Creating long-term value

A commitment to act with integrity at all times is integral to the creation of shareholder value. We fully complied with the 2014 UK Corporate Governance Code during the year.

What were the Board's main priorities during the year?

The Board's role is to define the long-term strategic objectives for the Group and then evaluate progress against those objectives while ensuring there is a strong and effective system of corporate governance in place at all levels. 2016 was another important transitional year for Vodafone: as I explain in my introduction on page 3, our expansion across 4G, cable and fibre networks and TV and content services is transforming our businesses. A key priority during the year was to ensure that the significant investments involved were allocated in a manner most likely to maximise returns to shareholders over time as well as enhance our customers' experience. We also continued to focus on measures to mitigate the wide range of operating and commercial risks that are inherent to our industry and which are summarised on pages 22 to 28.

How would you describe the decision making culture of the Board?

Highly collaborative and collegiate with a strong emphasis on open and honest debate involving all of the Directors. As Chairman, I strive to ensure that Vodafone has a Board that works effectively and where all can contribute freely. We are fortunate to be able to draw on a diverse range of professional skills and backgrounds around the boardroom table and I encourage each Director to share their intuitions to enrich the Board's collective understanding.

We seek to ensure that every Director has the facts and background context necessary to reach informed conclusions on the matters before the Board. We provide an insight into our induction process for new Directors on page 45. All Directors have access to training and specialist briefing opportunities to ensure they remain fully aware of major developments in this highly complex and dynamic industry.

Contents

We comply with the corporate governance statement requirements pursuant to the FCA's Disclosure and Transparency Rules by virtue of the information included in this "Governance" section of the Annual Report together with information contained in the "Shareholder information" section on pages 175 to 181.

What do the Non-Executive Directors bring to the Board?

It is essential to ensure that the composition of the Board reflects the strategic priorities of the Group and provides a variety of informed insights to determine the appropriate approach to the management of risk. Each of the Directors brings a particular perspective to every discussion, shaped by their backgrounds in a number of industries and roles over many years, which underpins the Board's commitment as a whole to rigorous scrutiny and analysis of the Group's key issues and opportunities. We provide a summary of each Director's experience on pages 40 and 41.

During the year, we were pleased to welcome David Nish to the Board. David is a highly experienced business leader with extensive financial expertise and capital markets skills.

Enhancing diversity in the boardroom, the executive team and at all levels in Vodafone is also a priority. This includes diversity of skills and experience, age, gender, disability, sexual orientation, cultural background and belief.

I am pleased to report that 25% of our Board roles are held by women. Our ambition over the coming years is to increase that proportion further. Details of our commitment to increase the number of women in executive roles (and to empower our female customers) are set out in our 2016 Sustainable Business Report.

What are the Board's key objectives for the coming year?

In March 2016 we concluded the largest organic investment programme in Vodafone's history. Project Spring was designed to bring about a material enhancement to the quality of the networks and services relied on by 462 million mobile customers and 13 million fixed broadband customers and as we explain on pages 10 and 14, that goal has largely been achieved. The priority for the year ahead will be to ensure that the Group's momentum post-Project Spring translates into stronger financial performance as well as a much better experience for our customers. Our return to growth after more than six years of significant macroeconomic pressure in Europe is very welcome. We intend to sustain that positive trend although, it should be noted, we continue to face a number of challenges in some markets. We will also maintain our focus on the effective management of risk and on compliance with the high standards of corporate governance across the Group.

Gerard Kleisterlee
Chairman

17 May 2016

How we are governed

We have a strong and effective governance system throughout the Group. Responsibility for good governance lies with your Board.

Chairman
Gerard Kleisterlee
- Is responsible for leadership of the Board
- Sets the Board's agenda
- Meets regularly with the Chief Executive and other key executives to stay informed

Chief Executive
Vittorio Colao
- Leads the business and implements strategy and policy
- Chairs the Executive Committee

Board
Responsible for the overall conduct of the Group's business and:
- is responsible for the long-term success of the Company;
- sets the Group strategy;
- is responsible for ensuring the effectiveness of and reporting on our system of corporate governance; and
- is accountable to shareholders for the proper conduct of the business.

More on:
Page 44

The Matters Reserved for the Board can be found on our website **vodafone.com/governance**

Executive Committee
- Focuses on strategy implementation, financial and competitive performance, commercial and technological developments, succession planning and organisational development

Disclosure Committee
- Oversees the accuracy and timeliness of Group disclosures and approves controls and procedures in relation to the public disclosure of financial information

Risk and Compliance Committee
- Assists the Executive Committee to fulfil its accountabilities with regard to risk management and policy compliance

Audit and Risk Committee
- Provides effective governance over the Group's financial results
- Reviews the activity and performance of the internal audit function and external auditor
- Reviews the integrity, adequacy and effectiveness of the Group's system of internal control including the risk management framework and related compliance activities

More on:
Pages 47 to 52

Nominations and Governance Committee
- Evaluates and makes recommendations regarding Board and committee composition, succession planning and diversity
- Oversees matters relating to corporate governance

More on:
Page 53

Remuneration Committee
- Sets, reviews and recommends the Group's overall remuneration policy and strategy and reviews the implementation of that policy and strategy

More on:
Page 57

Experienced, effective and diverse leadership

Our business is led by our Board of Directors (the 'Board'). Biographical details of the Directors and senior management as at 17 May 2016 are as follows (with further information available at vodafone.com/board).

Key to Committee membership:
A Audit and Risk N Nominations and Governance R Remuneration Red background denotes Committee Chairman

Gerard Kleisterlee N
Chairman

Tenure: 5 years **Nationality:** Dutch

Skills and experience:
Gerard has extensive experience of senior leadership of global businesses in both the developed and emerging markets. He brings to the Group a deep understanding of the consumer electronics, technology and lifestyle industries gained from his career with Philips Electronics spanning over 30 years and continues to use this experience to oversee the development of Vodafone's strategy and the effectiveness of its operations as a total communications company.

Other current appointments:
- Royal Dutch Shell, non-executive director and member of the audit committee
- IBEX Global Solutions plc, non-executive director
- ASML, Chairman of supervisory board

Vittorio Colao
Chief Executive – Executive Director

Tenure: 9 years **Nationality:** Italian

Skills and experience:
With over 20 years' experience working in the telecoms industry, Vittorio has extensive leadership skills developed within both Vodafone and the wider industry and is widely recognised as an outstanding leader in the telecoms sector.

Other current appointments:
- European Round Table of Industrialists, vice chairman
- Unilever Plc, non-executive director

Nick Read
Chief Financial Officer – Executive Director

Tenure: 2 years **Nationality:** British

Skills and experience:
Nick combines strong operational leadership with a detailed understanding of the industry and its challenges and opportunities. Nick has wide-ranging experience in senior finance roles at both Vodafone and other multinational companies including United Business Media plc and Federal Express Worldwide.

Other current appointments:
None

Sir Crispin Davis A
Independent Non-Executive Director

Tenure: 1 year **Nationality:** British

Skills and experience:
Sir Crispin has broad-ranging experience as a business leader in international content and technology markets from his roles as chief executive of Reed Elsevier and the digital agency Aegis Group plc and group managing director of Guinness PLC (now Diageo plc). He was knighted in 2004 for services to publishing and information. He brings a strong commercial perspective to Board discussions.

Other current appointments:
- Oxford University, trustee and member of the university board
- CVC Capital Partners, adviser

Dr Mathias Döpfner R
Independent Non-Executive Director

Tenure: 1 year **Nationality:** German

Skills and experience:
Mathias brings wide-ranging experience within the global digital media industry to his role. Having led his business, Axel Springer SE, through a highly successful transition into digital and international markets, he provides a digital perspective to the Board's strategy.

Other current appointments:
- Axel Springer SE, chairman and chief executive officer
- Time Warner and Warner Music Group, member of the board of directors
- Business Insider Inc., chairman of the board of directors
- American Academy, American Jewish Committee and the European Publishers Council, holds honorary offices
- St John's College, University of Cambridge, member

Dame Clara Furse A
Independent Non-Executive Director

Tenure: 1 year **Nationality:** British and Canadian

Skills and experience:
Dame Clara brings to the Board a deep understanding of international capital markets, regulation, services industries and business transformation developed from her previous roles as chief executive of the London Stock Exchange Group plc and Credit Lyonnais Rouse Ltd. Her financial proficiency is highly valued as a member of the Audit and Risk Committee. In 2008 she was appointed Dame Commander of the Order of the British Empire.

Other current appointments:
- Bank of England, Financial Policy Committee member
- Nomura Holdings Inc, non-executive director
- Amadeus IT Holdings SA, non-executive director

Valerie Gooding CBE R N
Independent Non-Executive Director

Tenure: 2 years **Nationality:** British

Skills and experience:
Valerie brings a wealth of international business experience obtained at companies with high levels of customer service including British Airways and as chief executive of BUPA which, together with her focus on leadership and talent, is greatly valuable to Board discussions.

Other current appointments:
- Premier Farnell plc, non-executive chairman
- TUI Group, non-executive director
- English National Ballet, trustee
- Historic Royal Palaces, trustee
- Royal Botanic Gardens, Kew, trustee

Renee James R
Independent Non-Executive Director

Tenure: 5 years **Nationality:** American

Skills and experience:
Renee brings comprehensive knowledge of the high technology sector developed from her long career at Intel Corporation where she was appointed president. Her extensive experience of international management and the development and implementation of corporate strategy is an asset to the Board and Remuneration Committee.

Other current appointments:
- US President's National Security Telecommunications Advisory Committee, vice chair
- C200, member
- Carlyle Group, operating executive
- Oracle Corporation, non-executive director
- Citigroup Inc., non-executive director
- Sabre Corporation, non-executive director
- University of Oregon, College of Arts, advisory board member

Samuel Jonah KBE
R

Independent
Non-Executive Director

Tenure: 7 years **Nationality:** Ghanaian

Skills and experience:
Samuel brings experience and understanding of business operations in emerging markets, particularly Africa. Previously executive president of AngloGold Ashanei Ltd and member of the Advisory Council of the President of the African Development Bank, he provides an international, commercial perspective to Board discussions.

Other current appointments:
- Iron Mineral Benefication Services, non-executive chairman
- Jonah Capital (Pty) Limited, executive chairman
- Metropolitan Insurance Company Limited, chairman
- Presidents of Togo and Nigeria, adviser
- The Investment Climate Facility, member of trustee board

Nick Land
A

Independent
Non-Executive Director

Tenure: 9 years **Nationality:** British

Skills and experience:
After a career spanning 36 years at Ernst & Young UK where Nick was executive chairman, he brings strong financial expertise and experience of dealing with major corporations in many parts of the world to the Board and to his role as Chairman of the Audit and Risk Committee.

Other current appointments:
- Ashmore Group plc, non-executive director
- Financial Reporting Council, non-executive director
- The Vodafone Foundation, Chairman of the Board of Trustees
- Dentons UKMEA LLP, adviser
- Silicon Valley Bank, London, adviser

David Nish
Independent
Non-Executive Director

Tenure: <1 year **Nationality:** British

Skills and experience:
David has wide-ranging operational and strategic experience as a senior leader and has a strong understanding of financial and capital markets through his previous directorships which include chief executive officer and chief financial officer of Standard Life plc and chief financial officer of Scottish Power plc.

Other current appointments:
- HSBC Holdings Plc, non-executive director
- London Stock Exchange Group Plc, non-executive director
- Zurich Insurance Group, board member
- UK Green Investment Bank Plc, non-executive director
- Council of the Institute of Chartered Accountants of Scotland, member

Philip Yea
A
N

Senior Independent Director

Tenure: 10 years **Nationality:** British

Skills and experience:
Philip's experience as chief financial officer of Diageo plc and in the private equity industry at Investcorp and 3i Group plc, together with his knowledge of the Vodafone Group, makes him a valued member of the Board. Philip's financial expertise is an asset to his role as member of the Audit and Risk Committee.

Other current appointments:
- Aberdeen Asian Smaller Companies Investment Trust PLC, non-executive director
- The Francis Crick Institute, director of the trustee board
- Computacenter Plc, non-executive director
- Greene King Plc, chairman

Attendance at scheduled meetings of the Board in the 2016 financial year

Director	Attendance
Gerard Kleisterlee	7/7
Vittorio Colao	7/7
Stephen Pusey[1]	2/2
Nick Read	7/7
Sir Crispin Davis	7/7
Mathias Döpfner	5/7
Dame Clara Furse	6/7
Valerie Gooding	7/7
Renee James	7/7
Samuel Jonah	7/7
Nick Land	7/7
David Nish[2]	2/2
Luc Vandevelde[1]	2/2
Philip Yea	6/7

Audit and Risk Committee

Director	Attendance
Nick Land	5/5
Sir Crispin Davis	5/5
Dame Clara Furse	4/5
Philip Yea	5/5

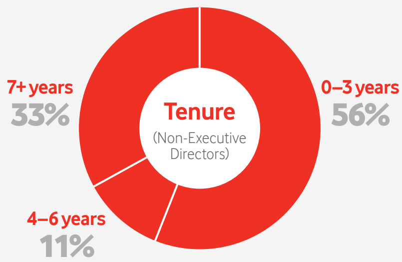
Nominations and Governance Committee

Director	Attendance
Gerard Kleisterlee	5/5
Valerie Gooding[4]	3/3
Philip Yea	5/5
Luc Vandevelde[1]	2/2

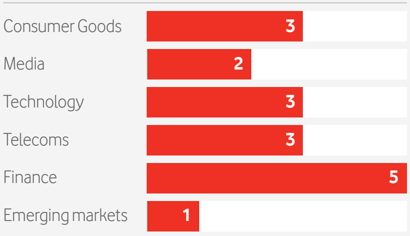
Remuneration Committee[3]

Director	Attendance
Valerie Gooding	5/5
Luc Vandevelde[1]	2/2
Renee James	5/5
Samuel Jonah	5/5

Board analysis



Sector experience[5]



Notes:
1 Stephen Pusey and Luc Vandevelde stepped down from the Board at the annual general meeting on 28 July 2015.
2 David Nish joined the Board on 1 January 2016.
3 Dr Mathias Döpfner joined the Remuneration Committee on 1 April 2016.
4 Valerie Gooding joined the Nominations and Governance Committee on 2 November 2015.
5 Some Directors have expertise in more than one sector.

Delivering our strategy, driving performance

Chaired by Vittorio Colao, the Executive Committee focuses on managing Vodafone's business affairs as a whole, which includes the delivery of a competitive strategy, developing our financial structure and planning, driving financial performance and ensuring good succession planning.

Membership

The Committee includes the Executive Directors and the senior managers as detailed below.

Committee Meetings

The Committee meets 11 times a year and typical agenda items include:

- strategy;
- substantial business developments and projects;
- Chief Executive's update on the business and the business environment;
- updates on business performance;
- Group function heads' updates;
- talent;
- presentations on various topics, for example, from the Group Financial Controller, the Group Audit Director and the Group Risk and Compliance Director; and
- competitor performance analysis.

Each year the Committee conducts a strategy review to identify key strategic issues facing Vodafone to be presented to the Board. The agreed strategy is then used as a basis for developing the upcoming budget and three-year operating plans.

Vittorio Colao

Chief Executive

(See page 40)

Nick Read

Chief Financial Officer

(See page 40)

Paolo Bertoluzzo

Group Chief Commercial Operations & Strategy Officer

Tenure: 3 years **Nationality:** Italian

Responsibilities:
Paolo has responsibility for Vodafone's global commercial operations and strategy, as well as innovation and transformation projects, including the Customer eXperience eXcellence programme.

Previous roles include:
- Vodafone Group, Regional Chief Executive Officer, Southern Europe (2012–2013)
- Vodafone Italy, Chief Executive Officer (2008–2013)
- Vodacom Group, Board Director (2010–2012)

Warren Finegold

Group Business Development Director

Tenure: 10 years **Nationality:** British

Responsibilities:
Warren has responsibility for managing Vodafone's mergers and acquisitions and business development strategy. Warren worked on Vodafone's initial IPO in 1988 as well as leading the recent sale of Vodafone's interest in Verizon Wireless. He will retire from the Executive Committee on 30 June 2016.

Previous roles include:
- UBS Investment Bank, managing director and head of European Technology
- Goldman Sachs, executive director (1985–1995)

Nick Jeffery

Group Enterprise Chief Executive Officer

Tenure: 3 years **Nationality:** British

Responsibilities:
Nick is responsible for Vodafone's strategy and execution in the Enterprise market worldwide, and has responsibility for a portfolio which includes: Vodafone Global Enterprise, Vodafone Carrier Services, The Internet of Things, Cloud & Hosting Services, Enterprise Marketing and Sales Operations as well as Enterprise Products and Operations and Enterprise Security Services.

Previous roles include:
- Cable & Wireless Worldwide, chief executive (2012–2013)
- Vodafone Global Enterprise, Chief Executive (2006–2012)

Matthew Kirk

Group External Affairs Director

Tenure: 7 years **Nationality:** British

Responsibilities:
Matthew leads Vodafone's engagement with external stakeholders (including governments, regulators, international institutions, the media and industry commentators) in order to project Vodafone's position on the contribution of our industry to broader policy objectives and on issues of importance to our customers and to the communities in which Vodafone operates. Matthew is also responsible for security, and for the Vodafone Foundation, of which he is a Trustee.

Previous roles include:
- British Ambassador to Finland (2002–2006)
- Member of the British Diplomatic Service (20+ years)

Rosemary Martin

Group General Counsel and Company Secretary

Tenure: 6 years **Nationality:** British

Responsibilities:
Rosemary has responsibility for managing Vodafone's legal risk and for providing legal and company secretariat services to the Group.

Previous roles include:
- Practical Law Company, chief executive (2008)
- Reuters Group Plc, various governance roles including group general counsel and company secretary (1997–2008)
- Rowe & Maw, partner (1990–1997)

Ronald Schellekens

Group Human Resources Director

Tenure: 7 years **Nationality:** Dutch

Responsibilities:
Ronald has responsibility for leading Vodafone's people and organisation strategy which includes developing strong talent and leadership, effective organisations, strategic capabilities and an engaging culture and work environment, thereby building strong capabilities in Vodafone to deliver growth.

Previous roles include:
- Royal Dutch Shell, HR executive vice president (2003–2008)
- PepsiCo, senior vice president (1994–2003)
- AT&T Network Systems, various human resources roles (1986–1994)

Serpil Timuray
Regional Chief Executive Officer – Africa, Middle East and Asia Pacific Region (AMAP)

Tenure: 2 years **Nationality:** Turkish

Responsibilities:
As Regional Chief Executive Officer of AMAP, Serpil oversees Vodafone's operations in the Vodacom Group, India, Australia, Egypt, Ghana, Kenya, Qatar, New Zealand and Turkey.

Previous roles include:
- Vodafone Turkey, Chief Executive Officer (2009–2013)
- Danone Turkey, chief executive officer (2002–2008)
- Danone Turkey, marketing director with additional sales director role (1999–2002)
- Procter & Gamble Turkey, various marketing roles including executive committee member (1991–1999)

European Chief Executive Officers
In October 2015, the Chief Executive Officers of our four large European markets became Executive Committee members. The remaining European markets are represented by Rob Shuter who also joined the Executive Committee in October 2015. The Chief Executive Officers are responsible for:
- defining Vodafone strategy in their local markets in accordance with Group strategy and operating models;
- executing the strategic vision into commercial plans; and
- ensuring delivery against key performance indicators.

In carrying out their role, they:
- own the end-to-end accountability for in-country profit and loss, balance sheet performance and brand differentiation;
- manage relationships with local stakeholders, protecting Vodafone's reputation, legal compliance, and ensuring Vodafone is contributing to the development of its local community; and
- define the culture and values of the organisation through the direction and communication of business objectives, vision and mission, and by developing people's talents and competences.

Tenure refers to the length of service in role.

Dr Hannes Ametsreiter
Chief Executive Officer – Vodafone Germany

Tenure: <1 year **Nationality:** Austrian

Previous roles include:
- Telkom Austria Group, group chief executive officer (2009–2015)
- A1 Telekom, chief executive officer (2009)
- Mobilkom Austria/Telkom Austria, chief marketing officer (2001–2009)

Aldo Bisio
Chief Executive Officer – Vodafone Italy

Tenure: 2 years **Nationality:** Italian

Previous roles include:
- Ariston Thermo Group, chief executive officer/managing director (2008–2013)
- McKinsey & Company, senior partner (2007–2008)
- RCS Quotidiani, managing director (2004–2006)

Johan Wibergh
Group Technology Officer

Tenure: 1 year **Nationality:** Swedish

Responsibilities:
Johan has responsibility for defining and leading Vodafone's global technology organisation which includes the organic investment programme and Project Spring. He is integral to developing Vodafone's convergence strategy on a global scale.

Previous roles include:
- Ericsson, various roles including executive VP (1996–2015)

António Coimbra
Chief Executive Officer – Vodafone Spain

Tenure: 3 years **Nationality:** Portuguese

Previous roles include:
- Vodafone Portugal, Chief Executive Officer (2009–2012)
- Vodafone Portugal, Executive Committee member (1995–2009)
- Apritel (on behalf of Vodafone Portugal), President (2005–2007)
- Vodafone Japan, Chief Marketing Officer (2004)

Jeroen Hoencamp
Chief Executive Officer – Vodafone UK

Tenure: 2 years **Nationality:** Dutch

Previous roles include:
- Vodafone UK, Enterprise Business Unit Director (2013)
- Vodafone Ireland, Chief Executive Officer (2010–2012)
- Vodafone Netherlands, various senior management positions (1998–2010)

Rob Shuter
Chief Executive Officer – Netherlands and Europe Cluster

Tenure: <1 year **Nationality:** British and South African

Responsibilities:
As Chief Executive Officer for Netherlands and Europe cluster, Rob oversees Vodafone's operations in the Netherlands, Portugal, Ireland, Greece, Romania, Czech Republic, Hungary, Albania and Malta.

Previous roles include:
- Vodafone Netherlands, Chief Executive Officer (2012–2015)
- Vodacom Group, Finance Director (2009–2012)
- Nedbank Retail, managing director (2000–2009)

Key areas of focus for your Board

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

What the Board did in 2016

●○○ Data ○●○ Convergence ○○● Enterprise

Performance (financial and operational)

Throughout the year the Board received and discussed:

	More on pages	Link to strategic objectives
→ reports from the Chief Executive on performance of operations in Europe, AMAP and Enterprise;	10 to 13	●●●
→ information on the financial performance of the Group;	10 to 15, 30 to 37	●●●
→ network and customer satisfaction updates and quarterly market share metrics; and	16 and 17	●●●
→ the annual budget and operating plan.	14 and 15	●●●

Strategy

The Board continued to focus on overseeing the execution of our strategy. The Board:

	More on pages	Link to strategic objectives
→ received regular business development reports;	10 to 13	●●●
→ discussed progress of the Customer eXperience eXcellence programme and commercial priority reports;	7, 10 to 13	●●●
→ received updates on content strategy;	11 and 12	●●○
→ discussed and approved the strategic combination of Vodafone and Liberty Global's Dutch operations; and	12, 149	●●●
→ held a strategy day, focusing on the evolution and sustainability of Vodafone's strategy, industry trends, competitor strategies and our organisation and governance.	10 to 13	●●●

Governance

The Board dealt with corporate governance matters, including:

	More on pages	Link to strategic objectives
→ reports from the Board Committees;	47 to 53, 57 to 73	○○○
→ the appointment of new Board members;	53	○○○
→ the Annual Report;	76 and 77	○○○
→ assessment of risks and internal controls;	23, 51 and 52	○○○
→ reports on compliance and litigation;	54 and 55, 149 to 152	○○○
→ the conclusions and recommendations of the external evaluation of the Board's performance; and	45	○○○
→ reviewing and approving the revisions to the terms of reference of the Board Committees and the Matters Reserved for the Board.	54 and 55	○○○

People

The Group HR Director updated the Board twice during the year on:

	More on pages	Link to strategic objectives
→ talent capability and diversity;	18 and 19	○●●
→ health and safety; and	19	○○○
→ other HR matters.	18 and 19	○○○

Deep dives

The Board received presentations on the following topics:

	More on pages	Link to strategic objectives
→ local market focus on Spain, Vodacom, UK and India;	32 to 35	●●●
→ Germany and Turkey spectrum auctions;	37, 183, 186	●●●
→ potential initial public offering of Vodafone India; and	35	●●●
→ Vodafone UK's TV offering.	33	●●○

Governance in action:

Board's visit to Munich

Offsite Board meetings give the Board further insights into the business.

In September 2015 the Board held its annual strategy meeting in Munich. As part of this visit, the Board received a presentation from local management of Vodafone Germany and KDG, visited a Vodafone Germany retail store and received a presentation on 5G communication. A Board meeting and an Audit and Risk Committee meeting were also held whilst in Munich.

Evaluating our performance and keeping up to date

The Board recognises that it continually needs to monitor and improve its performance. This is achieved through annual performance evaluation, full induction of new Board members and ongoing Board development activities.

Board Evaluation

Progress against recommendations set in 2015

Recommendation: The Board should continue to develop its understanding of the future challenges and trends in Vodafone's sector, especially convergence, technology trends and the regulatory environment.

Action taken in 2016: The Board received relevant training and carried out deep dives into these areas which were considered at Board meetings throughout the year.

Recommendation: The Board should increase its focus on customers' experience and it should continue to monitor management's success in delivering operational strategic objectives.

Action taken in 2016: The Board regularly reviewed the progress of the Customer eXperience eXcellence programme and continued to focus on the execution of our strategy.

This year's process

In accordance with our three-year cycle, our 2016 Board evaluation was externally facilitated by Ffion Hague of Independent Board Evaluation which has no other connection with Vodafone. The evaluation included a series of one-on-one interviews with all Directors and key senior managers, and observations of Board, Audit and Risk, Remuneration, and Nominations and Governance Committee meetings. Ffion Hague discussed her initial findings with the Chairman and presented the final results to the Board in March 2016.

Conclusions from this year's review

The conclusions of this year's review have been positive and have confirmed that the Board and its Committees operate effectively and that each Director contributes to the overall effectiveness and success of the Group.

The recommendations in this year's review included:

- reviewing the Board induction and development programme to focus on strategically significant areas;
- increasing transparency around Board and executive succession plans;
- clarifying expectations on an overall strategic framework; and
- creating more opportunities for Board members to spend informal time together.

The Board will address these recommendations during the 2017 financial year and will report on progress in our 2017 Annual Report.

Board Development

The Chairman is responsible for ensuring that all Non-Executive Directors receive ongoing training and development. Our Non-Executive Directors are conscious of the need to keep themselves properly briefed and informed about current issues.

Specific areas covered at sessions attended by Vodafone Directors in 2016 were the Enterprise business, technology, share dealing rules and corporate governance. In June 2015, Val Gooding went on a local market visit with Vittorio Colao to Vodafone Italy. They attended customer focus groups, a Customer eXperience eXcellence session run by local management, visited three retail stores, and received a 4G and fibre presentation.

Specific and tailored updates, delivered by PricewaterhouseCoopers LLP, were also provided to the members of our Audit and Risk Committee during the year covering key themes surrounding financial and narrative reporting, and accounting and auditing standards.

The Board also received reports from the Group General Counsel and Company Secretary on current legal and governance issues.

Governance in action:

David Nish's induction

Expertise

- Financial expertise and capital markets skills

Focus areas

- Learn about Vodafone and our business lines
- Learn about Vodafone's markets, competitions, customers, business opportunities and risks
- Meet senior management across the Group

Overview of induction programme

David's induction includes the following:

- meetings with the members of the Executive Committee to discuss our business, strategy and operations;
- presentations from the management teams of the Europe cluster, AMAP and Enterprise;
- visits to the headquarters of Vodafone UK, a Vodafone UK store and Vodafone's call centre in Stoke-on-Trent (UK);
- meetings with various Group senior managers to discuss Group strategy, people strategy and remuneration, technology and marketing, external affairs, finance, investor relations and risk;
- training on his duties as a director and on Vodafone's governance structure;
- meeting with the Chairs of the Board Committees and the Chairman; and
- meeting key Group advisers.

Communicating with our shareholders

We are committed to communicating our strategy and activities clearly to all our shareholders.

How we communicate with our shareholders

We maintained an active dialogue with our shareholders throughout the year through a planned programme of investor relations activities. We also respond to daily queries from shareholders and analysts through our Investor Relations team and have a section of our website which is dedicated to shareholders and analysts: vodafone.com/investor. Our registrars, Computershare, and BNY Mellon (as custodians of our American Depositary Receipts ('ADR') programme) also have a team of people to answer shareholder and ADR holder queries in relation to technical aspects of their holdings such as dividend payments and shareholding balances.

All of our financial results presentations are available on our website at vodafone.com/investor.

Our annual general meeting and our roadshows

Our annual general meeting is attended by our Board and Executive Committee members and is open to all our shareholders to attend. A summary presentation of financial results is given before the Chairman deals with the formal business of the meeting. All shareholders present can question the Board during the meeting.

We hold meetings with major institutional investors, individual shareholder groups and financial analysts to discuss the business performance and strategy. These are attended by the appropriate mix of Directors and senior management, including our Chairman, Chief Executive, Executive Committee members, senior leaders and the Investor Relations team. Institutional investors also meet with the Chairman to discuss matters of governance.

What our shareholders have asked us this year

Common topics raised by our institutional and individual shareholders include:

- 4G and data;
- cash flow, capital expenditure, debt and dividend cover;
- fixed broadband and TV strategy;
- performance outlook;
- Project Spring strategy;
- shareholder returns;
- regulation in Europe and emerging markets;
- spectrum renewal costs;
- integration of KDG and Ono; and
- administration of shareholding.

Our investor calendar

Set out below is a calendar of our investor events throughout the year.

May 2015
- Preliminary results published
- London, New York, Boston, Toronto, Paris and Edinburgh roadshows

June 2015
- Annual Report published
- Switzerland, Netherlands, Spain and Frankfurt roadshows
- Investor conference in London
- Investor meetings in Spain, Turkey and Italy
- Chairman's London roadshow

July 2015
- Q1 Trading Statement published
- Annual general meeting in London
- Investor meetings in India

September 2015
- Investor meeting about regulation
- Several investor conferences in London and New York

October 2015
- 5G webinar
- Investor conference in Germany

November 2015
- Half-year results published
- London, New York, Boston, Edinburgh, Paris, Toronto, Switzerland and Netherlands roadshows
- Investor conference in Barcelona

December 2015
- Investor conference in New York

January 2016
- Investor meetings in Spain and Italy

February 2016
- Q3 Trading Statement published

March 2016
- Investor conference in Miami
- Investor conference in London
- Investor meeting with Enterprise

Governance in action:

Launch of our low-cost share dealing programme

We launched a quick, simple and economical share dealing service for Vodafone shareholders with no more than 1,000 shares in February 2016. This service ran until 23 May 2016 and allowed shareholders to sell all their Vodafone shares or buy more shares either free of dealing costs or at a competitive rate. Over 27% of such shareholders chose to use this service.

Audit and Risk Committee

The Committee continued to focus its work on the Group's financial reporting, financial control and risk management and compliance processes. The Committee's role was expanded this year to provide assistance to the Board with assessing compliance with elements of the 2014 UK Corporate Governance Code.

Chairman and financial expert

Nick Land
Independent Non-Executive Director

Key objectives:
The provision of effective governance over the appropriateness of the Group's financial reporting, including the adequacy of related disclosures, the performance of both the internal audit function and the external auditor and oversight over the Group's system of internal control including risk management and compliance activities.

Responsibilities:

The Board has approved terms of reference for the Committee which are available at vodafone.com/governance. These provided the framework for the Committee's work in the year and can be summarised into four primary sets of activities. These are oversight of the:

- appropriateness of the Group's external financial reporting;
- relationship with, and performance of, the external auditor;
- Group's system of internal control, including risk management framework and the work of the internal audit function; and
- Group's system of compliance activities.

The 2016 financial year has seen the Committee's activities and terms of reference reviewed and expanded to reflect the Group's adoption of the 2014 UK Corporate Governance Code, to cover:

- providing advice to the Board on the assessment, management and mitigation of the principal risks facing the Group;
- monitoring the Group's risk management system and its effectiveness; and
- providing advice on how the Group's prospects have been assessed in order to make the new longer-term viability statement.

Membership
The membership of the Committee has been selected with the aim of providing the range of financial and commercial expertise necessary to meet its responsibilities. Given my experience, I continue to be designated as the financial expert on the Committee for the purposes of the US Sarbanes-Oxley Act and the UK Corporate Governance Code. There were no changes to the membership of the Committee during the year, all of whom are Non-Executive Directors of the Company.

How the Committee operates
The Committee met five times during the year under its standard schedule of meetings, an increase from the four meetings in the last financial year, a change reflecting its increased responsibilities particularly in relation to risk management. Meetings of the Committee generally take place the day before a Board meeting to maximise the efficiency of interaction with the Board and I report to the Board, as a separate agenda item, on the activity of the Committee and matters of particular relevance to the Board in the conduct of its work.

The external auditor, PricewaterhouseCoopers LLP, is invited to each meeting together with the Chief Executive, the Chief Financial Officer, the Deputy Chief Financial Officer, the Group Financial Reporting Director, the Group Audit Director, the Group Risk and Compliance Director, and the Group General Counsel and Company Secretary. The Committee also regularly meets separately with each of PricewaterhouseCoopers LLP, the Chief Financial Officer and the Group Audit Director without others being present.

In the year, the Board appointed an external company to perform an independent review of the Committee which concluded that the Board members considered the Committee to be fully effective in meeting its objectives.

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

- the quality and acceptability of accounting policies and practices;
- material areas in which significant judgements have been applied or where significant issues have been discussed with the external auditor;
- the clarity of the disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements, including the 2014 UK Corporate Governance Code;
- any correspondence from regulators in relation to our financial reporting; and
- an assessment of whether the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. This assessment forms the basis of the advice given to the Board to assist them in making the statement required by the 2014 UK Corporate Governance Code.

Overview
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Accounting policies and practices

The Committee received reports from management in relation to the identification of critical accounting judgements and key sources of estimation uncertainty, significant accounting policies and proposed disclosure of these in the 2016 Annual Report. This disclosure also includes qualitative details in relation to IFRS 15 "Revenue from contracts with customers" and IFRS 16 "Leases", both of which are likely to have a substantial effect on the Group's accounting when adopted.

Following discussions with management and the external auditor, the Committee approved these critical accounting judgements, significant accounting policies and disclosures which are set out in note 1 "Basis of preparation" to the consolidated financial statements.

Regulators and our financial reporting

There has been no correspondence from regulators in relation to our financial reporting during the 2016 financial year.

The Committee is committed to improving the effectiveness and clarity of the Group's corporate reporting and has continued to encourage management to consider, and adopt where appropriate, initiatives by regulatory bodies which would enhance our reporting, such as the FRC Lab projects on the use of digital media in corporate reporting, the disclosure of dividends and business model reporting.

Significant judgements and issues

The significant areas of focus considered and actions taken by the Committee in relation to the 2016 Annual Report are outlined below. We discussed these with the external auditor during the year and, where appropriate, these have been addressed as areas of audit focus as outlined in the Audit Report on pages 79 to 86.

Significant judgements and issues

Matter considered	Action
Revenue recognition The timing of revenue recognition, the recognition of revenue on a gross or net basis, the treatment of discounts, incentives and commissions and the accounting for arrangements with multiple deliverables are complex areas of accounting. See note 1 "Basis of preparation" for further detail. In addition there is heightened risk in relation to the accounting for revenue as a result of the inherent complexity of systems and changing pricing models.	An in-depth review of revenue accounting was undertaken by the Committee during the previous financial year. PricewaterhouseCoopers LLP shared its approach to the audit of revenue in their detailed audit plan, which identified the primary risks attaching to the audit of revenue to be (a) the controls over the underlying accuracy of billing systems and (b) presumed fraud risk, and reported on the results of its audit work in this area to the Committee at both the half-year and year end. The Committee received reporting from PricewaterhouseCoopers LLP in relation to revenue recognition and discussed a number of judgements in relation to the presentation of revenue and commissions. The Committee was satisfied with the appropriateness of the revenue recognised in the financial statements.
Taxation The Group is subject to a range of tax claims and related legal actions across a number of jurisdictions where it operates. The most material claim continues to be from the Indian tax authorities in relation to our acquisition of Vodafone India Limited in 2007, further details of which are included in note 30 "Contingent liabilities and legal proceedings". Further, the Group has extensive accumulated tax losses as detailed in note 6 "Taxation", and a key management judgement is whether a deferred tax asset should be recognised in respect of these losses. As at 31 March 2016, the Group had recognised a £22,382 million deferred tax asset primarily in respect of these tax losses.	The Group Tax Director presented on both provisioning and disclosure of tax contingencies and deferred tax asset recognition at the November 2015 and May 2016 Committee meetings. He also provided an update on upcoming changes in the wider tax landscape that were potentially relevant to the Group. PricewaterhouseCoopers LLP also identified this as an area of higher audit effort and the Committee received reporting from it on these matters. The Committee challenged both management and PricewaterhouseCoopers LLP on the legal judgements underpinning both the provisioning and disclosure stance adopted in relation to material elements of tax contingent liabilities and the IFRS basis of, and operating assumptions underlying, the deferred tax assets recognised at the period end. The Committee was satisfied with the approach adopted in the financial statements by management for each matter.

Significant judgements and issues

Matter considered	Action
Goodwill impairment testing This is an area of focus for the Committee given the materiality of the Group's goodwill balances (£22.8 billion at 31 March 2016) and the inherent subjectivity in impairment testing. The judgements in relation to goodwill impairment continue to relate primarily to the assumptions underlying the calculation of the value in use of the business, being the achievability of the long-term business plan and the macroeconomic and related modelling assumptions underlying the valuation process. See note 4 "Impairment losses" for further detail.	The Committee received detailed reporting from management and challenged the appropriateness of the assumptions made, including: → the consistent application of management's methodology; → the achievability of the business plans; → assumptions in relation to terminal growth in the businesses at the end of the plan period; and → discount rates. This remains an area of audit focus and PricewaterhouseCoopers LLP provided detailed reporting on these matters to the Committee, including sensitivity testing. The Committee was satisfied with both the appropriateness of the analysis performed by management that indicated a goodwill impairment charge of £450 million in relation to Vodafone Romania, and the impairment related disclosures set out in note 4 to the financial statements.
Liability provisioning The Group is subject to a range of claims and legal actions from a number of sources, including competitors, regulators, customers, suppliers and on occasion fellow shareholders in Group subsidiaries. The level of provisioning for contingent and other liabilities is an issue where management and legal judgements are important and accordingly an area of Committee focus. See note 30 "Contingent liabilities and legal proceedings" for further detail.	The Committee received a presentation from the Group's General Counsel and Company Secretary and the Director of Litigation in both November 2015 and May 2016 on management's assessment of the most significant claims. As this is an area of audit focus, PricewaterhouseCoopers LLP also reviews these claims and relevant legal advice received by the Group, to form a view on the appropriateness of the level of provisioning that is shared with the Committee. The Committee challenged both management and PricewaterhouseCoopers LLP on the level of provisioning for legal claims and was satisfied that the amounts recorded appropriately reflected the risk of loss.
Significant one-off transactions The Committee reviewed the accounting and reporting of a number of material one-off transactions. These included: → The recognition of spectrum assets and a corresponding liability of £2.7 billion during the 2016 financial year in relation to Vodafone India. See note 22 "Liquidity and capital resources" for further detail. → The issue by the Group in February 2016 of £2.9 billion of mandatory convertible bonds. See note 22 "Liquidity and capital resources" for further detail.	Management outlined the key accounting and disclosure impacts in relation to these transactions. The Committee received detailed reporting from PricewaterhouseCoopers LLP on their assessment of the accounting and disclosures made by management in both the half-year and annual financial statements and were satisfied with the accounting and disclosure in the financial statements for both matters.
Key business controls The Group has continued to devote considerable resources to the development of key business and related IT controls to ensure a robust system of internal control. During the year, this focused on ongoing work programmes over general ledger account controls and user access to the Group's core Enterprise Resource Planning ('ERP') system as well as new activity, including a multi-year project to implement a suite of standard controls over the Group's core financial processes and managing the business and IT control implications of changes to the scope of the Group's section 404 of the US Sarbanes-Oxley compliance activities.	The Committee reviewed the work performed by management in relation to the implementation and maintenance of these controls, including the degree to which they operated effectively throughout the year and at the year end. This was supplemented by the results of related reviews performed by Internal Audit. The audit scope of PricewaterhouseCoopers LLP included certain of these key business and IT controls and they reported to the Committee the results of their audit testing in these areas. Further detail is provided in the PricewaterhouseCoopers LLP audit report on pages 79 to 86. The Committee was satisfied with the basis of management's report on internal control over financial reporting as required by section 404 of the US Sarbanes-Oxley Act and with management's ongoing focus on enhancements to the internal control environment.

Other matters

The Committee also undertook a range of further activities in relation to the Group's accounting and external reporting in the year:

Adoption of recent accounting developments

The Committee received regular reporting from management on the Group's implementation of IFRS 15 "Revenue from contracts with customers", which will be adopted in the financial year ending 31 March 2019, focusing on the key decision points relating to the choice of IT system for generating the necessary accounting entries, systems integration, the methodology in which the standard would be adopted and programme resourcing. The Committee will also review the Group's implementation of IFRS 16 "Leases", which will be adopted in either the financial years ending 31 March 2019 or 2020, once management has more fully assessed the impact of the changes.

Fair, balanced and understandable

As part of the Committee's assessment of whether the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy, it draws on the work of the Group's Disclosure Committee and has discussions with senior management. The processes and controls that underpin our consideration include ensuring that:

- all contributors are fully briefed on the fair, balanced and understandable requirement;
- a dedicated and experienced core team is responsible for the coordination of content submissions, verification, detailed review and challenge;
- senior management confirms that the content in respect of their areas of responsibility is considered to be fair, balanced and understandable;
- the Disclosure Committee reviews and assesses the Annual Report as a whole; and
- the Committee receives an early draft of the Annual Report to enable timely review and comment.

These processes allowed us to provide positive assurance to the Board to assist them in making the statement required by the 2014 UK Corporate Governance Code.

Long-term viability statement

Following the adoption of the 2014 UK Corporate Governance Code during the 2016 financial year, the Committee's terms of reference were extended to include providing advice to the Board on the form and basis underlying the long-term viability statement as set out on page 29.

The Committee reviewed the process and assessment of the Group's prospects made by management, including:

- the review period and alignment with the Group's internal long-term forecasts;
- the assessment of the capacity of the Group to remain viable after consideration of future cash flows, expected debt service requirements, undrawn facilities and access to capital markets; and
- the modelling of the financial impact of certain of the Group's principal risks materialising using severe but plausible scenarios.

Management also sought independent external advice on best practice to ensure appropriate compliance with the requirements of the 2014 UK Corporate Governance Code.

External audit

The Committee has primary responsibility for overseeing the relationship with, and performance of, the external auditor. This includes making the recommendation on the appointment, reappointment and removal of the external auditor, assessing their independence on an ongoing basis and for negotiating the audit fee.

Auditor appointment

PricewaterhouseCoopers LLP were appointed as the Group's external auditor in July 2014 following an audit tender and, in accordance with the 2014 UK Corporate Governance Code, the Group will be required to put the external audit contract out to tender by 2024. In addition, PricewaterhouseCoopers LLP will be required to rotate the audit partner responsible for the Group audit every five years and, as a result, the current lead audit partner will be required to change in 2019.

The Committee continues to review the auditor appointment and the need to tender the audit, ensuring the Group's compliance with the 2014 UK Corporate Governance Code and the reforms of the audit market by the UK Competition and Markets Authority. Accordingly, the Company confirms that it complied with the provisions of the Competition and Markets Authority's Order for the financial year under review. For the financial year ending 31 March 2017, the Committee has recommended to the Board that PricewaterhouseCoopers LLP be reappointed under the current external audit contract and the Directors will be proposing the reappointment of PricewaterhouseCoopers LLP at the annual general meeting in July 2016.

Audit risk

At the start of the audit cycle for the new financial year we received from PricewaterhouseCoopers LLP a detailed audit plan identifying their audit scope, planning materiality and their assessment of key risks. The audit risk identification process is considered a key factor in the overall effectiveness of the external audit process, and the key risks for the 2016 financial year, which were unchanged from the previous year, were as follows:

- Taxation matters, including a provisioning claim for withholding tax in India and the recognition and recoverability of deferred tax assets in Luxembourg and Germany.
- Carrying value of goodwill.
- Provisions and contingent liabilities.
- Revenue recognition.
- Accounting for significant one-off transactions.
- Capitalisation and asset lives.
- Management override of internal controls.

These risks are regularly reviewed by the Committee to ensure the external auditor's areas of audit focus remain appropriate.

Working with the auditor

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

Effectiveness of the external audit process

The Committee reviewed the quality of the external audit throughout the year and considered the performance of PricewaterhouseCoopers LLP, taking into account the Committee's own assessment, the results of a detailed survey of senior finance personnel across the Group focusing on a range of factors we considered relevant to audit quality, feedback from PricewaterhouseCoopers LLP on their performance against their own performance objectives and the firm-wide audit quality inspection report issued by the FRC in May 2015.

Based on this review, the Committee concluded that there had been appropriate focus and challenge on the primary areas of audit focus and PricewaterhouseCoopers LLP had applied robust challenge and scepticism throughout the audit.

Independence and objectivity

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

As one of the ways in which it seeks to protect the independence and objectivity of the external auditor, the Committee has a policy governing the engagement of the external auditor to provide non-audit services. This precludes PricewaterhouseCoopers LLP from providing certain services such as valuation work or the provision of accounting services and also sets a presumption that PricewaterhouseCoopers LLP should only be engaged for non-audit services where there is no legal or practical alternative supplier.

For certain specific permitted services, the Committee has pre-approved that PricewaterhouseCoopers LLP can be engaged by management, subject to the policies set out above, and subject to a £50,000 fee limit for individual engagements, a £500,000 total fee limit for services where there is no legal alternative and a £500,000 total fee limit for services where there is no practical alternative supplier. For all other services or those permitted services that exceed these specified fee limits, I, as Chairman, or in my absence another Committee member, can pre-approve permitted services.

Following the publication by the Competition and Markets Authority of its final order in relation to the responsibilities of the audit committee, the Board approved amendments to the Committee's terms of reference during the 2016 financial year such that only the Committee can negotiate and approve the statutory audit fee, the scope of the statutory audit and approval of the appointment of the lead audit engagement partner.

In addition, the Committee assessed the impact of further expected UK regulation restricting non-audit services that auditors can provide, including a cap on the amount of non-audit fees that can be billed and a list of prohibited services. Consequently, the Group's policy on non-audit fees will be amended to reflect these additional restrictions during the financial year ending 31 March 2017 for implementation in the financial year ending 31 March 2018.

For the 2016 financial year, the Committee considered the ongoing fee proposal included as part of the audit tender, negotiated audit scope changes for the 2016 financial year and, following the receipt of formal assurance that their fees were appropriate for the scope of the work required, agreed a charge from PricewaterhouseCoopers LLP and related member firms of £12 million for statutory audit services. In addition to the statutory audit fee, PricewaterhouseCoopers LLP and related member firms charged the Group £1 million for audit-related and other assurance services primarily in connection with local regulatory filings where we were legally required to appoint them by virtue of their position as statutory auditor. Further details of the fees paid, for audit and non-audit services to both PricewaterhouseCoopers LLP for the 2016 and 2015 financial years and to Deloitte LLP for the 2014 financial year, can be found in note 3 to the consolidated financial statements.

Internal control and risk management

The Committee has the primary responsibility for the oversight of the Group's system of internal control, including the risk management framework and the work of the internal audit function.

Assessment of Group's system of internal control, including risk management framework

The Group's risk assessment process and the way in which significant business risks are managed is a key area of focus for the Committee. Our activity here was driven primarily by the Group's assessment of its principal risks and uncertainties, as set out on pages 23 to 28.

This year, the Committee performed a detailed review of the Company's new risk management framework document which is designed to: clarify roles and responsibilities for risk management and oversight, set out a consistent end-to-end process for managing risk across the business, provide the Board with a clear line of sight over the principal risks, and provide an overview of how the principal risks are being managed. Our review included reports from the Group Risk and Compliance Director on the Group's risk evaluation process as well as a review of changes to significant risks identified at both operating entity and Group levels.

The Committee also maintains a programme of in-depth reviews into specific financial, operational and regulatory areas of the business. These reviews are critical to the role of the Committee, as they allow us to meet key business leaders responsible for these areas and provide independent challenge to their activities. During the 2016 financial year, the areas reviewed included:

- → the integration of KDG into Vodafone Germany and the transition to Vodafone compliance standards;
- → changes to the Group's Enterprise operations to improve service and delivery to customers;
- → the risk and control framework associated with implementation of a new billing system in the Netherlands;
- → the Group's cyber security strategy, covering network, IT and retail systems; and
- → the Group's network resilience policy and the ability to recover from a significant fault or challenge to normal operations.

The Group has in place an internal control environment to protect the business from the material risks which have been identified. Management is responsible for establishing and maintaining adequate internal controls over financial reporting and we have responsibility for ensuring the effectiveness of these controls.

This year, the Group implemented an integrated assurance mapping process to improve the coordination of assurance activities across the Group and to provide a framework that allowed a comprehensive assessment of the assurance and compliance activities for the Group's significant risks. The mapping process was piloted in the UK and Irish operating companies before being rolled out to all business units during the second half of the 2016 financial year.

We reviewed the process by which the Group evaluated its control environment. Our work here was driven primarily by the Group Audit Director's reports on the effectiveness of internal controls, significant identified frauds and any identified fraud that involved management or employees with a significant role in internal controls. Oversight of the Group's compliance activities in relation to section 404 of the US Sarbanes-Oxley Act also falls within the Committee's remit.

The Committee has completed its review of the effectiveness of the Group's system of internal control, including risk management, during the year and up to the date of this Annual Report, in accordance with the requirements of the Guidance on Risk Management, Internal Control and related Financial and Business Reporting published by the FRC.

It confirms that no significant failings or weaknesses were identified in the review for the 2016 financial year and allowed us to provide positive assurance to the Board to assist them in making the statements required by the 2014 UK Corporate Governance Code. Where areas for improvement were identified, processes are in place to ensure that the necessary action is taken and that progress is monitored.

Internal audit

Monitoring and review of the scope, extent and effectiveness of the activity of the Group Internal Audit department is an agenda item at each Committee meeting. We approve the annual audit plan prior to the start of each financial year and receive updates from the Group Audit Director on audit activities, progress against the approved Group audit plan, the results of any unsatisfactory audits and the action plans to address these areas. I play a major role in setting the Group Audit Director's annual objectives and we meet regularly to discuss the team's activities and any significant issues arising from their work.

Compliance with section 404 of the US Sarbanes-Oxley Act

The Committee takes an active role in monitoring the Group's compliance activities in respect of section 404 of the US Sarbanes-Oxley Act, receiving reports from management in the year covering:

- financial control governance;
- changes to the section 404 programme, including scoping, the development of a standard controls framework and the development of a quality assurance programme; and
- the enhancement of the wider control environment in response to ongoing business developments.

The external auditor reported the status of their work in relation to this matter in each of their reports to the Committee.

Compliance activities

The Committee is responsible for the oversight of the Group's compliance programme and held a number of deep dive sessions on compliance-related matters in the year. These focused on:

- changes to the control environment, including the creation of two new management controls governance committees and a redefined finance operating model providing greater clarity of roles and responsibilities;
- updates to the Group's Code of Conduct, which is reviewed every three years;
- the results from the annual Policy Compliance Review which tests the extent to which local markets and Group entities are compliant with our high risk policies;
- the results from our "Doing What's Right" employee awareness and e-learning programmes and other measures designed to assess the culture of the organisation;
- the results of the use of "Speak Up" channels in place to enable employees to raise concerns about possible irregularities in financial reporting or other issues and the outputs of any resulting investigations; and
- the methodology for fraud reporting and investigations into known or suspected fraudulent activities by both third parties and employees.

Nick Land
On behalf of the Audit and Risk Committee

17 May 2016

Nominations and Governance Committee

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

Chairman

Gerard Kleisterlee
Chairman of the Board – Independent on appointment

Key objective:

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

Responsibilities:

- assessing the composition of the Board and making recommendations on appointments to the Board and senior executive succession planning;
- overseeing the performance evaluation of the Board, its committees and individual Directors; and
- overseeing all matters relating to corporate governance, bringing any issues to the attention of the Board.

The terms of reference of the Committee are available on vodafone.com/governance.

Committee meetings

The Committee met five times during the year. I invite other individuals and external advisers to attend all or part of any meeting, as and when appropriate.

I report to the Board, as a separate agenda item, on the activities of the Committee at the following Board meeting.

David Nish's appointment

The Committee reviewed the mix and skills of the Board and identified that it would be valuable for a Non-Executive Director to be appointed who had financial expertise and capital markets skills as well as experience as a chief executive. A description of the role and capabilities required for this appointment was prepared. Sciteb, an external search consultancy, was appointed, which has no other connection to Vodafone and has signed up to the voluntary Code of Conduct for Executive search firms. David was identified as a suitable candidate. He was invited to meet with the members of the Committee and following those meetings, the Committee recommended to the Board that he be invited to become a Non-Executive Director. The Board accepted the recommendation and David accepted the Board's invitation and became a Non-Executive Director with effect from 1 January 2016.

Changes to the Board and Committees

The changes made to the composition of the Board and Committees during the year are set out on page 54.

Assessment of the independence of the Non-Executive Directors

The Committee reviewed the independence of all the Non-Executive Directors and in particular Philip Yea and Nick Land, who have both served on the Board for over nine years. The Committee considered their length of tenure on the Board, independence and other external commitments. As a result of its assessment, the Committee is confident that Philip and Nick continue to demonstrate qualities of independence and judgement in carrying out their roles. In addition, the Committee believes that Philip's and Nick's external commitments have not negatively impacted their commitment to Vodafone and therefore recommended to the Board that Philip and Nick stand for reappointment at the 2016 annual general meeting. All of the Non-Executive Directors are considered independent.

Board evaluation

The Committee oversaw the external evaluation of the Board and Committees. A description of the process and conclusions of the evaluation is set out on page 45.

Succession planning

The Committee received several presentations throughout the year from the Chief Executive and Group Human Resources Director. The presentations provided details of the changes to the Vodafone organisational structure in order to deliver our strategy as well as succession planning for senior management. Potential successors have been identified for the top senior management positions and the Committee reviewed the profiles for all of these positions during the year.

The Committee also monitors a schedule on the length of tenure of the Chairman and Non-Executive Directors and the mix and skills of the Directors.

The Committee is satisfied that adequate succession planning is currently in place for the Executive Directors and senior executives, but will keep succession planning under review and monitor the progress and success of the development plans which have been established for relevant employees.

Diversity

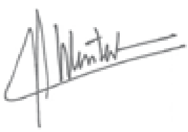
Vodafone acknowledges the importance of diversity and inclusion to the effective functioning of the Board. This includes diversity of skills and experience, age, gender, disability, sexual orientation, cultural background or belief.

25% of our Board roles are held by women and our ambition over the coming years is to increase that proportion further.

Diversity extends beyond the boardroom. The Board supports management in its efforts to build a diverse organisation and endorses the Group's "Recruiting and Managing People" policy, one of the objectives of which is to "attract and develop a highly qualified and diverse workforce and ensure that all selection decisions are based on merit".

Governance

The Committee reviewed Vodafone's compliance with the 2014 UK Corporate Governance Code and was satisfied that Vodafone complied with the Code during the year. It also received updates on corporate governance developments during the year and considered the impact of these developments on Vodafone.



Gerard Kleisterlee
On behalf of the Nominations and Governance Committee

17 May 2016

Compliance with the 2014 UK Corporate Governance Code

Throughout the financial year and to the date of this document, we complied with the provisions and applied the main principles of the 2014 version of the UK Corporate Governance Code (the 'Code').

The Code can be found on the Financial Reporting Council website (frc.org.uk). This table sets out how we have applied the main principles of the Code, cross referring to other parts of this Annual Report. This table is intended to assist with the evaluation of our compliance during the year and should be read alongside the Governance section as a whole. Headings correspond to the headings in the Code.

The auditor's report on the corporate governance statement is on page 86.

A. Leadership

A.1 – The role of the Board

The Board's responsibilities are set out on page 39 along with a statement of how it operates.

The Board held seven scheduled meetings during the year and holds additional meetings, as required.

All Directors are expected, wherever possible, to attend all Board and relevant Committee meetings. Details of such attendance are on page 41.

A.2 and A.3 – Division of responsibilities and the role of the Chairman

The roles of the Chairman and Chief Executive are separate: their key responsibilities are set out on page 39.

Board meetings are arranged to ensure sufficient time is available for the discussion of all items.

The Chairman was independent on appointment.

A.4 – Non-Executive Directors

Philip Yea has been Senior Independent Director since July 2015 when he took over from Luc Vandevelde who stepped down from the Board. Philip:

- acts as a sounding board for the Chairman and as an intermediary for the other Directors;
- is available to shareholders if they have concerns which they have not been able to otherwise resolve;
- reviews the performance of the Chairman annually; and
- if necessary, convenes meetings of the Non-Executive Directors.

The Non-Executive Directors are responsible for using their skills, experience and independent judgement to:

- constructively challenge the strategy proposed by the Executive Directors;
- scrutinise and challenge performance and risk management across the Group's business; and
- assess the risk and integrity of the financial information and controls.

The Chairman met with just the Non-Executive Directors at every Board meeting this year.

B. Effectiveness

B.1 – The composition of the Board

The Board consists of 12 Directors, (nine Non-Executive Directors, the Chairman and two Executive Directors). 11 Directors served throughout the year.

Changes made to the composition of the Board and Committees during the year were as follows:

- Philip Yea became Senior Independent Director on 28 July 2015 after Luc Vandevelde stepped down from the Board. Stephen Pusey also stepped down from the Board in July 2015;
- Valerie Gooding became Chairman of the Remuneration Committee on 28 July 2015; and
- Valerie Gooding joined the Nominations and Governance Committee on 2 November 2015.

Dr Mathias Döpfner joined the Remuneration Committee on 1 April 2016.

It is expected that David Nish will join the Audit and Risk Committee on 29 July 2016.

The balance and independence of the Board is kept under review by the Nominations and Governance Committee. Its terms of reference are available at vodafone.com/governance.

Philip Yea, Nick Land and Samuel Jonah have served on the Board for ten, nine and seven years respectively. The Board has determined that they, along with all of the Non-Executive Directors, continue to demonstrate qualities of independence and judgement in carrying out their roles, supporting the Executive Directors and senior management in an objective manner. Their length of service and resulting experience are of great benefit to the Board.

B.2 – Appointments to the Board

David Nish was appointed as a Non-Executive Director from 1 January 2016. Further details on the appointment process are set out on page 53, which also includes the Board's policy on diversity.

B.3 – Commitment

The Board is satisfied that the external commitments of its Chairman and other Non-Executive Directors (set out on pages 40 and 41) do not conflict with their duties and commitments as Directors of the Company. Directors must:

- report any changes to their commitments to the Board;
- complete an annual conflicts questionnaire. Any conflicts identified are considered and, as appropriate, authorised by the Board. If authorised, it is recorded in a register and reviewed periodically; and
- notify the Company of actual or potential conflicts or a change in circumstances relating to an existing authorisation.

The Executive Directors' service contracts and Non-Executive Directors' appointment letters are available for inspection at our registered office and at our annual general meeting.

B.4 – Development

Details of Board induction and training and development are set out on page 45.

B.5 – Information and support

There is a procedure to enable Directors to take independent legal and/or financial advice at the Company's expense, managed by the Group General Counsel and Company Secretary. No such independent advice was sought in the 2016 financial year.

The Group General Counsel and Company Secretary also:

- assists the Chairman by organising induction and training programmes and ensuring that all Directors have full and timely access to all relevant information;
- ensures that the correct Board procedures are followed; and
- advises the Board on corporate governance matters.

The removal of the Group General Counsel and Company Secretary is a matter for the Board as a whole.

B.6 – Evaluation

Information on Board evaluation is set out on page 45.

B.7 – Election/Re-election

All Directors have submitted themselves for re-election at the 2016 annual general meeting with the exception of David Nish who will be elected for the first time in accordance with our Articles of Association.

The Nominations and Governance Committee confirmed to the Board that the contributions made by the Directors continue to be effective and that the Company should support their re-election.

The biographies for our Directors can be found on pages 40 and 41.

C. Accountability

C.1 – Financial and business reporting

The following statements can be found in this Annual Report

Statement	Pages
The Directors' statement of responsibility regarding the financial statements, including the going concern assessment.	76 and 77
A statement confirming that the Board considers that the Annual Report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.	76
A statement on the responsibility of our auditor (set out in the Audit Report).	78 to 86
An explanation of the Company's business model and the strategy for delivering the objectives of the Company.	6 to 13

C.2 – System of risk management and internal control

An overview of the Group's framework for identifying and managing risk is on pages 22 to 28.

The Board has overall responsibility for the system of risk management and internal control (and for reviewing its effectiveness) and has conducted a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. Such a system is designed to manage rather than eliminate business risks and can only provide reasonable and not absolute assurance against material mistreatment or loss.

The long-term viability statement can be found on page 29.

The Board has implemented in full the FRC "Guidance on Risk Management Internal Control and related Financial and Business Reporting" for the year and to the date of this Annual Report. The resulting procedures, which are subject to regular monitoring and review, provide an ongoing process for identifying, evaluating and managing the Company's principal risks.

Further information can be found in the Directors' statement of responsibility on pages 76 and 77 and in the Audit and Risk Committee report on pages 47 to 52 (which also covers the oversight and monitoring of the system, and its effectiveness).

C.3 – Audit Committee and auditor

The Audit and Risk Committee is responsible for governance around both the internal audit function and external auditor and for oversight of the Group's systems of internal controls.

Further details on the Audit and Risk Committee and its activities are set out on pages 47 to 52. Its terms of reference are available at vodafone.com/governance.

D. Remuneration

D.1 and D.2 – The level and components of remuneration and procedure

- The Remuneration Committee is responsible for determining the policy on remuneration of the Chairman, executives and senior management team. More information is set out on pages 57 to 73.
- The Chairman of the Board and the Remuneration Committee's Chairman are also responsible for maintaining contact with the Company's principal shareholders about remuneration. Full details are set out in its terms of reference, available at vodafone.com/governance.

E. Relations with shareholders

E.1 – Dialogue with shareholders

The Chairman ensures that there is effective communication with investors and that the Board understands the views of major shareholders on matters such as governance and strategy. He is available to meet shareholders for this purpose.

The other members of the Board are also available to meet major investors on request.

Further information is set out on page 46.

E.2 – Constructive use of the annual general meeting

Our annual general meeting will be held on 29 July 2016 and is an opportunity for shareholders to vote on certain aspects of Group business and present questions to the Board.

- A summary presentation of the full year results is given before the Chairman deals with the formal business of the meeting.
- All shareholders can question any member of the Board both during the meeting and informally afterwards. The Board encourages participation of investors at the meeting.
- The meeting is also broadcast live and on demand on our website at vodafone.com/agm.
- Voting on all resolutions is on a poll. The proxy votes cast, including details of the votes withheld, are disclosed to those in attendance at the meeting and the results are published on our website and announced via the Regulatory News Service.
- A copy of our notice of meeting can be found at vodafone.com/agm.

Our US listing requirements

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

Board member independence	Different tests of independence for Board members are applied under the Code and the NASDAQ listing rules. The Board is not required to take into consideration NASDAQ's detailed definitions of independence as set out in the NASDAQ listing rules. The Board has carried out an assessment based on the independence requirements of the Code and has determined that, in its judgement, each of Vodafone's Non-Executive Directors is independent within the meaning of those requirements.
Committees	The NASDAQ listing rules require US companies to have a nominations committee, an audit committee and a compensation committee, each composed entirely of independent directors, with the nominations committee and the audit committee each required to have a written charter which addresses the committee's purpose and responsibilities, and the compensation committee having sole authority and adequate funding to engage compensation consultants, independent legal counsel and other compensation advisers. → Our Nominations and Governance Committee is chaired by the Chairman of the Board and its other members are independent Non-Executive Directors. → Our Remuneration Committee is composed entirely of independent Non-Executive Directors. → Our Audit and Risk Committee is composed entirely of Non-Executive Directors, each of whom (i) the Board has determined to be independent based on the independence requirements of the Code and (ii) meets the independence requirements of the Securities Exchange Act 1934. → We have terms of reference for our Nominations and Governance Committee, Audit and Risk Committee and Remuneration Committee, each of which complies with the requirements of the Code and is available for inspection on our website at vodafone.com/governance. → These terms of reference are generally responsive to the relevant NASDAQ listing rules, but may not address all aspects of these rules.
Code of Ethics and Code of Conduct	Under the NASDAQ listing rules, US companies must adopt a Code of Conduct applicable to all directors, officers and employees that complies with the definition of a "code of ethics" set out in section 406 of the Sarbanes-Oxley Act. → We have adopted a Code of Ethics that complies with section 406 of the Sarbanes-Oxley Act which is applicable only to the senior financial and principal executive officers, and which is available on our website at vodafone.com/governance. → We have also adopted a separate Code of Conduct which applies to all employees.
Quorum	The quorum required for shareholder meetings, in accordance with our articles of association, is two shareholders, regardless of the level of their aggregate share ownership, while US companies listed on NASDAQ are required by the NASDAQ listing rules to have a minimum quorum of 33.33% of the shareholders of ordinary shares for shareholder meetings.
Related party transactions	In lieu of obtaining an independent review of related party transactions for conflicts of interests in accordance with the NASDAQ listing rules, we seek shareholder approval for related party transactions that (i) meet certain financial thresholds or (ii) have unusual features in accordance with the Listing Rules issued by the FCA in the United Kingdom (the 'Listing Rules'), the Companies Act 2006 and our articles of association. Further, we use the definition of a transaction with a related party as set out in the Listing Rules, which differs in certain respects from the definition of related party transaction in the NASDAQ listing rules.
Shareholder approval	When determining whether shareholder approval is required for a proposed transaction, we comply with both the NASDAQ listing rules and the Listing Rules. Under the NASDAQ listing rules, whether shareholder approval is required for a transaction depends on, among other things, the percentage of shares to be issued or sold in connection with the transaction. Under the Listing Rules, whether shareholder approval is required for a transaction depends on, among other things, whether the size of a transaction exceeds a certain percentage of the size of the listed company undertaking the transaction.

Remuneration Committee

During the year the Committee has continued to ensure its work supports our long-term strategic goals and that remuneration levels fairly reflect ongoing performance in the context of wider market conditions and shareholder views.

Chairman

Valerie Gooding
Independent Non-Executive Director

Key objective:
To assess and make recommendations to the Board on the policies for executive remuneration and reward packages for the individual Executive Directors.

Responsibilities:

- determining, on behalf of the Board, the policy on the remuneration of the Chairman of the Board, the Executive Directors and the senior management team;
- determining the total remuneration packages for these individuals including any compensation on termination of office;
- operating within recognised principles of good governance; and
- preparing an Annual Report on Directors' remuneration.

Contents of the Remuneration Report

Letter from the Remuneration Committee Chairman

Dear shareholder

On behalf of the Board, I present our 2016 Directors' Remuneration Report – my first as Chairman of the Remuneration Committee. This report sets out both our policy, as approved by shareholders at the 2014 annual general meeting, and how this policy was implemented during 2016.

Last year's report received a vote in favour from shareholders of over 97% – indicating support for the Committee's focus on implementing the key principles of our executive remuneration approach. The Committee remains committed to ensuring that all of our decisions are guided by the principles of:

- offering competitive and fair rates of pay and benefits;
- ensuring our remuneration policy, and the manner in which it is implemented, drives the behaviours that support our strategy and business objectives;
- maintaining a "pay for performance" approach to remuneration which ensures our incentive plans only deliver significant rewards if and when they are justified by business performance; and
- aligning the interests of our senior management team with those of shareholders by developing an approach to share ownership that helps to maintain commitment over the long term.

Project Spring during 2016

The year under review saw operational progress made under Project Spring. In AMAP this was reflected through continued customer and data growth whilst in Europe our progress was evident in the fact that c.70% of our markets returned to service revenue growth.

Our improved financial performance was complemented by significant steps being made in the "Customer eXperience eXcellence" phase of Project Spring. This saw us increase the number of markets where we are Consumer NPS leader by 2, to 13 out of 21.

In addition to the above, the combined impact of these results has led to a number of notable achievements this year, including:

- doubling the number of our 4G customers to 47m;
- increasing our fixed broadband base to 13.4m (an increase of 1.3m);
- returning to full year growth in both EBITDA and service revenue;
- strong enterprise performance; and
- meeting targets in Europe for dropped call rates of less than 0.5% and for data sessions above three megabits per second of above 90%.

Remuneration outcomes during 2016

Annual bonus performance during the year was assessed against both financial and strategic measures. The former constituted 60% of maximum opportunity and was comprised of service revenue, EBITDA and adjusted cash flow (all equally weighted). Our strategic measure was comprised of Customer Appreciation KPIs, reflecting our focus on customer experience excellence and included Net Promoter Score and Brand Consideration, as well as consideration of other factors such as customer churn.

During the year, performance under all of the financial measures exceeded target performance, with cash flow in particular recording strong results. These results reflected both a stabilisation of performance in our European markets, with outcomes for this region ranging from slightly below to slightly above financial targets, and continued strong performance in our AMAP markets where financial performance across all three measures was significantly above targets.

Performance under the Customer Appreciation KPIs element of the bonus was slightly above on target performance highlighting that whilst there has been a positive start to our customer experience excellence focus, there still remain further gains to be made. We will be looking closely at underlying local market performance to ensure that all of our customers, regardless of where they are in the world, feel the benefit of our significant investment in this area. Further details about how this measure was assessed is provided on page 66.

As part of our commitment to full and open disclosure we have, for several years, published details of the performance required to achieve a target payout under the GSTIP for the year under review. This year we have sought to further reflect best practice by disclosing full target ranges of which further details can also be found on page 66. Performance against these targets during the year resulted in an overall payout of 58.4% of maximum.

In terms of long-term incentives, the 2014 GLTI award was measured over the three financial years ending 31 March 2016 and was assessed against both Free Cash Flow and TSR performance. Over the course of the performance period, the Free Cash Flow measure exceeded threshold performance, which was complemented by a slight outperformance of the median of the TSR comparator group. This resulted in a combined payout of 23.2% of maximum.

Application of policy for the year ahead

Following the Committee's annual review of the current policy it was agreed that no changes would be made in respect of the year ahead. Similarly, it was determined that the current balance of performance measures, following last year's introduction of the Customer Appreciation KPIs measure under the GSTIP, remains appropriate.

As part of this annual review, the Committee also contacted our top 20 shareholders to consult on the proposed application of the policy for the year ahead. This included the decision to increase the base salary of the Chief Financial Officer by 2.0% in light of business performance, salary increases for other UK employees and external market information. The Chief Executive Officer requested not to be considered for a salary increase during the year, and the Committee respected this request.

The Committee appreciates the importance of consulting with shareholders on matters of executive remuneration and was therefore pleased with the high level of engagement and support shown by investors.

During the year the Committee also completed a risk assessment of the current incentive plans. Although such an assessment is conducted annually, the Committee saw the review as particularly important this year given the current external environment. Following the assessment, the Committee remains satisfied that the current incentive plans do not promote undue risk.

This will therefore constitute the third financial year in which the current policy has been in place – a reflection of its success in providing an effective framework which has demonstrated the flexibility to meet our changing strategic priorities over the last three years.

In line with the reporting requirements our Policy Report will be put forward to a binding shareholder vote at the 2017 annual general meeting. The Committee is therefore in the process of conducting a full review of our existing arrangements to ensure that the Policy Report put forward for shareholder approval is appropriately positioned to support our executive remuneration programme over the next three years.

Conclusion

The success of Project Spring was always going to require more than financial investment. Indeed, our latest results show how our significant investment in infrastructure has been matched by a contribution from all our colleagues to improving our customers' experience. Continuous improvement for customers will be crucial in maximising the benefits from Project Spring for years to come.

Finally, I would like to take this opportunity to welcome Dr Mathias Döpfner to the Remuneration Committee and thank my predecessor, Luc Vandevelde, who stepped down from both the Committee and the Board following the 2015 annual general meeting, for his hard work and support during his tenure. I look forward to ensuring that the Committee continues to maintain and develop an executive remuneration framework that supports the opportunities ahead.

V. Gooding

Valerie Gooding
Chairman of the Remuneration Committee
17 May 2016

Remuneration policy

No changes have been made to our policy since its approval at the 2014 annual general meeting which was held on 29 July 2014. Our approved Policy Report is available on our website at vodafone.com, and has been reproduced below exactly as it was set out in the 2014 Annual Report. As such, a few phrases (e.g. references to the 2014 annual general meeting) are now out of date.

REMUNERATION POLICY (FIRST PUBLISHED IN THE 2014 ANNUAL REPORT)

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

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

Considerations when determining remuneration policy

Our remuneration principles which are outlined on page 57 are the context for our policy. Our principal consideration when determining remuneration policy is to ensure that it supports our Company strategy and business objectives.

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

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

We have not consulted with employees on the executive remuneration policy nor is any fixed remuneration comparison measurement used. However, when determining the policy for Executive Directors, we have been mindful of the pay and employment conditions of employees in Vodafone Group as a whole, with particular reference to the market in which the executive is based. Further information on our remuneration policy for other employees is given on page 62.

Performance measures and targets

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

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

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

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

Remuneration policy (continued)

The remuneration policy table

The table below summarises the main components of the reward package for Executive Directors.

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

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

Remuneration policy (continued)

Notes to the remuneration policy table

Existing arrangements

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

Long-Term Incentive ('GLTI')

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

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

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

Adjusted free cash flow

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

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

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

TSR outperformance of a peer group median

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

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

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

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

Combined vesting matrix

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

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

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

Outstanding awards

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

Remuneration policy for other employees

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

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

Estimates of total future potential remuneration from 2015 pay packages

The tables below provide estimates of the potential future remuneration for each of the Executive Directors based on the remuneration opportunity granted in the 2015 financial year and therefore do not reflect the latest remuneration information. Potential outcomes based on different performance scenarios are provided for each Executive Director.

The assumptions underlying each scenario are described below.

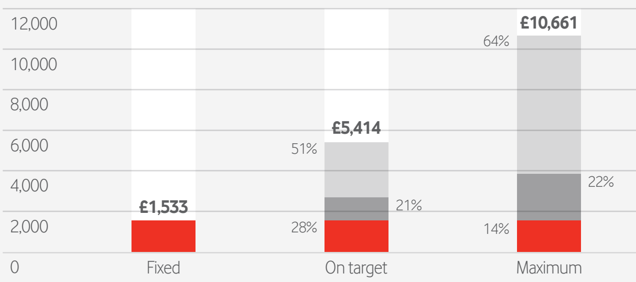
Fixed	Consists of base salary, benefits and pension.
	Base salary is at 1 July 2014.
	Benefits are valued using the figures in the total remuneration for the 2014 financial year table on page 78 (of the 2014 report) and on a similar basis for Nick Read (promoted to the Board on 1 April 2014).
	Pensions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

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

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

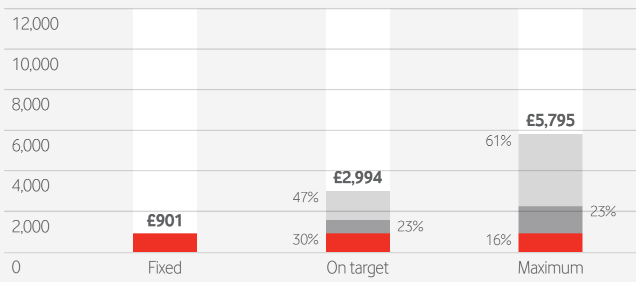
Vittorio Colao, Chief Executive

£'000



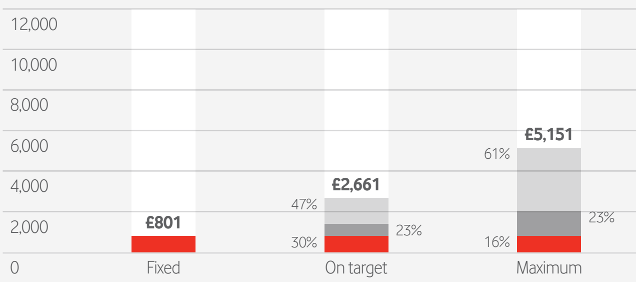
Nick Read, Chief Financial Officer (appointed 1 April 2014)

£'000



Stephen Pusey, Chief Technology Officer

£'000



Recruitment remuneration

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

The remuneration policy table (pages 60 and 61) sets out the various components which would be considered for inclusion in the remuneration package for the appointment of an Executive Director. Any new Director's remuneration package would include the same elements, and be subject to the same constraints, as those of the existing Directors performing similar roles. This means a potential maximum bonus opportunity of 200% of base salary and long-term incentive maximum face value of opportunity at award of 594% of base salary.

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

Remuneration policy (continued)

Service contracts of Executive Directors

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

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

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

Payments for departing executives

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

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

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

Chairman and Non-Executive Directors' remuneration

Our policy is for the Chairman to review the remuneration of Non-Executive Directors annually following consultation with the Remuneration Committee Chairman. Fees for the Chairman are set by the Remuneration Committee.

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

Non-Executive Director service contracts

Non-Executive Directors are engaged on letters of appointment that set out their duties and responsibilities. The appointment of Non-Executive Directors may be terminated without compensation. Non-Executive Directors are generally not expected to serve for a period exceeding nine years. For further information refer to the "Nomination and Governance Committee" section of the Annual Report (pages 69 and 70).

Annual Report on remuneration

Remuneration Committee

In this section we give details of the composition of the Remuneration Committee and activities undertaken during the 2016 financial year. The Committee is comprised to exercise independent judgement and consists only of the following independent Non-Executive Directors:

Chairman: Valerie Gooding (from 28 July 2015)
Committee members: Renee James and Samuel Jonah

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

External advisers

The Remuneration Committee seeks and considers advice from independent remuneration advisers where appropriate. The appointed advisers, Willis Towers Watson, were selected through a thorough process led by the Chairman of the Remuneration Committee and were appointed by the Committee in 2007. The Chairman of the Remuneration Committee has direct access to the advisers as and when required, and the Committee determines the protocols by which the advisers interact with management in support of the Committee. The advice and recommendations of the external advisers are used as a guide, but do not serve as a substitute for thorough consideration of the issues by each Committee member. Advisers attend Committee meetings occasionally, as and when required by the Committee.

Willis Towers Watson is a member of the Remuneration Consultants' Group and, as such, voluntarily operates under the Remuneration Consultants' Group Code of Conduct in relation to executive remuneration consulting in the UK. This is based upon principles of transparency, integrity, objectivity, competence, due care and confidentiality by executive remuneration consultants. Willis Towers Watson has confirmed that it adheres to that Code of Conduct throughout the year for all remuneration services provided to Vodafone and therefore the Committee is satisfied that it is independent and objective. The Remuneration Consultants' Group Code of Conduct is available at remunerationconsultantsgroup.com.

Adviser	Appointed by	Services provided to the Committee	Fees for services provided to the Committee £'000[1]	Other services provided to the Company
Willis Towers Watson	Remuneration Committee in 2007	Advice on market practice; governance; provision of market data on executive reward; reward consultancy; and performance analysis.	£102	Reward and benefits consultancy; provision of benchmark data; pension administration; and insurance consultancy services.

Note:
1 Fees are determined on a time spent basis.

2015 annual general meeting – Remuneration Report voting results

At the 2015 annual general meeting there was an advisory vote on our Remuneration Report. Details of the voting outcomes are provided in the table below.

	Votes for	%	Votes against	%	Total votes	Withheld
Remuneration Report	17,072,436,151	97.19	493,289,470	2.81	17,565,725,621	553,520,692

2014 annual general meeting – Remuneration Policy voting results

At the 2014 annual general meeting there was a binding vote on our Remuneration Policy. Details of the voting outcomes are provided in the table below.

	Votes for	%	Votes against	%	Total votes	Withheld
Remuneration Policy	16,620,036,145	95.97	698,459,069	4.03	17,318,495,214	227,447,313

Meetings

The Remuneration Committee had seven formal meetings during the year. In addition, informal conference calls can also take place. The principal agenda items at the formal meetings were as follows:

Meeting	Agenda items	
May 2015	→ 2015 annual bonus achievement and 2016 targets and ranges → 2012 long-term incentive award vesting and 2016 targets and ranges	→ 2015 Directors' Remuneration Report
June 2015	→ Re-organisation of Europe region	
July 2015	→ 2016 long-term incentive awards	→ Large local market CEO remuneration
September 2015	→ 2015 grant of co-investment awards	
November 2015	→ 2016 reward strategy → Annual review of remuneration policy	→ Corporate governance matters
January 2016	→ 2016 annual bonus framework	
March 2016	→ 2016 reward packages for the Executive Committee → Non-Executive Director fee levels → Chairman's fees	→ 2016 Directors' Remuneration Report → Committee's Terms of Reference → Risk assessment

Annual Report on remuneration (continued)

2016 remuneration

In this section we summarise the pay packages awarded to our Executive Directors for performance in the 2016 financial year versus 2015. Specifically we have provided a table that shows all remuneration that was earned by each individual during the year and computed a single total remuneration figure for the year. The value of the annual bonus ('GSTIP') reflects what was earned in respect of the year but will be paid out in cash in the following year. Similarly the value of the long-term incentive ('GLTI') reflects the share awards which will vest in June 2016 as a result of the performance through the three year period ended at the completion of our financial year on 31 March 2016.

The Remuneration Committee reviews all incentive awards prior to payment and uses judgement to ensure that the final assessments of performance are fair and appropriate. If circumstances warrant it, the Committee may adjust the final payment or vesting downwards. On this occasion, based on the fact that final annual bonus payout and final vesting level long-term incentives awards GLTI were deemed to be an accurate reflection of performance and were considered fair and appropriate, the Committee did not use its discretion to adjust final outcomes.

Total remuneration for the 2016 financial year (audited)

	Vittorio Colao		Stephen Pusey[1]		Nick Read	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000	**2016 £'000**	2015 £'000
Salary/fees	1,150	1,140	200	594	694	675
Taxable benefits[2]	32	40	7	21	26	28
Annual bonus: GSTIP (see below for further detail)	1,342	1,287	233	671	817	755
Total long-term incentive:	2,429	–	754	–	1,412	–
GLTI vesting during the year[3]	2,102	–	653	–	861	–
Cash in lieu of GLTI dividends[4]	327	–	101	–	134	–
GLTR vesting during the year[5]	–	–	–	–	380	–
GLTR dividend equivalent shares[6]	–	–	–	–	37	–
Cash in lieu of pension	316	342	60	178	191	203
Other[7]	1	1	–	–	1	1
Total	**5,270**	**2,810**	**1,254**	**1,464**	**3,141**	**1,662**

Notes:
1 Stephen Pusey stepped down from the Board following the AGM held on 28 July 2015 and retired on 31 July 2015.
2 Taxable benefits include amounts in respect of: – Private healthcare (2016: £1,946; 2015: £1,854);
– Cash car allowance £19,200 p.a.; and
– Travel (2016: Vittorio Colao £10,764, Nick Read £4,546; 2015: Vittorio Colao £18,022; Nick Read £7,164).
3 The value shown in the 2016 column is the award which vests on 26 June 2016 and is valued using an average of closing share price over the last quarter of the 2016 financial year of 216.59 pence.
4 Participants also receive a cash award, equivalent in value to the dividends that would have been paid during the vesting period on any shares that vest. The cash in lieu of dividend value shown in 2016 relates to the award which vests on 26 June 2016.
5 On 26 June 2013, prior to his appointment to the Board, Nick Read was granted a GLTR share award which was subject to a continued employment condition. This award subsequently vested on June 2015 following the fulfilment of the continued employment condition. The value shown in the 2016 column in respect of Nick Read is based on the execution share price on 26 June 2015 of 238.09 pence.
6 Nick Read received an award of 15,620 dividend equivalent shares in respect of the GLTR share award which vested on 26 June 2015.
7 Reflects the value of the SAYE benefit which is calculated as £250 x 12 months x 20% to reflect the discount applied based on savings made during the year.

2016 annual bonus ('GSTIP') payout (audited)

In the table below we disclose our achievement against each of the performance measures and targets in our annual bonus ('GSTIP') and the resulting total annual bonus payout level for the year ended 31 March 2016 of 116.7%. This is applied to the target bonus level of 100% of base salary for each executive. Commentary on our performance against each measure is provided below the table.

Performance measure	Payout at target performance 100%	Payout at maximum performance 200%	Actual payout %	Threshold performance level £bn	Target performance level £bn	Maximum performance level £bn	Actual performance level[1] £bn
Service revenue	20%	40%	20.7%	37.2	39.2	41.1	39.2
EBITDA	20%	40%	23.7%	11.4	12.2	13.1	12.4
Adjusted free cash flow	20%	40%	30.7%	0.1	0.7	1.3	1.0
Customer Appreciation KPIs	40%	80%	41.6%	See below for further details			
Total annual bonus payout level	**100%**	**200%**	**116.7%**				

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

During the year under review, service revenue performance was slightly above budget, with both Europe and AMAP regions recording above target performances. EBITDA results also demonstrated above target performance, with both Europe and AMAP again recording equally strong performances. With regards to Adjusted Free Cash Flow, overall performance reflected particularly strong AMAP performance, with our Europe region recording below target results.

An assessment of performance under the Customer Appreciation KPIs measure was conducted on a market by market basis, with these scores then being subject to a revenue-weighted average to give an overall performance achievement. Performance was primarily judged against an assessment of net promoter score and brand consideration for both consumer and enterprise operations, where applicable, within each market. Additional consideration was then given to other relevant factors including customer churn rates and revenue market share. Group performance for the year was slightly above target reflecting our position as Consumer NPS leader in 13 out of 21 markets – an increase from our previous position as leader in 11 markets.

2016 annual bonus ('GSTIP') amounts	Base salary £'000	Target bonus % of base salary	2016 payout % of target	Actual payment £'000
Vittorio Colao	1,150	100%	116.7%	1,342
Stephen Pusey[1]	600	100%	116.7%	233
Nick Read	700	100%	116.7%	817

Note:
1 The actual payment figure for Stephen Pusey reflects the pro-rated amount paid in respect of time served.

Long-term incentive ('GLTI') award vesting in June 2016 (audited)

The 2014 long-term incentive ('GLTI') awards which were made in June 2013 will partially vest in June 2016. The performance conditions for the three year period ending in the 2016 financial year are as follows:

		TSR outperformance		
Adjusted free cash flow measure	£bn	0.0% (Up to median)	4.5% (65th percentile equivalent)	9.0% (80th percentile equivalent)
Below threshold	<12.4	0%	0%	0%
Threshold	12.4	50%	75%	100%
Target	14.4	100%	150%	200%
Maximum	16.4	150%	225%	300%

TSR peer group	
AT&T	Orange
BT Group	Telecom Italia
Deutsche Telekom	Telefónica
Emerging markets composite	

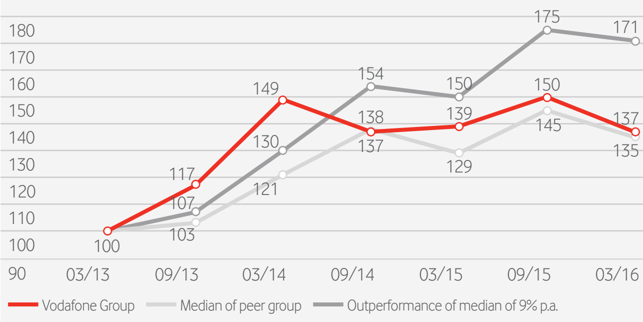
The adjusted free cash flow for the three year period ended on 31 March 2016, having removed the impact of the investment made under Project Spring as set out in our 2014 Annual Remuneration Report, was £13.1 billion. This compares with a threshold of £12.4 billion and a target of £14.4 billion.

The chart to the right shows that our TSR performance against our peer group for the same period resulted in an outperformance of the median by 0.4% a year.

Using the combined payout matrix above, this performance resulted in a payout of 69.6% of target.

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

2013 GLTI award: TSR performance (growth in the value of a hypothetical US$100 holding over the performance period, six-month averaging)



2014 GLTI performance share awards vesting in June 2016	Maximum number of shares	Target number of shares	Adjusted free cash flow performance payout % of target	TSR multiplier	Overall vesting % of target	Number of shares vesting	Value of shares vesting ('000)
Vittorio Colao	4,185,370	1,395,123	66.6%	1.05 times	69.6%	970,586	£2,102
Stephen Pusey[1]	1,904,846	634,948	66.6%	1.05 times	69.6%	301,272	£653
Nick Read	1,713,392	571,130	66.6%	1.05 times	69.6%	397,335	£861

Note:
1 The number and value of shares vesting for Stephen Pusey reflect the pro-rated amount paid in respect of time served.

These share awards will vest on 26 June 2016. Specified procedures are performed by PricewaterhouseCoopers LLP over the adjusted free cash flow to assist with the Committee's assessment of performance. The performance assessment in respect of the TSR outperformance of the peer group median is undertaken by Willis Towers Watson. Details of how the plan works can be found on pages 60 to 62.

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

The performance conditions for the 2016 long-term incentive awards made in June 2015 and September 2015 are a combination of adjusted free cash flow and TSR performance as follows:

		TSR outperformance		
Adjusted free cash flow measure	£bn	0.0% (Up to median)	4.5% (65th percentile equivalent)	9.0% (80th percentile equivalent)
Below threshold	<7.3	0%	0%	0%
Threshold	7.3	50%	75%	100%
Target	9.0	100%	150%	200%
Maximum	10.7	125%	187.5%	250%

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

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

Annual Report on remuneration (continued)

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

2016 GLTI performance share awards made in June 2015 and September 2015	Number of shares awarded: Target vesting level (40% of max)	Number of shares awarded: Maximum vesting level	Face value of shares awarded[1]: Target vesting level	Face value of shares awarded[1]: Maximum vesting level	Proportion of maximum award vesting at minimum performance	Performance period end
Vittorio Colao	**1,215,662**	3,039,156	**£2,731,579**	£6,828,949	⅕th	31 Mar 2018
Nick Read	**635,986**	1,589,967	**£1,417,652**	£3,544,135	⅕th	31 Mar 2018

Note:
1 Face value calculated based on target awards of 137.5 % of salary for Vittorio Colao and 110% of salary for Nick Read made in June 2015 using a share price for the awards of 239.4 pence and, following co-investment at the end of the close period, target awards of 100% of salary in September 2015 for both Executive Directors, using a share price for the awards of 207.2 pence (i.e. closing share price for the day prior to each grant).

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

All-employee share plans

The Executive Directors are also eligible to participate in the UK all-employee plans.

Summary of plans

Sharesave

The Vodafone Group 2008 Sharesave Plan is an HM Revenue & Customs ('HMRC') approved scheme open to all staff permanently employed by a Vodafone Company in the UK as of the eligibility date. Options under the plan are granted at up to a 20% discount to market value. Executive Directors' participation is included in the option table on page 69.

Share Incentive Plan

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

Pensions (audited)

The Executive Directors received a cash allowance of 30% of base salary in lieu of pension contributions until 31 October 2015. From 1 November 2015, cash allowance in lieu of pension contributions for Vittorio Colao and Nick Read were reduced to 24% of base salary. No Executive Directors accrued benefits under any defined contribution pension plans during the year or have participated in a defined benefits scheme while an Executive Director.

The Executive Directors are provided benefits in the event of death in service. They also have an entitlement under a long-term disability plan from which two-thirds of base salary, up to a maximum benefit determined by the insurer, would be provided until normal retirement date (aged 60). In respect of the Executive Committee members, the Group has made aggregate contributions of £130,806 (2015: £43,000) into defined contribution pension schemes.

Alignment to shareholder interests (audited)

All of our Executive Directors have shareholdings in excess of their goals. Current levels of ownership by the Executive Directors, and the date by which the goal should be or should have been achieved, are shown below. The values are calculated using an average share price over the six months to 31 March 2016 of 216.09 pence.

At 31 March 2016	Goal as a % of salary	Current % of salary held	% of goal achieved	Number of shares	Value of shareholding	Date for goal to be achieved
Vittorio Colao	400%	2,049%	512%	10,906,223	£23.6m	July 2012
Stephen Pusey (position at retirement)	300%	569%	190%	1,579,543	£3.4m	June 2014
Nick Read	300%	644%	215%	2,086,257	£4.5m	April 2019

Collectively the Executive Committee including the Executive Directors own more than 24 million Vodafone shares, with a value of over £52.3 million. None of the Executive Committee members' shareholdings amounts to more than 1% of the issued shares in that class of share, excluding treasury shares.

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

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

At 31 March 2016	Total number of interests in shares	Share plans: Unvested GLTI shares (with performance conditions)	Share options: SAYE (unvested without performance conditions)	Share options: GIP (vested)
Executive Directors				
Vittorio Colao	21,490,367	10,574,537	9,607	–
Stephen Pusey (position at retirement)	4,317,502	2,737,959	–	–
Nick Read	8,120,116	5,096,027	10,389	927,443
Total	**33,927,985**	**18,408,523**	**19,996**	**927,443**

The total number of interests in shares includes interests of connected persons, unvested share awards and share options.

At 31 March 2016	Total number of interests in shares
Non-Executive Directors	
Sir Crispin Davis	34,500
Dr Mathias Döpfner	11,500
Dame Clara Furse	25,000
Valerie Gooding[1]	4,038
Renee James	27,272
Samuel Jonah	30,190
Gerard Kleisterlee	107,078
Nick Land	42,090
David Nish	21,227
Luc Vandevelde (position at retirement on 28 July 2015)	75,474
Philip Yea	33,408

Note:
1 On 17 May 2016, Valerie Gooding acquired an interest in a further 7,962 shares resulting in a total interest in 12,000 shares as at 17 May 2016.

At 17 May 2016 and during the period from 1 April 2016 to 17 May 2016, no Director had any interest in the shares of any subsidiary company. Other than those individuals included in the tables above who were Board members at 31 March 2016, members of the Group's Executive Committee at 31 March 2016 had an aggregate beneficial interest in 11,188,246 ordinary shares of the Company. At 17 May 2016 the Directors had an aggregate beneficial interest in 13,336,745 ordinary shares of the Company and the Executive Committee members had an aggregate beneficial interest in 11,197,712 ordinary shares of the Company, which includes awards made under the Vodafone Share Incentive Plan after 31 March 2016 and share purchases made after the year-end outside of the close period. None of the Directors or the Executive Committee members had an individual beneficial interest amounting to greater than 1% of the Company's ordinary shares.

With the exception of the acquisition of an interest in 7,962 ordinary shares by Valerie Gooding as outlined above, the Directors' total number of interests in shares did not change during the period from 1 April 2016 to 17 May 2016.

Performance shares

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

GLTI performance share awards	2014 award Awarded: June 2013 and September 2013[1] Performance period ending: March 2016 Vesting date: June 2016 Share price at grant: 180.2 pence and 202.5 pence	2015 award Awarded: June 2014 Performance period ending: March 2017 Vesting date: June 2017 Share price at grant: 189.9 pence	2016 award Awarded: June 2015 and September 2015[1] Performance period ending: March 2018 Vesting date: June 2018 Share price at grant: 239.4 pence and 207.2 pence
Vittorio Colao	4,185,370	3,350,011	3,039,156
Stephen Pusey	1,904,846	833,113	–
Nick Read	1,713,392	1,792,668	1,589,967

Note:
1 Due to a close period, Executive Directors were not able to make co-investment commitments at the time of the main award in June 2013 and 2015 and therefore part of the award was made in September 2013 and 2015 respectively.

For details of the performance conditions please see page 62.

Share options

The following information summarises the Executive Directors' options under the Vodafone Group 2008 Sharesave Plan ('SAYE'), the Vodafone Group Incentive Plan ('GIP') and the Vodafone Group Plc 1999 Long-Term Stock Incentive Plan ('LTSIP'). HMRC approved awards may be made under all of the schemes mentioned. No other Directors have options under any schemes and, other than under the SAYE, no options have been granted since 2007.

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

	Grant date	At 1 April 2015 or date of appointment Number of shares	Options granted during the 2016 financial year Number of shares	Options exercised during the 2016 financial year Number of shares	Options lapsed during the 2015 financial year Number of shares	Options held at 31 March 2016 Number of shares	Option price Pence[1]	Date from which exercisable	Expiry date	Market price on exercise Pence	Gain on exercise
Vittorio Colao										
SAYE	Jul 2014	9,607	–	–	–	9,607	156.13	Sep 2019	Feb 2020	–	–
Total		**9,607**				**9,607**					
Nick Read											
LTSIP[2]	Jul 2005	257,838	–	257,838	–	–	136.00	Jul 2008	Jul 2015	206.89	£182,786
GIP[3]	Jul 2007	927,443	–	–	–	927,443	167.80	Jul 2010	Jul 2017	–	–
SAYE	Jul 2012	10,389	–	–	–	10,389	144.37	Sep 2017	Feb 2018	–	–
Total		**1,195,670**				**937,832**					

Notes:
1 The closing trade share price on 31 March 2016 was 221.20 pence. The highest trade share price during the year was 255.35 pence and the lowest price was 200.20 pence.
2 The options granted in July 2005 were subject to a three year cumulative growth in adjusted earnings per share performance condition. The options vested 100% in July 2008.
3 The options granted in July 2007 were subject to a three year cumulative growth in adjusted earnings per share performance condition. The options vested 100% in July 2010.

Annual Report on remuneration (continued)

At 17 May 2016 there had been no change to the Directors' interests in share options from 31 March 2016.

Other than those individuals included in the table above, at 17 May 2016 members of the Group's Executive Committee held options for 26,501 ordinary shares at prices ranging from 156.1 pence to 189.2 pence per ordinary share, with a weighted average exercise price of 174.3 pence per ordinary share exercisable at dates ranging from 1 September 2017 to 1 September 2020.

Hannes Ametsreiter, Paolo Bertoluzzo, Aldo Bisio, António Coimbra, Warren Finegold, Ronald Schellekens, Robert Shuter and Serpil Timuray held no options at 17 May 2016.

Loss of office payments (audited)

Stephen Pusey retired on 31 July 2015 having worked 9 months of his 12 month notice period. Stephen was entitled to receive payments in lieu of notice each month for the remainder of his notice period subject to mitigation. In total, Stephen received the equivalent of 3 months salary (£150,000) and an amount equivalent to the pro-rated annual leave that had not been taken during his employment in the year (£16,846).

Since Stephen was employed for part of the 2016 financial year his annual bonus payment (as disclosed on page 67) was pro-rated for time served (i.e. to 31 July 2015). Stephen's 2014 GLTI award, the final vesting of which is described on page 67, will also be pro-rated for time worked and will vest at the normal vesting date.

Stephen's outstanding 2015 GLTI award will be pro-rated on a time worked basis and will vest, subject to performance, at the normal vesting date, in accordance with our share plan rules.

Stephen will receive no further benefits aside from the provision of a SIM card for his personal use at the Company's expense for a period of three years commencing on 1 August 2015.

Payments to past Directors (audited)

During the 2016 financial year Lord MacLaurin received benefit payments in respect of security costs as per his contractual arrangements. These costs exceeded our de minimis threshold of £5,000 p.a. and, including the tax paid, were £9,411.

Fees retained for external non-executive directorships

Executive Directors may hold positions in other companies as non-executive directors and retain the fees.

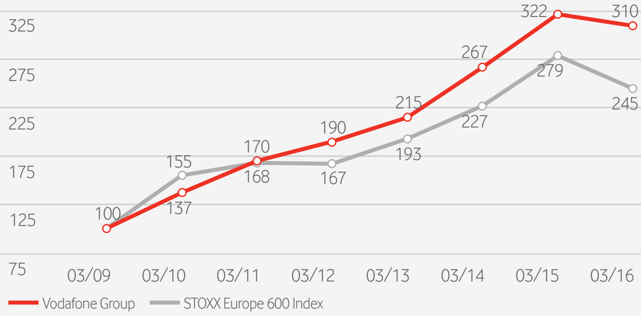
With effect from 1 July 2015, Vittorio Colao was appointed to the boards of Unilever N.V. and Unilever PLC as a non-executive director. During the year ended 31 March 2016 Vittorio retained fees of £63,783 in respect of this role.

With effect from 1 April 2015, Stephen Pusey was appointed to the board of Centrica plc as a non-executive director. During the period up to his retirement on 31 July 2015, Stephen retained fees of £24,000 in respect of this role.

Assessing pay and performance

In the table below we summarise the Chief Executive's single figure remuneration over the past seven years, as well as how our variable pay plans have paid out in relation to the maximum opportunity. This can be compared with the historic TSR performance over the same period. The chart below shows the performance of the Company relative to the STOXX Europe 600 Index over a six year period. The STOXX Europe 600 Index was selected as this is a broad-based index that includes many of our closest competitors. It should be noted that the payout from the long-term incentive plan is based on the TSR performance shown in the chart on page 67 and not this chart.

Seven-year historical TSR performance
(growth in the value of a hypothetical €100 holding over seven years)



Financial year remuneration for Chief Executive (Vittorio Colao)	2010[1]	2011	2012	2013	2014	2015	2016
Single figure of total remuneration £'000	3,350	7,022	15,767	11,099	8,014	2,810	5,270
Annual variable element (actual award versus maximum opportunity)	64%	62%	47%	33%	44%	56%	58%
Long-term incentive (vesting versus maximum opportunity)	25%	31%	100%	57%	37%	0%	23%

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

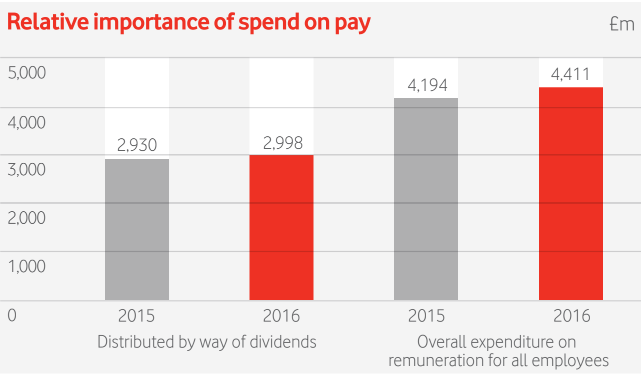
Change in the Chief Executive's remuneration

In the table below we show the percentage change in the Chief Executive's remuneration (salary, taxable benefits and annual bonus payment) between the 2015 and 2016 financial years compared to the average for other Vodafone Group employees who are measured on comparable business objectives and who have been employed in the UK since 2015 (per capita). Vodafone has employees based all around the world and some of these individuals work in countries with very high inflation therefore a comparison to Vodafone's UK-based Group employees is more appropriate than to all employees.

	Percentage change from 2015 to 2016	
Item	Chief Executive: Vittorio Colao	Other Vodafone Group employees employed in the UK
Base salary	0.9%	5.1%
Taxable benefits	-20.0%	0.4%
Annual bonus	4.3%	15.4%

Relative spend on pay

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



For more details on dividends and expenditure on remuneration for all employees, please see pages 111 and 140 respectively.

2016 remuneration for the Chairman and Non-Executive Directors (audited)

	Salary/fees		Benefits[1]		Total	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Chairman						
Gerard Kleisterlee	625	625	77	66	702	691
Senior Independent Director						
Philip Yea	128	115	1	–	129	115
Non-Executive Directors						
Sir Crispin Davis (appointed 28 July 2014)	115	78	–	26	115	104
Dr Mathias Döpfner (appointed 1 April 2015)	115	–	1	–	116	–
Dame Clara Furse (appointed 1 September 2014)	115	67	–	–	115	67
Valerie Gooding	132	115	6	5	138	120
Renee James[2]	133	145	10	11	143	156
Samuel Jonah[2]	151	151	17	5	168	156
Nick Land	140	140	1	1	141	141
David Nish (appointed 1 January 2016)	29	–	7	–	36	–
Former Non-Executive Directors						
Alan Jebson[2] (retired 31 July 2014)	–	56	–	32	–	88
Omid Kordestani[2] (retired 31 December 2014)	–	116	–	14	–	130
Anne Lauvergeon (retired 31 July 2014)	–	38	–	1	–	39
Luc Vandevelde (retired 28 July 2015)	53	160	19	6	72	166
Anthony Watson (retired 31 July 2014)	–	38	–	4	–	42
Total	**1,736**	**1,844**	**139**	**171**	**1,875**	**2,015**

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

Annual Report on remuneration (continued)

2017 remuneration

Details of how the remuneration policy will be implemented for the 2017 financial year are set out below.

2017 base salaries

The Remuneration Committee considered business performance, salary increases for other UK employees and external market information and decided to increase the salary of the Chief Financial Officer by 2.0% which is in line with the average salary increase budget for all employees across the UK. The Chief Executive requested not to be considered for a salary increase during the review. The average salary increase for Executive Committee members will be 2.5%; this compares to a budget of 2.4% which is based on an average of the relevant local market budget for each Executive Committee member.

The annual salaries for 2017 (effective 1 July 2016) are as follows:

- Chief Executive: Vittorio Colao £1,150,000; and
- Chief Financial Officer: Nick Read £714,000.

2017 annual bonus ('GSTIP')

The performance measures and weightings for 2017, which remain unchanged from 2016, are as follows:

- service revenue (20%);
- EBITDA (20%);
- adjusted free cash flow (20%); and
- customer appreciation KPIs (40%). This includes an assessment of net promoter score ('NPS') and brand consideration measures.

In respect of the measures included under the customer appreciation KPIs, net promoter score is used as a measure of the extent to which our customers would recommend us, whilst brand consideration acts as a measure of the percentage of people who would consider using a certain brand as their telecoms provider. Both measures utilise data collected in our local markets which is validated for quality and consistency by independent third party agencies. The data is sourced from studies involving both our own customers and customers of our competitors for the NPS measure, and both Vodafone users and non-users for the brand consideration measure. In formulating a final assessment of performance under the customer appreciation KPIs, the Committee will also consider other relevant customer factors such as churn, customer growth and service levels.

Due to the potential impact on our commercial interests, annual bonus targets are considered commercially sensitive and therefore will be disclosed in the 2017 remuneration report following the completion of the financial year.

Long-term incentive ('GLTI') awards for 2017

As described in our policy on pages 60 to 62 the performance conditions are a combination of adjusted free cash flow and TSR performance. The details for the 2017 award are provided in the table below (with linear interpolation between points). Following the annual review of the performance measure, the Committee decided that for the 2017 award the TSR outperformance range should remain unchanged. The Committee will keep the calibration of the range under review and continue to only make changes where there is sufficient evidence to suggest this is appropriate.

		TSR outperformance		
Adjusted free cash flow measure	£bn[1]	0.0% (Up to median)	4.5% (65th percentile equivalent)	9.0% (80th percentile equivalent)
Below threshold	<9.95	0%	0%	0%
Threshold	9.95	50%	75%	100%
Target	11.80	100%	150%	200%
Maximum	13.65	125%	187.5%	250%

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

Note:
1 In line with the decision to change the Group's reporting currency to euros from pounds sterling, as outlined in the Chairman's statement on page 3, the equivalent targets in euros, based on internal foreign exchange rate assumptions, including €1.38 : £1, will be a threshold of €13.75bn, a target of €16.30bn and a maximum of €18.85bn.

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

2016 remuneration for the Chairman and Non-Executive Directors

For the 2016 review, the fees for our Chairman and non-executives have been benchmarked against a comparator group of the FTSE 30 companies (excluding Financial Services). Following the review it was agreed that the additional fee for the Senior Independent Director should be increased by £5,000 which brings it in line with other fees for additional responsibilities.

Position/role	Fee payable £'000 From 1 April 2016
Chairman[1]	625
Non-Executive Director	115
Additional fee for Senior Independent Director	25
Additional fee for Chairmanship of Audit, Remuneration and Risk Committees	25

Note:
1 The Chairman's fee also includes the fee for the Chairmanship of the Nominations and Governance Committee.

For 2017, the allowance payable each time a non-Europe-based Non-Executive Director is required to travel to attend Board and Committee meetings to reflect the additional time commitment involved is £6,000.

Further remuneration information

Dilution

All awards are made under plans that incorporate dilution limits as set out in the guidelines for share incentive schemes published by the Investment Association. The current estimated dilution from subsisting executive awards is approximately 2.8% of the Company's share capital at 31 March 2016 (3.0% at 31 March 2015), whilst from all-employee share awards it is approximately 0.5% (0.5% at 31 March 2015). This gives a total dilution of 3.3% (3.5% at 31 March 2015).

Service contracts

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

This report on remuneration has been approved by the Board of Directors and signed on its behalf by:

Valerie Gooding
Chairman of the Remuneration Committee
17 May 2016

Directors' report

The Directors of the Company present their report together with the audited consolidated financial statements for the year ended 31 March 2016.

This report has been prepared in accordance with requirements outlined within The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and forms part of the management report as required under Disclosure & Transparency Rule ('DTR') 4. Certain information that fulfils the requirements of the Directors' report can be found elsewhere in this document and is referred to below. This information is incorporated into this Directors' report by reference.

Responsibility statement
As required under the DTR a statement made by the Board regarding the preparation of the financial statements is set out on pages 76 and 77 which also provides details regarding the disclosure of information to the Company's auditor and management's report on internal control over financial information.

Going concern
The going concern statement required by the Listing Rules and the Code is set out in the "Directors' statement of responsibility" on pages 76 and 77.

Corporate governance statement
The corporate governance statement setting out how the Company complies with the Code and which includes a description of the main features of its internal control and risk management arrangements in relation to the financial reporting process is set out on pages 54 and 55. The information required by DTR 7.2.6R can be found in the "shareholder information" section on pages 175 to 181. A description of the composition and operation of the Board and its Committees is set out on pages 38 to 73.

Strategic Report
The Strategic Report is set out on pages 2 to 37 and is incorporated into this Directors' report by reference.

Directors and their interests
The Directors of the Company who served during the financial year ended 31 March 2016 and up to the date of signing the financial statements are as follows: Gerard Kleisterlee, Vittorio Colao, Nick Read, Sir Crispin Davis, Dr Mathias Döpfner, Dame Clara Furse, Valerie Gooding, Renee James, Samuel Jonah, Nick Land, Philip Yea and David Nish. Luc Vandevelde and Stephen Pusey stepped down during the financial year ended 31 March 2016. Details of Directors' interests in the Company's ordinary shares, options held over ordinary shares, interests in share options and long-term incentive plans are set out on pages 66 to 72.

Directors' conflicts of interest
Established within the Company is a procedure for managing and monitoring conflicts of interest for Directors. Details of this procedure are set out on page 54.

Directors' indemnities
In accordance with our Articles of Association and to the extent permitted by law, Directors are granted an indemnity from the Company in respect of liability incurred as a result of their office. In addition, we maintained a Directors' and officers' liability insurance policy throughout the year. Neither our indemnity nor the insurance provides cover in the event that a Director is proven to have acted dishonestly or fraudulently.

Disclosures required under Listing Rule 9.8.4
The information on the amount of interest capitalised and the treatment of tax relief can be found in notes 5 and 6 to the consolidated financial statements respectively. The remaining disclosures required by Listing Rule 9.8.4 are not applicable to Vodafone.

Capital structure and rights attaching to shares
All information relating to the Company's capital structure, rights attaching to shares, dividends, the policy to repurchase the Company's own shares and other shareholder information is contained on pages 175 to 181.

Change of control
Details of change of control provisions in the Company's revolving credit facilities is set out on page 130.

Information on agreements between the Company and its Directors providing for compensation for loss of office of employment (including details of change of control provisions in share schemes) is set out on page 64. Subject to that, there are no agreements between the Company and its employees providing for compensation for loss of office of employment that occurs because of a takeover bid.

Dividends
Full details of the Company's dividend policy and proposed final dividend payment for the year ended 31 March 2016 are set out on pages 17 and 36 and note 9 to the consolidated financial statements.

Sustainability
Information about the Company's approach to sustainability risks and opportunities is set out on pages 20 and 21. Also included on these pages are details of our greenhouse gas emissions.

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

Financial risk management objectives and policies
Disclosures relating to financial risk management objectives and policies, including our policy for hedging are set out in note 23 to the consolidated financial statements and disclosures relating to exposure to price risk, credit risk, liquidity risk and cash flow risk are outlined in note 23.

Important events since the end of the financial year
Details of those important events affecting the Group which have occurred since the end of the financial year are set out in the Strategic Report and note 32 to the consolidated financial statements.

Future developments within the Group
The Strategic Report contains details of likely future developments within the Group.

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

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

Branches
The Group, through various subsidiaries, has branches in a number of different jurisdictions in which the business operates.

Employee disclosures
Our disclosures relating to the employment of disabled persons, women in senior management roles, employee engagement and policies are included in "Our people" on pages 18 and 19.

By Order of the Board

Rosemary Martin
Group General Counsel and Company Secretary

17 May 2016