Making substantial strategic progress

It has been a year of continued progress, with increasing signs of stabilisation in a number of European markets and continued good growth in emerging markets. Our strategic investment in Project Spring and unified communications is delivering a clear improvement in our commercial performance.

We expect these trends to shape our industry...

Growing importance of data and other new revenue areas	Increasing demand for unified communications	Strong demand from emerging markets	High level of competition	Improving business environment in Europe

More on **Where the industry is heading: Page 13**

As a result our strategy will focus on...

1 Consumer Europe
Demand for data is rapidly accelerating. We are focused on providing the best fixed and mobile data experience, outstanding customer service and a range of worry-free price plans and additional services.

2 Unified Communications
More and more businesses and consumers are seeking unified communications – converged fixed and mobile services – and we are adapting to meet these demands.

3 Consumer Emerging Markets
It's easy to conceive of Vodafone as a Europe-centric company, but an increasing amount of our revenue now comes from countries outside Europe, and most of this in fast-growing emerging markets where demand for data is taking off.

4 Enterprise
We want to become the leading communications provider for businesses across the world, large or small. We provide a range of services including mobile, fixed, Cloud and Hosting and M2M that are easy to use, worry-free and cost-effective.

Supported by...

An excellent network experience	Customer-focused and cost-efficient business model and operations

Each of which is accelerated by...

Project Spring
Investing £19 billion in mobile and fixed networks, products, services and our retail platform

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Review of the year

It has been a year of continued strong growth in most of our emerging markets, and signs of stabilisation in many European ones. A slight easing of aggressive price competition in some countries, combined with a clear inflection point in the growth of data usage, has underpinned our performance. In addition, the increased commercial investments which we began to make in the prior year have translated into an improved performance relative to our competitors in Europe, with revenue trends improving in each of the last three quarters. We have also made excellent progress on the core pillars of our strategy — data, unified communications and enterprise — for both European and emerging markets as I outline below.

Across our markets we have witnessed an acceleration in consolidation both within the mobile sector and between fixed and mobile, as operators look to gain scale and position themselves to seize the opportunity to deliver customers an enhanced experience as demand for high speed data takes off. This mirrors our own important strategic moves with the acquisitions of Kabel Deutschland ('KDG') and Grupo Corporativo Ono, S.A. ('Ono'), and our continued fixed infrastructure build in a number of markets. In our core European markets, we are increasingly positioning Vodafone as a top tier, fully integrated provider of high speed fixed and mobile communications to consumers and businesses.

Project Spring

First communicated in detail in November 2013, Project Spring is our two-year, £19 billion investment programme designed to place Vodafone at the forefront of the growth in mobile data and the increasing trend towards the convergence of fixed and mobile services. The key elements of the Spring infrastructure build are:

→ building 4G to over 90% of the population in our European markets and 3G to up to 95% of the population in targeted areas of India;

→ modernising our mobile network, with high speed backhaul giving us the capacity to provide a consistently good network experience to our customers;

→ making calls more reliable – still the number one priority for most customers;

→ upgrading our retail presence, to offer customers modern shops focused on service as well as sales;

→ increasing our next-generation fixed line infrastructure in Spain, Italy and Portugal; and

→ enhancing our suite of Enterprise products and services, and taking them into new geographical areas.

We have made significant progress on all of these elements during the year, and are on track to hit our key March 2016 targets.

Highlights of our progress include:

→ extending our European 4G footprint to 72% population coverage, up from 32% in September 2013;

→ adding a further 33,000 2G and 42,000 3G sites, to deepen our existing coverage and improve voice reliability;

→ reaching 90% of the population in targeted urban areas with 3G in India; and

→ covering an additional 3.9 million homes across Europe with our own fibre.

These investments have already seen the customer experience improve significantly, with 88% of customers' data sessions in Europe now at 3 Mbps or better (the level required to watch uninterrupted high-definition video), and dropped call rates in Europe falling by 34%.

Data

We have witnessed exceptional demand for data this year, whether 4G in Europe or 3G in emerging markets, with data growth totalling 80% for the full year, and accelerating every quarter in Europe. As video and music services proliferate, and data coverage widens and becomes more consistent, customers are increasingly using their smartphones and tablets for entertainment, work and social interaction.

We now provide 4G services in 18 countries, with a further four countries launched during the year. Our 4G customer base has quadrupled to 20.2 million. While progress has been rapid, still only 13% of our European customer base is on 4G, providing us with a very substantial opportunity for future growth.

With quicker network response times, better in-building penetration and higher peak speeds, 4G is stimulating significant growth in data, with usage typically doubling when customers migrate from 3G to 4G. In addition, our successful commercial approach of bundling content packages with 4G in a number of European markets is boosting data consumption further, and enabling us to introduce larger data bundles to customers. Our ability to translate this strong data demand into revenue growth will be a key driver of our financial performance in the years ahead.

In emerging markets, the data story is equally positive. In India, for example, we already have 19 million 3G customers (up from 7 million a year ago), smartphone penetration in urban areas is already 44%, and 3G data usage per customer is at similar levels to Europe. For many, their first experience of the internet will be on mobile, given the lack of fixed line infrastructure. Our rapid roll-out of 3G networks this year is generating a rapid payback, with 3G browsing revenues growing at 140% during the year.

Unified communications

We are well on the way to becoming a full service, integrated operator in our main markets. Through organic investment and acquisition, we now cover 28 million households (and thousands of businesses) across Europe with our own fibre or cable infrastructure. In addition, we can reach a further 22 million households by accessing the incumbent operators' networks. In the 2015 financial year, 25% of our service revenue in Europe came from fixed line, compared to just 10% five years ago. We now have 11.3 million broadband customers and 9.1 million TV customers in Europe.

During the year we completed the acquisition of Ono, Spain's number one cable operator covering seven million homes. We made strong progress on the integration of both Ono and KDG in Germany, combining our fixed and mobile networks and beginning to migrate Vodafone broadband customers to our new infrastructure.

We are also demonstrating strong commercial momentum. We increased our European broadband customer base by over 850,000 (excluding acquisitions) during the year, with revenue trends improving through the year. In the coming weeks, we will launch our consumer broadband proposition in the UK, with TV to follow later in 2015, and as a result will be offering integrated fixed and mobile services in all of our major European markets.

Enterprise

Services to business comprise around 27% of our Group service revenue, and 32% in Europe. Vodafone has a strong position in mobile enterprise, leveraging our trusted brand and network reliability. We are increasingly using this strong platform to win more international business and move more deeply into fixed line, which is a rapidly growing trend within Enterprise as well. Half of all new proposal requests in Vodafone Global Enterprise ('VGE') ask for converged solutions, and fixed is now 25% of Enterprise service revenue. At the same time, through Project Spring, we are investing in strategic growth areas such as Cloud and Hosting and M2M, which promise to be significant growth drivers in the future.

VGE, which provides services to our biggest international customers, achieved revenue growth of 1.8%*, as multi-national corporations continued their trend of seeking a single provider of services across borders. In M2M, we increased the number of connections to 21.5 million from 16.1 million last year, and acquired Cobra Automotive, a provider of value-added security and telematics services to the automotive industry. M2M revenue grew 24.7%*.

Unified communications continues to be a rapidly growing trend within Enterprise. Vodafone One Net, our cloud-based integrated fixed/mobile service, now has 3.9 million users across 11 markets – up 13% year-on-year.

Outlook

There are strong reasons for optimism over the future of the telecoms industry and Vodafone's position within it. We are leading the way in increasing investment, which will significantly enhance the quality of service to customers. Ongoing consolidation in the sector will lead to fewer, healthier companies, and competition increasingly based on service differentiation rather than price alone. On the regulatory front, headwinds in Europe are easing, although India continues to introduce new measures that will limit growth in the short term.

The coming year will be another very important one for execution, as we complete the Project Spring build programme and continue the integration of KDG and Ono. At the same time, we will take further measures to stabilise average revenue per user ('ARPU') as usage continues to grow strongly.

Our priority is to ensure that we give customers – whether individuals or businesses, mobile or fixed – the best possible service. This is not just about providing the best coverage and connectivity, but also about making everything about being a Vodafone customer easier, clearer and more reliable. Signing a contract, adding more services, understanding or challenging a bill, seeking help and advice online, over the phone or in one of our shops: we aim to improve every aspect of the customer relationship with Vodafone.

By the end of the coming financial year we expect that the clear improvements in network performance delivered by Project Spring, combined with a more consistent customer service experience, will begin to be reflected in stronger customer satisfaction. This in turn should reduce churn and, combined with continued strong growth in data usage, stabilise ARPU. Although cash flow will continue to be depressed in the coming year given the high levels of investment, our intention to continue to grow dividends per share annually demonstrates our confidence in strong future cash flow generation.
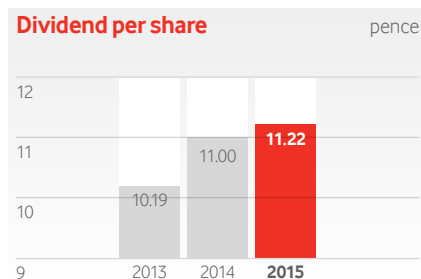
Vittorio Colao
Chief Executive

2.0%

Growth in dividend per share
We increased the dividend per share by 2.0% this year and we intend to grow this annually

Dividend per share   pence

	2013	2014	2015
12			
11		11.00	**11.22**
10	10.19		
9			

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Monitoring our strategic progress

We track our performance against strategic, financial and operational key performance indicators ('KPIs') which we judge to be the best indicators of how we are doing.
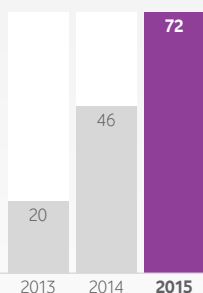
Europe 4G coverage

1

Achieved

%

Expanding our 4G coverage is a key objective of Project Spring as it provides customers with a better experience and stimulates higher data usage and improved monetisation.

2013	2014	2015
20	46	**72**

We have now reached 72% coverage across our European markets and expect this to be over 90% by March 2016.
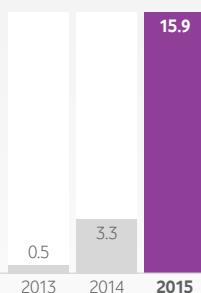
Europe 4G customers

1

Achieved

million

We previously reported smartphone penetration as a KPI, which is now 52% and above our 50% target for the year. While this metric remains crucial, we are increasingly focused on ensuring as many our customers experience data on 4G.

2013	2014	2015
0.5	3.3	**15.9**

We increased the number of 4G customers by 12.6 million in the year and we expect this number to grow significantly in the coming year as the majority of new contract connections are now on 4G.
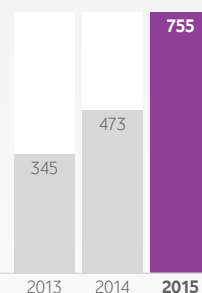
Europe average smartphone data usage[1]

1

Achieved

MB

A key goal of our strategy in Europe is to get customers to use more data as this should, with successful monetisation, support revenue growth in the years ahead.

2013	2014	2015
345	473	**755**

The average smartphone usage has doubled over the last two years, helped by our worry-free Red plans and the uptake of 4G and content packages. We expect this average to continue to increase next year and beyond.

More on **data usage: Pages 22 and 23**

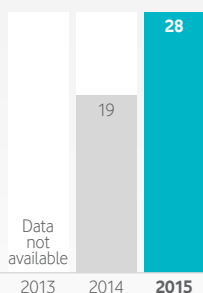## Europe NGN coverage (owned assets)

2

Achieved

million homes passed

As part of our evolution to a unified communications provider, we are expanding our high-speed broadband coverage through a combination of cable and fibre assets, through both acquisitions and self-building programmes.

2013	2014	2015
Data not available	19	**28**

We now cover 28 million homes across Europe with owned infrastructure, equivalent to 19% of our European footprint. We expect this total to increase next year as we continue our building programmes. The total coverage increases to 50 million (35% of households) when including our wholesale access deals.
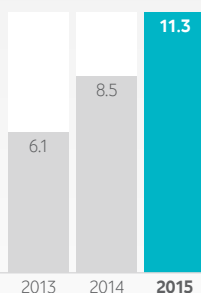
Europe fixed broadband customers

2

Achieved

million

As we expand our broadband coverage we are successfully growing our broadband base.

2013	2014	2015
6.1	8.5	**11.3**

The total number of customers has been boosted by the acquisitions of Kabel Deutschland (added 2.1 million) in the 2014 financial year and Ono (added 1.6 million) and Hellas Online (added 0.5 million) during this year. In addition to this, we added 853,000 customers over the year across Europe and expect to continue to grow our base next year and beyond.
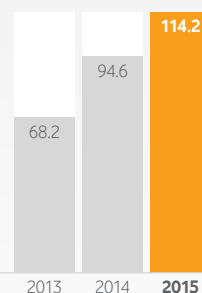
Emerging markets active data users[2]

3

Achieved

million

Data is a huge opportunity in our emerging markets and we are increasing our data coverage across them all. Around half our customers still only experience data on 2G so a key goal for us is to increase the number of customers using 3G and 4G.

2013	2014	2015
68.2	94.6	**114.2**

Our active data customer base continues to grow significantly with nearly 20 million added in the year, half of which were in India. More and more of our data users are now using 3G, with 19 million 3G customers in India alone. We also currently offer 4G services in South Africa, Kenya, Lesotho and Qatar and expect this to expand in the future.

Measuring financial performance

We use four main metrics to track our financial performance.

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Financial indicators

Our financial performance this year saw strong performances across our emerging markets offset by continued weakness across many of our European businesses, reflected in our service revenue and EBITDA performance.

Despite these pressures, and during a period of significant investment through Project Spring, we met our financial guidance for both EBITDA and free cash flow and increased our dividend per share.

Our results this year include a full year of Vodafone Italy (consolidated from February 2014) and our acquisitions of Ono, Hellas Online and Cobra Automotive.

More on **Financial performance: Page 38**

Changes to KPIs this year

We have updated our KPIs this year to better align to our strategy and changing business model.

For our strategic KPIs, we have changed the focus of European mobile towards 4G and increasing data usage to better reflect the investments we are making with Project Spring. We have also expanded the scope of our strategic KPIs to address the growing importance of unified communications and the growth of data in emerging markets.

With the financial KPIs, we have moved to an absolute measure of EBITDA rather than margin and have removed adjusted operating profit, following the disposal of our interest in Verizon Wireless in the 2014 financial year.

We have also removed mobile market share as a KPI as our focus is on improving our customer experience and we monitor the results of that through our financials.

Organic service revenue growth[3]

%   **More work to do**

Growth in the top line demonstrates our ability to grow our customer base and stabilise or increase ARPU. We aim to return to service revenue growth.

|	2013	2014	2015
	-0.1	-2.6	-1.6
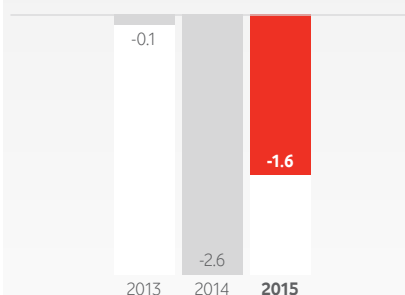
We were unable to grow our organic service revenue this year, mainly as a result of continued pressures in many European markets. We did, however, see continued improvements in the growth trends throughout the year, with positive growth in the final quarter of the year.

EBITDA[3]

£ billion   **Achieved**

Growth in EBITDA supports our overall profitability and free cash flow which helps fund investment and shareholder returns. Our guidance was for EBITDA of £11.3 billion to £11.9 billion in the year, excluding the results of Ono.

	2013	2014	2015
	11.5	11.1	11.9
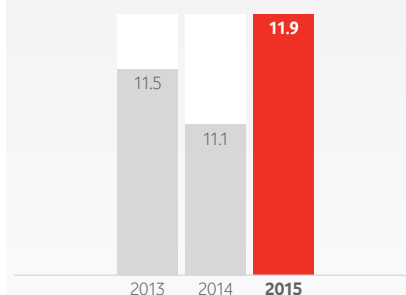
Reported EBITDA of £11.9 billion increased mainly due to the inclusion of Italy and Ono. On an organic basis, EBITDA decreased by 6.9%*, reflecting the ongoing competitive pressures in Europe and the increased operating costs as a result of Project Spring. On a guidance basis, EBITDA was £11.7 billion, in line with the guidance range.

More on **EBITDA and financial year guidance: Page 39**

Free cash flow[3]

£ billion   **Achieved**

Cash generation is key to delivering strong shareholder returns. Our free cash flow will be depressed during the period of Project Spring as we increase our capital expenditure by around half. Our guidance was for positive free cash flow in the year.

	2013	2014	2015
	5.7	4.4	1.1
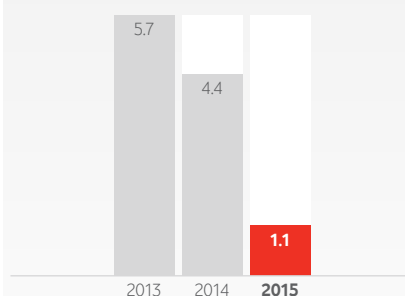
Free cash flow fell by £3.3 billion over the year, with the £2.9 billion increase in capital expenditure not offset by the free cash flow contribution from Vodafone Italy and Ono. On a guidance basis, free cash flow was £1.3 billion, in line with the guidance range.

More on **free cash flow and financial year guidance: Page 39**

Dividend per share

pence   **Achieved**

The ordinary dividend remains the primary method of shareholder return and we have an outstanding record of growth here. We intended to increase the dividend per share annually.

	2013	2014	2015
	10.19	11.00	11.22
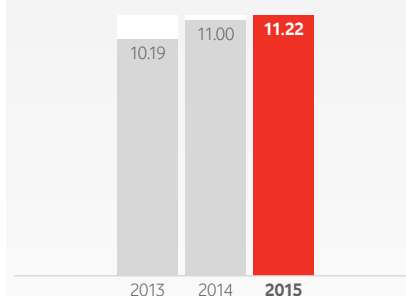
We increased our dividend per share to 11.22 pence in the year. Our intention remains to grow the dividend per share annually.

Measuring operational performance

We track our operational performance against three key metrics that cover the experience we offer our customers and the engagement and diversity of our employees.

Consumer mobile net promoter score

out of 21 markets **Achieved**

We use net promoter scores ('NPS') to measure the extent to which our customers would recommend us to friends and family. We aim to increase or maintain the number of markets where we are ranked number one by NPS.

| 2013	2014	**2015**
8	9	**11**
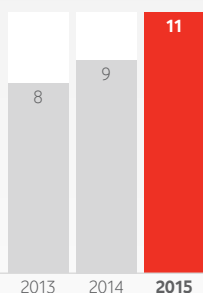
This year we increased the number of markets where we are ranked number one and our goal is to continue to increase this number every year. We are now ranked first or joint first in mobile in four of our top six markets (Italy, Spain, India and South Africa) while we lag behind in the UK and Germany.

Employee engagement

index **Achieved**

The employee engagement score measures employees' level of engagement – a combination of pride, loyalty and motivation. Our goal here is to retain our top quartile position.

2013	2014	**2015**
78	77	**77**
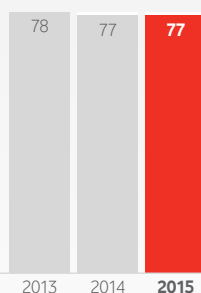
Our employee engagement score remains broadly stable and we retained a top quartile position.

More on **Our people: Pages 28 and 29**

Percentage of women in senior management

% **More work to do**

Diversity increases the range of skills and styles in our business and increased female representation across our senior management (top c.1,600 employees) is one measure of diversity. Our goal is simple, to increase the proportion each year.

2013	2014	**2015**
22	24	**23**
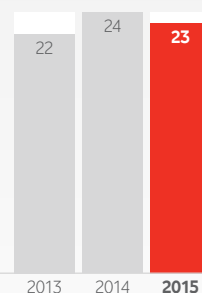
We have not made progress on this metric this year, with the proportion falling slightly. To help improve gender diversity further, we launched a new maternity policy in the year.

More on **Our people: Pages 28 and 29**

Notes:
1   Based on Android and iPhone devices.
2   Emerging markets comprise DRC, Egypt, Ghana, India, Lesotho, Mozambique, Qatar, South Africa, Tanzania and Turkey.
3   Financials for 2013 and 2014 are shown on the current statutory basis, including the results of the Group's joint ventures using the equity accounting basis. Free cash flow excludes restructuring costs in all periods.

11

out of 13 KPIs achieved
versus 9 out of 12 in 2014

Paying for performance

The incentive plans used to reward the performance of our Directors and our senior managers, with some local variances, include measures linked to our key performance indicators.

The annual bonus ('GSTIP') pay-out for the 2015 financial year was dependent upon our performance across three financial measures (service revenue, EBITDA, and adjusted free cash flow) and one strategic measure (Competitive Performance assessment), with each having an equal 25% weighting. The Competitive Performance assessment was based on a market-by-market assessment of measures including NPS performance and relative revenue market share.

We are making two changes for the year ahead to underline the importance of providing the best possible customer experience. We will rebalance the weightings of the performance measures with 60% being equally split across the financial measures and 40% weighted to the strategic measures. In light of this increase in weighting the Competitive Performance assessment will be replaced by Customer Appreciation KPIs which will continue to include an assessment of NPS and we will add in Brand Consideration along with other customer measures.

More on **rewards for performance in the Remuneration report: Pages 75 to 91**

Measuring our economic impact in the EU

Our substantial operations and investments in Europe have a positive impact on the EU economy as a whole, with our digital networks and services enabling businesses to enhance productivity and competitiveness, while helping public institutions enhance efficiency in delivering public services. For every €1 we add to the EU economy directly, we generate just under another €1 indirectly, through the purchase of goods and services from suppliers.

+40%

Better productivity

We provide jobs and the potential for a high skills career path for our 54,000 employees in Europe. Our employees are 40% more productive than the average across the telecommunications sectors in the 12 EU countries in which we operate[1]. For every full time equivalent Vodafone job we generate an average of 2.2 full time employment opportunities among our European suppliers.

For more information see our EU Economic Impact report online at vodafone.com/policy.

Note:
1   KPMG analysis based
    on data from Eurostat.

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Consumer Europe

While voice and messaging remain crucial to our customers, the demand for data continues to grow, both through mobile and through fixed. This growth provides a great opportunity for Vodafone and for our customers as we work towards providing the best data experience to more and more customers.

41%
of service revenue from consumers in Europe

Context

→ More and more of our customers are using data, increasingly on 4G

→ Average smartphone data usage is accelerating, increasing 60% over the year

→ Customers want simplicity and worry-free bills

→ We are now a major fixed broadband and TV provider

Where we are going

→ We are encouraging more customers to switch to data and to use more data

→ We are expanding our 4G network to over 90% population coverage by March 2016

→ We continue to enable worry-free usage through our Vodafone Red and roaming plans

→ We are stimulating data usage through bundling content

→ We are increasingly providing mobile and fixed services together

→ We are improving the experience we offer customers through modernising our stores and investing in better customer service

Project Spring achievements
→ Taking 4G coverage to 72%

→ Reducing dropped calls to 0.6%

→ Increasing average smartphone data usage to 755MB
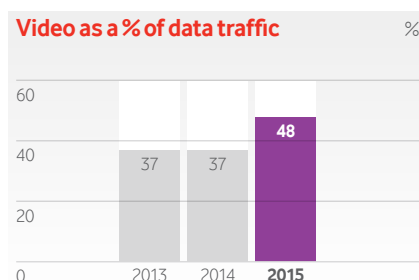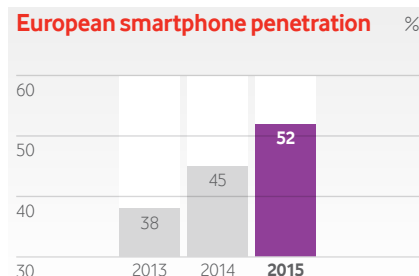
→ Modernising around 3,250 retail stores

Growing data penetration

Voice and messaging remain crucial to all of our customers and we have improved voice quality dramatically, with only around 1 in 170 calls dropped on average compared with 1 in 110 in September 2013. However, the rise of smartphones and other connected devices is leading more and more of our customers to use data on the move. Already over half of our customers use data, with 52% smartphone penetration across our base, and we have a great opportunity to extend this further.

To help data reach more and more people we provide low-priced entry level plans with small allowances, and combine these with affordable handsets, such as our Vodafone branded devices. During the year, we sold over 3.4 million Vodafone branded smartphones across Europe.

4G driving increased usage

The arrival of 4G in Europe has had a significant impact — both on our business and on the experience our customers enjoy. 4G is attractive because it offers much faster speeds and a more reliable experience, enabling customers to watch videos, stream music and enjoy the internet better than ever before.
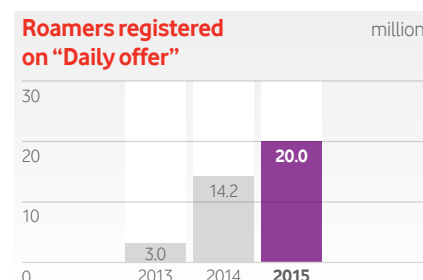
We have 15.9 million 4G customers across Europe, compared to only 3.3 million a year ago.

4G is driving an increase in data usage, both in absolute and per-user terms. On average our 4G customers use twice as much data as our 3G customers and that has helped average smartphone usage increase from 473MB to 755MB during the year. This is supported by the large increase in video streaming, which now accounts for 48% of data traffic.

Bundling content with our 4G plans is also helping to increase data usage, as discussed on page 23.

Monetising increased usage

As customers use more and more data it is important that we monetise this. Higher usage has helped drive higher revenues per customer in some markets, especially in the UK where 4G data usage trends are particularly strong. In some markets, average revenue per user ('ARPU') has continued to fall as the benefit of increased data usage has not offset the fall in market prices.

European smartphone penetration %

	2013	2014	2015
	38	45	52

3G vs. 4G average monthly data usage[1] GB

	Netherlands	Spain
	0.9 / 1.9	0.7 / 1.6

Video as a % of data traffic %

	2013	2014	2015
	37	37	48

Roamers registered on "Daily offer" million

	2013	2014	2015
	3.0	14.2	20.0

Note:
1 Based on 3G to 4G cohort analysis

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Expanding our worry-free propositions

A crucial part of our strategy to encourage greater data usage is to remove the concern many customers have about using data. The main way we have done this is through our Vodafone Red plans.

Vodafone Red offers unlimited calls and texts with generous data allowances — letting our customers use their phones without worrying about their bill. We now have 16.4 million Red customers across all our European markets, improving customer satisfaction and reducing the level of customers deciding to leave us. We have extended worry-free usage even further for some customers with integrated European roaming, Secure Net (our mobile security software) and cloud storage offered with many high-value plans.

Vodafone Red also helps protect our business against over-the-top voice and messaging services that let customers use their data allowance rather than their voice and messaging allowances. We now have 62% of our mobile service revenue in Europe coming from customers' committed bundles, up from 58% a year ago.

Expanding worry-free roaming

We have continued to take the concern out of roaming for our customers with our daily offer, which allows customers to take their home tariff abroad for a small fee. We now have 20 million customers who have registered for this offer compared with 14 million a year ago, accounting for 33% of consumer roamers.

We now also offer 4G roaming in all our 4G markets, letting our customers enjoy 4G abroad in up to 54 countries. Customers using our daily offer typically use their phone more and generate higher roaming ARPU than those on standard tariffs.

A major fixed operator

The story is not just about mobile data. As a result of recent acquisitions and our organic strategy, we now have 11.3 million fixed broadband customers and 9.1 million TV customers across Europe.

As we become a larger fixed operator, we are increasingly providing customers with both mobile and fixed services. Consumers increasingly want one plan that includes their fixed, mobile and TV packages and we are making progress towards providing this across our markets.

Our unified communications strategy is discussed in detail on the next two pages.

Customer experience

While our strategy across Europe is focused on providing a great data experience, it is important that we work on our everyday interactions with customers.

As part of Project Spring we are upgrading around 8,000 of our stores to enhance the experience we offer customers. We have upgraded around 3,250 so far.

We are also upgrading our customer service, with 24/7 telephone support available in all markets and significant increases in the use of our mobile and online based care products. We now have 12.5 million 'My Vodafone App' users who can check their balance and usage, and access help and support, wherever they are.

Bundling content encouraging data usage

We have also increased average data usage by offering customers content packages as part of their price plans. We include services such as Netflix, Spotify and Napster within selected plans across eight European markets.

Customers who sign up to these content packages typically use at least twice as much data as similar customers who do not have bundled content.

3.7m

Mobile customers with bundled price plans in Europe

Unified Communications

Our customers increasingly expect to connect to friends, information and entertainment wherever they are, irrespective of the underlying technology. We are growing our next-generation fixed capability to meet their needs.

20%
of service revenue from fixed services

Context

→ Customers increasingly want access to their content — photos, videos, music, internet — wherever they are, and on whatever device they are using — phone, tablet, laptop or TV screen

→ Customers are agnostic about using fixed or mobile networks — the most important requirement is a reliable connection

→ We are seeing a growing demand for both combined fixed and mobile bundles and pay TV and broadband packages

→ The growing demand for data requires a strong backhaul network with high speed fixed fibre or microwave capability linked to the mobile radio network

Where we are going

→ We expect fixed revenue to become more important to us over time as we aim to increase our market share

→ We aim to increase the number of fixed broadband users

→ We expect to pass more households with high speed fibre or cable

→ We aim to have the best in class converged services including TV and all services on one single bill

Project Spring achievements

→ Increasing our next-generation fixed line infrastructure to 28 million households

→ Increasing fixed broadband customers to 12 million

→ Providing five million customers with high speed fibre or cable broadband

What is unified communications?

More and more customers are consuming bundled fixed and mobile services which often provide better value for money, and increasingly, one single bill and one single point of contact. To meet this evolving demand requires seamless high speed connectivity through the integration of multiple technologies such as 3G, 4G, WiFi, cable and fibre — which we call "unified communications".

The market opportunity

We are well established in mobile, with a market share in Europe of over 20%. In the fixed market, where we are building our presence, our share is currently around 10%, giving us a real opportunity to grow in this space.
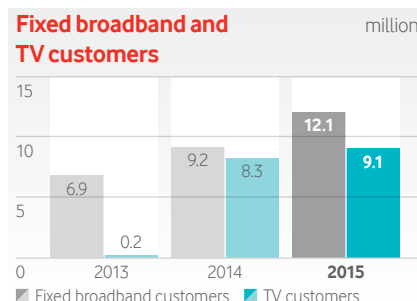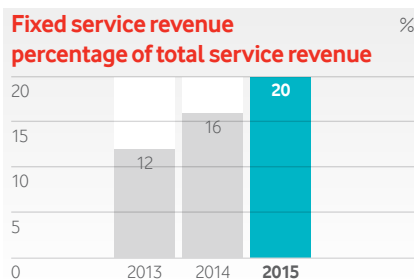
The bundling of fixed and mobile services has been a feature of the enterprise market for several years and it is becoming increasingly important for consumers too. In a number of key European markets, a large share of households already take combined fixed and mobile bundles — including 50% in Spain and 25% in Portugal — and we see clear signs of this expanding to other countries.

During the year our competitors launched new convergent offers in several key European markets and we started to respond with our own offers. Therefore, it is critical for us to continue to develop fixed broadband services alongside our established mobile assets so that we can compete in this growing segment.

Our fixed strategy

Our goal is to secure access to high speed fixed broadband infrastructure in all our major European markets. We will continue to do this either through building our own fibre, wholesaling (renting) from incumbent fixed operators or acquisitions. We decide which approach to adopt on a market-by-market basis, taking into account the cost of building our own fibre, the economics of the wholesale terms on offer, the speed of market development, and the availability of good quality businesses to acquire.

We have made good progress on our strategy. During the year we completed the purchase of two fixed companies — Ono, Spain's largest cable company, and Hellas Online, a leading provider of fixed telecom services in Greece. We are progressing well on the building of our own fibre networks in Italy, Spain and Portugal, with preparations underway in Ireland.

Fixed service revenue percentage of total service revenue %

Year	Value
2013	12
2014	16
2015	20

Fixed broadband and TV customers million

Year	Fixed broadband customers	TV customers
2013	6.9	0.2
2014	9.2	8.3
2015	12.1	9.1

■ Fixed broadband customers ■ TV customers

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In the coming weeks we will launch residential broadband services in the UK, using the infrastructure acquired with Cable & Wireless Worldwide ('CWW'). Over 2,200 mobile base station sites in the UK have been connected to the CWW network, which significantly increases both the amount and speed of data we can carry. We remain on track to achieve the financial synergy targets we set when we acquired CWW.

We have made good progress on the integration of both Ono in Spain and KDG in Germany, combining our fixed and mobile networks and beginning to migrate Vodafone broadband customers to our new infrastructure. For example, in Germany we have created one national backbone and 70% of all traffic has already been migrated onto a single network. Read more about the integration process on page 39.

In emerging markets we are also building high speed fibre capability to serve targeted urban areas. In South Africa we have launched fibre to business services and begun to trial fibre to the home.

In India we laid around 16,000 kilometres of fibre to business areas during the year taking the total to nearly 150,000 kilometres.

Our subsidiary, Vodacom, is awaiting regulatory approval to acquire Neotel, the second largest provider of fixed telecommunications services in South Africa.

According to external estimates[1] an increasing number of households in Europe take bundles of pay TV and broadband packages. To ensure we can offer the best in class unified communications solutions we also provide TV services. We already have nine million TV customers in six markets through wholesale arrangements, and we aim to expand this to several new markets this year.

Our fixed broadband assets and performance

The successful execution of our strategy has given us a strong unified communications footprint in Europe. We now pass 28 million households with our own high speed fixed fibre or cable infrastructure. In addition, we can reach a further 22 million households via wholesale agreements with fixed operators. This strategy is supporting good commercial performance.

During the year our fixed broadband base in Europe increased by nearly 2.8 million (including acquisitions) to 11.3 million making us one of the largest providers of fixed broadband services in Europe. The number of customers taking our high speed fibre or cable broadband increased to five million. Our ambition is to expand our broadband coverage further.

Our converged solution for business customers, Vodafone One Net, combines fixed and mobile services and a full suite of cloud-based unified communications and collaboration services in one easy to use package. During the year we expanded the service to more markets and the number of users increased by 400,000 to 3.9 million.

Note:
1   Analysys Mason.

Ono acquisition

We spent €7.2 billion (£5.8 billion) during the year acquiring Ono in Spain, a leading provider of telecommunications services including fixed telephony, broadband, pay-TV, and mobile services.

Ono has the largest cable network in Spain with 7.4 million homes passed (around 40% of Spanish households). It serves 1.9 million customers and is the market leader in ultrafast broadband, offering superior speeds in excess of 200 Mbps.

In April 2015 we launched our fully converged offer, Vodafone One, which utilises the best of Vodafone and Ono to give customers in Spain the next-generation converged service with the fastest 4G mobile network, landline (fixed), internet and TV.

Consumer Emerging Markets

Today, fast growing emerging markets in Asia and Africa generate a third of our revenue. We believe that these markets provide a significant future growth opportunity, driven by rising wealth, expanding populations and growing demand for mobile services.

3

23%
of service revenue from consumers in emerging markets (and a further 6% from enterprise customers)

Context

→ Our emerging markets are India, South Africa, Turkey, Egypt, Ghana, Kenya, Qatar, Tanzania and several other southern African countries

→ These markets are growing quickly — reflected in a 20% growth in customers to 321 million in just three years

→ The demand for mobile data in emerging markets is growing rapidly — with data volumes doubling this year

→ There is strong demand for mobile money services as many people in these markets have little or no access to banking services

Where we are going

→ We are increasing and upgrading our base station sites to improve network coverage and quality

→ We are managing the growing demand for data through the deployment of high speed mobile networks and fibre based services to enterprise customers

→ We are continuing to invest in market leading distribution and value for money offers

→ We are enhancing our leading mobile money service, M-Pesa, by increasing the range of mobile financial services it provides

Project Spring achievements

→ Extending our AMAP 3G/4G footprint (excluding India) to 82% population coverage (2016 target 84%)

→ Growing 3G coverage in targeted urban areas in India to 90% (2016 target 95%)

→ Taking 4G to Kenya, Lesotho and Qatar, with more emerging markets to follow

→ Increasing M-Pesa to 19.9 million users

Increasing our network quality

We are delivering strong growth in emerging markets, reflected in a 7% rise in customers over the year to 321 million, representing 72% of the total. However, mobile penetration is still less than 100%, compared with nearly 140% in Europe, so we expect to see a lot more growth going forward.

To support and drive this growth opportunity we have made significant progress on upgrading and further extending our mobile network, with 24,000 2G and 30,000 3G radio sites added in AMAP since Project Spring commenced. As an example of progress, our 3G coverage in targeted urban areas across India is now 90%, and customers are experiencing a 44% gain in download speeds. In addition we have launched 4G networks in four emerging markets and in selected countries we also provide even faster fixed fibre services to urban areas.

Driving the data opportunity

Data usage in emerging markets is expanding rapidly (doubling in the year) due to the growth in customers, the expanding network and the greater range and affordability of handsets. During the year we made good progress. We increased the number of data users by 21% to 114 million, which is two thirds of the total across the Company; we trebled the number of 3G data users in India to 19 million; Vodacom delivered a 16% increase in active data users to 26 million or 39% of total customers; and smartphone penetration in Turkey rose to 46% from 34% last year.
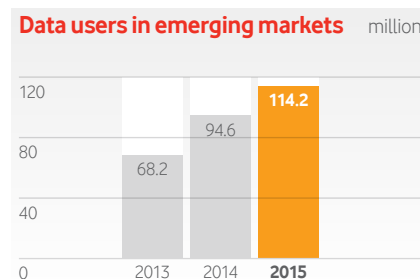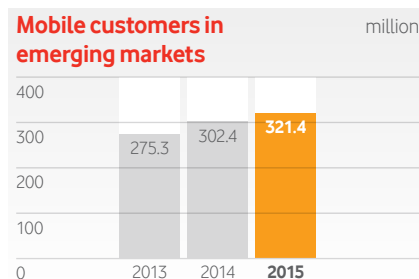
Enhancing customer experience

We have a significant distribution footprint in emerging markets with 10,000 branded or franchised stores. We have modernised nearly 1,300 of these stores and are targeting to reach around 2,300 by 2016. In India we have the largest footprint of 1.8 million recharge outlets, significantly more than our nearest competitor. In South Africa we introduced webchat, so customers can resolve their queries online, and enhanced the MyVodacom app for smartphones, which allows customers to view their account balance or top up their account, with new features such as data top-ups.

To ensure we provide value for money in our emerging markets we offer targeted price plans based on customers' usage patterns, and in South Africa we reduced prepaid prices by 18%, leading to a significant uplift in usage.

M-Pesa: increasing access to mobile financial services

Our mobile money transfer and payment service, M-Pesa, enables people who have access to a mobile phone, but limited or no access to a bank account, to send and receive money, purchase goods, pay bills, and in some markets save money and receive short-term loans. M-Pesa is available in nine countries via a network of 273,000 agents. We now have 19.9 million active M-Pesa customers, an increase of 18% over last year. It represents around 20% of the service revenue and over half of the mobile customer base in established M-Pesa markets such as Kenya and Tanzania. During the year we launched our first international money transfer corridor between Tanzania and Kenya; we also relaunched M-Pesa in South Africa and completed the national roll-out in India.

Mobile customers in emerging markets   million

	2013	2014	2015
	275.3	302.4	321.4

Data users in emerging markets   million

	2013	2014	2015
	68.2	94.6	114.2

Enterprise

As businesses increasingly look for more than just mobile services, and make mobility a central part of their strategies, we are becoming a leading total communications provider. Our portfolio includes a range of mobile, fixed, unified communications, Cloud and Hosting and M2M services.

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27%
of service revenue from Enterprise

Context

→ Businesses of every size are facing the same challenges and opportunities as the boundary between mobile and fixed communications and IT blurs

→ They and their employees expect to be confidently connected to people, customers, data and applications wherever they are and whenever they want

Where we are going

→ We are building a comprehensive total communications portfolio, rooted in our core strength in mobile

→ Our strategy is focused around three market segments — small and medium-sized enterprises, large and multinational corporates and carriers

→ Investment is concentrated on three high-growth markets — unified communications, Cloud and Hosting and M2M

Project Spring achievements

→ Extending our global IP-VPN footprint to 62 countries via 256 points of presence

→ Launching our Cloud and Hosting services in Germany

→ Securing a US mobile virtual network operator partner

→ Expanding our M2M footprint to a further four markets

Moving to Total Communications

While the majority of our revenue comes from mobile, we are increasingly moving to total communications — providing many services beyond mobile.

Vodafone One Net, our flagship converged fixed and mobile communications offer, is available for both large and multinational companies and for small and medium-sized companies.

Vodafone's IP-VPN network provides private Wide Area Network capability to connect our customers' sites, assets and people together securely. The Vodafone IP-VPN network is extensive, connecting 62 countries directly. We also offer national fixed networks in many countries around the world.

The majority of our Enterprise business is managed in our country operations, with the remainder managed by units that operate across geographies (VGE, M2M and Cloud and Hosting). These account for 26% of all Enterprise service revenue.

Vodafone Global Enterprise

Vodafone Global Enterprise ('VGE') delivers Total Communications services to around 1,700 of the world's largest multinational companies in over 100 countries. VGE simplifies operations for our customers by providing them with a single account and service team, a single multi-country contract, single pricing structures and a single portfolio of products and services. These are underpinned by our fully integrated fixed and mobile networks, cloud-based hosting platforms, M2M capability and other business services.
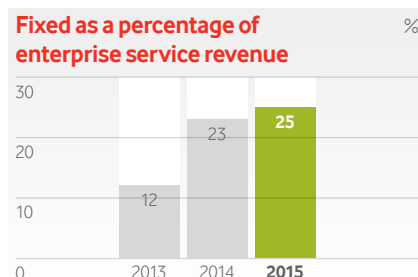
M2M

M2M is driving the "Internet of Things" by connecting people, places and things to the Internet, turning them into intelligent assets that communicate.

Our M2M business serves customers globally, across all sectors, with a focus on the high growth areas of automotive, utilities and consumer electronics. We have expanded the number of connections to 21.5 million from 16.2 million a year ago.

In August 2014 we acquired Cobra Automotive to move up the M2M value chain in the automotive industry and create a world leading "Connected Car" services provider.
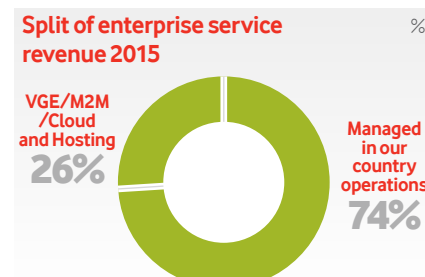
Cloud and Hosting

By combining our secure mobile and fixed connectivity strength with our Cloud and Hosting services, we help organisations move their data and applications to the Cloud and transform the way they do business, reducing costs and increasing flexibility.

Our Cloud and Hosting business serves more than 1,200 public sector and enterprise customers globally using our 18 data centres in the UK, Ireland, Germany and Africa, complemented by a partner network of data centre facilities.

Carrier Services

Our Carrier Services division manages the commercial relationships with around 1,000 communication service providers globally and offers a broad portfolio of fixed and mobile connectivity and other services. We are the world's largest international voice carrier and one of the world's largest investors in submarine cables that reach more than 100 countries.

Fixed as a percentage of enterprise service revenue %

Year	Value
2013	12
2014	23
2015	25

Split of enterprise service revenue 2015 %

VGE/M2M /Cloud and Hosting **26%**

Managed in our country operations **74%**

The people behind our business

Our people are behind every aspect of our strategy so it is important that we attract, develop and retain exceptional people so we can always deliver the best experience for our customers.

During the year we employed an average of 101,443[1] people and had 105,970 employees as of March 2015, as well as 25,267 contractors. The number of people in our business increased during the year following our acquisitions of Ono in Spain, Cobra Automotive in Italy and Hellas Online in Greece, plus the purchase of over 130 Phones 4u stores in the UK.

The following sections highlight our progress in the key areas behind our people strategy.

Increasing employee engagement

For our strategy to work we need our employees to believe in us. Every year all our employees are invited to participate in a global survey which allows us to measure engagement levels, compare ourselves with other large companies and help us identify ways to improve how we do things. Our employee engagement index measures how committed our employees are, their desire to continue working for us and their willingness to recommend Vodafone as an employer. The index remained stable this year at 77 points, still in the top quartile.

Our employee turnover rate, measuring the rate at which employees leave us, increased to 18% reflecting the increased level of acquisitions and integration in the business.

We provide information to our employees in a variety of ways, including our intranet sites, email, text and video messages, as well as through individual teams. We also provide online platforms for employees to feedback their comments.

Valuing diversity

We believe that a diverse workforce helps us achieve our goals by helping us better understand and meet the needs of our customers. We are both a multinational and a multicultural company and employ people from 130 countries, with 24 nationalities in our Senior Leadership Team (our top 224 managers).

Gender diversity is a key goal for us. At the end of the year we employed 67,657 men (64%) and 38,313 women (36%). We have seen a slight decrease in the proportion of women in senior management (top c.1,600 managers), now 23% compared with 24% a year ago, while the proportion in our Senior Leadership Team has remained stable at 22%.

To help push our progress in gender diversity, we launched a new maternity policy in March 2015 that provides mandatory minimum maternity benefits as standard across all our markets, including 16 weeks' full pay followed by full pay for a 30-hour week for the first six months after employees return to work.

We believe this will help redress the gender balance in our business.

We believe in treating all employees equally and offer equal opportunities in all aspects of employment and advancement regardless of race, nationality, gender, age, marital status, sexual orientation, disability, religion or political beliefs. This year's people survey showed that 88% of employees believe that Vodafone treats people fairly.
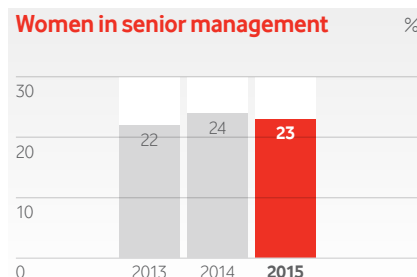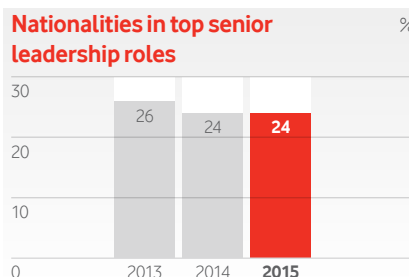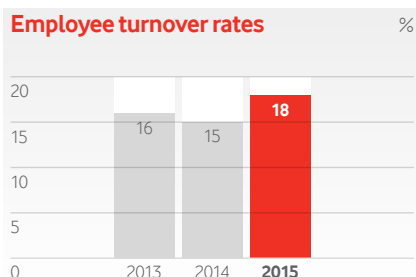
Improving our customer focus

All of our employees are expected to work in the "The Vodafone Way". This is about ensuring that we work with speed, simplicity and trust so that we can be customer-obsessed at all times. We have run development workshops for all our senior management for the fourth consecutive year and will hold further workshops in the coming year.

Training our people

We want people to grow their careers at Vodafone and develop the skills and talent needed to grow our business. We do this through formal training, on the job experience and regular coaching from managers.

We have global training academies for key areas such as marketing, technology, enterprise sales, retail, finance and supply chain.

Employees by location %

Spain 5%
Italy 6%
Vodacom 7%
Germany 14%
UK 16%
India 18%
Other 34%

Average number of employees

	2013	2014	2015
	91,272	92,812	101,443

Employee engagement index

	2013	2014	2015
	78	77	77

Employee turnover rates %

	2013	2014	2015
	16	15	18

Nationalities in top senior leadership roles %

	2013	2014	2015
	26	24	24

Women in senior management %

	2013	2014	2015
	22	24	23
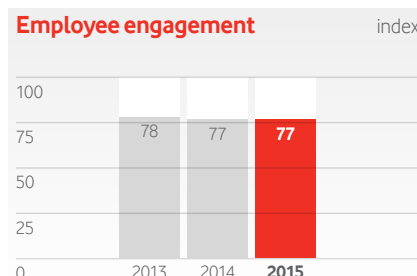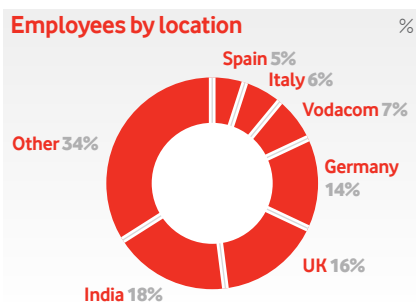
During the year we trained around 18,000 people in our Technology Academy, around 13,000 people in our Retail Academy and over 8,000 in our Enterprise Sales Academy. Next year we will introduce a Customer Experience Academy to help transform our customer service.

Developing future leaders

We conduct regular talent reviews to identify high-potential future leaders and accelerate the progress of high-potential managers through our "Inspire" programme, which offers development and executive coaching and may include an assignment to another Vodafone market or function.

Our "Discover" programme for graduates accelerates the careers of high performing graduates, with over 600 people recruited onto this programme during the year. We also have an international assignment programme, "Columbus" which gives recent "Discover" graduates an international assignment.

Recognising performance

We maintained our approach of rewarding people based on their performance, potential and contribution to our success. We benchmark roles regularly to ensure competitive, fair remuneration in every country in which we operate. We also offer competitive retirement and other benefit provisions which vary depending on conditions and practices in local markets.

Global short-term incentive plans are offered to a large percentage of employees and global long-term incentive plans are offered to our senior managers. Our incentive arrangements are subject to company performance measures, comprising both financial and strategic metrics, and individual performance measures. This ensures that variable pay is demonstrably linked to both company and individual performance, and that poor performance is not rewarded.

An ownership mentality is also a cornerstone of our reward programme and senior executives are expected to build up and maintain a significant holding of Vodafone shares.

Simplifying and improving our business

We continue to move transactional and back office activities to our shared service centres in Egypt, India, Hungary and Romania, with 16,800 employees and contractors in these centres, compared with 13,300 a year ago. These centres allow us to standardise many of our support functions and deliver a more consistent and improved experience to our customers. These centres also support our cost reduction goal as we benefit from lower labour costs.

Doing what's right

We have a "Code of Conduct" that sets out our business principles and what we expect from employees to ensure they protect themselves as well as the Company's reputation and assets. We communicate these through our "Doing What's Right" campaign which covers topics including health and safety, anti-bribery, privacy, security and competition law to ensure that people know what's expected of them and managers know what is expected of their teams.

Creating a safe place to work

We know from experience that failing to follow basic health and safety standards can lead to our employees, the people we work with and the people exposed to our activities being seriously injured or killed. We believe that accidents and injuries are preventable and we do our utmost to prevent them by promoting a culture where safety is an integral part of every business decision across the Group.

Our "Absolute Rules" help employees follow best practice for safety and we focus on our top five risks: road safety, working with electricity, working at height, working with underground cables and working with contractors (where we have less control over safety). The safety culture in Vodafone continues to improve with the results of our latest people survey showing that 91% of employees believe that our "Absolute Rules" are taken seriously compared with 89% last year.

Despite these measures, we greatly regret to report that ten people died while undertaking work on behalf of Vodafone last year. Vehicle-related incidents involving subcontractors in emerging markets remain our main cause of fatalities and we continue to implement safe driving programmes in all of our markets.

7,500

Around 7,500 employees integrated in Germany and Spain this year

Integrating our acquisitions

As we develop our business towards unified communications we need to combine with the companies we acquire and ensure that all of our employees have the new skills that we increasingly need, such as cable engineering and door-to-door selling.

During the year we integrated around 5,000 Kabel Deutschland employees in Germany and around 2,500 Ono employees in Spain as well as employees from our acquisitions of Cobra Automotive in Italy, Hellas Online in Greece and our purchase of over 130 stores from Phones 4u in the UK.

When we acquire a company we look to include all new employees within Vodafone as soon as possible. Just two months after the acquisition of Ono, all their employees had the same tools as Vodafone employees and within six months we had moved all of Ono's headquarter employees into Vodafone's main offices in Spain so we all sit under one roof. Within eight months we had combined the management structure so we are now truly one organisation.

Note:
1   Employee numbers are shown on a full time employee basis. A statutory view is provided on page 157.

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Sustainable business

Our significant global footprint combined with the power of our communications technology can help transform people's lives. This enables us to align our business growth with our goal to be a sustainable business.

Communications technology is acknowledged to be transformative in improving people's lives and livelihoods, as well as driving economic growth and development. Estimates show that a 10% increase in mobile penetration in emerging markets leads to a 4.2% rise in long-term productivity[1]. Vodafone contributes to the socio-economic development of our customers by using technology to tackle some of the most pressing challenges faced by society today, with significant contributions in the areas of education and skills development, access to financial services and resource efficiency.

How we achieve our goals is critical to the long-term success of the business. Our approach is driven by a commitment to operate in an ethical and responsible manner in all we do. This report highlights our progress in four critical areas.

Saving energy and reducing our carbon footprint

Though we continue to extend the reach of our network to more customers, who are using ever-increasing amounts of data, our own carbon footprint has remained relatively stable, despite significant acquisitions.

The efficiency of our operations has greatly improved, with emissions per base station at 9.9 tonnes of carbon dioxide equivalent ('CO_2e'), 33% lower than in 2007. Our total carbon emissions in 2015 were 2.8 million tonnes of CO_2e, an increase on 2014 due to newly acquired operations and the expansion of our network. We remain committed to reduce our energy consumption as far as possible, through energy efficiency measures and renewable investments.

As a market leader in M2M solutions, we have a great opportunity to help our enterprise customers to cut their carbon emissions, while delivering them significant cost savings. Real-time tracking of vehicles, for example, helps fleet managers revise routes, saving fuel and emissions.

By March 2015, we had approximately nine million active M2M connections with carbon-reducing potential in the smart metering, fleet management and automotive sectors. We estimate that we delivered savings of 3.5 million tonnes of CO_2e for our customers from our M2M products and services, call conferencing and cloud and hosting solutions, in 2015 — almost a million tonnes higher than our total emissions.
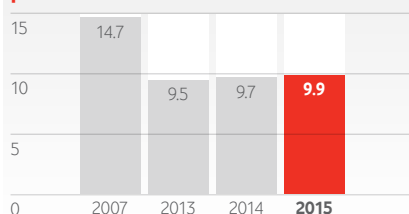
We are now working towards a new goal for our carbon footprint: within three years we aim to enable our customers to reduce their carbon emissions by twice the amount of carbon we generate through our own activities.
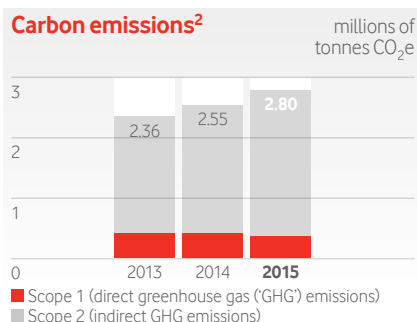
Financial inclusion

M-Pesa continues to evolve beyond a traditional money transfer service. It now enables people to save and borrow money, receive salaries and benefits, send and receive money from overseas, and pay for goods and services, regardless of whether they have a bank account. Launched two years ago in Kenya, Lipa Na M-Pesa enables customers to make cash-free payments for goods and services on a day-to-day basis, whether they are paying a supplier, or shopping in a retail environment, with over £80 million worth of transactions enacted just in March 2015.

Our M-Pesa international money transfer service continues to expand and it is now possible for people to send and receive money between Kenya and Tanzania. Providing senders of cross-border money transfers with more choice gives our customers a cheaper, more convenient way to send and receive money.

Tonnes of carbon emissions per base station

	2007	2013	2014	**2015**
	14.7	9.5	9.7	**9.9**

Carbon emissions[2]
millions of tonnes CO_2e

	2013	2014	**2015**
	2.36	2.55	**2.80**

■ Scope 1 (direct greenhouse gas ('GHG') emissions)
■ Scope 2 (indirect GHG emissions)

Vodafone Foundation: mobilising the community, mobilising social change

We believe that our communications technologies can help to address some of the world's most pressing humanitarian challenges and thus improve people's lives. To achieve this, the Vodafone Foundation invests in projects in the communities within the countries in which Vodafone operates, and is the centre of a network of global and local social investment programmes.

£48.2m

The total amount donated to the Vodafone Foundations in 2015 was £48.2 million. Since its inception, Vodafone has donated over £520 million to the charitable programmes led by our Foundations.

Notes:
1 Deloitte and the GSMA.
2 Calculated using local market actual or estimated data sourced from invoices, purchasing requisitions, direct data measurement and estimations. Carbon emissions calculated in line with DEFRA guidance. For full methodology see our Sustainability Report 2015. KDG and Ono data included for 2015 only.

M-Pesa is at the heart of many of our transformational solutions in other areas, particularly in agriculture and health. A new collaboration with the National Rural Health Mission and Rural Employment Guarantee uses M-Pesa to disburse government benefits in the states of Bihar and Jharkhand in India. In Tanzania, our collaboration with the Commercial Bank of Africa, enables M-Pesa customers to access interest-bearing savings accounts and small loans.

Enhancing our enterprise customers' sustainability efforts

Our enterprise customers expect us to support their commitment to operate in a sustainable way. In the 2015 financial year, over £1.5 billion worth of commercial bids and contracts included a sustainability performance assessment.

We are piloting and scaling mobile solutions through the agriculture value chain with three of our largest enterprise customers. Together, we are exploring how mobile money and data, and M-Pesa specifically, can help to mobilise distribution channels and create jobs, as well as how it can improve the efficiency and affordability of water distribution in rural India.

We are also rolling out a mobile solution to enable Anglo American, an international mining company, to engage directly with local communities on a monthly basis, in order to gain real-time feedback on the impact of their operations.

Privacy and human rights

The amount of data and personal information transmitted over our networks continues to increase. Our commitment to protecting that information and respecting our customers' right to privacy and freedom of expression remains critical in retaining their trust.

We are one of the first communications operators in the world to provide a country-by-country analysis of demands received for access to our customers' data by law enforcement authorities, through the publication of our Law Enforcement Disclosure report.

This report explains our principles and approach, as well as the policies and processes we follow when responding to demands from government agencies and authorities. It also sets out the framework within which we believe governments should act. For more information see vodafone.com/sustainability.

During 2014, Vodafone chaired the Telecommunications Industry Dialogue on Freedom and Privacy of Expression, which continues to work in collaboration with the Global Network Initiative ('GNI') to address the issues of privacy and freedom of expression as they relate to the telecommunications sector. Wherever we operate, we work to ensure that we do not infringe human rights through our operations or business relationships.

We continue to work with our suppliers and others in our industry to raise ethical, labour and environmental standards in our supply chain. We now enable some of our suppliers' workers to give direct, anonymous feedback on their working conditions, using their mobile phones, in collaboration with Good World Solutions. Responses to the surveys are aggregated anonymously and provided directly to Vodafone and the supplier to identify areas for improvement.

JustTextGiving

JustTextGiving by Vodafone is the headline programme of the Vodafone Foundation in the UK. It enables individuals and charities to collect donations via text and is available to all mobile customers on any UK network. Donors simply use a unique code to send donations via text and 100% of the amount donated goes to the UK registered charity. JustTextGiving is now being used by around 207,900 fundraisers and 21,600 charities and has helped raise more than £27 million since its inception in May 2011.

Instant Classroom launched

During 2015 the Vodafone Foundation launched Instant Classroom, a digital "school in a box" that can be set up in a matter of minutes, helping to give children and young people in some of the world's largest and most poorly resourced refugee camps the opportunity to continue their education. The Instant Classroom is shipped in a case which is equipped with a laptop, 25 tablets pre-loaded with educational software, a projector, a speaker and a hotspot modem with 3G connectivity.

The Instant Classroom was developed to support the continued roll-out of the Vodafone Foundation's Instant Network Schools programme in partnership with the United Nations High Commissioner for Refugees. These 'schools' are solar powered centres which provide access to digital educational content and the internet via tablets. So far, 16 Instant Network Schools have been established in Kenya, DRC and South Sudan, benefiting over 26,000 children and 500 teachers. Over the next two years the Instant Network Schools programme will be extended to support additional schools in refugee camps in Kenya, DRC and Tanzania with the aim of reaching 60,000 students.

26,000

Our Instant Network Schools programme in Kenya, DRC and South Sudan have benefitted over 26,000 children

Overview

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Additional information

Identifying and managing our risks

We have a clear framework for identifying and managing risk, both at an operational and strategic level. Our risk identification and mitigation processes have been designed to be responsive to the ever-changing environments in which we operate.

Our risk management approach

Vodafone recognises that effective risk management is critical to enable us to meet our strategic objectives.

The Board has overall responsibility for the Group's risk management and internal controls system. The Audit and Risk Committee, under delegation from the Board, monitors the nature and extent of risk exposure against risk appetite for our principal risks. Details of the activities of the Audit and Risk Committee are set out on pages 63 to 68 of this report.

At an operational level, risks are reviewed and managed by the Executive Committee and through its delegated sub-committee, the Risk and Compliance Committee. Details of the activities of the Risk and Compliance Committee are set out on page 71 of this report.
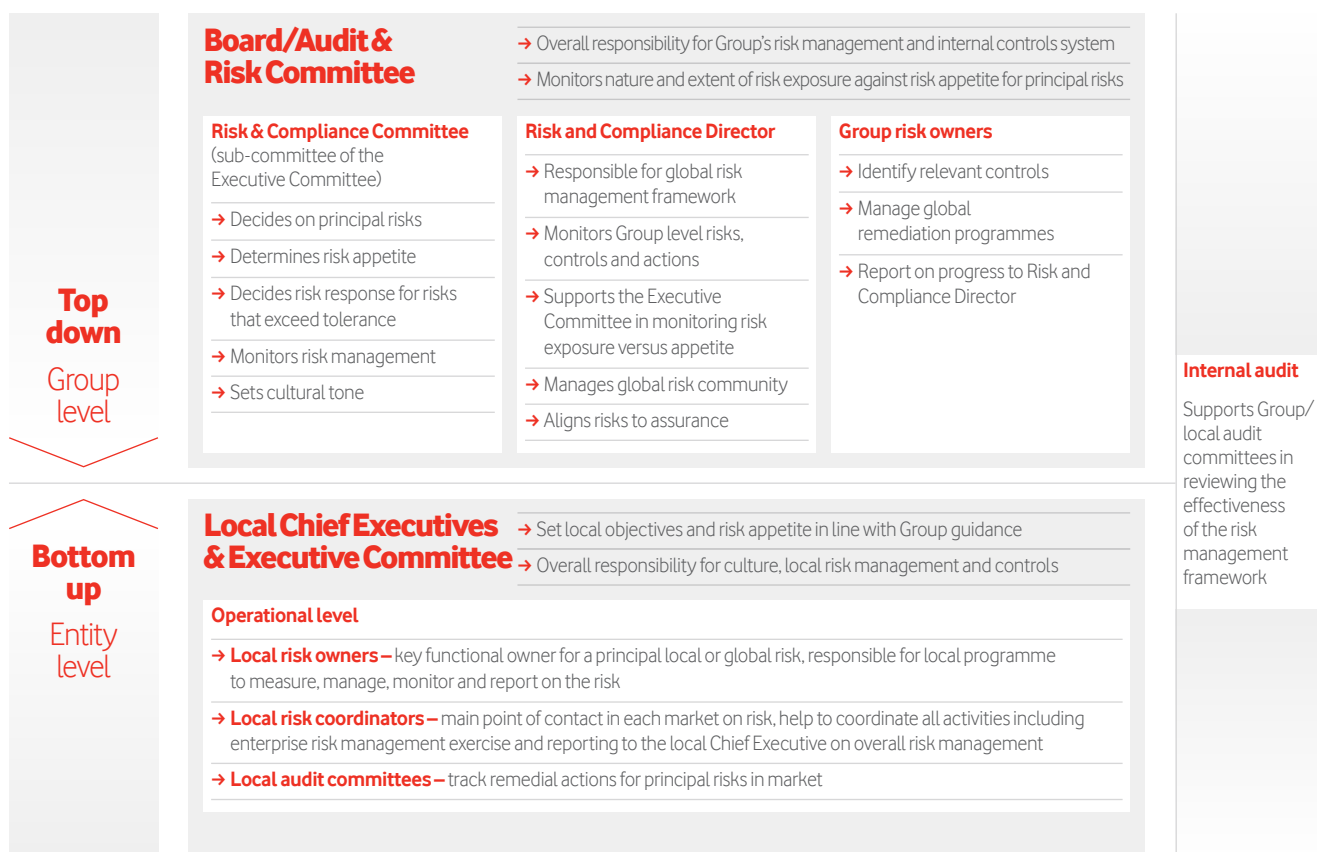
Identifying our principal risks

Vodafone identifies its principal risks through annual 'bottom up' and 'top down' exercises. The bottom up exercise is conducted by each majority-owned subsidiary company in 25 markets, together with three major central companies responsible for shared service centres, roaming and enterprise services. Each of these 28 entities identifies their top ten risks together with their tolerance for these risks. The top down exercise includes interviews with around 30 senior executives.

The output from the aggregated results of the top down and bottom up exercises produces a list of principal risks that are reviewed and agreed by the Executive Committee, prior to review by the Audit and Risk Committee. Each principal risk is assigned to a senior executive who is responsible for managing the risk and reporting on progress to the Executive Committee.

Our principal risks

Vodafone's principal risks are relatively similar to those reported last year, although with some movement on the relative ranking of these risks and two new risks added: (i) major Enterprise contracts and (ii) superior customer experience.

The risks are each classified as financial, operational, compliance, strategic or reputational. Vodafone's decentralised operations and global scale reduces the impact of many of its operational risks.

Top down
Group level

Bottom up
Entity level

Board/Audit & Risk Committee

→ Overall responsibility for Group's risk management and internal controls system

→ Monitors nature and extent of risk exposure against risk appetite for principal risks

Risk & Compliance Committee
(sub-committee of the Executive Committee)

→ Decides on principal risks

→ Determines risk appetite

→ Decides risk response for risks that exceed tolerance

→ Monitors risk management

→ Sets cultural tone

Risk and Compliance Director

→ Responsible for global risk management framework

→ Monitors Group level risks, controls and actions

→ Supports the Executive Committee in monitoring risk exposure versus appetite

→ Manages global risk community

→ Aligns risks to assurance

Group risk owners

→ Identify relevant controls

→ Manage global remediation programmes

→ Report on progress to Risk and Compliance Director

Internal audit

Supports Group/local audit committees in reviewing the effectiveness of the risk management framework

Local Chief Executives & Executive Committee

→ Set local objectives and risk appetite in line with Group guidance

→ Overall responsibility for culture, local risk management and controls

Operational level

→ **Local risk owners –** key functional owner for a principal local or global risk, responsible for local programme to measure, manage, monitor and report on the risk

→ **Local risk coordinators –** main point of contact in each market on risk, help to coordinate all activities including enterprise risk management exercise and reporting to the local Chief Executive on overall risk management

→ **Local audit committees –** track remedial actions for principal risks in market

Operational risk

Relative movement within Group principal risks:

Increased

1. Malicious attack on the network/IT infrastructure

Risk description	Assessment	Mitigation
A successful cyber-attack on our network could result in us not being able to deliver service to our customers, resulting in serious damage to our reputation, consequential customer and revenue loss and the risk of financial penalties.	This risk is possible in all markets in which we operate and has the potential for significant impact. Certain systems operate at a Group level and as such, a single attack on one of these systems has the potential to impact multiple markets simultaneously, further magnifying the impact. This risk has been separated from non-malicious network failure to recognise the greater cross-market impact a malicious attack could have on the business.	→ We have a well-established global security community; with our Group security function working closely with our local market security teams → We work closely with a variety of security communities of interest which include relevant government bodies, commercial groups, suppliers and enterprise customers → We are continually assessing our security policies, standards and procedures and adjusting them so they are commensurate to the threat profile we face. These assessments are used to create a focused security investment programme that ensures that the required security controls are in place and are effective → Each year we run security programmes to identify and deliver additional activities with the aim of further strengthening our control environment. Our aim is to ensure that our critical infrastructure is enhanced to reduce the likelihood of unauthorised access and to reduce the impact of any successful attack → We manage the risk of malicious attacks on our infrastructure using our global security operations centre that provides 24/7 proactive monitoring of our global infrastructure → We have multiple layers of assurance in place. Our activities include regular technical assurance and audit activities including vulnerability scanning and ethical hacking programmes

Operational risk

Relative movement within Group principal risks:

Increased

2. Customer data misuse or leakage

Risk description	Assessment	Mitigation
Our networks carry and store large volumes of confidential personal and business voice traffic and data. Failure to protect or correctly use this data could result in unintentional loss of, or unauthorised access to, customer data. This could adversely affect our reputation and potentially lead to legal action.	This risk is possible in all markets in which we operate. The impacts of this risk have the potential to be major in mature markets with robust data protection regulations covering personal information, voice traffic and data. Furthermore, we generally hold a greater volume of confidential personal information in our mature markets, due to the higher proportion of customers paying their bills by automated bank transfer or credit card.	→ We have a data privacy programme aimed at ensuring we use data in our possession appropriately. The programme is based on existing regulations and internationally recognised standards → We closely monitor the data privacy regulatory environment in relevant markets and implement changes to our processes and procedures as appropriate → Both the hardware and software applications which hold or transmit confidential personal and business voice and data traffic include appropriate security features → Security related reviews are conducted according to our policies and security standards, focused on the highest risk applications and processes → Our data centres are managed to international information security standards → Security governance and compliance is managed and monitored through software tools that are deployed to all local markets → We have an ongoing awareness communications campaign in place that includes providing security and privacy awareness training to all Vodafone employees, prior to granting access to customer data → We have an assurance programme in place that incorporates both internal reviews and reviews of third parties that hold data on our behalf → We are implementing data access management tools to monitor any unauthorised access and leakage of our confidential data

External risk

3. Adverse political pressure

Risk description	Assessment	Mitigation
We face a range of political pressures that could potentially lead to adverse legislation or regulation for the business. For example, increased financial pressures on governments may lead them to target foreign investors for further licence fees, directly impacting profitability.	In all markets where we are present, political decisions can be made that can have an adverse effect on our business, in relation to a range of issues, from retail price regulation to access to next-generation networks.	→ We monitor political developments in our existing and potential markets closely, identifying risks in our current and proposed commercial propositions
		→ Regular reports are made to our Executive Committee on current political risks. These risks are considered in our business planning process
		→ Authoritative and timely intervention is made at both national and international level in respect of legislative, fiscal and regulatory proposals which we feel are disproportionate and not in the interests of the Group
Furthermore, changes in local or international tax rules, for example prompted by the OECD's emerging recommendations on Base Erosion and Profit Shifting (a global initiative to improve the fairness and integrity of tax systems), or new challenges by tax or competition authorities, may expose us to significant additional tax liabilities or impact the carrying value of our deferred tax assets, which would affect the results of the business.	Additionally, disputes in regards to the level of tax payable and any related penalties could be significant, as reflected in our ongoing dispute in India.	→ We have regular dialogue with trade groups that represent network operators and other industry bodies to understand underlying political pressures
		→ We maintain constructive but robust engagement with the tax authorities and relevant government representatives, as well as active engagement with a wide range of international companies and business organisations with similar issues
		→ Where appropriate we engage advisors and legal counsel to obtain opinions on tax legislation and principles

Strategic risk

4. Convergence

Risk description	Assessment	Mitigation
We face competition from providers who have the ability to sell converged services (combinations of fixed line, broadband, public Wi-Fi, TV and mobile) on their existing infrastructure which we either cannot replicate or cannot provide at a similar price point potentially leading to higher customer churn and/or significant downward pressure on our prices.	This risk is more likely in mature markets where more competitors have the assets to offer converged services.	→ In key European and some non-European markets we are providing fixed line telecommunication services (voice and broadband)
		→ In all markets we actively look for opportunities to provide services beyond mobile through organic investment, acquisition, partnerships, or joint ventures
		→ As part of Project Spring, we have increased investment in our next-generation fixed line infrastructure
		→ For all significant transactions we develop and implement a structured integration plan, led by a senior business leader
Our own convergence strategy may be compromised if we are unable to obtain regulated or equivalent access to infrastructure and content, or acquire, rent or build the right assets, or if we are unable to integrate effectively those businesses we do acquire into our existing operations.		→ Integration plans ensure that cost synergies and revenue benefits are delivered and that the acquired businesses are successfully integrated through the alignment of policies, processes and systems
		→ Timely and coordinated intervention with regulatory and competition authorities to ensure that dominant infrastructure access and content providers cannot discriminate or restrict competition

Reputational risk

Relative movement within Group principal risks:
Unchanged

5. EMF related health risks

Risk description	Assessment	Mitigation
Concerns have been expressed that electromagnetic signals emitted by mobile telephone handsets and base stations may pose health risks. Authorities including the World Health Organization ('WHO') agree there is no evidence that convinces experts that exposure to radio frequency fields from mobile devices and base stations operated within guideline limits has any adverse health effects. A change to this view could result in a range of impacts from a change to national legislation, to a major reduction in mobile phone usage or to major litigation.	This is an unlikely risk; however, it would have a major impact on services used by our customers in all our markets – particularly in countries that have a very low tolerance for environmental and health related risks.	→ We have a global health and safety policy that includes standards for electromagnetic fields ('EMF') that are mandated in all our operating companies. Compliance to this policy is monitored and overseen by the Risk and Compliance Committee → We have a Group EMF Board that manages potential risks through cross sector initiatives and which oversees a coordinated global programme to respond to public concern, and develop appropriate advocacy related to possible precautionary legislation → We monitor scientific developments and engage with relevant bodies to support the delivery and transparent communication of the scientific research agenda set by the WHO

Operational risk

Relative movement within Group principal risks:
New

6. Major Enterprise contracts

Risk description	Assessment	Mitigation
We have a number of high-value, ongoing contracts with corporate customers, including some government agencies and departments. Successful delivery is dependent on complex technologies deployed across multiple geographies, as well as relative stability in the requirements, strategies or businesses of our customers. Failure to deliver these enterprise services may lead to a reduction in our expected revenue and could impact our credibility to deliver on large, complex deals.	This risk is most evident across our multi-national corporate and public sector customers. Delivery challenges for any national critical service would have a particularly adverse impact on our reputation to provide enterprise services.	→ We have created consistent and coordinated KPI reporting, which we believe will enhance our ability to identify readily and act upon potential enterprise delivery challenges → Work is currently being undertaken to simplify and improve our delivery capabilities for our largest corporate customers → We carry out regular reviews with key enterprise customers to identify areas for improvement → A single sales governance process has been developed and will be implemented across Vodafone Global Enterprise and the local markets during the 2016 financial year. This process will interlock with a single governance board for design, deliver, operate and billing teams to support the business in identifying and mitigating relevant enterprise delivery risks → We have launched a standardised design methodology with appropriate training. This will reduce inefficiencies and delays during the delivery cycle, thereby decreasing the likelihood of financial penalties and dissatisfied enterprise customers

Relative movement within Group principal risks:
Unchanged

7. Unstable economic conditions

Risk description	Assessment	Mitigation
Economic conditions in many of the markets we operate in, especially in Europe, remain unstable while many markets continue to stagnate or show nominal levels of growth. These conditions have resulted in lower levels of disposable income and may result in significantly lower revenues as customers give up their mobile phones or move to cheaper tariffs. There is also a possibility of unstable economic conditions impacting on currency exchange rates in countries where the Group has operations, with potential adverse implications for our profitability and the value of our financial and non-financial assets.	This risk is evident across a number of our markets and in particular within our southern European markets where it may continue to have a significant impact. Furthermore, the potential for Eurozone instability may lead to further economic instability and subsequent reductions in corporate and consumer confidence and spending. Another potential consequence of Eurozone instability would be a prolonged impact on capital markets that could restrict our refinancing requirements.	→ We are closely monitoring economic and currency situations in both our AMAP and European markets. We have developed detailed business continuity plans to allow us to respond effectively to a country economic crisis leading to a banking system freeze and/or a range of Eurozone or EU exits → We have minimised our exposure to Euro denominated monetary assets since the end of 2008 and continue to do so → Given that we have operations in both Northern and Southern Europe, we have a natural offset position in terms of the translation of Euro revenue into Sterling should the Eurozone break up (with either Northern Europe or the Southern European countries leaving the Euro) → We have credit facilities with 29 relationship banks that are committed for a minimum of five years and which total £5.5bn. Such facilities could be used in the event of a prolonged disruption to the capital markets

Relative movement within Group principal risks:
Unchanged

8. Disadvantaged by existing and emerging technology players

Risk description	Assessment	Mitigation
The development of messaging and voice applications which make use of the internet as a substitute for some of our more traditional services erode our revenue. Reduced demand for our core services of voice and messaging, and the development of services by "over the top" (OTT) competition, could significantly impact on our future profitability. A limited number of suppliers of operating systems, terminals, IT and network infrastructure, could lead to commercial exploitation and subsequent increased costs of maintaining and extending our networks.	The threat from OTT competition is relevant for all markets where alternative services are commonly available (e.g. VoIP), and has the potential for major impact on service revenues. Regarding supplier concentration, this risk is relevant across all our markets, with there being a limited number of global suppliers from which we are able to purchase operating systems, devices and our IT and network infrastructure.	→ We have developed strategies which strengthen our relationships with customers by accelerating the introduction of integrated voice, messaging and data price plans to avoid customers reducing their out of bundle usage through internet/Wi-Fi based substitution → The loss of voice and messaging revenue is partially offset by the increase in data revenue → We regularly review the performance of key suppliers, both operationally and financially, across individual markets and from the Group perspective → We are continually assessing and testing potential new suppliers → Driven by Project Spring we have been able to further consolidate demand across our core and partner markets to manage our cost base effectively

Operational risk

Relative movement within Group principal risks:
New

9. Superior customer experience

Risk description	Assessment	Mitigation
We operate in highly competitive markets and failure to deliver a differentiated and superior experience to our customers in store, online and on the phone, could diminish our brand and reputation, and leave us vulnerable to aggressive pricing from competitors and potentially a weakened relationship with our customers.	This risk is relevant to all our markets, and particularly to our consumer business. Differentiating based on a superior customer experience will involve a number of areas. → Clear and transparent communication with all our customers → Managing roaming charges and bill shocks → Delivering clear, understandable tariffs → Suitable complaint handling → Providing a leading online and app customer experience	→ Customer experience has been prioritised as a key component of our strategy. The Chief of Staff, supported by a programme office, is leading a programme to improve customer experience related activities across Vodafone → We have detailed plans in place across the business to deliver a range of system and capability improvements to support an enhanced customer experience → We track and monitor our performance in delivering a superior customer experience through a range of KPIs; the most critical being our NPS and Brand Consideration metrics → We have restructured our incentivisation programme to strengthen the importance of key customer experience related metrics

Operational risk

Relative movement within Group principal risks:
Decreased

10. Network/IT infrastructure failure

Risk description	Assessment	Mitigation
We are dependent on the continued operation of our networks. Multiple network or IT infrastructure failures (caused by non-malicious means including end of life failure, natural disasters and weather-related failures) may result in voice, video or data transmissions being significantly interrupted. This could result in serious damage to our reputation, a consequential customer and revenue loss and the risk of financial penalties.	This risk is possible in all markets in which we operate and has the potential for significant impact. For the majority of such network and IT infrastructure failures, the associated impacts would be confined to a single market. There are however some exceptions where data centres and critical network sites serve multiple markets.	→ Specific back-up and resilience policy and requirements are built into our networks and IT infrastructure. Conformance with these requirements is monitored continually → We monitor our ability to replace strategic equipment quickly in the event of end-of-life or failure, and for high risk components, we maintain dedicated back-up equipment ready for use → Network and IT contingency plans are linked with our business continuity and disaster recovery plans which are in place to cover the residual risks that cannot be mitigated → A crisis management team and escalation processes are in place both nationally and internationally. Crisis simulations are conducted annually

Strengthening our risk management approach

Vodafone is in the process of making a number of changes aimed at strengthening its Enterprise risk management. These include:

→ transferring responsibility for risk from the Group Audit Director to the Group Compliance Director (now Group Risk and Compliance Director);

→ creating a new Head of Risk role to report to the Group Risk and Compliance Director;

→ amending the terms of reference of the former Policy and Compliance Committee to make it a Risk and Compliance Committee;

→ improving accountability for, and tracking of, principal risks across functions and local markets;

→ ensuring our global risk community is better connected and therefore better placed to share best practices; and

→ developing an integrated assurance plan to help identify any gaps and overlaps in the management of our principal risks across the "three lines of defence" in accordance with best practice risk management.