999–2002)
- Proctor & Gamble Turkey – several marketing positions ultimately becoming Executive Committee Member (1991–1999)

Corporate governance

What is our governance framework?

Responsibility for good governance lies with your Board. There is a strong and effective governance system in place throughout the Group.

Chairman
Gerard Kleisterlee

Key objectives:
- leadership, operation and governance of the Board
- setting the agenda for the Board

More detail: **Page 55**

The Board of Vodafone Group Plc
14 directors: three executive directors, the Chairman and ten independent non-executive directors (including the Senior Independent Director).

Key objectives:
- responsible for the overall conduct of the Group's business
- setting the Group's strategy

More detail: **See below**

Nominations and Governance Committee
Three independent non-executive directors plus Gerard Kleisterlee (Chairman)

Key objectives:
- to ensure the Board comprises individuals with the necessary skills, knowledge and experience
- to have oversight of all matters relating to corporate governance

More detail: **Pages 58 and 59**

Audit and Risk Committee
Four independent non-executive directors.
Chairman: Nick Land

Key objectives:
- to provide effective governance over the Group's financial results
- to review the activity and performance of the internal audit function and external auditors
- management of the Group's system of internal control, business risks and related compliance activities

More detail: **Pages 60 to 64**

Remuneration Committee
Four independent non-executive directors.
Chairman: Luc Vandevelde

Key objective:
- to assess and make recommendations to the Board on the policy on executive remuneration

More detail: **Page 65**

Chief Executive
Vittorio Colao

Key objectives:
- management of the business
- implementation of strategy and policy

More detail: **Page 55**

Executive Committee
11 members made up of the executive directors, Group function heads and the regional chief executives.
Chairman: Vittorio Colao

Key objective:
- to focus on strategy, financial structure and planning, financial and competitive performance, succession planning, organisational development and Group-wide policies

More detail: **Page 65**

How does the Board operate?

The role of the Board

The Board is responsible for the overall conduct of the Group's business and has the powers and duties set out in the relevant laws of England and Wales and our articles of association. The Board:

- is responsible for setting the Group strategy and for the management, direction and performance of our businesses;
- is accountable to shareholders for the proper conduct of the business;
- is responsible for the long-term success of the Company, having regard for the interests of all stakeholders; and
- is responsible for ensuring the effectiveness of and reporting on our system of corporate governance.

The Board has a formal schedule of matters reserved for its decision and these include:

- Group strategy and long-term plans;
- major capital projects, acquisitions or divestments;
- annual budget and operating plan;
- Group financial structure, including tax and treasury;
- annual and half-year financial results and shareholder communications; and
- system of internal control and risk management.

The schedule is reviewed annually. It was last reviewed in March 2014 when it was decided to add a requirement for Board approval for advisors' fees in excess of £10 million on corporate acquisitions and disposals.

Other specific responsibilities are delegated to Board committees, details of which are given on pages 58 to 65.

Board composition

Our Board consists of 14 directors, 13 of whom served throughout the year. Valerie Gooding was appointed as a non-executive director with effect from 1 February 2014.

At 31 March 2014, in addition to the Chairman, Gerard Kleisterlee, there were three executive directors and ten non-executive directors. Andy Halford, the Chief Financial Officer, retired on 31 March 2014 and Nick Read was appointed to this role and as an executive director with effect from 1 April 2014. The executive and non-executive directors are equal members of the Board and have collective responsibility for the Company's direction. In particular, non-executive directors are responsible for:

- bringing a wide range of skills and experience, including independent judgement on issues of strategy, performance and risk management;
- constructively challenging the strategy proposed by the Chief Executive and executive directors;
- scrutinising and challenging performance across the Group's business;
- assessing risk and the integrity of the financial information and controls; and
- determining the Company's broad policy for executive remuneration, and the remuneration packages for the executive directors and the Chairman.

The balance and independence of our Board is kept under review by our Nominations and Governance Committee, details of which can be found on pages 58 and 59.

Tenure of non-executive directors

The Code suggests that length of tenure is a factor to consider when determining the independence of non-executive directors. The table below shows the tenure and independence of each of our non-executive directors. We consider all of our non-executive directors to be independent.

	Date first elected by shareholders	Years from first election to 2014 AGM	Considered to be independent by the Board
Gerard Kleisterlee	July 2011	3	See note[1]
Valerie Gooding	To be put up for election July 2014	n/a	Yes
Renee James	July 2011	3	Yes
Alan Jebson	July 2007	7	Yes
Samuel Jonah	July 2009	5	Yes
Omid Kordestani	July 2013	1	Yes
Nick Land	July 2007	7	Yes
Anne Lauvergeon	July 2006	8	Yes
Luc Vandevelde	July 2004	10	Yes[2]
Anthony Watson	July 2006	8	Yes
Philip Yea	July 2006	8	Yes

Notes:
1 Considered to be independent on appointment.
2 Considered to be independent for the reasons given on page 59.

Key roles and responsibilities

The Chairman
Gerard Kleisterlee

The role of the Chairman is set out in writing and agreed by the Board. He is responsible for:

- the effective leadership, operation and governance of the Board;
- ensuring the effectiveness of the Board;
- setting the agenda, style and tone of Board discussions; and
- ensuring the directors receive accurate, timely and clear information.

The Chief Executive
Vittorio Colao

The role of the Chief Executive is set out in writing and agreed by the Board. He is responsible for:

- management of the Group's business;
- implementation of the Company's strategy and policies;
- maintaining a close working relationship with the Chairman; and
- chairing the Executive Committee.

The Senior Independent Director
Luc Vandevelde

The Senior Independent Director is responsible for:

- acting as a sounding board for the Chairman;
- serving as an intermediary for the other directors;
- being available to shareholders if they have concerns which they have not been able to resolve through the normal channels of the Chairman, Chief Executive or other executive directors or for which such contact is inappropriate; and
- conducting an annual review of the performance of the Chairman and, in the event it should be necessary, convening a meeting of the non-executive directors.

The Company Secretary
Rosemary Martin

The Company Secretary acts as Secretary to the Board. In doing so she:

- assists the Chairman in ensuring that all directors have full and timely access to all relevant information;
- assists the Chairman by organising induction and training programmes;
- is responsible for ensuring that the correct Board procedures are followed and advises the Board on corporate governance matters; and
- administers the procedure under which directors can, where appropriate, obtain independent professional advice at the Company's expense.

Biographical details of the Chairman, Chief Executive and Senior Independent Director can be found on pages 50 and 51 or at vodafone.com/board. Biographical details of the Company Secretary can be found on page 53 or at vodafone.com/exco. The appointment or removal of the Company Secretary is a matter for the Board as a whole.

Corporate governance (continued)

Board activities in the 2014 financial year

Board activities are structured to assist the Board in achieving its goal to support and advise executive management on the delivery of the Group's strategy within a transparent governance framework.

The diagram below shows the key areas of focus for the Board which appear as items on the Board's agenda at relevant times throughout the year. Concentrated discussion of these items assists the Board in making the right decisions based on the long-term opportunities for the business and its stakeholders.

Key areas of focus for the Board

Conflicts of interest

The Board is aware of the other commitments of its directors and is satisfied that these do not conflict with their duties as directors of the Company. The process for monitoring conflicts is as follows:

- changes to the commitments of all directors are reported to the Board;
- the directors are required to complete a conflicts questionnaire initially on appointment and annually thereafter;
- any conflicts identified would be submitted to the Board (excluding the director to whom the potential conflict related) for consideration and, as appropriate, authorisation in accordance with the Companies Act 2006 and the articles of association;
- where authorisation is granted, it would be recorded in a register of potential conflicts and reviewed periodically; and
- directors are responsible for notifying the Company Secretary if they become aware of actual or potential conflict situations or a change in circumstances relating to an existing authorisation.

No conflicts of interest have been identified during the year.

Board meetings

Matters considered at all Board meetings include:

- the Chief Executive's report on strategic and business developments;
- the Chief Financial Officer's report which includes the latest available management accounts;
- an operations update (covering commercial, technology and operational matters);
- a report on potential changes to the Group's portfolio of corporate assets; and
- where applicable, reports from the Nominations and Governance Committee, Audit and Risk Committee and Remuneration Committee.

In addition to the standing agenda items, topics covered by the Board during the year included the disposal of the Company's interest in Verizon Wireless, the acquisition of the remaining interest in Vodafone Italy, the acquisition of Kabel Deutschland and the audit tender.

Board effectiveness

Board effectiveness is reviewed every year. After last year's external performance evaluation the Board agreed:

- to develop further its approach to strategic planning and involve the directors earlier in the process of strategy development;
- to provide more opportunities for the directors to meet with executives to assist in succession planning; and
- to ensure the induction of new directors enables them rapidly to contribute fully to the Board.

Since then, the Chairman has introduced a number of improvements including: informing the Board regularly about possible Board appointments, trying to speed up the director appointment process, organising for senior executives to brief directors on various aspects of our business and increasing the number of opportunities available for senior executives to meet with the Board, e.g. through informal meetings or mentoring, and improving the induction programme for new directors.

Performance evaluation

Board effectiveness is reviewed by an external performance evaluation every three years. As an external evaluation was conducted last year, this year the Board performed an internal performance evaluation.

What is the performance evaluation process?

- This year the Chairman met with each director and with executives and advisors who interact with the Board. Interviewees were asked to consider and comment on the performance of the Board as a whole.
- The directors were also asked for their views on, amongst other things: Company strategy, key challenges for the business, the mix of skills, experience, independence, knowledge and diversity on the Board (including gender), effectiveness of the Board's engagement with shareholders and how well the Board operates.
- The Chairman reviewed the directors' contributions and the Senior Independent Director led the review of the performance of the Chairman.
- Each Board committee undertook a detailed self-assessment questionnaire.

Output of the performance evaluation

- The Chairman of each Board committee gave feedback on the evaluation of their committee to the Board at its March meeting.
- The Chairman prepared a report on the performance evaluation which was distributed to the directors, reviewed by the Nominations and Governance Committee, and discussed with the Board at the March Board meeting.
- This year's findings were that the Board was reasonably well balanced. Diversity had improved and it should continue on that path. The process for appointing directors needed to be speeded up. Board arrangements and information flows were generally satisfactory, but more focus could be given on market information and the changing regulatory and competitive environment. Some further refinement of the presentation of performance metrics was agreed. The Board was comfortable with the strong value system and control framework in the Company. Directors observed that executive succession planning had improved. Overall, the directors considered the right balance is struck between operational, strategic and governance matters and directors were positive about the open atmosphere around the boardroom table allowing for a robust and constructive dialogue.

The Board will continue to review its procedures, its effectiveness and development in the financial year ahead.

Board induction

The Chairman is responsible for ensuring that each director receives an induction on joining the Board and receives the training he or she requires. The Company Secretary organises the induction.

Director induction

On appointment, directors receive a personalised induction programme covering amongst other things:

- the business of the Group;
- their legal and regulatory responsibilities as directors;
- briefings and presentations from relevant executives; and
- opportunities to visit business operations.

The induction programme is tailored to each new director, depending on his or her experience and background, and reviewed by the Nominations and Governance Committee.

Information and professional development

Keeping up-to-date with key business developments is essential for the directors to maintain and enhance their effectiveness. This is achieved as follows:

- from time to time the Board receives presentations from executives in our business on matters of significance. This year there were presentations on our Enterprise business, retail distribution, new products and the regional chief executives delivered presentations on their region's businesses, the Chief Commercial Officer and Chief Brand Director presented on brand status and evolution and the Group HR Director delivered a presentation on planned actions for improving talent, capability and effectiveness within the Company;
- financial plans, including budgets and forecasts, are regularly discussed at Board meetings;
- the directors have the opportunity to learn the views of major investors at planned events throughout the year (see "How do we engage with our shareholders?" on page 66);
- our directors periodically visit different parts of the Group. In September 2013 the Board met with senior management in the Netherlands and in March 2014 the Board met with senior management in Portugal;
- the non-executive directors are provided with briefings and information to assist them in performing their duties; and
- the directors are regularly updated on the Group's businesses and the regulatory and industry specific environments in which we operate. Updates are by way of written briefings and meetings with senior executives and, where appropriate, external sources.

As part of their annual performance evaluation, directors are given the opportunity to discuss training and development needs. Directors are expected to take responsibility for identifying their training needs and to take steps to ensure that they are adequately informed about the Company and their responsibilities as a director. The Board is confident that all its members have the knowledge, ability and experience to perform the functions required of a director of a listed company. The Board recognises that there may be occasions when one or more of the directors feels it is necessary to take independent legal and/or financial advice at the Company's expense. There is an agreed procedure to enable them to do so which is managed by the Company Secretary. No such independent advice was sought in the 2014 financial year.

Re-election of directors

All the directors submit themselves for re-election at the AGM to be held on 29 July 2014 with the exception of Valerie Gooding, Dame Clara Furse, Nick Read and Sir Crispin Davis who will seek election for the first time in accordance with our articles of association and Anne Lauvergeon, Alan Jebson and Anthony Watson who will resign from the Board at the AGM. The Nominations and Governance Committee confirmed to the Board that the contributions made by the directors offering themselves for re-election at the AGM in July 2014 continue to be effective and that the Company should support their re-election.

Indemnification of directors

In accordance with our articles of association and to the extent permitted by the laws of England and Wales, directors are granted an indemnity from the Company in respect of liabilities incurred as a result of their office. In addition, we maintained a directors' and officers' liability insurance policy throughout the year. Neither our indemnity nor the insurance provides cover in the event that a director is proven to have acted dishonestly or fraudulently.

Corporate governance (continued)

Board committees

The Board has a Nominations and Governance Committee, an Audit and Risk Committee and a Remuneration Committee. Further details of these committees can be found in their reports on pages 58 to 65. The terms of reference of each of these committees can be found on our website at vodafone.com/governance.

The committees are provided with all necessary resources to enable them to undertake their duties in an effective manner. The Company Secretary or her delegate acts as secretary to the committees. The minutes of committee meetings are circulated to all directors.

The calendar for meetings of the Board and its committees is shown below.

	Apr 13	May 13	Jun 13	Jul 13	Aug 13	Sep 13	Oct 13	Nov 13	Dec 13	Jan 14	Feb 14	Mar 14
Board (scheduled meetings)		•		•		•		•	•	•		•
Nominations and Governance Committee				•		•				•		•
Audit and Risk Committee		•				•		•				•
Remuneration Committee		•		•				•		•		•

Directors unable to attend a Board meeting because of another engagement are provided with the briefing materials and can discuss issues arising in the meeting with the Chairman or the Chief Executive. In addition to scheduled Board meetings, there may be a number of other meetings to deal with specific matters. Each scheduled Board meeting is preceded by a meeting of the Chairman and non-executive directors.

Attendance at scheduled meetings of the Board and its committees in the 2014 financial year

Director	Board	Nominations and Governance Committee	Audit and Risk Committee	Remuneration Committee
Chairman				
Gerard Kleisterlee[1]	7/7	3/3		
Senior Independent Director				
Luc Vandevelde[2]	7/7	3/3		5/5
Chief Executive				
Vittorio Colao	7/7			
Executive directors				
Andy Halford	7/7			
Stephen Pusey	7/7			
Non-executive directors				
Valerie Gooding[3]	1/1			
Renee James	7/7			4/5
Alan Jebson	7/7		4/4	
Samuel Jonah	7/7			4/5
Omid Kordestani	7/7			
Nick Land[4]	7/7		4/4	
Anne Lauvergeon	7/7		4/4	
Anthony Watson	7/7	3/3	4/4	
Philip Yea	7/7	3/3		5/5

Notes:
1 Chairman of the Nominations and Governance Committee.
2 Senior Independent Director and Chairman of the Remuneration Committee.
3 Appointed to the Board with effect from 1 February 2014.
4 Chairman and Financial Expert of the Audit and Risk Committee.

Nominations and Governance Committee

"The Nominations and Governance Committee continues its work of ensuring the Board composition is right and that our governance is effective."

Membership:

Chairman
Gerard Kleisterlee
(Chairman of the Board – Not independent)

Philip Yea
(Independent non-executive director)

Luc Vandevelde
(Senior Independent Director)

Anthony Watson
(Independent non-executive director)

Key objective:

to make sure the Board comprises individuals with the necessary skills, knowledge and experience to ensure that it is effective in discharging its responsibilities and to have oversight of all matters relating to corporate governance.

Responsibilities:

- leads the process for identifying and making recommendations to the Board regarding candidates for appointment as directors, giving full consideration to succession planning and the leadership needs of the Group;
- makes recommendations to the Board on the composition of the Board's committees;
- regularly reviews and makes recommendations in relation to the structure, size and composition of the Board including the diversity and balance of skills, knowledge and experience, and the independence of the non-executive directors;
- oversees the performance evaluation of the Board, its committees and individual directors (see pages 56 and 57);
- reviews the tenure of each of the non-executive directors; and
- is responsible for the oversight of all matters relating to corporate governance, bringing any issues to the attention of the Board.

Committee meetings

No one other than a member of the Committee is entitled to be present at its meetings; however, other non-executive directors, the Chief Executive and external advisors may be invited to attend. In the event of matters arising concerning my membership of the Board, I would absent myself from the meeting as required and the Board's Senior Independent Director would take the chair.

Main activities of the Committee during the year

The Committee met four times during the year and considered executive and non-executive succession planning, refreshment of skills of the Board and the Board effectiveness review.

The Committee leads the process for appointments to the Board. There is a formal, rigorous and transparent procedure for the appointment of new directors. Candidates are identified and selected on merit against objective criteria and with due regard to the benefits of diversity on the Board, including gender.

Four external searches were commissioned during the year, using independent executive search firms, Korn Ferry and Egon Zehnder, neither of which has any other connection to the Company. The first search related to identification of non-executive director candidates with relevant City and/or marketing experience and was undertaken by Korn Ferry. Valerie Gooding was identified as a potential candidate and subsequently recommended to the Board by the Committee on the basis that she met the desired criteria having previously been leader of a branded consumer business.

Korn Ferry also undertook a search to identify a non-executive director with international business experience and chief executive officer experience. The search identified Sir Crispin Davis as a potential candidate and he was subsequently recommended to the Board by the Committee based on his international business experience as a former CEO of a global publishing company. A search was also conducted, again by Korn Ferry, to identify a non-executive director with international banking and finance experience as well as chief executive officer experience. This search identified Dame Clara Furse who was recommended by the Committee for appointment by the Board based on her significant banking and finance experience as former CEO of a number of financial institutions.

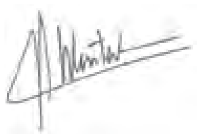
Egon Zehnder undertook an external search in respect of the role of Group Chief Financial Officer. Concurrent to this external search, an internal search was undertaken for this role and, following an extensive review of candidates, a preferred internal candidate was chosen with Nick Read being recommended for appointment by the Committee.

The Committee recognises that with the changes in Board composition, changes will be required on the Board's committees. The first of these changes will be to invite Omid Kordestani to join the Committee with effect from 28 July 2014. Changes will also take place to the Remuneration Committee and Audit and Risk Committee. With effect from 28 July 2014, Philip Yea will resign from the Remuneration Committee and Valerie Gooding will join the Remuneration Committee. Also on 28 July 2014, Sir Crispin Davis, who will be appointed to the Board on this date, and Philip Yea will join the Audit and Risk Committee. Dame Clara Furse will also join the Audit and Risk Committee on her appointment to the Board on 1 September 2014.

The Board acknowledges that diversity extends beyond the boardroom and supports management in their efforts to build a diverse organisation. It endorses the Company's policy to attract and develop a highly qualified and diverse workforce; to ensure that all selection decisions are based on merit and that all recruitment activities are fair and non-discriminatory. The boardroom diversity policy was introduced in February 2012 and reviewed by the Committee in March 2013 and March 2014. It acknowledges the importance of diversity, including gender, to the effective functioning of the Board and focuses on our aspiration to have a minimum of 25% female representation on the Board by 2015. With the appointment of Valerie Gooding on 1 February 2014 the Board has 21% female representation which will increase to 23% on the appointment of Dame Clara Furse on 1 September 2014. Subject to securing suitable candidates, when making appointments we will seek directors who fit the skills criteria and gender balance that is in line with the Board's aspiration. We continue to focus on encouraging diversity of business skills and experience, recognising that directors with diverse skills sets, capabilities and experience gained from different geographic and cultural backgrounds enhance the Board. Further information, including the proportions of women in senior management, is shown in "Our people" on page 36 and within the organisation overall, is contained in our 2013-14 sustainability report, available at vodafone.com/sustainability/report2014.

This year, when reviewing the re-election of directors at the AGM in July, the Committee took account of the fact that Luc Vandevelde will have served 11 years as of 31 August 2014 and Philip Yea will have served nine years as of 1 September 2014. The Board has considered the matter carefully and believes that both these non-executive directors continue to demonstrate the qualities of independence and judgement in carrying out their roles, supporting the executive directors and senior management in an objective manner. Their length of service and resulting experience and knowledge of the Company is of great benefit to the Board and both directors will stand for re-election at the AGM. The subject of their independence will be kept under review.

In the year ahead the Committee will continue to assess what enhancements should be made to the Board's and committees' composition and will continue to monitor developments in corporate governance to ensure the Company remains at the forefront of good governance practices.



Gerard Kleisterlee
On behalf of the Nominations and Governance Committee
20 May 2014

Corporate governance (continued)

Audit and Risk Committee

"Our work continued to focus on the appropriateness of the Group's financial reporting, the rigour of the external and internal audit processes, the Group's management of risk and its system of internal controls. We also conducted a tender for the Group's statutory audit which resulted in the proposal to shareholders to confirm the appointment of PricewaterhouseCoopers LLP as Group auditors for the 2015 financial year."

Membership:

Chairman and financial expert
Nick Land
(Independent non-executive director)

Anthony Watson
(Independent non-executive director)

Alan Jebson
(Independent non-executive director)

Anne Lauvergeon
(Independent non-executive director)

Key objective:

the provision of effective governance over the appropriateness of the Group's financial reporting including the adequacy of related disclosures, the performance of both the internal audit function and the external auditor and oversight over the Group's systems of internal control, business risks and related compliance activities.

Responsibilities:

- reviewing our financial results announcements and financial statements and monitoring compliance with relevant statutory and listing requirements;
- reporting to the Board on the appropriateness of our accounting policies and practices including those identified as critical and requiring further disclosure;
- advising the Board on whether the annual report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy;
- overseeing the relationship with the external auditor;
- reviewing the scope, resources, results and effectiveness of the activity of the Group internal audit department;
- monitoring our compliance efforts in respect of section 404 and section 302 of the US Sarbanes-Oxley Act;
- considering and making recommendations to the Board on the nature and extent of the significant risks the Group is willing to take in achieving its strategic objectives;
- overseeing the Group's compliance processes; and
- performing in-depth reviews of specific areas of financial reporting, risk and internal controls.

The Committee and its work

The membership of the Committee has been selected with the aim of providing the wide range of financial and commercial expertise necessary to meet its responsibilities. Given my recent and relevant financial experience, the Board has designated me as its financial expert on the Committee for the purposes of the US Sarbanes-Oxley Act and the UK Corporate Governance Code. There were no changes to the membership of the Committee during the year, all of whom are non-executive directors of the Company.

The Committee meets at least four times during the year as part of its standard processes, supplemented by additional meetings as necessary. The external auditor, Deloitte LLP, is also invited to each meeting together with the Chief Executive, the Chief Financial Officer, the Group Financial Controller, the Group Financial Reporting Director and the Group Audit Director. The work of the Committee is structured around its responsibilities set out above and its detailed terms of reference which are available at vodafone.com/governance. In addition to these activities the Committee conducts a rolling programme of "in-depth review" sessions where the Group's senior management provide briefings on key issues and developments particularly in relation to aspects of risk management. A summary of the reviews undertaken during the year are set out within "Risk management" below.

The Committee also regularly meets separately with Deloitte LLP, the Chief Financial Officer and the Group Audit Director without others being present.

Meetings of the Committee generally take place just prior to a Board meeting to maximise the efficiency of interaction with the Board and I report to the Board, as part of a separate agenda item, on the activity of the Committee and matters of particular relevance to the Board in the conduct of its work.

Following the external review of the Committee's effectiveness in the previous year, I, together with the Committee's secretary, conducted an internal review of effectiveness involving the members of the Committee, Company management and the external auditor. This confirmed the Committee remained effective at meeting its objectives.

Main activities of the Committee during the year

I have set out below a summary of the major activities of the Committee in the year categorised between; financial reporting and the related statutory audit; risk management; and the assessment of internal controls. In addition, the Committee conducted a tender for the statutory audit through the process summarised on page 63.

Financial reporting and the related statutory audit

The Committee's primary responsibility in relation to the Group's financial reporting is to review with both management and the external auditor the appropriateness of the half-year and annual financial statements concentrating on, amongst other matters:

- the quality and acceptability of accounting policies and practices;
- the clarity of the disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements;
- any correspondence from regulators in relation to our financial reporting;
- material areas in which significant judgements have been applied or there has been discussion with the external auditor; and
- whether the annual report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy. As part of the Committee's assessment of the annual report, it draws on the work of the Group's disclosure committee and also has discussions with senior management. The Committee's overall assessment forms the basis of the advice given to the Board to assist them in making the statement required by the UK Corporate Governance Code.

The Committee is committed to the continuous improvement in the effectiveness and clarity of the Group's corporate reporting and has encouraged management to support and adopt initiatives by regulatory bodies which would enhance our reporting.

External audit

At the start of the audit cycle for the new financial year we received from Deloitte LLP a detailed audit plan identifying their audit scope, planning materiality and their assessment of key risks, which were discussed and agreed with the Committee. Planning materiality was lower this year, primarily driven by the disposal of our interest in Verizon Wireless. The audit risk identification process is considered a key factor in the overall effectiveness of the external audit process. For the 2014 financial year, the key risks identified were a combination of those identified in the 2013 financial year, being those in relation to goodwill impairment, provisioning for current tax liabilities and deferred tax asset recognition, and revenue recognition as these areas continue to require inherent management judgement, and three new specific risks identified in relation to (i) the accounting for the disposal of our interest in Verizon Wireless and the related acquisition of the remaining 23% interest in Vodafone Italy, (ii) the accounting for our acquisition of Kabel Deutschland and (iii) provisioning for legal and regulatory claims. The latter risk factor was added specifically in response to the reduction in audit materiality.

At each meeting of the Committee, these risks are reviewed and both management's primary areas of judgement and the external auditor's key areas of audit focus, are challenged. As a Committee, we support the professional scepticism, particularly in the areas of key judgement and accounting disclosure, displayed by Deloitte LLP.

We hold private meetings with the external auditor at each Committee meeting to provide additional opportunity for open dialogue and feedback from the Committee and the auditor without management being present. Matters typically discussed include the external auditor's assessment of business risks and management activity thereon, the transparency and openness of interactions with management, confirmation that there has been no restriction in scope placed on them by management, independence of their audit and how they have exercised professional scepticism. I also meet with the external lead audit partner outside the formal Committee process throughout the year.

External audit process effectiveness

We use an audit quality framework to assess the effectiveness of the external audit process. This involves detailed questioning of management at an operating company and Group level and also the members of the Committee. We also considered the firm-wide audit quality inspection report issued by the FRC in May 2013 and Deloitte's response to the findings. The observations from this assessment for the 2014 financial year were presented and discussed at the May 2014 meeting. Management concluded that there had been appropriate focus and challenge on the primary areas of audit risk and assessed the quality of the audit process to be satisfactory. The Committee concurred with this view. The Committee has identified the 2015 financial year as a potential period of increased risk given the transition of the statutory auditor and will focus closely on this matter throughout the year.

Risk management

The Group's risk assessment process and the way in which significant business risks are managed is a key area of focus for the Committee. Our work here was driven primarily by the Group's assessment of its principal risks and uncertainties, as set out on pages 196 to 200. We receive reports from the Group Audit Director on the Group's risk evaluation process and review changes to significant risks identified at both operating entity and Group levels.

In addition, the Committee also conducts a rolling programme of in-depth reviews into specific financial, operational and regulatory areas of the business. During the 2014 financial year, in-depth reviews were undertaken in the areas of:

- corporate treasury management;
- legal intercept and related data management;
- competition law and anti-bribery law compliance;
- the management of risk within the supply chain;
- information security;
- risk management within the IT platform standardisation programme in Vodafone UK; and
- the control environment in Vodafone Ghana.

In addition, the Committee received an update on Group legal compliance matters.

These reviews are critical to the role of the Committee, as they allow us to meet key business leaders responsible for these areas and provide independent challenge to their activities.

Corporate governance (continued)

Significant issues

The Committee discussed with management the critical accounting judgements and key sources of estimation uncertainty outlined in note 1 "Basis of preparation". The significant areas of focus considered by the Committee in relation to the 2014 accounts, and how these were addressed, are outlined below:

Matter considered	Action
Goodwill impairment testing This continued to represent a significant area of focus for the Committee given the materiality of the Group's goodwill balances (£23.3 billion at 31 March 2014) and the inherent subjectivity in impairment testing. The judgements in relation to goodwill impairment continue to relate primarily to the assumptions underlying the calculation of the value in use of the business, being the achievability of the long-term business plan and the macroeconomic and related modelling assumptions underlying the valuation process.	The Committee received detailed reporting from management and challenged the appropriateness of the assumptions made. Areas of focus were the achievability of the business plans, assumptions in relation to terminal growth in the businesses at the end of the plan period, particularly in Europe where adverse trends in financial performance have been experienced, and discount rates, which have been subject to volatility given the current macroeconomic conditions. This remains a prime area of audit focus and Deloitte LLP provided detailed reporting on these matters to the Committee including sensitivity testing.
Taxation The Group is subject to a range of tax claims and related legal actions across a number of jurisdictions where it operates. The most material claim is from the Indian tax authorities in relation to our acquisition of Vodafone India Limited from Hutchison Telecommunications International Limited group in 2007, for the amount of INR 142 billion (£1.4 billion) including interest. Further details of this claim are described in note 30 "Contingent liabilities". Further, the Group has extensive accumulated tax losses as outlined in note 6 "Taxation", and a key management judgement is whether a deferred tax asset should be recognised in respect of these losses. As at 31 March 2014 the Group had recognised a £21.2 billion deferred tax asset in respect of these tax losses.	The Group Tax Director presented management's view of both the provisioning and disclosure of tax contingencies and deferred tax asset recognition at the May 2014 meeting of the Committee. In respect of tax contingencies, including the India case noted opposite, this involved a discussion of the extent and strength of professional advice received from external legal and advisory firms. In relation to the recognition of the deferred tax assets, management's plans and expectations for future taxable profits were critically reviewed. This is also an area of higher audit risk and accordingly, the Committee receives detailed oral and written reporting from Deloitte LLP on these matters.
Liability provisioning The Group is subject to a range of claims and legal actions from a number of sources including competitors, regulators, customers, suppliers, and on occasion fellow shareholders in Group subsidiaries. The level of provisioning for contingent and other liabilities is an issue where management and legal judgements are important and accordingly an area of Committee focus. The most material claim is from Telecom Egypt in relation to allegations of breach of non-discrimination provisions within an interconnect agreement. Details of the claim are outlined in note 30 "Contingent liabilities".	The Committee received a presentation from the Group's General Counsel and Company Secretary in May 2014 on management's assessment of the most material claims, including relevant legal advice received and the level of provision held against each. Deloitte LLP also reviews these matters, forming an independent view that is discussed with the Committee.
Revenue recognition The timing of revenue recognition, the recognition of revenue on a gross or net basis, the treatment of discounts, incentives and commissions and the accounting for multi-element arrangements are complex areas of accounting.	Deloitte LLP outlined to the Committee their approach to the audit of revenue, as part of their presentation of the detailed audit plan. The Committee also considered any observations made by the auditors as part of their reporting to the Committee.
Acquisitions and disposals The Group made a number of highly material business acquisitions and disposals during the year including the disposal of Verizon Wireless, and the acquisition of interests in Kabel Deutschland and Vodafone Italy. This gave rise to a number of complex accounting and disclosure requirements in the financial statements.	Management outlined the key accounting and disclosure impacts in relation to these transactions. The Committee requested and received detailed reporting from Deloitte LLP on their assessment of the accounting and disclosures made by management in both the half-year and annual financial statements.
IT controls in relation to privileged user access The Group's IT infrastructure platform hosts a number of financial reporting related applications. An issue was identified in respect of privileged user access controls within part of the IT infrastructure platform which could have had an adverse impact on certain of the Group's controls and financial systems.	Management outlined tested alternative controls in place which provided assurance over the completeness and accuracy of the information derived from the impacted financial reporting related applications. Deloitte LLP extended their controls and substantive testing to obtain assurance over both the compensating controls and the completeness and accuracy of the management information derived from these applications.

Assessment of internal control

We reviewed the process by which the Group evaluated its control environment. Our work here was driven primarily by the Group Audit Director's reports on the effectiveness of internal controls, significant identified frauds and any identified fraud that involved management or employees with a significant role in internal controls. I meet privately with the Group's Audit and Compliance Directors outside the formal committee process as necessary.

Oversight of the Group's compliance activities in relation to section 404 of the Sarbanes-Oxley Act also falls within the Committee's remit.

Internal audit

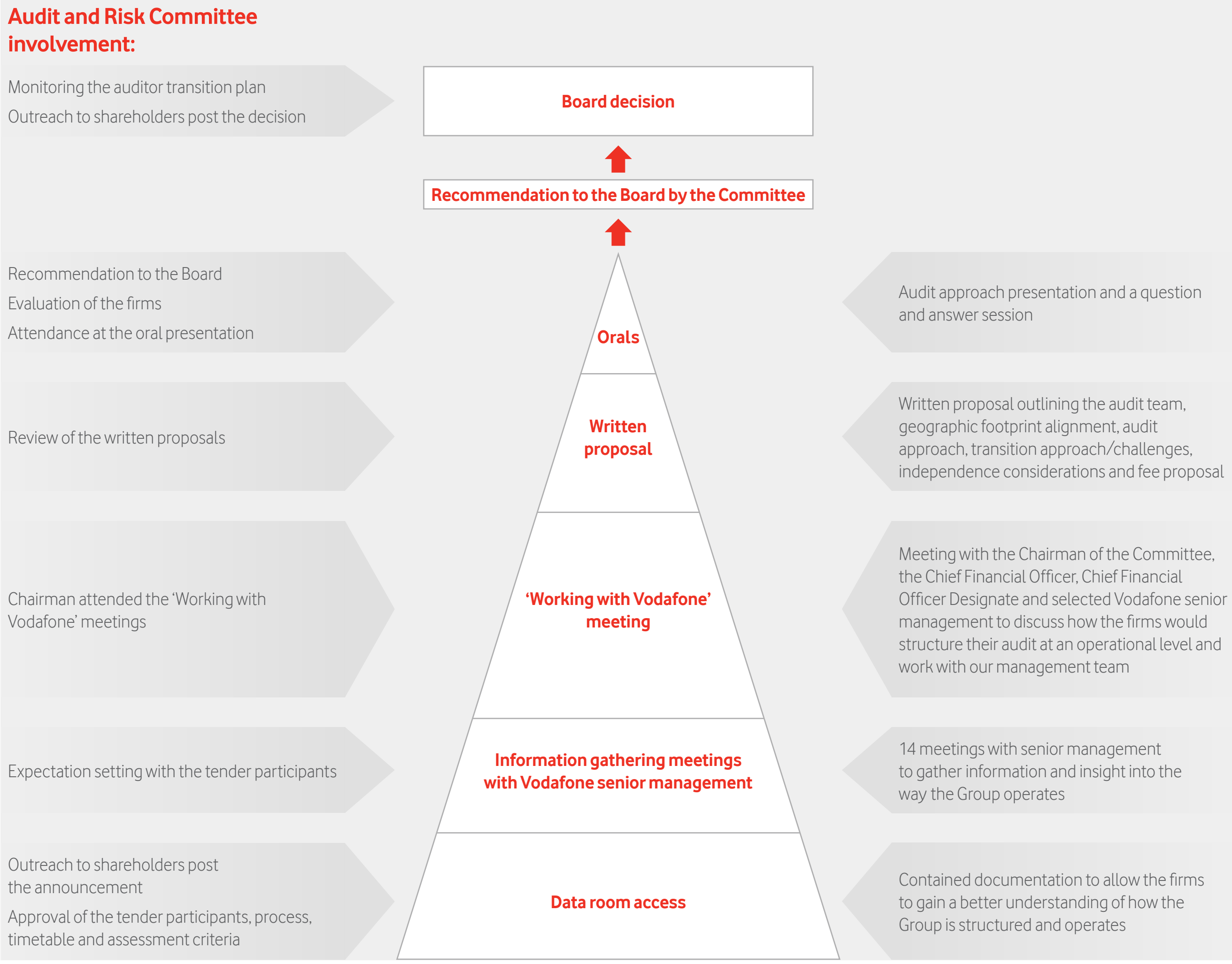
Monitoring and review of the scope, extent and effectiveness of the activity of the Group Internal Audit department is an agenda item at each Committee meeting. Reports from the Group Audit Director usually include updates on audit activities, progress of the Group audit plan, the results of any unsatisfactory audits and the action plans to address these areas, and resource requirements of the Internal Audit department. I play a major role in setting the Group Audit Director's annual objectives.

Fraud and 'whistle-blowing'

We review the channels in place to enable employees to raise concerns about possible irregularities in financial reporting or other issues such as breaches of the Code of Conduct and for those matters to be investigated. Further, we receive summaries of investigations into known or suspected fraudulent activities by both third parties and employees.

Audit tender process

In November 2013, having considered the changes to the UK Corporate Governance Code and the notes on best practice issued by the Financial Reporting Council, the Audit and Risk Committee decided to put the audit for the 2015 financial year out to tender. The tender process and the Committee's involvement in the process are outlined below.



Corporate governance (continued)

Governance of the External Audit relationship

The Committee considers the reappointment of the external auditor and also assesses their independence on an ongoing basis. The external auditor is required to rotate the audit partner responsible for the Group audit every five years and the year ended 31 March 2014 will be the current lead audit partner's fifth year. Accordingly, and in compliance with the provisions outlined in the UK Corporate Governance Code and the notes on best practice issued by the Financial Reporting Council in July 2013, the Committee decided to put the audit for the 2015 financial year out to tender in November 2013.

The tender process and the Committee's involvement in that process is outlined in the diagram on page 63. All of the 'big 4' audit firms were invited to participate in the tender. Deloitte LLP withdrew at a preliminary stage noting the longevity of their appointment, having been the Group's auditors since its stock market listing in 1988.

Having concluded the process in February 2014, the Committee recommended to the Board that PricewaterhouseCoopers LLP be appointed as the Group's statutory auditor for the 2015 financial year. Accordingly, a resolution proposing the appointment of PricewaterhouseCoopers LLP as our auditor will be put to the shareholders at the 2014 AGM. There are no contractual obligations restricting the Committee's choice of external auditor and we do not indemnify our external auditor.

The Committee will continue to review the auditor appointment and the need to tender the audit, ensuring the Group's compliance with the UK Corporate Governance Code and any reforms of the audit market by the UK Competition Commission and the European Union.

In its assessment of the independence of the auditor and in accordance with the US Public Company Accounting Oversight Board's standard on independence, the Committee receives details of any relationships between the Company and Deloitte LLP that may have a bearing on their independence and receives confirmation that they are independent of the Company within the meaning of the securities laws administered by the US Securities & Exchange Commission ('SEC').

During the year, Deloitte LLP and related member firms charged the Group £9 million (2013: £8 million, 2012: £7 million) for statutory audit services. The Committee approved these fees following review of audit scope changes for the 2014 financial year, including the impact of business acquisitions and disposals which were primarily in relation to Kabel Deutschland, the disposal of Verizon Wireless and the acquisition of the remaining 23% interest in Vodafone Italy. The Committee also received assurance from Deloitte LLP that the fees were appropriate for the scope of the work required.

Non-audit services

As a further measure to protect the objectivity and independence of the external auditor, the Committee has a policy governing the engagement of the external auditor to provide non-audit services. This precludes Deloitte LLP from providing certain services such as valuation work or the provision of accounting services and also sets a presumption that Deloitte should only be engaged for non-audit services where there is no legal or practical alternative supplier. No material changes have been made to this policy during the financial year.

For certain specific permitted services, the Committee has pre-approved that Deloitte LLP can be engaged by management, subject to the policies set out above, and subject to specified fee limits for individual engagements and fee limits, for each type of specific service. For all other services or those permitted services that exceed the specified fee limits, I, as Chairman, or in my absence another member, can pre-approve permitted services.

In addition to the statutory audit fee, Deloitte LLP and related member firms charged the Group £4 million (2013: £1 million) for audit-related and other assurance services. These fees were materially higher than in prior years as Deloitte acted as the Reporting Accountant in relation to a number of shareholder and regulatory filings in connection with the disposal of our interest in Verizon Wireless and the related acquisition of the remaining 23% interest in Vodafone Italy. Further details of the fees paid, for both audit and non-audit services, can be found in note 3 to the consolidated financial statements.

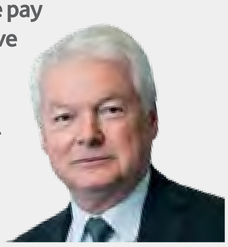
For a number of years, PricewaterhouseCoopers LLP has provided the Group with a wide range of consulting and assurance services. Following the decision to appoint them as auditors for the 2015 financial year, it was agreed by the Committee that any existing permitted non-audit service engagements which were not in line with the Group's non-audit services policy should cease by 30 June 2014. This decision was made to allow a timely transition of these services and minimise the impact on the business. From 1 April 2014, PricewaterhouseCoopers LLP will only be engaged for non-audit services which are in line with the Group's non-audit services policy.

Nick Land
On behalf of the Audit and Risk Committee

20 May 2014

Remuneration Committee

“Our remuneration policy and executive pay packages are designed to be competitive and drive behaviour in order to achieve long-term strategic goals. When making decisions we are mindful of the wider economic conditions and shareholder feedback.”



Membership:

Chairman
Luc Vandevelde
(Independent non-executive director)

Samuel Jonah
(Independent non-executive director)

Philip Yea
(Independent non-executive director)

Renee James
(Independent non-executive director)

With effect from 28 July 2014, Philip Yea will step down from the Remuneration Committee and Valerie Gooding will be appointed to the Committee.

Key objective:

to assess and make recommendations to the Board on the policies for executive remuneration and packages for the individual executive directors.

Responsibilities:

- determining, on behalf of the Board, the policy on the remuneration of the Chairman of the Board, the executive directors and the senior management team;
- determining the total remuneration packages for these individuals including any compensation on termination of office;
- operating within recognised principles of good governance; and
- preparing an annual report on directors’ remuneration.

Committee meetings

No one other than a member of the Committee is entitled to be present at its meetings. The Chairman of the Board and Chief Executive may attend the Committee’s meetings by invitation but they do not attend when their individual remuneration is discussed. No director is involved in deciding his or her own remuneration. The Committee met five times during the year.

Main activities of the Committee during the year

A detailed report to shareholders from the Committee on behalf of the Board in which, amongst other things, I have included a description of the Committee’s activities during the year, is contained in “Directors’ remuneration” on pages 69 to 85.

Executive Committee

The Committee meets 11 times a year under the chairmanship of the Chief Executive. Topics covered by the Committee include:

- Chief Executive update on the business and business environment;
- regional chief executives’ updates;
- Group function heads’ updates;
- substantial business developments and projects;
- talent;
- presentations from various function heads, for example, the Group Financial Controller, the Group Audit Director and the Group Compliance Director;
- competitor analysis; and
- strategy.

Annually, the Executive Committee, together with the chief executives of the major operating companies, conduct a strategy review to identify key strategic issues to be presented to the Board. The agreed strategy is then used as a basis for developing the upcoming budget and three year operating plans.

The Committee members’ biographical details are set out on pages 52 and 53 and at vodafone.com/exco.

Policy and Compliance Committee

This is a sub-committee of the Executive Committee comprising three Executive Committee members. It is appointed to assist the Executive Committee to fulfil its accountabilities with regard to policy compliance. In particular, the Committee approves changes to policies, does deep dives into particular policies to assess whether they are effective and maintains an overview of the status of compliance throughout Vodafone so clear and accurate reports can be made to the Audit and Risk Committee twice a year. Deep dives this year covered the policies relating to radio frequency electromagnetic fields (‘EMF’), competition law, protecting customer information, anti-money laundering and fraud.

Disclosure Committee

The Disclosure Committee, appointed by the Chief Executive and Chief Financial Officer to ensure the accuracy and timeliness of Company disclosures, oversees and approves controls and procedures in relation to the public disclosure of financial information and other information material to shareholders. It is composed of the Group General Counsel and Company Secretary (the Chair), Regional Chief Financial Officers, the Group Financial Controller, the Group Investor Relations Director, the Group Strategy and Business Development Director, and the Group External Affairs Director.

Corporate governance (continued)

How do we engage with our shareholders?

We are committed to communicating our strategy and activities clearly to our shareholders and, to that end, we maintain an active dialogue with investors through a planned programme of investor relations activities.

Investor relations programme

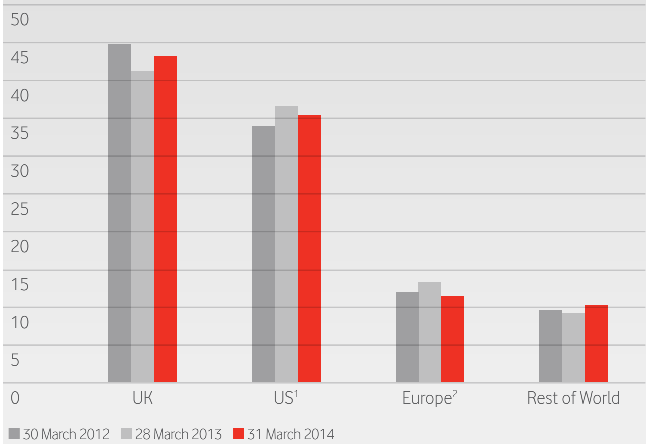
The programme includes:

- → formal presentations of full-year and half-year results, and interim management statements (see vodafone.com/investor for more information);
- → briefing meetings with major institutional shareholders in the UK, the United States and Europe after the full-year and half-year results; (a graph showing the geographical analysis of investors is shown on this page);
- → regular investor relations meetings with investors in other geographies;
- → formal presentations around significant acquisitions and disposals, e.g. the acquisition of Kabel Deutschland and the Verizon Wireless transaction;
- → regular meetings between institutional investors and analysts, and the Chief Executive and Chief Financial Officer, to discuss business performance, growth strategy and address any issues of concern;
- → meetings between major shareholders and the Chairman on an ongoing basis including roadshows in London and Edinburgh to obtain feedback and consider corporate governance issues;
- → analysing and approaching new geographies to actively market the business to new investors;
- → dialogue between the Remuneration Committee and shareholders. Go to pages 70 and 71 for more information;
- → hosting investors and analysts sessions at which senior management from relevant operating companies are present;
- → attendance by senior executives across the business at relevant meetings and conferences throughout the year;
- → responding daily to enquiries from shareholders and analysts through our Investor Relations team;
- → hosting webinars to highlight key areas of the business such as M-Pesa and money payment services, Vodafone Turkey, Vodafone Netherlands and 4G; and
- → a section dedicated to shareholders and analysts on our website at vodafone.com/investor, including specific sections for any material transactions or shareholder events, e.g. the Verizon Wireless transaction.

The Chairman has overall responsibility for ensuring that there is effective communication with investors, and that the Board understands the views of major shareholders on matters such as governance and strategy. The Chairman makes himself available to meet shareholders for this purpose. The Senior Independent Director and other members of the Board are also available to meet major investors on request. The Board receives a regular report from the Investor Relations team and feedback from meetings held between executive management, or the Investor Relations team and institutional shareholders, is also communicated to the Board.

Geographic shareholder movement over three years

% of share register



Notes:
1 We have included bearer warrants with the US shareholding as we understand the vast majority are US-based.
2 Excluding the UK.

What happens at our AGM?

Who attends?

- → All of our directors.
- → Executive Committee members.
- → Our shareholders.

What is the format?

- → A summary presentation of results is given before the Chairman deals with the formal business.
- → All shareholders present can question the Chairman, the Chairmen of the Committees and the rest of the Board both during the meeting and informally afterwards.
- → The Board encourages participation of investors, including individual investors, at the AGM.

AGM broadcast

- → The AGM is broadcast live on our website at vodafone.com/agm.
- → A recording can subsequently be viewed on our website.

Key shareholder engagements

February
Interim management statement

May
Preliminary results/full-year results

June
Annual report

July
Interim management statement
Annual general meeting

November
Half-year results

Resolutions

- Voting on all resolutions at the AGM is on a poll. The proxy votes cast, including details of votes withheld, are disclosed to those in attendance at the meeting and the results are published on our website and announced via the Regulatory News Service.

A summary of our share and control structures is set out in "Shareholder information" on pages 182 to 189.

How do we deal with internal control and risk management?

The Board has overall responsibility for the system of internal control. A sound system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has established procedures that implement in full the Turnbull Guidance "Internal Control: Revised Guidance for Directors on the Combined Code" for the year under review and to the date of this annual report. These procedures, which are subject to regular review, provide an ongoing process for identifying, evaluating and managing the significant risks we face. See page 89 for management's report on internal control over financial reporting.

Monitoring and review activities

There are clear processes for monitoring the system of internal control and reporting any significant control failings or weaknesses together with details of corrective action. These include:

- the local Chief Executive and Chief Financial Officer of each operating business formally certifying the operation of their control systems each year and highlighting any weaknesses. These results are reviewed by regional management, the Audit and Risk Committee, and the Board;
- local Chief Executives certifying compliance with high risk policies in their companies, with Group Compliance reviewing evidence of compliance;
- the Group's Disclosure Committee reviewing the appropriateness of disclosures and providing an annual report to the Group's Chief Executive and the Chief Financial Officer on the effectiveness of the Group's disclosure controls and procedures;
- maintaining "disclosure controls and procedures", as such term is defined in Rule 13a-15(e) of the Exchange Act, that are designed to ensure that information required to be disclosed in reports that we file or submit under the Exchange Act is recorded, processed, summarised and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including our Chief Executive and Chief Financial Officer as appropriate to allow timely decisions regarding required disclosure; and
- the Group Internal Audit department periodically examining business processes on a risk basis throughout the Group and reporting to the Audit and Risk Committee.

In addition, the Board reviews any reports from the external auditor presented to the Audit and Risk Committee and management in relation to internal financial controls.

- evaluating the risks we face in achieving our objectives;
- determining the risks that are considered acceptable to bear;
- assessing the likelihood of the risks concerned materialising;
- identifying our ability to reduce the incidence and impact on the business of risks that do materialise; and
- ensuring that the costs of operating particular controls are proportionate to the benefit.

Risk management

An overview of the Group's framework for identifying and managing risk, both at an operational and strategic level, is set out on pages 46 and 47.

Review of effectiveness

The Board and the Audit and Risk Committee have reviewed the effectiveness of the internal control system including financial, operational and compliance controls, and risk management in accordance with the Code for the period from 1 April 2013 to 20 May 2014 (the date of this annual report). No significant failings or weaknesses were identified during this review. However, had there been any such failings or weaknesses, the Board confirms that necessary actions would have been taken to remedy them.

The directors, the Chief Executive and the Chief Financial Officer have evaluated the effectiveness of the disclosure controls and procedures and, based on that evaluation, have concluded that the disclosure controls and procedures were effective at the end of the period covered by this report.

What is our approach to other governance matters?

Group policy compliance

Each Group policy is owned by a member of the Executive Committee so that there is clear accountability and authority for ensuring the associated business risk is adequately managed. Regional chief executives and the senior leadership team member responsible for each Group function have primary accountability for ensuring compliance with all Group policies by all our markets and entities. Our Group Compliance team and policy champions support the policy owners and local markets in implementing policies and monitoring compliance.

Code of Conduct

All of the key Group policies have been consolidated into the Vodafone Code of Conduct. This is a central ethical and policy document applicable to all employees and those who work for or on behalf of Vodafone. It sets out the standards of behaviour expected in relation to areas such as insider dealing, bribery and raising concerns through the whistle-blowing process (known internally as 'Speak Up').

Corporate governance (continued)

What are our US listing requirements?

As Vodafone's American depositary shares are listed on the NASDAQ Stock Market LLC ('NASDAQ'), we are required to disclose a summary of any material differences between the corporate governance practices we follow and those of US companies listed on NASDAQ. Vodafone's corporate governance practices are primarily based on UK requirements but substantially conform to those required of US companies listed on NASDAQ. The material differences are as follows:

Independence

Different tests of independence for Board members are applied under the Code and the NASDAQ listing rules. The Board is not required to take into consideration NASDAQ's detailed definitions of independence as set out in the NASDAQ listing rules.

In accordance with the Code, the Board has carried out an assessment based on the independence requirements of the Code and has determined that, in its judgement, all of Vodafone's non-executive directors (who make up the majority of the Board) are independent within the meaning of those requirements.

Committees

The NASDAQ listing rules require US companies to have a nominations committee, an audit committee and a compensation committee, each composed entirely of independent directors, with the nominations committee and the audit committee each required to have a written charter which addresses the committee's purpose and responsibilities, and the compensation committee having sole authority and adequate funding to engage compensation consultants, independent legal counsel and other compensation advisors.

Our Nominations and Governance Committee is chaired by the Chairman of the Board and its other members are independent non-executive directors. Our Remuneration Committee is composed entirely of independent non-executive directors.

The Audit and Risk Committee is composed entirely of non-executive directors, each of whom (i) the Board has determined to be independent based on the independence requirements of the Code and (ii) meets the independence requirements of the Exchange Act. We have terms of reference for our Nominations and Governance Committee, Audit and Risk Committee and Remuneration Committee, each of which complies with the requirements of the Code and is available for inspection on our website (vodafone.com/governance). These terms of reference are generally responsive to the relevant NASDAQ listing rules but may not address all aspects of these rules.

Code of Conduct

Under the NASDAQ listing rules, US companies must adopt a code of conduct applicable to all directors, officers and employees that complies with the definition of a 'code of ethics' set out in section 406 of the Sarbanes-Oxley Act. We have adopted a Code of Ethics that complies with section 406 which is applicable only to the senior financial and principal executive officers, and which is available on our website (vodafone.com/governance). We have also adopted a separate Code of Conduct which applies to all employees.

Quorum

The quorum required for shareholder meetings, in accordance with our articles of association, is two shareholders, regardless of the level of their aggregate share ownership, while US companies listed on NASDAQ are required by the NASDAQ listing rules to have a minimum quorum of 33.33% of the shareholders of ordinary shares for shareholder meetings.

Related party transactions

In lieu of obtaining an independent review of related party transactions for conflicts of interests in accordance with the NASDAQ listing rules, we seek shareholder approval for related party transactions that (i) meet certain financial thresholds or (ii) have unusual features in accordance with the Listing Rules issued by the FCA in the United Kingdom (the 'Listing Rules'), the Companies Act 2006 and our articles of association.

Further, we use the definition of a 'transaction with a related party' as set out in the Listing Rules, which differs in certain respects from the definition of 'related party transaction' in the NASDAQ listing rules.

Shareholder approval

We comply with the NASDAQ listing rules and the Listing Rules, when determining whether shareholder approval is required for a proposed transaction.

Under the NASDAQ listing rules, whether shareholder approval is required for a transaction depends on, among other things, the percentage of shares to be issued or sold in connection with the transaction. Under the Listing Rules, whether shareholder approval is required for a transaction depends on, among other things, whether the size of a transaction exceeds a certain percentage of the size of the listed company undertaking the transaction.

Directors' remuneration

Letter from the Remuneration Committee Chairman

Luc Vandevelde
Chairman of the Remuneration Committee

Dear fellow shareholder

I am pleased to present you with Vodafone's remuneration report for 2014.

This year will be the first time we will ask shareholders to vote on our remuneration policy in addition to the rest of the remuneration report. With the new remuneration disclosure regulations in mind we have changed the structure of our report to present first our policy and then detail its implementation. Apart from some changes which I outline below, our policy and practice remain essentially unchanged.

As always we have tried to ensure that the remuneration policy and practice at Vodafone drive behaviours that are in the long-term interests of the Company and its shareholders. The Remuneration Committee continues to be mindful of the considerable interest that exists in executive compensation and we are very conscious of the many and varied concerns.

Our remuneration principles

Our remuneration principles, which our detailed policy supports, are as follows:

- we offer competitive and fair rates of pay and benefits to attract and retain the best people;
- our policy and practices aim to drive behaviours that support our Company strategy and business objectives;
- our 'pay for performance' approach means that our incentive plans only deliver significant rewards if and when they are justified by performance; and
- our approach to share ownership is designed to help maintain commitment over the long-term, and to ensure that the interests of our senior management team are aligned with those of shareholders.

Pay for performance

Pay for performance continues to be an important principle for Vodafone when setting remuneration policy.

A high proportion of total reward is awarded through short-term and long-term performance related remuneration. At target around 70% of the package is delivered in the form of variable pay, which rises to around 85% if maximum payout is achieved.

We ensure our incentive plans only deliver significant rewards if and when they are justified by performance. For the Remuneration Committee this means two things:

- ensuring the targets we set for incentive plans are suitably challenging (as can be seen by the historic levels of achievement for both short- and long-term incentive plans shown on page 82); and
- if needed, exercising discretion. The Committee reviews all incentive plans before any payments are made to executives and has full discretion to adjust payments downwards if it believes circumstances warrant it.

Company performance and the link to incentives

During the 2014 year our emerging markets businesses have delivered strong organic revenue growth along with good cash flow and EBITDA performance. However, this has been offset by significant ongoing competitive, regulatory and macroeconomic pressures in our European operations where revenue has declined. Taken in the round this led to slightly below target performance which is reflected in our annual bonus payout of 88.5% of target. More details can be found on page 78.

Over the last three years our adjusted free cash flow performance, although strong in our emerging markets, has been below our target levels in Europe for similar reasons to those described above. However, we have taken significant strategic steps which have led to strong growth in the share price and Total Shareholder Return ('TSR') which, when combined with adjusted free cash flow, result in a payout for the executive directors' long-term incentive awards of 37.2% of maximum. More details can be found on page 79. Strategic initiatives include:

- the sale of our 45% stake in Verizon Wireless;
- the record US$85 billion return to shareholders;
- the announcement of Project Spring – the acceleration of our capital investment to strengthen further our network and customer experience;
- the acquisition of a leading cable operator in Germany as well as fixed line businesses such as CWW and TelstraClear;
- launching Vodafone Red which is now available in 20 markets; and
- developing our M-Pesa footprint.

Directors' remuneration (continued)

Letter from the Remuneration Committee Chairman (continued)

Key decisions on executive remuneration

The Remuneration Committee considers every decision around executive director remuneration very carefully. Some of the major decisions made this year were as follows:

- Nick Read was promoted to Chief Financial Officer during the year and we determined his new remuneration package. Our decision to give Nick a base salary of £675,000 was made in the context of the existing executive directors' remuneration levels and reviewed against the external market;
- the Remuneration Committee considered the impact of the Verizon Wireless transaction and Project Spring on executive remuneration and decided to remove the impact of Project Spring on pre-existing long-term incentive awards to ensure an appropriate comparison to the original targets that were set. Please see page 84 for more details;
- we decided to reduce the maximum vesting level of our long-term incentive opportunity for our Executive Committee. For the 2015 long-term incentive awards, the maximum vesting level will reduce from three times to two and a half times the target vesting level. We have also introduced a mandatory holding period where 50% of the post-tax shares are released after vesting, a further 25% after the first anniversary of vesting, and the remaining 25% will be released after the second anniversary;
- following a review of the pension levels in the context of pension provision for our broader employee population, from November 2015 pension levels for our Executive Committee will reduce from 30% of salary to 24% of salary. This brings our Executive Committee pension level in line with our UK senior management; and
- the Remuneration Committee took account of business performance, salary increases for other UK employees and external market information when deciding to increase the annual base salaries of the Chief Executive (Vittorio Colao) and the Chief Technology Officer (Stephen Pusey) by 3.6% and 4.3% respectively from 1 July 2014. This is the first salary increase that either individual has received for three years.

Assessment of risk

One of the activities of the Remuneration Committee is to continually be aware and mindful of any potential risk associated with our reward programmes. Vodafone seeks to provide a structure of rewards that encourages acceptable risk taking and high performance through optimal pay mix, performance metrics and calibration, and timing. With that said, it is prudent practice to ensure that our reward programmes achieve this and do not encourage excessive or inappropriate risk taking. The Committee has considered the risk involved in the incentive schemes and is satisfied that the design elements and governance procedures mitigate the principal risks.

Share ownership

For many years Vodafone has had demanding share ownership goals for our executive directors. These goals, and our achievement against the goals, are set out on page 80. We are delighted that, collectively, our Executive Committee own shares with a value of over £50 million. We are proud that the high level of shareholding by our Executive Committee has been maintained despite the Verizon Wireless transaction and the associated share consolidation. After the transaction our Executive Committee members individually elected to reinvest the vast majority of their post-tax proceeds from the transaction back into Vodafone shares. Owning shares is part of our culture and each year we expect the number of shares owned by our Executive Committee members to grow. This level of ownership by management clearly shows their alignment with shareholders but also indicates their belief in the long-term value creation opportunities of our shares.

Consultation with shareholders

The Remuneration Committee continues to have dialogue with our shareholders. The views of all shareholders are taken seriously, and letters and emails are replied to promptly. In addition, during the year we invited our largest shareholders to meet with me in person and the resulting meetings were very helpful for us to better understand our shareholders' viewpoint. We were delighted that last year the remuneration report received a 96.36% vote in favour. This compares with 96.44% support in the prior year. We sincerely hope to receive your continued support at the AGM on 29 July 2014.

Luc Vandevelde

Luc Vandevelde
Chairman of the Remuneration Committee
20 May 2014

Contents of the remuneration report

Remuneration policy

In this forward-looking section we describe our remuneration policy for the Board. This includes our considerations when determining policy, a description of the elements of the reward package and an indication of the potential future value of this package for each of the executive directors. In addition we describe our policy applied to the Chairman and non-executive directors.

We will be seeking shareholder approval for our remuneration policy at the 2014 AGM and we intend to implement at that point. We do not envisage making any changes to our policy over the next three years, however, we will review it each year to ensure that it continues to support our Company strategy. If we feel it is necessary to make a change to our policy within the next three years, we will seek shareholder approval.

Considerations when determining remuneration policy

Our remuneration principles which are outlined on page 69 are the context for our policy. Our principal consideration when determining remuneration policy is to ensure that it supports our Company strategy and business objectives.

The views of our shareholders are also taken into account when determining executive pay. In advance of asking for approval for the remuneration policy we have consulted with our major shareholders. We invited our top 20 shareholders to comment on remuneration at Vodafone and several meetings between shareholders and the Remuneration Committee Chairman took place. The main topics of consultation were as follows:

- → new share plan rules for which we will seek shareholder approval at the 2014 AGM;
- → changes to executive remuneration arrangements (reduction of maximum long-term incentive vesting levels and pension provision); and
- → impact of Project Spring on Free Cash Flow performance under the global long-term incentive plan ('GLTI').

We have not consulted with employees on the executive remuneration policy nor is any fixed remuneration comparison measurement used. However, when determining the policy for executive directors, we have been mindful of the pay and employment conditions of employees in Vodafone Group as a whole, with particular reference to the market in which the executive is based. Further information on our remuneration policy for other employees is given on page 74.

Performance measures and targets

Our Company strategy and business objectives are the primary consideration when we are selecting performance measures for our incentive plans. The targets within our incentive plans that are related to internal financial measures (such as revenue, profit and cash flow) are typically determined based on our budgets. Targets for strategic and external measures (such as competitive performance and Total Shareholder Return ('TSR')) are set based on Company objectives and in light of the competitive marketplace. The threshold and maximum levels of performance are set to reflect minimum acceptable levels at threshold and very stretching but achievable levels at maximum.

As in previous remuneration reports we will disclose the details of our performance targets for our short and long-term incentive plans. However, our annual bonus targets are commercially sensitive and therefore we will only disclose our targets in the remuneration report following the completion of the financial year. We will disclose the targets for each long-term award in the remuneration report for the financial year preceding the start of the performance period.

At the end of each performance period we review performance against the targets, using judgement to account for items such as (but not limited to) mergers, acquisitions, disposals, foreign exchange rate movements, changes in accounting treatment, material one-off tax settlements etc. The application of judgement is important to ensure that the final assessments of performance are fair and appropriate.

In addition, the Remuneration Committee reviews the incentive plan results before any payments are made to executives or any shares vest and has full discretion to adjust the final payment or vesting downwards if they believe circumstances warrant it. In particular, the Committee may use discretion to clawback any unvested share award (or vested but unexercised options) as it sees appropriate, in which case the award may lapse wholly or in part, may vest to a lesser extent than it would otherwise have vested or vesting may be delayed.

Directors' remuneration (continued)

Remuneration policy (continued)

The remuneration policy table

The table below summarises the main components of the reward package for executive directors.

	Purpose and link to strategy	Operation
Base salary	→ To attract and retain the best talent.	→ Salaries are usually reviewed annually and fixed for 12 months commencing 1 July. Decision is influenced by: → level of skill, experience and scope of responsibilities of individual; → business performance, scarcity of talent, economic climate and market conditions; → increases elsewhere within the Group; and → external comparator groups (which are used for reference purposes only) made up of companies of similar size and complexity to Vodafone.
Pension	→ To remain competitive within the marketplace.	→ Executive directors may choose to participate in the defined contribution pension scheme or to receive a cash allowance in lieu of pension.
Benefits	→ To aid retention and remain competitive within the marketplace.	→ Travel related benefits. This may include (but is not limited to) company car or cash allowance, fuel and access to a driver where appropriate. → Private medical, death and disability insurance and annual health checks. → In the event that we ask an individual to relocate we would offer them support in line with Vodafone's relocation or international assignment policies. This may cover (but is not limited to) relocation, cost of living allowance, housing, home leave, education support, tax equalisation and advice. → Legal fees if appropriate. → Other benefits are also offered in line with the benefits offered to other employees for example, all-employee share plans, mobile phone discounts, maternity/paternity benefits, sick leave, paid holiday, etc.
Annual Bonus – Global Short-Term Incentive Plan ('GSTIP')	→ To drive behaviour and communicate the key priorities for the year. → To motivate employees and incentivise delivery of performance over the one year operating cycle. → The financial metrics are designed to both drive our growth strategies whilst also focusing on improving operating efficiencies. Measuring competitive performance with its heavy reliance on net promoter score ('NPS') means providing a great customer experience remains at the heart of what we do.	→ Bonus levels and the appropriateness of measures and weightings are reviewed annually to ensure they continue to support our strategy. → Performance over the financial year is measured against stretching financial and non-financial performance targets set at the start of the financial year. → The annual bonus is usually paid in cash in June each year for performance over the previous financial year.
Long-Term Incentive – Global Long-Term Incentive Plan ('GLTI') base awards and co-investment awards (further details can be found in the notes that follow this table)	→ To motivate and incentivise delivery of sustained performance over the long term. → To support and encourage greater shareholder alignment through a high level of personal financial commitment. → The use of free cash flow as the principal performance measure ensures we apply prudent cash management and rigorous capital discipline to our investment decisions, whilst the use of TSR along with a performance period of not less than three years means that we are focused on the long-term interests of our shareholders.	→ Award levels and the framework for determining vesting are reviewed annually to ensure they continue to support our strategy. → Long-term incentive base awards consist of performance shares which are granted each year. → Individuals must co-invest in Vodafone shares and hold them in trust for at least three years in order to receive the full target award. → All awards vest not less than three years after the award based on Group operational and external performance. → Dividend equivalents are paid in cash after the vesting date.

Opportunity	Performance metrics
→ Average salary increases for existing Executive Committee members (including executive directors) will not normally exceed average increases for employees in other appropriate parts of the Group. Increases above this level may be made in specific situations. These situations could include (but are not limited to) internal promotions, changes to role, material changes to the business and exceptional company performance.	None.
→ The pension contribution or cash payment is equal to 30% of annual gross salary. In light of pension levels elsewhere in the Group we have decided to reduce the pension benefits level from 30% to no more than 24% from November 2015.	None.
→ Benefits will be provided in line with appropriate levels indicated by local market practice in the country of employment. → We expect to maintain benefits at the current level but the value of benefit may fluctuate depending on, amongst other things, personal situation, insurance premiums and other external factors.	None.
→ Bonuses can range from 0–200% of base salary, with 100% paid for on-target performance. Maximum is only paid out for exceptional performance.	→ Performance over each financial year is measured against stretching targets set at the beginning of the year. → The performance measures normally comprise of a mix of financial and strategic measures. Financial measures may include (but are not limited to) profit, revenue and cash flow with a weighting of no less than 50%. Strategic measures may include (but are not limited to) competitive performance metrics such as net promoter score and market share.
→ The basic target award level is 137.5% of base salary for the Chief Executive (110% for other executive directors). → The target award level may increase up to 237.5% of base salary for the Chief Executive (or 210% for others) if the individual commits to a co-investment in shares equal in value to their base salary. → Minimum vesting is 0% of target award level, threshold vesting is 50% and maximum vesting is 250% of the target award level. → Maximum long-term incentive face value at award of 594% of base salary for the Chief Executive (237.5% x 250%) and 525% for others. → The awards that vest accrue cash dividend equivalents over the three year vesting period. → Awards vest to the extent performance conditions are satisfied. There is a mandatory holding period where 50% of the post-tax shares are released after vesting, a further 25% after the first anniversary of vesting, and the remaining 25% will be released after the second anniversary.	→ Performance is measured against stretching targets set at the beginning of the performance period. → Vesting is determined based on a matrix of two measures: → adjusted free cash flow as our operational performance measure; and → relative TSR against a peer group of companies as our external performance measure.

Directors' remuneration (continued)

Remuneration policy (continued)

Notes to the remuneration policy table

Existing arrangements

We will honour existing awards to executive directors, and incentives, benefits and contractual arrangements made to individuals prior to their promotion to the Board. This will last until the existing incentives vest (or lapse) or the benefits or contractual arrangements no longer apply.

Long-Term Incentive ('GLTI')

When referring to our long-term incentive awards we use the financial year end in which the award was made. For example, the '2013 award' was made in the financial year ending 31 March 2013. The awards are usually made in the first half of the financial year (the 2013 award was made in July 2012).

The extent to which awards vest depends on two performance conditions:

- underlying operational performance as measured by adjusted free cash flow; and
- relative Total Shareholder Return ('TSR') against a peer group median.

Adjusted free cash flow

The free cash flow performance is based on the cumulative adjusted free cash flow figure over the performance period. The detailed targets and the definition of adjusted free cash flow are determined each year as appropriate. The target adjusted free cash flow level is set by reference to our long-range plan and market expectations. We consider the targets to be critical to the Company's long-term success and its ability to maximise shareholder value, and to be in line with the strategic goals of the Company. The Remuneration Committee sets these targets to be sufficiently demanding with significant stretch where only outstanding performance will be rewarded with a maximum payout.

The cumulative adjusted free cash flow vesting levels as a percentage of target are shown in the table below (with linear interpolation between points):

Performance	Vesting percentage
Below threshold	0%
Threshold	50%
Target	100%
Maximum	125%

TSR outperformance of a peer group median

We have a limited number of appropriate peers and this makes the measurement of a relative ranking system volatile. As such, the outperformance of the median of a peer group is felt to be the most appropriate TSR measure. The peer group for the performance condition is reviewed each year and amended as appropriate.

The relative TSR position determines the performance multiplier. This will be applied to the adjusted free cash flow vesting percentage. There will be no multiplier until TSR performance exceeds median. Above median, the following table will apply (with linear interpolation between points):

	Multiplier
Median	No increase
Percentage outperformance of the peer group median equivalent to 65th percentile	1.5 times
Percentage outperformance of the peer group median equivalent to 80th percentile	2.0 times

In order to determine the percentages for the equivalent outperformance levels above median, the Remuneration Committee seeks independent external advice.

Combined vesting matrix

The combination of the two performance measures gives a combined vesting matrix as follows (with linear interpolation between points):

	TSR outperformance		
Adjusted free cash flow measure	Up to Median	65th percentile equivalent	80th percentile equivalent
Below threshold	0%	0%	0%
Threshold	50%	75%	100%
Target	100%	150%	200%
Maximum	125%	187.5%	250%

The combined vesting percentages are applied to the target number of shares granted.

Outstanding awards

For the awards made in the 2013 and 2014 financial years (vesting in July 2015 and June 2016 respectively) the award structure is as set out above, except that the maximum vesting percentage for cumulative adjusted free cash flow was 150% leading to an overall maximum of 300% of target award.

Remuneration policy for other employees

While our remuneration policy follows the same fundamental principles across the Group, packages offered to employees reflect differences in market practice in the different countries, role and seniority.

For example, the remuneration package elements for our executive directors are essentially the same as for the other Executive Committee members, with some small differences, for example higher levels of share awards. The remuneration for the next level of management, our senior leadership team, again follows the same principles but with differences such as local and individual performance aspects in the annual bonus targets and performance share awards. They also receive lower levels of share awards which are partly delivered in restricted shares.

Estimates of total future potential remuneration from 2015 pay packages

The tables below provide estimates of the potential future remuneration for each of the executive directors based on the remuneration opportunity granted in the 2015 financial year. Potential outcomes based on different performance scenarios are provided for each executive director.

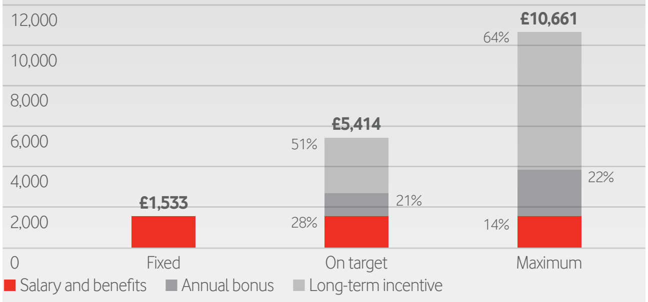
The assumptions underlying each scenario are described below.

Fixed	Consists of base salary, benefits and pension.
	Base salary is at 1 July 2014.
	Benefits are valued using the figures in the total remuneration for the 2014 financial year table on page 78 (of the 2014 report) and on a similar basis for Nick Read (promoted to the Board on 1 April 2014).
	Pensions are valued by applying cash allowance rate of 30% of base salary at 1 July 2014.

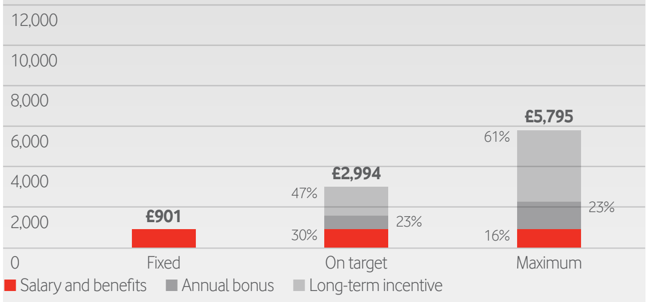
	Base (£'000)	Benefits (£'000)	Pension (£'000)	Total fixed (£'000)
Chief Executive	1,150	38	345	1,533
Chief Financial Officer	675	23	203	901
Chief Technology Officer	600	21	180	801

On target	Based on what a director would receive if performance was in line with plan.
	The target award opportunity for the annual bonus ('GSTIP') is 100% of base salary.
	The target award opportunity for the long-term incentive ('GLTI') is 237.5% of base salary for the Chief Executive and 210% for others. We assumed that TSR performance was at median.
Maximum	Two times the target award opportunity is payable under the annual bonus ('GSTIP').
	The maximum levels of performance for the long-term incentive ('GLTI') are 250% of target award opportunity. We assumed that TSR performance was at or above the 80th percentile equivalent.
All scenarios	Each executive is assumed to co-invest the maximum allowed under the long-term incentive ('GLTI'), 100% of salary, and the long-term incentive ('GLTI') award reflects this.
	Long-term incentives consist of share awards only which are measured at face value i.e. no assumption for increase in share price or cash dividend equivalents payable.

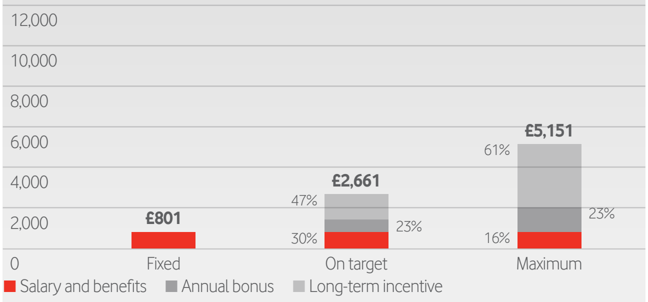
Vittorio Colao, Chief Executive £'000



Nick Read, Chief Financial Officer (appointed 1 April 2014) £'000



Stephen Pusey, Chief Technology Officer £'000



Recruitment remuneration

Our approach to recruitment remuneration is to pay no more than is necessary and appropriate to attract the right talent to the role.

The remuneration policy table (pages 72 and 73) sets out the various components which would be considered for inclusion in the remuneration package for the appointment of an executive director. Any new director's remuneration package would include the same elements, and be subject to the same constraints, as those of the existing directors performing similar roles. This means a potential maximum bonus opportunity of 200% of base salary and long-term incentive maximum face value of opportunity at award of 594% of base salary.

When considering the remuneration arrangements of individuals recruited from external roles to the Board, we will take into account the remuneration package of that individual in their prior role. We only provide additional compensation to individuals for awards foregone. If necessary we will seek to replicate, as far as practicable, the level and timing of such remuneration, taking into account also any remaining performance requirements applying to it. This will be achieved by granting awards of cash or shares that vest over a timeframe similar to those forfeited and if appropriate based on performance conditions. A commensurate reduction in quantum will be applied where it is determined that the new awards are either not subject to performance conditions or subject to performance conditions that are not as stretching as those of the awards forfeited.

Directors' remuneration (continued)

Remuneration policy (continued)

Service contracts of executive directors

After an initial term of up to two years executive directors' contracts have rolling terms and are terminable on no more than 12 months' notice.

The key elements of the service contract for executives relate to remuneration, payments on loss of office (see below), and restrictions during active employment (and for 12 months thereafter). These restrictions include non-competition, non-solicitation of customers and employees etc.

Additionally, all of the Company's share plans contain provisions relating to a change of control. Outstanding awards and options would normally vest and become exercisable on a change of control to the extent that any performance condition has been satisfied and pro-rated to reflect the acceleration of vesting.

Payments for departing executives

In the table below we summarise the key elements of our policy on payment for loss of office. We will of course, always comply both with the relevant plan rules and local employment legislation.

Provision	Policy
Notice period and compensation for loss of office in service contracts	→ 12 months' notice from the Company to the executive director.
	→ Up to 12 months' base salary (in line with the notice period). Notice period payments will either be made as normal (if the executive continues to work during the notice period or is on gardening leave) or they will be made as monthly payments in lieu of notice (subject to mitigation if alternative employment is obtained).
Treatment of annual bonus ('GSTIP') on termination under plan rules	→ The annual bonus will be pro-rated for the period of service during the financial year and will reflect the extent to which Company performance has been achieved.
	→ The Remuneration Committee has discretion to reduce the entitlement to an annual bonus to reflect the individual's performance and the circumstances of the termination.
Treatment of unvested long-term incentive awards ('GLTI') and co-investment awards on termination under plan rules	→ An executive director's award will vest in accordance with the terms of the plan and satisfaction of performance conditions measured at the normal completion of the performance period, with the award pro-rated for the proportion of the vesting period that had elapsed at the date of cessation of employment.
	→ The Remuneration Committee has discretion to vary the level of vesting as deemed appropriate, and in particular to determine that awards should not vest in the case of a 'bad leaver' which may include, at their absolute discretion, departure in case of poor performance, departure without the agreement of the Board, or detrimental competitive activity.
Pension and benefits	→ Generally pension and benefit provisions will continue to apply until the termination date.
	→ Where appropriate other benefits may be receivable, such as (but not limited to) payments in lieu of accrued holiday and legal fees or tax advice costs in relation to the termination.
	→ Benefits of relative small value may continue after termination where appropriate, such as (but not limited to) mobile phone provision.

In exceptional circumstances, an arrangement may be established specifically to facilitate the exit of a particular individual albeit that any such arrangement would be made within the context of minimising the cost to the Group. We will only take such a course of action in exceptional circumstances and where it is considered to be in the best interests of shareholders.

Chairman and non-executive directors' remuneration

Our policy is for the Chairman to review the remuneration of non-executive directors annually following consultation with the Remuneration Committee Chairman. Fees for the Chairman are set by the Remuneration Committee.

Element	Policy
Fees	→ We aim to pay competitively for the role including consideration of the time commitment required. We benchmark the fees against an appropriate external comparator group. We pay fees to our Chairman and Senior Independent Director that include fees for chairmanship of any committees. We pay a fee to each of our other non-executive directors and they receive an additional fee if they chair a committee. Non-executive fee levels are set within the maximum level as approved by shareholders as part of our articles of association.
Allowances	→ An allowance is payable each time a non-Europe-based non-executive director is required to travel to attend Board and committee meetings to reflect the additional time commitment involved.
Incentives	→ Non-executive directors do not participate in any incentive plans.
Benefits	→ Non-executive directors do not participate in any benefit plans. The Company does not provide any contribution to their pension arrangements. The Chairman is entitled to the use of a car and a driver whenever and wherever he is providing his services to or representing the Company. We have been advised that for non-executive directors, certain travel and accommodation expenses in relation to attending Board meetings should be treated as a taxable benefit therefore we also cover the tax liability for these expenses.

Non-executive director service contracts

Non-executive directors are engaged on letters of appointment that set out their duties and responsibilities. The appointment of non-executive directors may be terminated without compensation. Non-executive directors are generally not expected to serve for a period exceeding nine years. For further information refer to the "Nomination and Governance Committee" section of the annual report (page 59).

Annual report on remuneration

Remuneration Committee

In this section we give details of the composition of the Remuneration Committee and activities undertaken over the 2014 financial year. The Committee is comprised to exercise independent judgement and consists only of the following independent non-executive directors:

Chairman: Luc Vandevelde
Committee members: Renee James; Samuel Jonah; Philip Yea

The Committee regularly consults with Vittorio Colao, the Chief Executive, and Ronald Schellekens, the Group HR Director, on various matters relating to the appropriateness of awards for executive directors and senior executives, though they are not present when their own compensation is discussed. In addition, Adrian Jackson, the Group Reward and Policy Director, provides a perspective on information provided to the Committee, and requests information and analyses from external advisors as required. Rosemary Martin, the Group General Counsel and Company Secretary, advises the Committee on corporate governance guidelines and acts as secretary to the Committee.

External advisors

The Remuneration Committee seeks and considers advice from independent remuneration advisors where appropriate. The two appointed advisors were selected through a thorough process led by the Chairman of the Remuneration Committee and were appointed by the Committee. The Chairman of the Remuneration Committee has direct access to the advisors as and when required, and the Committee determines the protocols by which the advisors interact with management in support of the Committee. The advice and recommendations of the external advisors are used as a guide, but do not serve as a substitute for thorough consideration of the issues by each Committee member. Advisors attend Committee meetings occasionally, as and when required by the Committee.

Pricewaterhouse Coopers LLP ('PwC') and Towers Watson are both members of the Remuneration Consultants' Group and, as such, voluntarily operate under the Remuneration Consultants' Group Code of Conduct in relation to executive remuneration consulting in the UK. This is based upon principles of transparency, integrity, objectivity, competence, due care and confidentiality by executive remuneration consultants. PwC and Towers Watson have confirmed that they adhered to that Code of Conduct throughout the year for all remuneration services provided to Vodafone and therefore the Committee are satisfied that they are independent and objective. The Remuneration Consultants' Group Code of Conduct is available at remunerationconsultantsgroup.com.

Advisor	Appointed by	Services provided to the Committee	Fees for services provided to the Committee ('000)[1]	Other services provided to the Company
Pricewaterhouse Coopers LLP ('PwC')	Remuneration Committee in 2007	Advice on market practice; Governance; Performance analysis; Plan design	£63	International mobility; Finance; Technology; Tax; Operations; Compliance
Towers Watson	Remuneration Committee in 2007	Advice on market practice; Governance; Provide market data on executive and non-executive reward; Reward consultancy; Performance analysis	£25	Pension and benefit administration; Reward consultancy

Note:
1 Fees are determined on a time spent basis

PwC have been appointed as our auditors from April 2014 and therefore no longer advise the Remuneration Committee. Towers Watson continue to act as independent remuneration advisors.

Philip Yea sat on an advisory board for PwC until 14th January 2014. In light of PwC's role as advisor to the Remuneration Committee on remuneration matters up until April 2014, the Remuneration Committee considered his position and determined that there was no conflict or potential conflict arising.

2013 AGM

The 2013 remuneration report received a 96.36% vote in favour of a total of 31,950,649,494 votes cast (3.64% votes against and 436,513,724 votes were withheld).

Meetings

The Remuneration Committee had six formal meetings during the year. Outside these meetings there are frequent discussions usually by conference call. The principal agenda items at the formal meetings were as follows:

Meeting	Agenda items	
May 2013	→ 2013 annual bonus achievement and 2014 targets and ranges. → 2011 long-term incentive award vesting and 2014 targets and ranges.	→ 2013 directors' remuneration report. → Review of the effectiveness of the Committee.
July 2013	→ 2014 long-term incentive awards.	→ Large local market CEO remuneration.
September 2013	→ Impact of the Verizon Wireless transaction on reward arrangements.	
November 2013	→ 2015 reward strategy. → 2014 long-term incentive awards, share ownership levels, accounting costs and dilution levels. → Reduction of maximum leverage on future long-term incentive awards from 300% to 250% of target. → Reduction of pension levels from November 2015 from 30% to 24% of base salary.	→ Impact of the Verizon transaction and Project Spring on incentives. → New share plan rules. → New remuneration reporting regulations. → Remuneration package for Nick Read and departure arrangements for Andy Halford.
January 2014	→ 2015 annual bonus framework. → Non-executive director fee levels.	→ Feedback from shareholder consultation. → Committee advisors for 2015.
March 2014	→ 2015 reward packages for the Executive Committee and Chairman's fees. → Risk assessment.	→ 2014 directors' remuneration report. → 2015 long-term incentive awards. → Committee's effectiveness and terms of reference.

Directors' remuneration (continued)

Annual report on remuneration (continued)

2014 remuneration

In this section we summarise the pay packages awarded to our executive directors for performance in the 2014 financial year versus 2013. Specifically we have provided a table that shows all remuneration that was earned by each individual during the year and computed a single total remuneration figure for the year. The value of the annual bonus ('GSTIP') was earned during the year but will be paid out in cash in the following year and the value of the long-term incentive ('GLTI') shows the share awards which will vest in June 2014 as a result of the performance through the three year period ended at the completion of our financial year on 31 March 2014.

The Remuneration Committee reviews all incentive awards prior to payment and has full discretion to reduce awards if it believes this is appropriate. The decision need not be on objective grounds. It should be noted that the Remuneration Committee did not exercise discretion in determining the annual bonus ('GSTIP') payout for this year or in deciding the final vesting level of the long-term incentive awards ('GLTI').

Total remuneration for the 2014 financial year (audited)

	Vittorio Colao		Andy Halford[1]		Stephen Pusey	
	2014 £'000	2013 £'000	**2014 £'000**	2013 £'000	**2014 £'000**	2013 £'000
Salary/fees	1,110	1,110	700	700	575	575
Taxable benefits[2]	38	39	47	45	21	21
Annual bonus: GSTIP (see below for further detail)	982	731	620	461	509	379
Total long-term incentive[3]:	6,464	8,886	2,424	5,164	2,164	2,842
GLTI vesting during the year[4]	5,630	7,573	2,111	4,401	1,885	2,422
Cash in lieu of GLTI dividends[5]	834	1,313	313	763	279	420
Cash in lieu of pension	333	333	210	210	173	173
Total	**8,927**	**11,099**	**4,001**	**6,580**	**3,442**	**3,990**

Notes:
1 Andy Halford retired on 31 March 2014.
2 Taxable benefits include amounts in respect of: – Private healthcare (2014: £1,734; 2013: £1,500);
– Cash car allowance £19,200 p.a.;
– Travel (2014: Vittorio Colao £17,155; Andy Halford £13,848; 2013 (restated): Vittorio Colao £17,921; Andy Halford £24,626; and Stephen Pusey £408); and
– Payment in lieu of holiday at retirement (2014: Andy Halford £11,936).
3 Excludes shares acquired under Vodafone's Share Incentive Plan ('SIP'). Andy Halford is the only director who participated and the annual value of the matching shares is £1,500.
4 The value shown in the 2013 column is the award which vested on 28 June 2013 and is valued using the execution share price on 28 June 2013 of 188.03 pence. Please note that the values disclosed in this table in 2013 are slightly different as the value was based on a share price at 31 March 2013 of 186.60 pence. The value shown in the 2014 column is the award which vests on 28 June 2014 and is valued using an average of the closing share price over the last quarter of the 2014 financial year of 234.23 pence. More details are included below.
5 Participants also receive a cash award, equivalent in value to the dividends that would have been paid during the vesting period on any shares that vest. The cash in lieu of dividend value shown in 2013 relates to the award which vested on 28 June 2013, and the value for 2014 relates to the award which vests on 28 June 2014.

2014 annual bonus ('GSTIP') payout (audited)

In the table below we disclose our achievement against each of the performance measures and targets in our annual bonus ('GSTIP') and the resulting total annual bonus payout level for the year ended 31 March 2014 of 88.5%. This is applied to the target bonus level of 100% of base salary for each executive.

Performance measure	Payout at target performance 100%	Payout at maximum performance 200%	Actual payout %	Target performance level £bn	Actual performance level[1] £bn	Commentary
Service revenue	25%	50%	15.6%	39.4	38.7	Below target performance in Europe
EBITDA	25%	50%	12.4%	12.7	12.3	Below target performance in Europe partially offset by AMAP
Adjusted free cash flow	25%	50%	45.1%	4.2	4.7	Strong performance in AMAP
Competitive performance assessment	25%	50%	15.4%	Compilation of market-by-market assessment		Consolidated performance below target although the number of markets where net promoter score ('NPS') ranks #1 increased
Total annual bonus payout level	**100%**	**200%**	**88.5%**			

Note:
1 These figures are adjusted to include the removal of the impact of M&A, foreign exchange movements and any changes in accounting treatment.

2015 annual bonus ('GSTIP') amounts	Base salary	Target bonus % of base salary	2014 payout % of target	Actual payment ('000)
Vittorio Colao	1,110,000	100%	88.5%	£982
Andy Halford	700,000	100%	88.5%	£620
Stephen Pusey	575,000	100%	88.5%	£509

Long-term incentive ('GLTI') award vesting in June 2014 (audited)

The 2012 long-term incentive ('GLTI') awards which were made in June 2011 will partially vest in June 2014. The performance conditions for the three year period ending in the 2014 financial year are as follows:

Adjusted free cash flow measure	£bn	TSR outperformance 0% (Up to median)	4.5% (65th percentile equivalent)	9% (80th percentile equivalent)
Below threshold	<16.7	0%	0%	0%
Threshold	16.7	50%	75%	100%
Target	19.2	100%	150%	200%
Maximum	21.7	200%	300%	400%

TSR peer group	
BT Group	Telecom Italia
Deutsche Telekom	Telefónica
Orange	
Emerging market composite (consists of the average TSR performance of Bharti, MTN and Turkcell)	

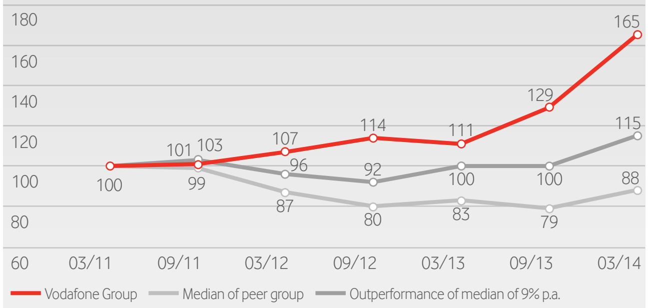
Adjusted free cash flow for the three-year period ended on 31 March 2014 was £17.9 billion which compares with a threshold of £16.7 billion and a target of £19.2 billion.

The chart to the right shows that our TSR performance against our peer group for the same period resulted in an outperformance of the median by 22.3% a year.

Using the combined payout matrix above, this performance resulted in a payout of 148.8% of target (37.2% of the maximum).

The combined vesting percentages are applied to the target number of shares granted as shown below.

2012 GLTI award TSR performance (growth in the value of a hypothetical US$100 holding over the performance period, six month averaging)



2012 GLTI performance share awards vesting in June 2014	Maximum number of shares	Target number of shares	Adjusted free cash flow performance payout % of target	TSR multiplier	Overall vesting % of target[1]	Number of shares vesting	Value of shares vesting ('000)[2]
Vittorio Colao	6,461,396	1,615,349	74.4%	2 times	148.8%	2,403,638	£5,630
Andy Halford	2,643,290	660,822	74.4%	2 times	136.4%	901,361	£2,111
Stephen Pusey	2,162,990	540,747	74.4%	2 times	148.8%	804,632	£1,885

Notes:
1 Andy Halford retired on 31 March 2014. His award has been prorated for the 33 months he served during the 36 month vesting period.
2 Valued using an average of the closing share prices over the last quarter of the 2014 financial year of 234.23 pence.

These shares will vest on 28 June 2014. The adjusted free cash flow performance is audited by Deloitte and approved by the Remuneration Committee. The performance assessment in respect of the TSR outperformance of the peer group median is undertaken by Towers Watson. Dividend equivalents will also be paid in cash after the vesting date as shown on page 78. Details of how the plan works can be found on pages 72 to 74.

Long-term incentive ('GLTI') awarded during the year (audited)

The 2014 long-term incentive awards made in July 2013 under the Global Long-Term Incentive Plan ('GLTI') were made in line with the 2014 policy as disclosed in our 2013 remuneration report. The performance conditions are a combination of adjusted free cash flow and TSR performance as follows:

Adjusted free cash flow measure	£bn	TSR outperformance 0% (Up to median)	4.5% (65th percentile equivalent)	9% (80th percentile equivalent)
Below threshold	<12.4	0%	0%	0%
Threshold	12.4	50%	75%	100%
Target	14.4	100%	150%	200%
Maximum	16.4	150%	225%	300%

TSR peer group	
AT&T	Orange
BT Group	Telecom Italia
Deutsche Telekom	Telefónica
Emerging market composite (consists of the average TSR performance of Bharti, MTN and Turkcell)	

The combined vesting percentages are applied to the target number of shares granted.

In order to participate fully in this award, executives had to co-invest personal shares worth 100% of salary. The resulting awards to executive directors were as follows:

2014 GLTI performance share awards made in July 2013	Number of shares awarded: **Target vesting level (1/3rd of max)**	Maximum vesting level	Face value of shares awarded[1]: **Target vesting level**	Maximum vesting level	Proportion of maximum award vesting at minimum performance	Performance period end
Vittorio Colao	**1,395,123**	4,185,370	**£2,636,249**	£7,908,748	1/6th	31 Mar 2016
Andy Halford	**772,981**	2,318,945	**£1,469,998**	£4,409,998	1/6th	31 Mar 2016
Stephen Pusey	**634,948**	1,904,846	**£1,207,497**	£3,622,495	1/6th	31 Mar 2016

Note:
1 Face value calculated based on the share prices at the dates of grant of 180.2 pence and 202.5 pence

Dividend equivalents on the shares that vest are paid in cash after the vesting date.

Directors' remuneration (continued)

Annual report on remuneration (continued)

All-employee share plans

The executive directors are also eligible to participate in the UK all-employee plans.

Summary of plans

Sharesave

The Vodafone Group 2008 Sharesave Plan is an HM Revenue & Customs ('HMRC') approved scheme open to all staff permanently employed by a Vodafone Company in the UK as of the eligibility date. Options under the plan are granted at up to a 20% discount to market value. Executive directors' participation is included in the option table on page 81.

Share Incentive Plan

The Vodafone Share Incentive Plan ('SIP') is an HMRC approved plan open to all staff permanently employed by a Vodafone Company in the UK. Participants may contribute up to a maximum of £125 per month (or 5% of salary if less) which the trustee of the plan uses to buy shares on their behalf. An equivalent number of shares are purchased with contributions from the employing company. UK-based executive directors are eligible to participate.

Pensions (audited)

Vittorio Colao, Andy Halford and Stephen Pusey received a cash allowance of 30% of base salary in lieu of pension contributions during the 2014 financial year. No executive directors accrued benefits under any defined contribution pension plans during the year.

The executive directors are provided benefits in the event of death in service. They also have an entitlement under a long-term disability plan from which two-thirds of base salary, up to a maximum benefit determined by the insurer, would be provided until normal retirement date (aged 60).

Andy Halford retired on 31 March 2014 aged 55. Until 2010, he participated in a legacy defined benefit pension plan into which no additional contributions were payable in 2014. On 31 March 2010 he took the opportunity to take early retirement from this pension scheme due to the closure of the scheme (aged 51 years). In accordance with the scheme rules, his accrued pension at this date was reduced with an early retirement factor for four years to reflect the fact that his pension is being paid before age 55 and is therefore expected to be paid out for a longer period of time. In addition, he exchanged part of his early retirement pension at 31 March 2010 for a tax-free cash lump sum of £118,660. The pension in payment at 31 March 2010 was £17,800 per year. The pension increased on 1 April 2011, 1 April 2012 and 1 April 2013 by 5%, in line with the scheme rules, to £20,605 per year from 1 April 2013.

Alignment to shareholder interests (audited)

All of our executive directors have shareholdings in excess of their goals. Current levels of ownership by the executive directors, and the date by which the goal should be or should have been achieved, are shown below. The values are calculated using an average share price over the six months to 31 March 2014 of 229.32 pence. These values do not include the value of the shares that will vest in June 2014.

At 31 March 2014	Goal as a % of salary	Current % of salary held	% of goal achieved	Number of shares[1]	Value of shareholding (£m)	Date for goal to be achieved
Vittorio Colao	400%	1,875%	469%	9,077,302	20.8	July 2012
Andy Halford (ownership position at retirement on 31 March 2014)	300%	755%	252%	2,305,059	5.3	July 2010
Stephen Pusey	300%	630%	210%	1,579,543	3.6	June 2014

Note:
1 During the year the Verizon transaction and a share consolidation took place.

Collectively the Executive Committee including the executive directors own more than 22 million Vodafone shares, with a value of over £50 million.

Directors' interests in the shares of the Company (audited)

A summary of interests in shares and scheme interests of the directors who served during the year is given below. More details of the performance shares and options follows.

		Share plans		Shares options
At 31 March 2014	Total number of interests in shares[1]	Unvested GLTI Shares (with performance conditions)	Share Incentive Plan (without performance conditions)	SAYE (unvested without performance conditions)
Executive directors				
Vittorio Colao	24,251,716	15,157,846	–	16,568
Andy Halford (position at retirement on 31 March 2014)	8,561,152	6,249,860	17,014	6,233
Stephen Pusey	7,719,776	6,140,233	–	–
Total	**40,532,644**	**27,547,939**	**17,014**	**22,801**

Note:
1 Includes shares in the share incentive plan (SIP), interests of connected persons, unvested share awards and share options. During the year the Verizon transaction and a share consolidation took place.

At 31 March 2014	Total number of interests in shares[1]
Non-executive directors	
Valerie Gooding	4,038
Renee James	27,272
Alan Jebson	44,912
Samuel Jonah	30,190
Gerard Kleisterlee	59,755
Omid Kordestani	–
Nick Land	32,090
Anne Lauvergeon	17,151
Luc Vandevelde	54,880
Anthony Watson	62,727
Philip Yea	33,408

Note:
1 During the year the Verizon transaction and a share consolidation took place.

During the period from 1 April 2014 to 20 May 2014, the directors' total number of interests in shares did not change.

Performance shares

The maximum number of outstanding shares that have been awarded to directors under the long-term incentive ('GLTI') plan are currently as follows:

GLTI performance share awards	2012 award Awarded: June 2011 Performance period ending: March 2014 Vesting date: June 2014 Share price at grant: 163.2 pence	2013 award Awarded: July 2012 Performance period ending: March 2015 Vesting date: July 2015 Share price at grant: 179.4 pence	2014 award Awarded: June 2013 and September 2013[1] Performance period ending: March 2016 Vesting date: June 2016 Share price at grant: 180.2 pence and 202.5 pence
Vittorio Colao	6,461,396	4,511,080	4,185,370
Andy Halford	2,643,290	1,287,625	2,318,945
Stephen Pusey	2,162,990	2,072,397	1,904,846

Note:
1 Due to a close period, executive directors were not able to make co-investment commitments at the time of the main award in June 2013 and therefore part of the award was made in September 2013.

For details of the performance conditions please see page 74.

Share options

No share options have been granted to directors during the year. The following information summarises the executive directors' options under the Vodafone Group 2008 Sharesave Plan ('SAYE') and the Vodafone Group Incentive Plan ('GIP'). HMRC approved awards may be made under both of the schemes mentioned. No other directors have options under any schemes.

Options under the Vodafone Group 2008 Sharesave Plan were granted at a discount of 20% to the market value of the shares at the time of the grant. No other options may be granted at a discount.

	Grant date	At 1 April 2013 or date of appointment Number of shares	Options granted during the 2014 financial year Number of shares	Options exercised during the 2014 financial year Number of shares	Options lapsed during the 2014 financial year Number of shares	Options held at 31 March 2014 Number of shares	Option price Pence[1]	Date from which exercisable	Expiry date	Market price on exercise Pence	Gain on exercise
Vittorio Colao											
GIP[2]	Jul 2007	3,003,575	–	(3,003,575)	–	–	167.80	Jul 2010	Jul 2017	213.16	£1,362,503
SAYE	Jul 2009	16,568	–	–	–	16,568	93.85	Sep 2014	Feb 2015	–	
Total		**3,020,143**	**–**	**(3,003,575)**	**–**	**16,568**					
Andy Halford											
GIP[2]	Jul 2007	2,295,589	–	(2,295,589)	–	–	167.80	Jul 2010	Jul 2017	213.16	£1,041,392
SAYE	Jul 2012	6,233		–	–	6,233	144.37	Sep 2015	Feb 2016	–	
Total		**2,301,822**	**–**	**(2,295,589)**	**–**	**6,233**					
Stephen Pusey											
GIP[3]	Sep 2006	1,034,259	–	(1,034,259)	–	–	113.75	Sep 2009	Aug 2016	212.80	£1,024,417
GIP[2]	Jul 2007	947,556	–	(947,556)	–	–	167.80	Jul 2010	Jul 2017	231.64	£604,888
Total		**1,981,815**	**–**	**(1,981,815)**	**–**	**–**					

Notes:
1 The closing trade share price on 31 March 2014 was 220.25 pence. The highest trade share price during the year was 252.3 pence and the lowest price was 180.23 pence.
2 The performance condition on the options granted in July 2007 was a three year cumulative growth in adjusted earnings per share. The options vested at 100% in July 2010.
3 The performance condition on the options granted in September 2006 was a three year cumulative growth in adjusted earnings per share. The options vested at 100% in September 2009.

Directors' remuneration (continued)

Annual report on remuneration (continued)

Loss of office payments (audited)

Andy Halford retired on 31 March 2014. As per his contract Andy had a 12 month notice period which commenced on 1 October 2013. He worked six months of his notice period – until the end of the financial year. We will be making payments in lieu of notice each month for the remainder of Andy's notice period (1 April 2014–30 September 2014). The total of these payments will be a maximum of £350,000 (six months' salary) subject to mitigation if Andy were to start a new executive role at another organisation.

Andy has worked for the full 2014 financial year and so he will receive his annual bonus payment in June 2014 (as detailed on page 78).

The 2012, 2013 and 2014 GLTI awards (made in June 2011, July 2012, June 2013 and September 2013) will be pro-rated on a time worked basis. These awards will vest, subject to performance, at their normal vesting date, in accordance with the good leaver provisions in our share plan rules. The 2013 and 2014 GLTI awards will lapse if Andy starts a new executive role at another organisation.

Andy will receive no further benefits aside from the provision of a SIM card for his personal use at the Company's expense for a period of three years commencing 1 April 2014.

Payments to past directors (audited)

During the 2014 financial year, no payments were made, or benefits given, to past directors with value of greater than our de minimis threshold (£5,000 p.a.).

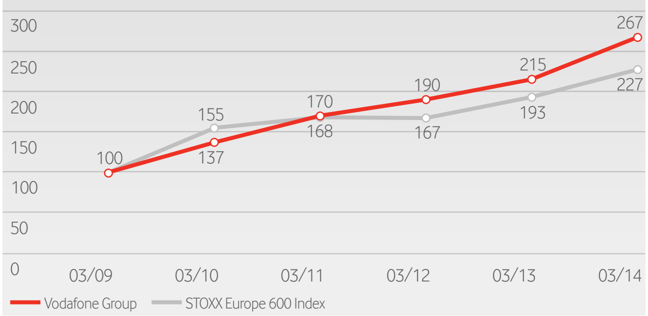
Fees retained for external non-executive directorships

Executive directors may hold positions in other companies as non-executive directors and retain the fees. Andy Halford is a non-executive director of Marks and Spencer Group plc and in accordance with Group policy he retained fees for the year of £81,250.

Assessing pay and performance

In the table below we summarise the Chief Executive's single figure remuneration over the past five years, as well as how our variable pay plans have paid out in relation to the maximum opportunity. This can be compared with the historic TSR performance over the same period. The chart below shows the performance of the Company relative to the STOXX Europe 600 Index over a five year period. The STOXX Europe 600 Index was selected as this is a broad-based index that includes many of our closest competitors. It should be noted that the payout from the long-term incentive plan is based on the TSR performance shown in the chart on page 79 and not this chart.

Five year historical TSR performance (growth in the value of a hypothetical €100 holding over five years)



Financial year remuneration for Chief Executive (Vittorio Colao)	2010[1]	2011	2012	2013	2014
Single figure of total remuneration £'000	3,350	7,022	15,767	11,099	8,927
Annual variable element (actual award versus maximum opportunity)	64%	62%	47%	33%	44%
Long-term incentive (vesting versus maximum opportunity)	25%	31%	100%	57%	37%

Note:
1 The single figure reflects share awards which were granted in 2006 and 2007, prior to his appointment to Chief Executive in 2008.

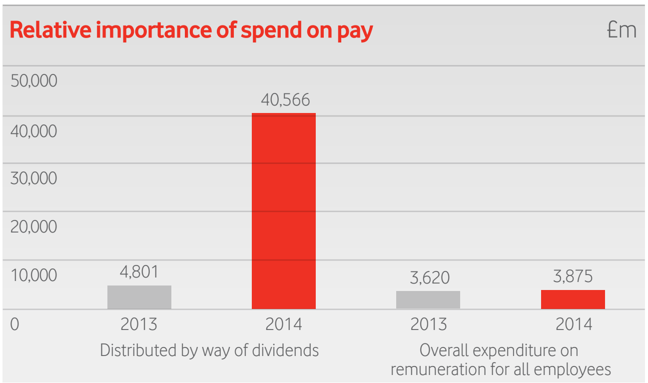
Change in the Chief Executive's remuneration

In the table below we show the percentage change in the Chief Executive's remuneration (salary, taxable benefits and annual bonus payment) between the 2013 and 2014 financial years compared to the average for other Vodafone Group employees who are measured on comparable business objectives and who have been employed in the UK since 2013 (per capita). Vodafone has employees based all around the world and some of these individuals work in countries with very high inflation therefore a comparison to Vodafone's UK based Group employees is more appropriate than to all employees.

	Percentage change from 2013 to 2014	
Item	Chief Executive: Vittorio Colao	Other Vodafone Group employees employed in the UK
Base salary	0%	3.7%
Taxable benefits	-2.6%	1.5%
Annual bonus	34.3%	53.3%

Relative spend on pay

The chart below shows both the dividends distributed in the year and the total cost of remuneration in the Group.



For more details on dividends and expenditure on remuneration for all employees, please see pages 124 and 152 respectively.

2014 remuneration for the Chairman and non-executive directors

	Salary/fees		Benefits[1]		Total	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Chairman						
Gerard Kleisterlee	600	600	58	106	658	706
Senior Independent Director						
Luc Vandevelde	160	154	11	22	171	176
Non-executive directors						
Valerie Gooding (appointed 1 February 2014)	19	–	–	–	19	–
Renee James[2]	139	151	5	12	144	163
Alan Jebson[2]	151	151	40	106	191	257
Samuel Jonah[2]	151	157	9	101	160	258
Omid Kordestani[2]	151	10	33	–	184	10
Nick Land	140	140	1	–	141	140
Anne Lauvergeon	115	115	5	9	120	124
Anthony Watson	115	115	1	–	116	115
Philip Yea	115	115	–	–	115	115
Former non-executive directors						
Sir John Buchanan (retired 24 July 2012)	–	58	–	–	–	58
Total	**1,856**	**1,766**	**163**	**356**	**2,019**	**2,122**

Notes:
1 We have been advised that for non-executive directors, certain travel and accommodation expenses in relation to attending Board meetings should be treated as a taxable benefit. The table above includes these travel expenses and the corresponding tax contribution (restated for 2013).
2 Salary/fees include an additional allowance of £6,000 per meeting for directors based outside of Europe.

Directors' remuneration (continued)

Annual report on remuneration (continued)

2015 remuneration

Subject to shareholder approval at the 2014 AGM, we intend to implement the remuneration policy as set out on pages 71 to 76.

For the 2015 financial year the details are as follows:

2015 base salaries

The Remuneration Committee considered business performance, salary increases for other UK employees and external market information and decided to increase the annual base salaries of the Chief Executive (Vittorio Colao) and the Chief Technology Officer (Stephen Pusey) by 3.6% and 4.3% respectively from 1 July 2014. The last salary increase that was received by these individuals was three years ago in July 2011. The average salary increase for Executive Committee members will be 1.7%; this compares to the salary increase budget in the UK of 2%.

The annual salaries for 2015 (effective 1 July 2014) are as follows:

- Chief Executive: Vittorio Colao £1,150,000;
- Chief Financial Officer: Nick Read (from 1 April 2014) £675,000; and
- Chief Technology Officer: Stephen Pusey £600,000.

2015 annual bonus ('GSTIP')

The performance measures and weightings for 2015 are as follows:

- Service revenue (25%);
- EBITDA (25%);
- adjusted free cash flow (25%); and
- competitive performance assessment (25%). This is an assessment encompassing both net promoter score ('NPS') and market share against the competitors in each of our markets.

Annual bonus targets are commercially sensitive and therefore will be disclosed in the 2015 remuneration report following the completion of the financial year.

Long-term incentive ('GLTI') awards for 2015

As described in our policy on pages 72 to 74 the performance conditions are a combination of adjusted free cash flow and TSR performance. The details for the 2015 award will be as follows (with linear interpolation between points):

		TSR out performance		
Adjusted free cash flow measure	£bn[1]	0% (Up to median)	5% (65th percentile equivalent)	10% (80th percentile equivalent)
Below threshold	<3.4	0%	0%	0%
Threshold	3.4	50%	75%	100%
Target	5.1	100%	150%	200%
Maximum	6.8	125%	187.5%	250%

TSR peer group	
Bharti	Orange
BT Group	Telecom Italia
Deutsche Telekom	Telefónica
MTN	

Note:
1 When considered on a like-for-like basis with targets for previous years (e.g. excluding the impact of Project Spring) the adjusted cash flow target is £12.3 billion.

The combined vesting percentages are applied to the target number of shares granted.

We have made the following changes to the long-term incentive since the last award:

- the maximum vesting level has reduced from three times to two and a half times the target vesting level;
- a mandatory holding period has been introduced where 50% of the post-tax shares are released after vesting, a further 25% after the first anniversary of vesting, and the remaining 25% will be released after the second anniversary; and
- AT&T has been removed from the peer group, Bharti and MTN have been added as stand alone comparators and the remaining emerging market proxy company (Turkcell) has also been removed.

Long-term incentive ('GLTI') awards vesting

As discussed elsewhere in the annual report, Project Spring involves significant organic investment over the next two years to enhance network and service leadership further. This investment will have a significant impact on adjusted Free Cash Flow ('FCF'), which is the primary performance condition for the GLTI and we expect an initial drop in FCF that will then build again as the investment pays off over the longer term. The impact is predicted as follows:

Financial year of award	Performance period end	Impact
2013	March 2015	Targets for the 2013 and 2014 awards were set prior to the announcement of Project Spring therefore we will remove the impact on FCF when calculating the vesting results following the end of each performance period.
2014	March 2016	
2015 onwards	March 2017 onwards	The 2015 awards (and all future years) will have the full impact of Project Spring included in the targets and no further adjustments will be necessary.

2015 remuneration for the Chairman and non-executive directors

For the 2015 review, the fees for our Chairman and non-executives have been benchmarked against a comparator group of the FTSE 30 companies. Following the review there will be no increases to the fees of non-executive directors. The Chairman's fees will be increased by 4.2% to £625,000 from 1 July 2014.

Position/role	Fee payable (£'000) From 1 April 2014
Chairman[1]	625
Senior Independent Director[2]	160
Non-executive director	115
Chairmanship of Audit and Risk Committee	25

Note:
1 The Chairman's fee also includes the fee for the Chairmanship of the Nominations and Governance Committee.
2 The Senior Independent Director's fees also include the fee for the Chairmanship of the Remuneration Committee.

For 2015, the allowance payable each time a non-Europe-based non-executive director is required to travel to attend Board and committee meetings to reflect the additional time commitment involved is £6,000.

Further remuneration information

Dilution

All awards are made under plans that incorporate dilution limits as set out in the guidelines for share incentive schemes published by the Association of British Insurers. The current estimated dilution from subsisting executive awards is approximately 3.2% of the Company's share capital at 31 March 2014 (2.0% at 31 March 2013), whilst from all-employee share awards it is approximately 0.6% (0.3% at 31 March 2013). This gives a total dilution of 3.8% (2.3% at 31 March 2013).

Service contracts

The terms and conditions of appointment of our directors are available for inspection at the Company's registered office during normal business hours and at the AGM (for 15 minutes prior to the meeting and during the meeting). The executive directors have notice periods in their service contracts of 12 months. The non-executive directors' letters of appointment do not contain provision for notice periods or for compensation if their appointments are terminated.

The executive directors will be proposed for election or re-election at the 2014 AGM.

Luc Vandevelde
On behalf of the Board

20 May 2014

Directors' report

Directors' report

The Directors of your Company present their report together with the consolidated financial statements for the year ended 31 March 2014.

This report has been prepared in accordance with requirements outlined within The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and forms part of the management report as required under DTR4. Certain information that fulfils the requirements of the directors' report can be found elsewhere in this document and is referred to below. This information is incorporated into this directors' report by reference.

Responsibility statement

As required under the Disclosure and Transparency Rules a statement made by the Board regarding the preparation of the financial statements is set out on page 88. This statement also provides details regarding the disclosure of information to the Company's auditors and management's report on internal control over financial information.

Going concern

The going concern statement required by the Listing Rules and the Code is set out in the "Directors' statement of responsibility" on page 89.

Strategic report

The strategic report is set out in pages 1 to 47 and is incorporated into this directors' report by reference.

Directors and their interests

A full list of the individuals who were directors of the Company during the financial year ended 31 March 2014 is set out below.

Gerard Kleisterlee, Vittorio Colao, Andy Halford, Stephen Pusey, Valerie Gooding, Renee James, Alan Jebson, Samuel Jonah, Omid Kordestani, Nick Land, Anne Lauvergeon, Luc Vandevelde, Anthony Watson and Philip Yea.

Details of each director's interests in the Company's ordinary shares, options held over ordinary shares, interests in share options and long term incentive plans are set out in full on pages 69 to 85.

Directors' conflicts of interest

Established within the Company is a procedure for managing and monitoring conflicts of interest for directors. Full details of this procedure is set out on page 56.

Directors' indemnities

Details of qualifying third party indemnity provisions for the benefit of the Company's directors can be found on page 57.

Corporate governance statement

Under Disclosure and Transparency Rule 7, a requirement exists for certain parts of the corporate governance statement to be outlined in the directors' report. This information is laid out in the corporate governance statement, on pages 48 to 85.

Capital structure and rights attaching to shares

All information relating to the Company's capital structure, rights attaching to shares, dividends, the policy to repurchase the Company's own shares and other shareholder information is contained on pages 182 to 189 and incorporated into this directors' report by reference.

Dividends

Full details of the Company's dividend policy and proposed final dividend payment for the year ended 31 March 2014, are set out on page 124.

Sustainability

Information about the Company's approach to sustainability risks and opportunities is set out on pages 34 and 35. Also included on these pages are details of our greenhouse gas emissions.

Political donations

No political donations under the Companies Act 2006 have been made during the financial year. The Group policy is that no political donations be made or political expenditure incurred.

Financial risk management objectives and policies

Disclosures relating to financial risk management objectives and policies, including our policy for hedging are set out in note 23 to the consolidated financial statements.

Exposure to price, credit, liquidity and cash flow risks

Our disclosures relating to exposure to price risk, credit risk, liquidity risk and cash flow risk are outlined in note 23 to the consolidated financial statements.

Important events since the end of the financial year

Details of those important events affecting the Group which have occurred since the end of the financial year are set out in the strategic report and note 34 to the consolidated financial statements.

Future developments within the Group

The strategic report contains details of likely future developments within the Group.

Research and development

Details of the Group's activities relating to research and development are contained in note 3 to the consolidated financial statements.

Branches

As the Group is a global business there are activities operated through many jurisdictions.

Employee disclosures

Our disclosures relating to the employment of disabled persons, the number of women in senior management roles, employee engagement and policies are included in "Our people" on pages 36 and 37.

By Order of the Board

Rosemary Martin
Company Secretary
20 May 2014