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
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

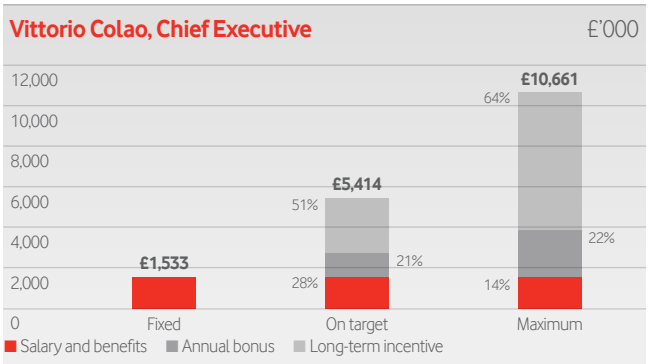
The tables below provide estimates of the potential future remuneration for each of the executive directors based on the remuneration opportunity granted in the 2015 financial year. Potential outcomes based on different performance scenarios are provided for each executive director.

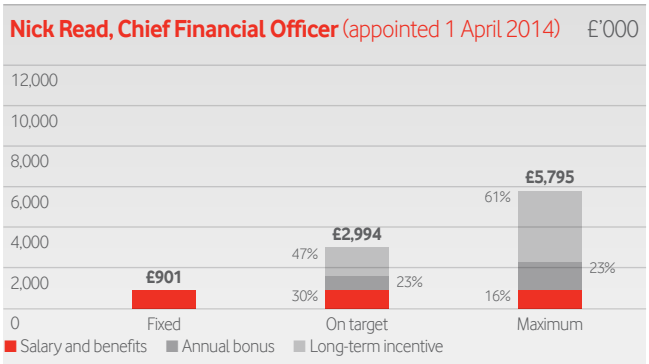
The assumptions underlying each scenario are described below.

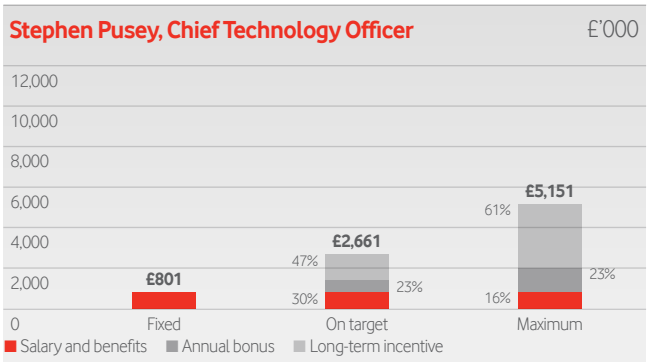
Fixed	Consists of base salary, benefits and pension.
	Base salary is at 1 July 2014.
	Benefits are valued using the figures in the total remuneration for the 2014 financial year table on page 78 (of the 2014 report) and on a similar basis for Nick Read (promoted to the Board on 1 April 2014).
	Pensions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







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:

		TSR outperformance		
Adjusted free cash flow measure	£bn	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)	

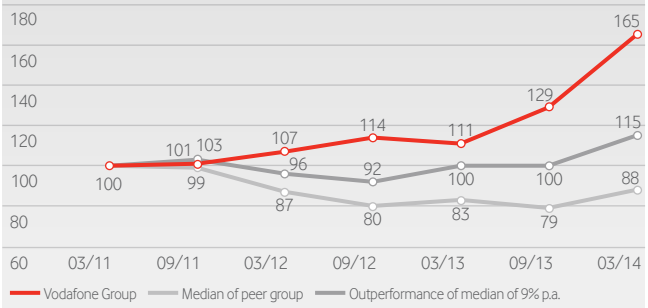
Adjusted free cash flow for the three-year period ended on 31 March 2014 was £17.9 billion which compares with a threshold of £16.7 billion and a target of £19.2 billion.

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:

		TSR outperformance		
Adjusted free cash flow measure	£bn	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:

	Number of shares awarded		Face value of shares awarded[1]			
2014 GLTI performance share awards made in July 2013	**Target vesting level (1/3rd of max)**	Maximum vesting level	**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.

At 31 March 2014	Total number of interests in shares[1]	Share plans: Unvested GLTI Shares (with performance conditions)	Share plans: Share Incentive Plan (without performance conditions)	Shares options: 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.).

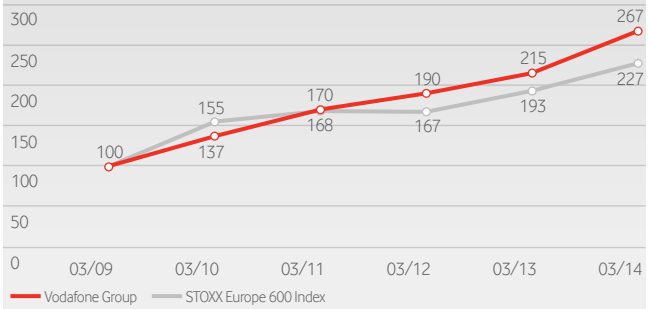
Fees retained for external non-executive directorships

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.

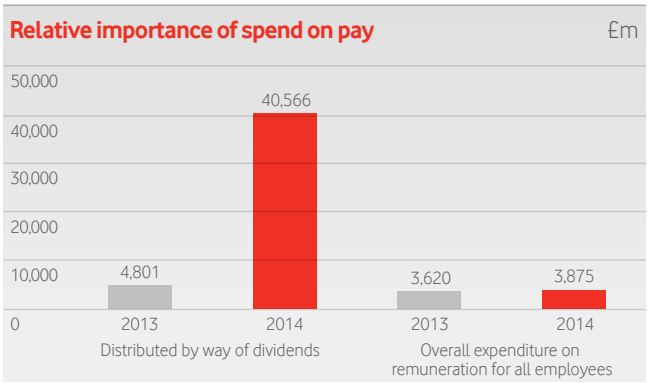
Change in the Chief Executive's remuneration

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