Chairman's governance statement

Committed to the highest standards of corporate governance

Strong and robust corporate governance is integral to creating long-term value and success for the benefit of our shareholders and stakeholders.

Contents

Dear Shareholder,

Welcome to the Corporate Governance Report for the year ended 31 March 2018 which I am pleased to present on behalf of the Board.

This year has seen continued focus on companies' corporate governance arrangements, ensuring that they have strong and robust corporate governance at the heart of everything they do. This report will outline how your Board has ensured that we have effective corporate governance in place to help support the creation of long-term value for our shareholders and stakeholders.

My Chairman's statement on page 3 highlights the progress we have made against our ambition to be a converged communications leader in all of our European markets, a mobile data leader in Africa and India, and an Enterprise leader internationally.

Key to this progress is ensuring that the Board and senior management remain focused on the right things and a significant event within our annual calendar is the Board strategy day. Each year, the strategy day takes place in a key location and this year it was held at our Germany offices in Düsseldorf.

As well as providing time for the Board and senior management to focus specifically on strategy, the day also gives the Board the opportunity to meet colleagues, customers and other stakeholders in one of our local markets.

Board changes

In May 2018, we announced the succession plan for the Group Chief Executive role. From 1 October 2018, Vittorio Colao will be succeeded by Nick Read, our current Chief Financial Officer, with Margherita Della Valle (our Deputy CFO) succeeding Nick and joining the Board after the AGM on 27 July 2018. In addition to this executive succession planning, the Nominations and Governance Committee continued to keep under review the composition of the Board to ensure that we have the right balance of skills and experience.

On 1 June 2017, Maria Amparo Moraleda Martinez joined the Board as a Non-Executive Director. Amparo has strong international technology experience and has been a valuable addition to the Board. To ensure a smooth transition, Amparo has undertaken an extensive induction programme, of which further information is available on page 56.

Following the announcement in March 2017 that Nick Land and Phil Yea would not stand for re-election at the 2017 AGM, it was identified that the Board would benefit from the addition of someone with financial experience. In January 2018, we announced the appointment of Michel Demaré with effect from 1 February 2018. Michel has a strong background in corporate finance and a wealth of leadership experience and is an important addition to the Board. Further information on Michel's appointment process can be found on page 63.

We have also announced that Dr. Mathias Döpfner will not be seeking re-election at our AGM in July, in order to focus on his executive role. I would like to take this opportunity to thank Mathias for his contribution to the Board over the last three years.

Keeping in mind the delicate balance of skills and experience needed for your Board to operate effectively, and given Samuel Jonah's continued independent character and judgement, I have asked Samuel to remain on the Board and to seek re-election for a further 12 months at our AGM.

The Board is currently meeting its target of having at least 33% female representation on the Board by 2020. We are committed to having a diverse board in all respects and the Committee has taken into consideration the targets outlined in the Parker and Hampton-Alexander reports.

Culture and governance

The Board recognises the importance of its role in setting the tone of Vodafone's culture and embedding it throughout the Group. Our Business Principles (the values we respect) and our Code of Conduct (the behaviours we expect) underpin everything that we do and are reinforced through the Digital Vodafone Way, which sets out the type of organisation we want to be. Everyone who works for and with us is required to comply with these. An overview of our Business Principles, our Code of Conduct and the Digital Vodafone Way can be found on pages 36 and 37.

The Board, Executive Committee and our senior management understand how we work is as important as what we achieve and instil focus on the importance of compliance and integrity at all levels throughout the Group.

It is pleasing to see the external recognition Vodafone has received over the last 12 months for our work in diversity and inclusion. As discussed on pages 36 to 37, Vodafone is committed to diversity and inclusion in all forms. This year Vodafone was acknowledged as a top 100 LGBT+ inclusive employer by Stonewall and Vittorio was recognised as the top male champion of women in business in the UK by the Financial Times and HERoes.

The Board is also committed to ensuring there is a robust system of corporate governance in place to support the successful execution of Vodafone's strategy. This year Vodafone was subject to the 2016 UK Corporate Governance Code and I am pleased to confirm that Vodafone has complied with it.

Following our success at the ICSA: The Governance Institute Awards 2016, winning Best Audit Report Disclosure, I am pleased to tell you that in 2017 Vodafone won Strategic Report of the Year and was also nominated for Annual Report of the Year, recognising our hard work and commitment to good reporting.

Engagement with our stakeholders

Vodafone's success is dependent upon your Board taking decisions for the benefit of our shareholders and in doing so having regard for all of our stakeholders.

A key event during the year is the AGM whereby the Board is able to engage with you and to answer your questions on the performance of the Group.

Further details on how we have engaged with all of our stakeholders over the year can be found on pages 58 and 59.

Board effectiveness

This year the Board again undertook an internal evaluation with the assistance of Lintstock. The results of this review can be found on pages 60 and 61 which I am pleased to report show that your Board is still operating effectively.

Looking ahead

Maintaining the highest standards of corporate governance across the Group is integral to the delivery of our strategy and your Board remain focused on creating sustainable long-term value for the benefit of our shareholders and stakeholders.

Gerard Kleisterlee
Chairman

15 May 2018

Compliance with the 2016 UK Corporate Governance Code (the 'Code')

In respect of the year ended 31 March 2018, Vodafone Group Plc was subject to the Code (available from www.frc.org.uk). The Board is pleased to confirm that Vodafone applied the principles and complied with all of the provisions of the Code throughout the year. Further information on compliance with the Code can be found as follows:

Disclosure Guidance and Transparency Rules

We comply with the corporate governance statement requirements pursuant to the FCA's Disclosure Guidance 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 191 to 197.

Board of Directors

Experienced, effective and diverse leadership

Our business is led by our Board of Directors. Biographical details of the Directors and senior management as at 15 May 2018 are as follows (with further information available at vodafone.com/board).

Committee Key:

(A) Audit and Risk Committee (N) Nominations and Governance Committee (R) Remuneration Committee ● Solid background signifies Committee Chair

Gerard Kleisterlee (N)

Chairman – Independent on appointment

Tenure: 7 years

Skills and experience:
Gerard has extensive experience of senior leadership of global businesses both in 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, deputy chair, senior independent director, chair of the remuneration committee and member of the nomination and succession committee with effect from 23 May 2018
- ASML, chairman of supervisory board

Vittorio Colao

Chief Executive – Executive Director

Tenure: 11 years

Skills and experience:
With over 20 years' experience working in the telecoms industry, Vittorio has extensive leadership skills developed within both Vodafone and the industry and is widely recognised as an outstanding leader in the telecoms sector. Vittorio became a member of the Board in October 2006 and was appointed Chief Executive in July 2008. Vittorio will stand down as a Director and as Chief Executive on 30 September 2018.

Other current appointments:
- European Round Table of Industrialists, vice chairman
- Unilever PLC, non-executive director and chair of the compensation committee

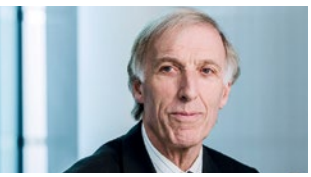
Nick Read

Chief Financial Officer – Executive Director

Tenure: 4 years

Skills and experience:
As Group Chief Financial Officer, Nick combines strong commercial and operational leadership with a detailed understanding of the industry and its challenges and opportunities. Nick has wide-ranging experience in senior finance roles both at Vodafone and other multinational companies including United Business Media plc and Federal Express Worldwide. Nick will become Chief Executive on 1 October 2018.

Other current appointments:
- Booking Holdings Inc., non-executive director (subject to approval at the annual meeting of stockholders in June 2018)



Sir Crispin Davis (A) (N)

Non-Executive Director

Tenure: 3 years

Skills and experience:
Sir Crispin has broad-ranging experience as a business leader within international content and technology markets from his roles as chief executive of RELX Group (formerly 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:
- Hasbro, non-executive director
- Oxford University, trustee and member of the university board
- CVC Capital Partners, adviser
- Rentokil Initial plc, non-executive director

Michel Demaré

Non-Executive Director

Tenure: <1 year

Skills and experience:
Michel brings extensive international finance, strategy and M&A experience to the Board, gained during his 18-year career at Dow Chemical, as CFO of Baxter International (Europe), and as CFO and head of global markets of ABB Group. He was the non-executive chairman of Syngenta until the company was sold to ChemChina in 2017.

Other current appointments:
- UBS AG, independent vice chairman
- Louis Dreyfus Company Holdings BV, non-executive director
- IMD Business School in Lausanne, vice chairman of the supervisory board
- Department of Banking and Finance at the University of Zurich, advisory board member

Dr Mathias Döpfner (R)

Non-Executive Director

Tenure: 3 years

Skills and experience:
Mathias brings wide-ranging experience within the global digital media industry to the Board. 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. Mathias will be stepping down from the Board at our AGM on 27 July 2018.

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

Experience and skills
Non-Executive Directors

Consumer goods	Media
Finance and capital markets	Technology
Financial services	Telecoms
Emerging markets	Consumer services

Gender composition
Board of Directors

Female	
Male	

Dame Clara Furse (A)
Non-Executive Director

Tenure: 3 years

Skills and experience:
Dame Clara brings to the Board a deep understanding of international capital markets, regulation, service industries and business transformation developed from her previous roles as chief executive officer 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:
– HSBC UK, non-executive chairman
– Amadeus IT Group SA, non-executive director

Valerie Gooding CBE (N) (R)
Senior Independent Director

Tenure: 4 years

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:
– TUI AG, non-executive director
– Aviva UK Insurance Ltd, chairman
– English National Ballet, trustee
– Royal Botanical Gardens, Kew, Queen's trustee
– Lawn Tennis Association Trust, chairman

Renee James (N) (R)
Non-Executive Director

Tenure: 7 years

Skills and experience:
Renee brings comprehensive knowledge of the high technology sector developed from her long career at Intel Corporation where she was president. She is currently the chairman and CEO of Ampere Computing. Her extensive experience of international management, technology and the development and implementation of corporate strategy is an asset to the Board and the Committees for which she is a member.

Other current appointments:
– The National Security Telecommunications Advisory Committee, chairman
– Carlyle Group, operating executive
– Oracle Corporation, non-executive director
– Citigroup Inc., non-executive director

Samuel Jonah KBE (R)
Non-Executive Director

Tenure: 9 years

Skills and experience:
Samuel brings experience and understanding of business operations in emerging markets, particularly Africa. Previously executive president of AngloGold Ashanti Ltd, he provides an international, commercial perspective to Board discussions.

Other current appointments:
– Global Advisory Council of Bank of America, member
– President of Togo, adviser
– Iron Mineral Beneficiation Services, non-executive chairman
– Jonah Capital (Pty) Limited, executive chairman
– Hollard (formerly Metropolitan) Insurance Company Limited, chairman
– The Investment Climate Facility, member of trustee board

Amparo Moraleda (A)
Non-Executive Director

Tenure: <1 year

Skills and experience:
Amparo brings strong international technology experience to the Board from her previous role as chief executive officer of the international division of Iberdola and a career spanning 20 years at IBM, where she held a number of positions across a range of global locations.

Other current appointments:
– Airbus Group, non-executive director, chair of the nominations, governance and remuneration committees
– CaixaBank, non-executive director and chair of the remuneration committee
– Solvay, non-executive director
– Royal Academy of Economic and Financial Services, member

David Nish (A)
Non-Executive Director

Tenure: 2 years

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 and chair of the audit committee
– Zurich Insurance Group, board member

Executive Committee

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 and talent pipeline.

Serpil Timuray

Chief Commercial Operations and Strategy Officer

Tenure: 1 year

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

Previous roles include:
- Vodafone, Regional Chief Executive Officer – Africa, Middle East and Asia-Pacific Region (AMAP) (2013–2016)
- Vodafone Turkey, Chief Executive Officer (2009–2013)
- Danone Turkey, chief executive officer (2002–2008), marketing director with additional sales director role (1999–2002)
- Procter & Gamble Turkey, various marketing roles including executive committee member (1991–1999)

Rosemary Martin

Group General Counsel and Company Secretary

Tenure: 8 years

Responsibilities:
Rosemary is responsible for managing Vodafone's legal risk and for providing legal, compliance and company secretariat services to the Group.

Previous roles include:
- Practical Law Company, chief executive officer (2008–2010)
- 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: 9 years

Responsibilities:
Ronald is responsible 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)

Johan Wibergh

Group Technology Officer

Tenure: 3 years

Responsibilities:
Johan is responsible for leading Vodafone's global technology organisation. His role is integral to developing Vodafone's convergence strategy on a global scale.

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

Brian Humphries

Group Enterprise Director

Tenure: 1 year

Responsibilities:
Brian manages and leads Vodafone's growing Global Enterprise business which provides total communications solutions to businesses. His responsibilities include Vodafone's strategy and execution in the Enterprise market worldwide. He manages a portfolio which includes: Vodafone Global Enterprise, Vodafone Carrier Services, Internet of Things and Cloud & Security.

Previous roles include:
- Dell-EMC, president, enterprise solutions (2013–2017)
- Hewlett-Packard, various roles including senior vice president, emerging markets (2002–2013)

Joakim Reiter

Group External Affairs Director

Tenure: <1 year

Responsibilities:
Joakim 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 we operate. He is also responsible for security, and for the Vodafone Foundation, of which he is a trustee.

Previous roles include:
- United Nations, assistant secretary-general and United Nations Conference on Trade and Development, deputy secretary-general (2015–2017)
- Ministry of Foreign Affairs, Sweden, deputy director-general (2014–2015)
- World Trade Organisation, ambassador (2011–2014)
- Permanent Representation to the European Union, minister councillor (2008–2011)

Membership

The Committee is comprised of Vittorio Colao, Group Chief Executive, Nick Read, Group Chief Financial Officer and the senior managers as detailed below. Tenure refers to length of service in role.

Biographies for Vittorio Colao, and Nick Read can be found on page 48.

Committee Meetings

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.

The Committee met 11 times during the year and considered the following items:

- Strategy;
- Customer innovations;
- The new brand positioning strategy;
- Substantial business developments and projects;
- Chief Executive's update on the business and the business environment;
- Business performance;
- Updates and presentations from the head of each Group function;
- Talent updates;
- Updates and reports on health and safety matters;
- Presentations from senior managers, including from the Group Financial Controlling and Operations Director, the Group Audit Director and the Group Risk and Compliance Director; and
- Competitor performance analysis.

Nick Jeffery

Chief Executive Officer – Vodafone UK

Tenure: 1 year

Responsibilities:
Nick is responsible for:
- Defining Vodafone's strategy in the UK in accordance with Group strategy and operating models;
- Delivering the strategic vision and executing commercial plans; and
- Ensuring delivery against KPIs.

Previous roles include:
- Vodafone Group Enterprise, Chief Executive Officer (2013–2016)
- Cable & Wireless Worldwide, Chief Executive Officer (2012–2013)
- Vodafone Global Enterprise, Chief Executive Officer (2006–2012)
- Vodafone Group, Director, Business Marketing (2004-2006)

Dr Hannes Ametsreiter

Chief Executive Officer – Vodafone Germany

Tenure: 2 years

Responsibilities:
Hannes is responsible for:
- Defining Vodafone's strategy in Germany in accordance with Group strategy and operating models;
- Positioning Vodafone Germany as a gigabit company, strengthening its role as Germany's leading TV provider and integrated player;
- Delivering the strategic vision, executing commercial plans and delivery against KPIs; and
- Shaping Vodafone's leadership role in digital technologies.

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

Aldo Bisio

Chief Executive Officer – Vodafone Italy

Tenure: 4 years

Responsibilities:
Aldo is responsible for:
- Defining Vodafone's strategy in Italy in accordance with Group strategy and operating models;
- Delivering the strategic vision and executing commercial plans; and
- Ensuring delivery against KPIs.

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)
- McKinsey & Company, partner (1992–2004)

António Coimbra

Chief Executive Officer – Vodafone Spain

Tenure: 5 years

Responsibilities:
António is responsible for:
- Defining Vodafone's strategy in Spain in accordance with Group strategy and operating models;
- Delivering the strategic vision and executing commercial plans; and
- Ensuring delivery against KPIs.

Previous roles include:
- Vodafone Portugal, Chief Executive Officer (2009–2012), Executive Committee member (1995–2009), Marketing and Sales Director (1992–1995)
- Apritel – Telco Association (on behalf of Vodafone Portugal), president (2005–2007)
- Vodafone Japan, Chief Marketing Officer (2004)
- Olivetti Portugal, marketing manager (1991–1992)
- Siemens Portugal, produce and sales manager (1988-1991)

Vivek Badrinath

Chief Executive Officer – Africa, Middle East and Asia-Pacific Region (AMAP)

Tenure: 1 year

Responsibilities:
Vivek oversees Vodafone's operations in the Vodacom Group, India, Australia, Egypt, Ghana, Kenya, New Zealand and Turkey. This includes:
- Defining Vodafone's strategy in these local markets in accordance with Group strategy and operating models;
- Delivering the strategic vision and executing commercial plans; and
- Ensuring delivery against KPIs.

Previous roles include:
- AccorHotels, deputy chief executive (2014–2016)
- Orange, deputy chief executive (2013–2014)

Ahmed Essam

Chief Executive Officer – Europe Cluster

Tenure: 1 year

Responsibilities:
Ahmed oversees Vodafone's operations in the Netherlands, Portugal, Ireland, Greece, Romania, Czech Republic, Hungary, Albania and Malta. This includes:
- Defining Vodafone strategy in these local markets in accordance with Group strategy and operating models;
- Delivering the strategic vision and executing commercial plans; and
- Ensuring delivery against KPIs.

Previous roles include:
- Vodafone Egypt, Chief Executive Officer (2014–2016)
- Vodafone Group, Group Commercial Director (2012–2014)
- Vodafone Egypt, various roles including customer care and consumer business unit director (1999–2012)

Leadership structure

How we are governed

The Board currently comprises the Chairman, two Executive Directors and nine Non-Executive Directors. Our Non-Executive Directors bring wide and varied commercial experience to the Board and Committees.

Our Board

The Board is responsible for:

- Ensuring leadership through effective oversight and review. The Board sets the strategic direction and aims to deliver sustainable stakeholder value over the longer term;
- Overseeing the implementation of appropriate risk assessment systems and processes to identify, manage and mitigate the principal risks of the Company's business;
- Effective succession planning at Board level and for assessing the processes in place to ensure that there is appropriate succession planning among senior management. Much of this work is delegated to the Nominations and Governance Committee; and
- Matters relating to finance, audit and internal control, legal, reputation and listed company management.

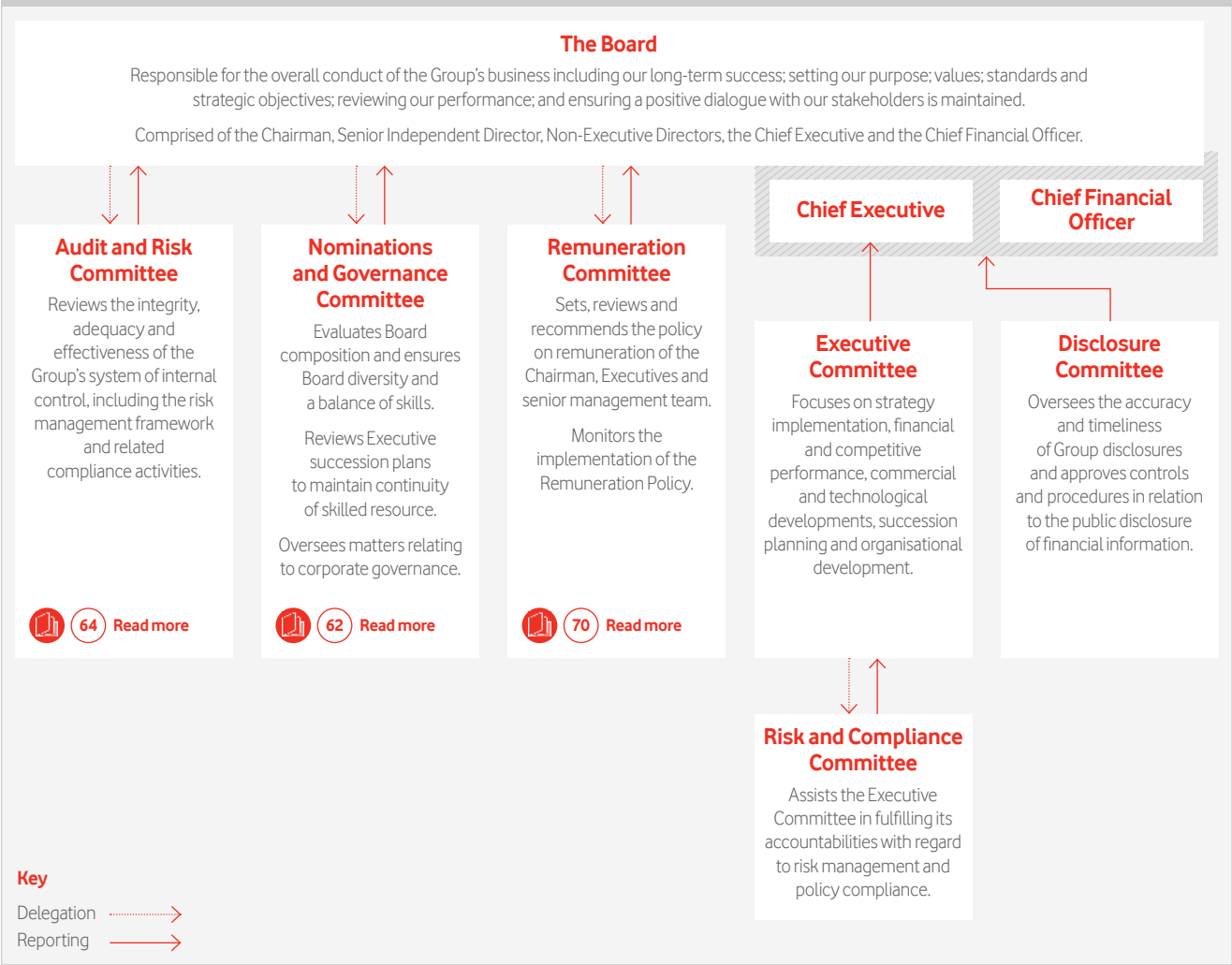
Our Committees

The Board has delegated to its Committees' responsibility for maintaining effective governance in relation to:

- Audit and risk;
- Remuneration;
- Board composition and succession planning; and
- Corporate governance.

Full details of the Committees' responsibilities are detailed within the respective Committee reports on pages 62 to 87.

The Executive Committee and other management committees are responsible for implementing strategic objectives and realising competitive business performance in line with established risk management frameworks, compliance policies, internal control systems and reporting requirements.



The following table shows the attendance of Directors at scheduled Board and Committee meetings during the year:

Attendance table

	Board	Audit and Risk Committee	Nominations and Governance Committee	Remuneration Committee
Gerard Kleisterlee	7/7	–	5/5	–
Vittorio Colao	7/7	–	–	–
Nick Read	7/7	–	–	–
Sir Crispin Davis[1]	6/7	4/5	2/3	–
Michel Demaré[2]	1/1	–	–	–
Dr Mathias Döpfner[3]	6/7	–	–	5/5
Dame Clara Furse	7/7	5/5	–	–
Valerie Gooding CBE	7/7	–	5/5	5/5
Renee James	7/7	–	3/3	5/5
Samuel Jonah KBE	7/7	–	–	5/5
Amparo Moraleda[4]	6/6	4/4	–	–
David Nish	7/7	4/4	–	–
Nick Land[5]	2/2	1/1	–	–
Phil Yea[5]	2/2	1/1	2/2	–

Notes:
The maximum number of scheduled meetings held during the year that each Director could attend is shown next to the number attended. Additional meetings were held as required.
1 Sir Crispin Davis was unable to attend one Board, Audit and Risk Committee and Nominations and Governance Committee meeting due to medical reasons.
2 Michel Demaré was appointed on 1 February 2018.
3 Dr Mathias Döpfner was unable to attend one Board meeting due to a prior business commitment.
4 Amparo Moraleda was appointed on 1 June 2017.
5 Nick Land and Phil Yea stepped down from the Board on 28 July 2017.

The meetings are structured to allow open discussion. At each Board meeting the Directors are made aware of the key discussions and decisions of the three principal Committees by the respective Committee Chairmen. Minutes of Board and Committee meetings are circulated to all Directors after each meeting. Details of the Board's activities during the year are set out on pages 54 and 55.

Our culture

The Board recognises that a healthy corporate culture is fundamental to our business purpose and strategy. Vodafone's culture is defined through the Digital Vodafone Way, our Business Principles and the Code of Conduct. Together these set out what we expect from our employees and how we expect business to be carried out. By embedding the Digital Vodafone Way into our processes, we strive for a culture of speed, simplicity and trust. Our Code of Conduct, which includes our Business Principles and the Digital Vodafone Way, can be found on our website.

Our leaders have a critical role in setting the tone of our organisation and championing the behaviours we expect to see. The Executive Committee led campaigns and engagement throughout the year to highlight our values and beliefs. Various indicators are used to provide insight into our culture, including employee engagement, health, safety and wellbeing measures and diversity indicators. We regularly assess the state of our culture, through activities such as compliance reviews and we address behaviour that falls short of our expectations.

Division of responsibilities

We have a clear division of responsibilities between our Chairman and Chief Executive, each role is clearly defined and is quite distinct from one another.

Chairman

- Leads the Board, sets the agenda and promotes a culture of open debate between Executive and Non-Executive Directors;
- Regularly meets with the Chief Executive and other senior management to stay informed; and
- Ensures effective communication with our stakeholders.

Senior Independent Director

- Provides a sounding board to the Chairman and appraises his performance;
- Acts as intermediary for other Directors, if needed; and
- Is available to respond to shareholder concerns when contact through the normal channels is inappropriate.

Non-Executive Directors

- Contribute to developing our strategy; and
- Scrutinise and constructively challenge the performance of management in the execution of our strategy.

Chief Executive

- Leads the business, implements strategy and chairs the Executive Committee.

Chief Financial Officer

- Responsible for the preparation and integrity of our financial reporting.

Company Secretary

- 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.

The Board is collectively responsible for the oversight and success of our business. The Board discharges some of its responsibilities directly and others through its principal Board Committees and through management. The Matters Reserved for the Board and Committee Terms of Reference were last reviewed in March 2018 and are available on our website.

Our new brand positioning strategy

Given the strategic significance of the new brand positioning, the Board was involved with its development and launch:

Development
The Board was fully briefed as our new brand strategy was being developed which included:

- Holding in-depth discussions over several months as the new brand strategy was developed;
- Several presentations were provided to the Board, noting the progression being made by the brand team; and
- Providing challenge and guidance to the brand team, which enabled them to refine the brand strategy.

Approval
The new brand positioning strategy was approved by the Board at its July 2017 meeting.

Launch
On 5 October 2017, the new brand strategy was launched across all 36 countries in which the Vodafone brand is present.

Review
The Board was provided an update at its March 2018 meeting which highlighted the success of the new brand strategy launch.

Board activities

What the Board did this year

Board activities are structured to develop the Group's strategy and to enable the Board to support executive management on the delivery of it within a transparent governance framework. The table below sets out the key areas of focus for the Board's activities and topics discussed during the year.

Areas of Board focus

Strategy and markets
Regular updates were provided by management on strategic and commercial priorities including the development of the new brand strategy and updates on the Customer eXperience eXcellence ('CXX') programme

People and culture
The Board was given regular updates on talent and succession plans, reward structures and Group HR Policy. Results of the annual employee engagement survey were also reported to the Board

Quarter 1: April–June

Key issues and highlights
- Key business developments
- Commercial: strategic priorities update

Annual matters
- Approval of the Annual Report and Notice of AGM
- Annual compliance and risk reports
- Year end assessment of internal control systems
- Approval of the Modern Day Slavery Statement
- Recommendation of the final dividend
- Treasury report

Deep dives, updates and training
- Local market focus: India
- Technology 2020 strategy briefing
- Investor relations report

Other meetings held
- Audit and Risk Committee
- Remuneration Committee
- Nominations and Governance Committee
- Chairman and Non-Executive Directors met without the Executive Directors present

Quarter 2: July–September

Key issues and highlights
- Key business developments
- Consumer: the brand refresh and consumer IoT
- Principal risk review, including a focus on Brexit

Annual matters
- Group insurance renewal
- Presentation from the Group HR Director, including the talent and succession planning report
- Presentation from the Group External Affairs Director
- US shelf registration

Deep dives, updates and training
- Local market focus: Vodacom
- Local market focus: Germany
- CXX update
- Investor relations report
- Annual Director share dealing training

Other meetings held
- AGM
- Audit and Risk Committee
- Remuneration Committee
- Nominations and Governance Committee
- Chairman and Non-Executive Directors met without the Executive Directors present

Performance
The Board received updates from management on the performance of the business and on financial performance

Governance, risk and regulatory
Regular reports were provided by the Board's principal Committees, with oversight of the governance and risk management frameworks

Quarter 3: October–December

Key issues and highlights

- Key business developments

Annual matters

- Approval of the half-year results, interim dividend and Vodafone's risk tolerance
- Review of the Group's security risk
- Electromagnetic field risk report
- Health & safety report
- Litigation report
- Treasury report

Deep dives, updates and training

- Local market focus: Spain
- Investor relations report

Other meetings held

- Audit and Risk Committee
- Nominations and Governance Committee
- Remuneration Committee
- Chairman and Non-Executive Directors met without the Executive Directors present

Quarter 4: January–March

Key issues and highlights

- Key business developments
- Commercial: Brand update and 2019 Commercial Strategy
- Executive Director succession

Annual matters

- Approval of the 2018/19 budget and long-term plan
- Matters reserved for the Board and Committees' terms of reference
- Risk report
- Board effectiveness review
- Approval of the Directors' conflicts of interests

Deep dives, updates and training

- Local market focus: UK and Europe (the smaller local markets including The Netherlands)
- Vodafone Foundation update and funding
- Enterprise strategy update
- Investor relations report

Other meetings held

- Audit and Risk Committee
- Nominations and Governance Committee
- Remuneration Committee
- Chairman and Non-Executive Directors met without the Executive Directors present
- Led by the Senior Independent Director, the Non-Executive Directors met to appraise the Chairman's performance

Board induction and development

We are committed to ensuring that our Directors have a full understanding of all aspects of our business to ensure they are effective within their roles, through their induction and on-going training.

Board induction

We have a comprehensive induction programme in place for our newly appointed Directors. Each new Director is provided with a tailored programme which includes site visits and meetings with other members of the Board, Executive Committee members and senior management and also covers the Board Committees that they are joining.

On joining the Board, Amparo Moraleda was provided with a detailed induction programme, which was designed to ensure she quickly gained a full understanding of the Group, including our business, culture and values, strategy, governance and financial position. You can read more about Amparo's induction programme below.

On completion of the induction programme, all new Directors should have sufficient knowledge and understanding of the business to enable them to effectively contribute to strategic discussions and oversight of the Group.

Amparo Moraleda's induction programme

"It's essential to be able to make a valuable contribution and to gain a thorough understanding of the Group. My induction programme has ensured that I have the information and knowledge required to enable me to make an effective contribution to the Board."

Amparo Moraleda
Non-Executive Director
Appointed 1 June 2017

During the year, Amparo Moraleda joined the Board and her induction programme focused on enhancing her understanding of Vodafone and our business, including our markets, customers, competition, business opportunities and risks.

Amparo's induction programme included the following:

Our business:

- one-to-one meetings were held with the members of the Executive Committee to discuss our business, strategy and operations;
- presentations were also given by the management teams of the Europe cluster, AMAP region and Enterprise business; and
- visits were undertaken to the headquarters of Vodafone UK, a Vodafone UK store and Vodafone's call centre in Stoke-on-Trent (UK).

Our Board and governance structure:

- training was provided on her duties as a Director and on Vodafone's governance structure;
- meetings were held with the Chairman and the Chairs of the Board's principal Committees; and
- attendance at the Morgan Stanley European Technology, Media and Telecom Investor Conference held in November 2017 and our 2017 AGM.

Our Group functions:

Meetings were held with various Group senior managers to discuss:

- Group strategy;
- people strategy and remuneration;
- technology and marketing;
- legal and external affairs;
- finance;
- investor relations; and
- risk.

Our Audit and Risk Committee:

As a member of the Audit and Risk Committee, specific meetings were also held, these included meetings with:

- the Audit and Risk Committee Chair; and
- internal audit.

Board training and development

To assist the Board in undertaking its responsibilities, a programme of training and development is available to all Directors and training needs are assessed as part of the Board evaluation procedure. The Board programme includes regular presentations from management and informal meetings to build their understanding of the business and sector.

This year the Board held its strategy day at our Düsseldorf offices, which enabled them to meet with senior managers of Vodafone Germany and to receive product demonstrations. In addition, individual Directors are given the opportunity to visit other local markets. During the year, Non-Executive Directors visited Ireland, Italy, Luxembourg, New Zealand, Singapore, South Africa and Spain. During these visits, meetings were held with local management teams and included site tours. Directors were able to gain greater understanding and insight into particular issues faced by the business in those regions. Directors who visited a local market were positive about the opportunity to improve the breadth and depth of their knowledge of Vodafone and to engage on an individual level with senior management in the respective market.

Several deep-dive sessions were held during Board meetings, these sessions focused on the Indian, Vodacom, European and Spanish markets and the commercial operations of the Group. During the year, our Directors also received regular updates which included consumer, customer service, network and share dealing rules. The Board also received reports from the Group General Counsel and Company Secretary on current legal and governance issues.

Specific and tailored updates were provided by external advisers and management to both the Audit and Risk and Remuneration Committees. Key themes included trends and changing disclosure requirements regarding financial and narrative reporting, accounting and auditing standards and remuneration developments.

All Directors have access to the advice and services of the Group General Counsel and Company Secretary. Directors may take independent legal and/or financial advice at the Company's expense when it is judged necessary in order to discharge their responsibilities effectively. No such independent advice was sought in the 2018 financial year.

Local market focus: Vodafone Germany and the Mission to the Moon project

As part of this project, Vodafone Germany will be working with Nokia and PTScientists to create the first 4G network on the moon. Vodafone's 4G network will enable the first live-streaming of HD video from the moon's surface to a global audience.

During the Board's meeting held in Düsseldorf, a demonstration was given of the new technology being developed as part of this project along with a project presentation from senior management from Vodafone Germany.

The demonstration of this project allowed the Board to see first-hand the innovative work being undertaken in a local market and is a good example of how Vodafone is developing new and exciting mobile network infrastructure. It allowed the Board to gain a better insight into that local market.

As outlined on pages 60 and 61, an action from the 2017 Board evaluation was to ensure that the Board was provided with opportunities to enhance its engagement with local markets and this is one example of such activities.

60 See pages 60 and 61 for further details of the Board evaluation process

Engaging with our stakeholders

Committed to maintaining good communications

We are committed to maintaining good communications and building positive relationships with all our stakeholders as we see this as fundamental to building a sustainable business.

Our suppliers

- We rely on more than 15,000 suppliers, ranging from small businesses and start-ups to multinational companies;
- Every year we hold Supplier Safety Forums to share best practice and discuss ways to reduce safety risks in our supply chain; and
- This year, Vodafone and three other operators set up a supplier academy, focusing on training to help them assess and improve the social, ethical and environmental performance issues inherent within supply chains.

34 **Read more** about how we work with our suppliers to mitigate human rights risks on page 34

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 Deutsche Bank (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.

Institutional shareholder meetings

We hold meetings with major institutional shareholders, 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 shareholders 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:

- Cash flow generation, capital intensity, debt, and dividend cover;
- Rationale for the Liberty Global transaction;
- 5G investment and business case;
- Regulation in Europe and emerging markets;
- Vodafone India and Idea Cellular merger; and
- Administration of shareholding.

AGM

Our AGM 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. Representatives from investor relations and customer services are available before and after the meeting to answer any additional questions shareholders may have.

Our investor calendar

May 2017
- Roadshows in London, Edinburgh, Netherlands, Boston, New York, Chicago, Los Angeles, San Francisco, Toronto, Pittsburgh, and Milan
- Investor conference with JP Morgan in London

June 2017
- Chairman's London Roadshow
- Roadshows in Abu Dhabi, Frankfurt and Switzerland
- Bank of America Merrill Lynch Summer TMT Conference in London
- Investor conference with Exane in Paris

August 2017
- Roadshows in Austin, Houston, Dallas, Kansas, Singapore and Hong Kong
- Investor conference with Credit Suisse in London

September 2017
- Roadshow in Madrid
- Investor conferences with Deutsche Bank in London, with Goldman Sachs in New York and with Bernstein in London
- Analyst and investor Open Office event in Venice

November 2017
- Roadshows in London, Netherlands, Edinburgh, Frankfurt, Switzerland, Paris, Boston, New York, Toronto, Los Angeles, Portland and San Francisco
- Morgan Stanley European TMT conference in Barcelona

December 2017
- Investor conference with Berenberg in Surrey

March 2018
- Roadshow in Atlanta
- Investor conference with Deutsche Bank in Palm Beach
- Citi European & Emerging Telecoms conference

Regulators and governments

- We engage with regulators and governments to inform the policy frameworks that affect our customers, investments and competitive stance;
- In April 2017, we organised a stakeholder event with European Union institutions to advocate for future-proof gigabit networks in the context of the European Electronic Communications Code; and
- In March 2018, we engaged with policy makers through a high-profile event to launch our international Future Jobs Finder programme, What will you be?

40 **Read more** about how we mitigate political and regulatory risk on page 40

Our people

- Our business performance depends on our ability to attract, develop and retain talented individuals at all levels. This year, we employed an average of 103,564 people with 136 nationalities;
- 88% of our employees responded to our annual global people survey. Of those, 87% stated that they are proud to work for Vodafone; and
- In March 2018, a week-long campaign to recognise and support International Women's Day engaged more than 17,000 employees.

36 **Read more** about how we engage with our employees on page 36

Our local communities

- Our products and services are found in local communities everywhere we operate, and range from remote villages to capital cities;
- We work to understand and address any public concerns about the location of our base stations. This year in South Africa, Vodacom engaged with stakeholders on over 40 separate occasions on this topic; and
- Our local businesses support the communities in which they operate in many different ways. For example, this year in the Czech Republic, we ran a public "Giving Tuesday" campaign to raise money for a local health charity.

Read more about our approach to mobiles, masts and health at **vodafone.com/mmh**

Our customers

- Our customers range from individuals living in some of the world's poorest communities to some of the world's largest multinational companies;
- Our Customer eXperience eXcellence ('CXX') programme drives how we engage with customers to help us deliver an outstanding and differentiated user experience; and
- Every time a customer contacts us we measure their satisfaction through our "touchpoint net promoter score". In the UK, this year we increased this rating to its highest ever level.

11 **Read more** about our CXX programme on page 11

Board evaluation

Continually monitoring and improving our performance

The Board recognises that it continually needs to monitor and improve its performance. This is achieved through the annual performance evaluation, full induction of new Board members and ongoing Board development activities. The conclusions of this year's review have been positive and confirmed that the Board and its Committees operate effectively and that each Director contributes to the overall effectiveness and success of the Group.

Our three-year Board evaluation cycle

2017

Internal evaluation:
with the assistance of Lintstock Limited ('Lintstock'), a London-based firm, which has no other connection with Vodafone.

2018

Internal evaluation:
with the assistance of Lintstock a questionnaire was completed by the Board.

The Chairman presented the conclusions from the evaluation to the Board which were discussed and actions for the forthcoming year were agreed.

The Senior Independent Director met with the other Non-Executive Directors and with the Executive Directors to review the Chairman's performance and met the Chairman to provide feedback.

The Chairman provided feedback to each Director on their individual contributions to the Board and considered their development priorities.

2019

External evaluation:
further details will be provided in next year's report.

Board expertise

Progress against 2017 actions

The Directors continued to build their knowledge of the Company's Enterprise business and Enterprise content assets. To enable the Board to do this, additional time was dedicated to the Enterprise business during Board meetings.

This year's findings

Following the work undertaken as a result of last year's evaluation, the Board positively rated its understanding of the Company's Enterprise business. However, as the business is evolving it was recognised that there would be merit in hearing more about the Enterprise business on a regular basis. In addition, with the rapid changes in digital and technological developments, more time should be dedicated to this area.

Action for 2019

The annual Board calendar would be reviewed to consider additional opportunities for Directors to further enhance their knowledge of the Enterprise business and keep updated on digital and technological developments.

57 See page 57 for details of the Mission to the Moon project

Board composition

Progress against 2017 actions

It was identified that the Board would benefit from adding further financial expertise. This led to the search for a new Non-Executive Director with the identified relevant skill set. This process resulted in the appointment of Michel Demaré in February 2018.

This year's findings

The Board's composition was positively rated as part of this year's evaluation. The Board remains intent on ensuring its composition has the diversity and skills required to be effective.

Action for 2019

The Board will consider opportunities to use its natural life-cycle to address the identified skills gaps to ensure that the Board's composition is aligned with the Company's strategic goals.

63 **See page 63** for details of Michel's appointment process

Board training and development

Progress against 2017 actions

It was recognised that Board members would benefit from more opportunities to take part in site visits and be offered more one-to-one interactions with members of the executive team. Regular local market visits were arranged with the executive team, which all Board members were invited to attend. These visits enabled the Directors to gain further insight into the local markets and build relationships with senior management.

This year's findings

The Board induction programme was highly regarded by Directors, in addition, the deep dives which are provided at Board meetings, were rated as excellent. As part of this year's evaluation outcomes, it was acknowledged that on-going training, particularly on developments in technology was needed.

Action for 2019

Efforts will be made to ensure all Directors are provided with relevant on-going training and that they receive the support they need to remain effective in their role.

57 **See page 57** for details of the Board's overseas meeting and local market visits

Strategy

Progress against 2017 actions

The Board identified that the balance between the Company's focus on organic growth and on portfolio management needed to be carefully managed.

This year's findings

Improvement has been made to the balance between the Company's focus on organic growth and on portfolio management, but remains an area which needs to be kept under constant review.

Action for 2019

When deciding the agenda for Board meetings during the year, the Chairman and Chief Executive will keep in mind the need to balance focus on organic growth and portfolio management.

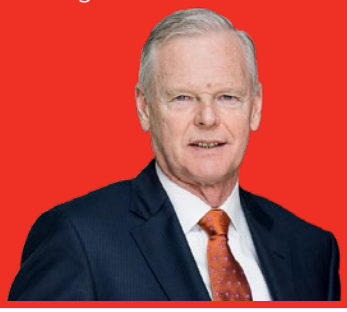
54 **See pages 54 and 55** for details of the Board's activities during the year

Nominations and Governance Committee

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

Chairman
Gerard Kleisterlee
Chairman of the Board

Members
Sir Crispin Davis
Valerie Gooding
Renee James



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:

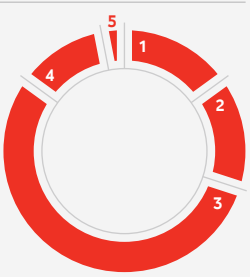
- Assessing the composition, structure and size of the Board and its Committees and making recommendations on appointments to the Board;
- Responsibility for Board and senior executive succession planning;
- Overseeing the performance evaluation of the Board, its Committees and individual Directors; and
- Monitoring developments in all matters relating to corporate governance, bringing any issues to the attention of the Board.

The Committee is composed solely of independent Non-Executive Directors. The Committee met six times during the year and attendance by members at Committee meetings can be seen on page 53. Committee meetings were attended by Committee members, with other individuals and external advisers invited to attend all or part of the meetings as appropriate.

The chart below illustrates how the Committee allocated its time during the year.

Nominations and Governance Committee allocation of time (%)

1	Corporate governance matters	15%
2	Board and Committee composition	15%
3	Succession planning and talent	55%
4	Board effectiveness	12.5%
5	Other	2.5%



The terms of reference of the Committee, which were reviewed in March 2018, are available on the Vodafone website at vodafone.com/governance.

Dear Shareholder,

On behalf of the Board, I am pleased to present the Nominations and Governance Committee's report for the year ended 31 March 2018.

This year, the Committee welcomed two new members, Sir Crispin Davis and Renee James and our main focus has been the succession of Executive Directors and Board composition. The process we followed for identifying our new Chief Executive and Chief Financial Officer is set out on page 63. As I said in my Chairman's letter on page 3, on behalf of the Board, I would like to record our gratitude to Vittorio Colao for an outstanding tenure and to express our confidence in Nick Read and Margherita Della Valle in their new roles. It is a testament to the strength and depth of the Vodafone senior management and leadership team that these appointments have been made from within the Company.

The Committee is also delighted to welcome two new Non-Executive Directors to the Board, Amparo Moraleda and Michel Demaré. An insight into the Committee's appointment process for Michel can be found on page 63 and the induction programme for Amparo is shown on page 56.

To find the most suitable candidates for the Board, the Committee considers the skills and experience required to align the Board's composition with the Company's strategic goals whilst maintaining an appropriate level of diversity. The Committee also ensures that initiatives are in place to develop the talent pipeline. As Chairman of the Committee, I take an active role in overseeing the progress made towards improving diversity in appointments to the Board, Executive Committee and senior management in a way that is consistent with the long-term strategy of the Group. The Committee will continue to monitor the balance of the Board to ensure that broad enough expertise is available from the existing members, and will recommend further appointments if desirable.

Changes to the Board and Committees

Following the 2017 AGM, Valerie Gooding became the Senior Independent Director and David Nish became Chairman of the Audit and Risk Committee. Amparo was appointed on 1 June 2017 and Michel joined the Board on 1 February 2018. Michel will join our Remuneration Committee with effect from 27 July 2018.

As previously announced, at our AGM on 27 July 2018 Dr Mathias Döpfner will not seek re-election after more than three years of service and Margherita will be appointed as a Director and Chief Financial Officer. On 30 September 2018 Vittorio will step down as the Chief Executive and as a Director and will be succeeded by Nick.

Assessment of the independence of the Non-Executive Directors

The Committee and the Board are satisfied that the external commitments of the Non-Executive Directors and of me, your Chairman, do not conflict with our duties and commitments as Directors of the Company. Our Directors must: report any changes to their commitments to the Board; notify the Company of actual or potential conflicts or a change in circumstances relating to an existing authorisation; and complete an annual conflicts questionnaire. Any conflicts identified are considered and, as appropriate, authorised by the Board. A register of authorised conflicts is reviewed periodically.

The Committee reviewed the independence of all the Non-Executive Directors. All are considered independent and they continue to make effective contributions. The Committee recognises that Samuel Jonah has served on the Board for more than nine years but remain confident that Samuel continues to demonstrate independent character and judgement in carrying out his role.

All Non-Executive Directors have submitted themselves for re-election at the 2018 AGM, with the exception of Mathias. Michel and Margherita will be elected for the first time in accordance with our Articles of Association.

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

Appointment process

When considering the recruitment of new Directors, the Committee adopts a formal and transparent procedure with due regard to the skills, knowledge and level of experience required as well as diversity.

Executive Directors

In anticipation of Vittorio Colao's decision to step down from his role as Chief Executive, the Nominations and Governance Committee stepped up its regular succession planning process and established a succession planning subcommittee comprising me, your Chairman, who led the subcommittee, David Nish, Sir Crispin Davis, Valerie Gooding and, until his retirement from the Board, Phil Yea. The subcommittee was supported by Egon Zehnder which is independent of, and only provides talent services to, the Company.

The succession process involved Egon Zehnder undertaking assessments of, and providing a development programme for, potential internal candidates and identifying potential candidates in the external market. The subcommittee met six times and extensively discussed the merits of the external and internal candidates. It concluded that the Company had very strong internal candidates and that making an internal appointment would best serve continuity in leadership which was important. The subcommittee met repeatedly with the internal candidates and had several in-depth interviews with the leading contender.

The Board concurred with the subcommittee's recommendations and as a result on 27 July 2018 Nick Read will be appointed as Chief Executive Designate until 1 October 2018 when he will become the Chief Executive in succession to Vittorio Colao. On 27 July 2018 Margherita Della Valle, currently Deputy Chief Financial Officer, will be appointed Chief Financial Officer and a Director.

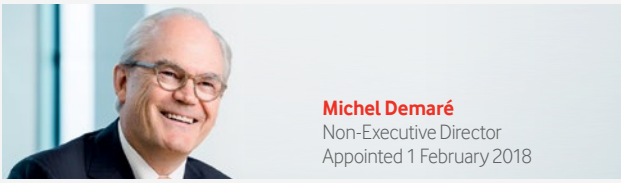
Nick Read
To be appointed Chief Executive Designate on 27 July 2018

Margherita Della Valle
To be appointed Chief Financial Officer and a Director on 27 July 2018

Non-Executive Directors

During the search for a new Non-Executive Director, external search consultancy, Russell Reynolds Associates, was engaged to support with the recruitment process; they have no other connection with the Company other than providing recruitment services. Russell Reynolds Associates is an accredited firm under the Enhanced Code of Conduct for Executive Search Firms.

Details of the different stages of the appointment process that the Committee followed in relation to the appointment process of Michel Demaré can be found below:



Michel Demaré
Non-Executive Director
Appointed 1 February 2018

Board evaluation

The Committee oversaw the internal evaluation of the Board and Committees, details of the review and actions to be taken over the next 12 months can be found on page 60.

Succession planning

In addition to the succession planning for Board roles, the Committee received several presentations during the year from the Chief Executive and Group Human Resources Director on succession planning for senior management. Potential successors have been identified for the top senior management positions and the Committee reviewed these plans during the year.

The Committee is satisfied that adequate succession planning is currently in place for the Executive Directors and senior management, and will continue to review succession planning and monitor the progress and success of the development plans which have been established for relevant employees. The Committee also monitors a schedule on the length of tenure, skills and experience of the Board.

Diversity

The Committee through Vodafone's Board Diversity Policy is committed to supporting diversity and inclusion in the Boardroom. This includes diversity of skills and experience, age, gender, disability, sexual orientation, gender identity, cultural background and belief.

The Committee annually reviews and agrees the Board Diversity Policy and monitors the progress made at the Board and management and leadership levels during the financial year.

The Committee also monitors Vodafone's compliance with the targets outlined in the Davies Report and Hampton-Alexander Review and I am pleased to report that following Amparo's appointment on 1 June 2017, 33% of our Board roles are currently held by women. This exceeds the 25% target set out in the Davies Report and meets the 2020 target set out in the Hampton-Alexander Review. Our long-term ambition is to increase diversity on our Board in all forms, which is supported by our Board Diversity Policy. Our Board diversity statistics can be found on page 49.

Diversity extends beyond the Boardroom and the Committee supports management in its efforts to build a diverse organisation. Currently 29% of our management and leadership roles are held by women and we would like this to increase to at least 30% by 2020.

Governance

The Committee receives updates on corporate governance developments during the year and has considered the impact of those developments on Vodafone. The Committee also reviewed Vodafone's compliance with the 2016 UK Corporate Governance Code and was satisfied that Vodafone complied with the Code during the year.

Gerard Kleisterlee
On behalf of the Nominations and Governance Committee

15 May 2018

Audit and Risk Committee

The Committee continues to play a key role in the governance over the Group's financial reporting, risk management, control and assurance processes and the external audit.

Chairman and financial expert
David Nish (from 28 July 2017)
Nick Land (to 28 July 2017)

Members
Sir Crispin Davis
Dame Clara Furse
Amparo Moraleda (from 28 July 2017)
David Nish
Phil Yea (to 28 July 2017)

Key objectives

Providing oversight of the Group's system of internal control, business risk management processes and related compliance activities, effective governance over the appropriateness of the Group's financial reporting including the adequacy of disclosures and monitoring the performance of both the internal audit function and the external auditors, PricewaterhouseCoopers LLP ('PwC').

Responsibilities

- Monitoring the integrity of published financial information and reviewing significant financial reporting judgements, including providing advice to the Board on whether the Annual Report is fair, balanced and understandable and the appropriateness of the long-term viability statement;
- Reviewing and monitoring the external auditors' independence and objectivity and the effectiveness of the external audit;
- Reviewing the Group's internal financial controls, internal control systems, the work of the Internal Auditor and compliance with section 404 of the US Sarbanes-Oxley Act; and
- Monitoring the Group's risk management system and reviewing the principal risks facing the Group, including the management and mitigation of those risks.

The terms of reference of the Committee, which were updated in March 2018, are available on vodafone.com/governance.

How the Committee operated

The Committee met five times during the year and attendance by members at Committee meetings can be seen on page 53. We routinely conduct deep dive reviews, together with specific risk management activities as set out below:

- in September and March, we assess issues affecting the Group's half-year and year end reporting and approve the principal risks;
- in November and May, we conclude this work and advise the Board on the Group's external financial reporting; and
- while each meeting has reviews of risk and compliance related matters, the January meeting is particularly focused on these.

Meetings of the Committee generally take place the day before Board meetings and I report to the Board, as a separate agenda item, on the activity of the Committee and matters of particular relevance, with the Board receiving copies of the Committee minutes. The external auditors are invited to each meeting and I also meet with the external lead audit partner outside the formal Committee process throughout the year. The Committee also regularly meets separately with each of PwC, the Chief Financial Officer, the Group Risk and Compliance Director and the Group Audit Director without others being present.

Dear Shareholder,

On the following pages I have set out the Audit and Risk Committee's report for the 2018 financial year which provides an overview of the areas considered by the Committee during the year.

Through this report I am also aiming to give some insight into the Committee's activities and its role in protecting the interests of our shareholders through ensuring the integrity of the Group's published financial information and the effectiveness of its risk management, controls and related processes.

This year has seen a number of changes to the Committee including:

- my appointment as Chairman and financial expert, having recent and relevant financial experience for the purposes of the US Sarbanes-Oxley Act and the UK Corporate Governance Code;
- the appointment of Amparo Moraleda, who brings her international business experience, engineering background and IT and technology expertise to the role; and
- the departure of both Nick Land and Phil Yea, who did not seek re-election at the Company's 2017 annual general meeting after more than ten years of service.

On behalf of the Committee, I would like to thank both Nick and Phil for their years of service to Vodafone and to this Committee as well as for ensuring the smooth transfer of knowledge to myself and Amparo as part of the succession plan. We believe that the Committee as a whole continues to have competence relevant to the sector in which the Group operates.

In addition to our standard annual work plan, this year the Committee has also focused on the following significant issues:

- preparations for the adoption of IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" in the 2019 financial year and IFRS 16 "Leases" in the 2020 financial year, all of which will have a material effect on the Group's accounting;
- preparations for the adoption of EU General Data Protection Regulation, which comes into force on 25 May 2018;
- the accounting, reporting and disclosure implications of the agreement to combine Vodafone India with Idea Cellular into a new joint venture; and
- ensuring the continued independence of the Group's external auditors.

Looking ahead, these key areas are also likely to remain significant areas of focus for the Committee for the 2019 financial year.

The Committee also performed a number of detailed in-depth reviews on the principal risks for the business, with risk owners discussing the mitigation and management of risks relating to cyber threat and information security, money laundering, sanctions, anti-bribery, technology failure, continuity and crisis management, IT transformation and telecommunications regulation compliance.

Every three years the Board appoints an external organisation to perform an independent review of the Committee to evaluate its performance. The last review was performed in March 2016 and concluded that the Board members considered the Committee to be thorough and fully effective in meeting its objectives. The next review is expected to take place in March 2019. Additionally, an internal assessment facilitated by an independent third party, occurs annually. This reported positively on the functioning of the Committee for the current year. I am confident that the Committee has the necessary skills and experience to continue to meet the challenges ahead.

David Nish
On behalf of the Audit and Risk Committee
15 May 2018

Financial reporting

The Committee's primary responsibility in relation to the Group's financial reporting is to review, with both management and the external auditors, 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 auditors;
- providing advice to the Board on the form and basis underlying the long-term viability statement;
- the clarity of the disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements;
- any correspondence from regulators in relation to our financial reporting; and
- an assessment of whether the Annual Report, taken as a whole, is fair, balanced and understandable.

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;
- new accounting pronouncements, including the adoption of IFRS 9, IFRS 15 and IFRS 16; and
- proposed disclosures of these in the 2018 Annual Report.

The Committee received regular reports from management on the programmes for the adoption of 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 for the years ending 31 March 2019 and 2020 respectively. The implementation programmes for these new accounting pronouncements continued to progress satisfactorily during the year, with the Committee remaining focused on the key decision points relating to the choice of IT system, systems integration, the methodology in which the standard would be adopted and programme resourcing.

Following discussions with management and the external auditors, the Committee approved the disclosures of these accounting policies and practices which are set out in note 1 "Basis of preparation" to the consolidated financial statements, including further qualitative and quantitative detail on the impacts of IFRS 9, 15 and 16.

Significant judgements

The areas of focus considered and actions taken by the Committee in relation to the 2018 Annual Report, which have been revised to remove the Group's change in presentation currency from sterling to the euro which was completed in the 2017 financial year, are outlined below. We discussed these with the external auditors during the year and, where appropriate, these have been addressed as areas of audit focus as outlined in the Audit Report on pages 93 to 101.

Area of focus	Actions taken/conclusion
Revenue recognition The timing of revenue recognition, the recognition of revenue on a gross or net basis and the treatment of discounts, incentives and commissions are complex areas of accounting. In addition, there is heightened risk in relation to the accounting for revenue as a result of the inherent complexity of newly introduced systems and changing pricing models. See note 1 "Basis of preparation".	The Committee challenged management over the basis of revenue accounting, with management confirming that revenue reporting remained consistent with prior years. The Committee also reviewed PwC's audit plan which identified the primary risks attaching to the audit of revenue to be: – the controls over the underlying accuracy of billing systems; and – 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 was satisfied with the appropriateness of 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. See note 29 "Contingent liabilities and legal proceedings". Further, the Group has extensive accumulated tax losses and a key management judgement is whether a deferred tax asset should be recognised in respect of these losses. See note 6 "Taxation".	The Group Tax Director presented on both provisioning and disclosure of tax contingencies and deferred tax asset recognition at the November 2017 and May 2018 Committee meetings. He also provided an update on upcoming changes in the wider tax landscape that were potentially relevant to the Group. PwC also identified this as an area of higher audit focus. The Committee challenged both management and PwC on the legal judgements underpinning both the provisioning and disclosures adopted in relation to material elements of taxation contingent liabilities and the IFRS basis of, and operating assumptions underlying, the deferred tax assets recognised at the year end. The Committee was satisfied with the approach adopted by management to the recognition of income tax and deferred tax balances and related disclosure in the financial statements.

Audit and Risk Committee (continued)

Area of focus	Actions taken/conclusion
Impairment testing The judgements in relation to impairment testing continue to relate primarily to the assumptions underlying the calculation of the value in use of the Group's businesses, being the achievability of the long-term business plans and the macroeconomic and related modelling assumptions underlying the valuation process. At 31 March 2017 and 2018 these judgements were extended to include the assessment of the fair value of Vodafone India following the announcement of the agreement to combine into a new joint venture with Idea Cellular and its treatment as a discontinued operation valued at fair value less costs to sell. The fair value of Vodafone India was reduced at 31 March 2018 giving rise to a non-cash charge of €3.2 billion (€2.2 billion net of tax). See note 4 "Impairment losses".	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 PwC provided detailed reporting on these matters to the Committee, including sensitivity testing. The Committee was satisfied with both the appropriateness of analysis performed by management (including the judgements made and estimates used) and the impairment related disclosures.
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 legal and management judgements are important and accordingly an area of Committee focus. See note 29 "Contingent liabilities and legal proceedings".	The Committee received a presentation from the Group's General Counsel and Company Secretary and the Director of Litigation in both November 2017 and May 2018 on management's assessment of the most significant claims. As this is an area of audit focus, PwC 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 PwC on the level of provisioning for legal claims, requesting additional details where relevant. The Committee was satisfied that the amounts recorded in the financial statements appropriately reflect the risk of loss.

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, the Committee reviews the processes and controls that underpin its preparation, ensuring that all contributors, the core reporting team and senior management are fully aware of the requirements and their responsibilities. This includes reviewing the use and disclosure of alternative performance measures (or "non-GAAP" measures) and the financial reporting responsibilities of the Directors under section 172 of the Companies Act 2006 to promote the success of the Company for the benefit of its members as a whole as well as meeting the needs of wider society.

In addition to reviewing an early draft of the Annual Report to enable timely review and comment, the Committee also takes an active role in reviewing financial results announcements as well as drawing on the work of the Group's Disclosure Committee, which reviews and assesses the Annual Report and investor communications.

These processes allowed us to provide positive assurance to the Board to assist them in making the statement required by the 2016 UK Corporate Governance Code.

Regulators and our financial reporting

There has been no correspondence from regulators, including the FRC's Corporate Reporting Review team, in relation to our financial reporting during the 2018 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, including FRC Labs projects on "Digital Future", "Risk and Viability reporting", "Dividend policy and practice" and "Reporting on Performance Metrics".

Long-term viability statement

As part of the Committee's responsibility to provide advice to the Board on the form and basis underlying the long-term viability statement as set out on pages 44 and 45, 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;
- the modelling of the financial impact of certain of the Group's principal risks materialising using severe but plausible scenarios; and
- ensuring clear and enhanced disclosures in the Annual Report as to why the assessment period selected was appropriate to the Group, what qualifications and assumptions were made and how the underlying analysis was performed, consistent with recent FRC pronouncements.

External audit

The Committee has primary responsibility for overseeing the relationship with, and performance of, the external auditors. This includes making the recommendation on the appointment, reappointment and removal of the external auditors, assessing their independence on an ongoing basis, involvement in fee negotiations, approving the statutory audit fee, the scope of the statutory audit and approval of the appointment of the lead audit engagement partner.

Tenure

PwC were appointed by shareholders as the Group's external auditors in July 2014 following a formal tender process. The audit will be put out to tender at least every ten years. The lead audit partner, Andrew Kemp, has held the position for three years and will be required to step down following the completion of the 2019 audit.

The Committee has recommended that PwC be reappointed under the current external audit contract for the 2019 financial year and the Directors will be proposing their reappointment at the AGM in July 2018. The Company has complied with the Statutory Audit Services Order 2014 for the financial year under review.

Audit risk

The audit risk identification process is considered a key factor in the overall effectiveness of the external audit process and during the 2018 financial year we received a detailed audit plan from PwC identifying their audit scope, planning materiality and their assessment of key risks which are set outlined in the Audit Report on pages 93 to 101.

The key audit risks for the 2018 financial year, were unchanged from the 2017 financial year except for:

- a new risk relating to the accuracy of share of results from joint ventures following the merger of Vodafone's and Liberty Global's operating businesses in the Netherlands;
- the implications of the agreement to combine Vodafone India with Idea Cellular into a new joint venture; and
- the removal of the risk relating to the change in the Group's presentation currency from sterling to the euro.

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

Effectiveness of the external audit process

The Committee reviewed the quality of the external audit throughout the year and considered the performance of PwC, taking into account the Committee's own assessment and feedback, 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 the auditors on their performance against their own performance objectives and the firm-wide audit quality inspection report issued by the FRC in June 2017.

Based on these reviews, the Committee concluded that there had been appropriate focus and challenge by PwC on the primary areas of the audit and that they had applied robust challenge and scepticism throughout the audit. Consequently, as noted above, the Committee has recommended to the Board that they be reappointed at the AGM in July 2018.

Independence and objectivity

In its assessment of the independence of the auditors 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 PwC 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').

During the 2017 financial year, we were notified by our lead audit partner that a company, for which a number of PwC partners were acting as administrators, was considering litigation against the Group. The Committee, in consultation with the Group's legal advisers, reviewed the implications on audit independence from the roles played by PwC's partners as administrators and PwC as the Group's statutory auditors in the context of relevant regulations and ethical standards. Further, the Committee consulted with the UK Financial Reporting Council and a number of institutional investors.

To address any potential threat to their audit independence, PwC put in place a number of safeguards including ensuring both the administration and audit teams were physically separate and had no interactions, that working papers and other highly confidential material were separately stored with highly restricted access and that the lead group engagement partner would be solely responsible for the audit implications of the potential litigation. In response, we requested that both PwC's Compliance Department and its independent non-executives provide oversight of the effectiveness of the safeguards put in place and report to the Committee on these safeguards on a regular basis. PwC confirmed to the Committee that these safeguards were in place, were monitored internally and operated effectively throughout the year.

The Committee concluded that this position, which remained materially unchanged during the year, was not prohibited and PwC remained independent for the purposes of the audit for the 2018 financial year.

Audit fees

For the 2018 financial year, the Committee considered the ongoing fee proposal, was actively engaged in agreeing audit scope changes and, following the receipt of formal assurance that their fees were appropriate for the scope of the work required, agreed a charge from PwC and related member firms of €21 million for statutory audit services. This included €5 million of fees in respect of advance audit procedures in relation to the forthcoming implementation of IFRS 15 "Revenue from Contracts with Customers" and IFRS 16 "Leases". See note 3 "Operating profit" for further details.

Audit and Risk Committee (continued)

Non-audit fees

As one of the ways in which it seeks to protect the independence and objectivity of the external auditors, the Committee has a policy governing the engagement of the external auditors to provide non-audit services which precludes PwC from playing any part in management or decision making, providing certain services such as valuation work and the provision of accounting services. It also sets a presumption that PwC should only be engaged for non-audit services where there is no legal or practical alternative supplier and, consistent with recent UK regulation, includes a cap on the amount of non-audit fees that can be billed.

For certain specific permitted services, the Committee has pre-approved that PwC can be engaged by management, subject to the policies set out above, and subject to:

- a €60,000 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, pre-approve these permitted services.

Non-audit fees were €5 million of which €1.4 million was for services where there was no legal alternative and €3.6 million for services where there was no practical alternative supplier. Non-audit fees represented 24% of audit fees for the 2018 financial year (2017: 22%, 2016: 11%). The amount for year ended 31 March 2018 includes non-recurring fees that were incurred during the preparations for a potential IPO of Vodafone New Zealand and the merger of Vodafone India and Idea Cellular. The amount for the year ended 31 March 2017 primarily arose from work on regulatory filings prepared in anticipation of a potential IPO of Vodafone India that was under consideration prior to the agreement for the merger of Vodafone India and Idea Cellular. See note 3 "Operating profit" for further details.

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.

Internal audit

The Internal Audit function provides independent and objective assurance over the design and operating effectiveness of the system of internal control, through a risk based approach. The function reports into the Group Audit and Risk Committee, and administratively to the Group Chief Financial Officer. The function is composed of teams across Group domains and local markets, allowing access to specialist skills through Group centres of excellence, as well as local knowledge and experience. The function has a high level of qualified personnel with a wide range of different professional qualifications and experience of working in professional practice.

The Committee has a permanent agenda item to cover Internal Audit related topics. Prior to the start of each financial year the Committee reviews and approves the annual audit plan, assesses the adequacy of the budget and resources, and reviews the operational initiatives for the continuous improvement of the function's effectiveness. The increased utilisation of data analytics has been a particular area of focus to provide deeper audit testing and drive increased confidence in test results. An external review takes place periodically to benchmark and assess the effectiveness of the function, with any improvement opportunities addressed.

The Group Audit and Risk Committee reviews the progress against the approved audit plan and the results of audit activities, with focus on unsatisfactory audits results and "cross entity audits", being audits performed across multiple markets with the same scope. Audit results are analysed by risk, process and geography to highlight movements in the control environment and areas that require attention.

During the year, Internal Audit coverage was focused on principal risks, including cyber threat and information security, data privacy and GDPR readiness, technology resilience and the delivery of major IT transformation programmes. Relevant audit results are reported at the same time as the Committee's in-depth review with the risk owner, which allows the Committee to have an integrated view on the way the risk is managed.

Assurance was also provided in relation to key areas of the company "Code of Conduct" such as Health and Safety, Anti-bribery and Legal and Regulatory, as well as for the core financial processes such as Billing, Accounts Receivable and Sales Commissions.

Dedicated focus has been put on the Enterprise operations, given the complexity of processes, products and services. The activities performed by the Share Service Centre in India also received specific attention due to their significant bearing on the effectiveness of overall global processes.

Management are responsible for ensuring that issues raised by Internal Audit are addressed within the agreed timetable, and their timely completion is reviewed by the Committee.

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 38 to 45 and our review included reports from the Group Risk and Compliance Director, with whom I met regularly during the year, 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 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. 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 and any identified fraud included any involving management or employees with a significant role in internal controls as well as an external benchmark exercise of the Group's compliance framework involving interviews, documentation reviews and comparisons to other FTSE 100 companies of a similar size, complexity and geographical footprint. Oversight of the Group's compliance activities in relation to section 404 of the US Sarbanes-Oxley Act and policy compliance reviews also fall within the Committee's remit.

The Committee also maintains a programme of in-depth reviews that typically focus on the principal risks of the business, as well as areas of complexity and change. The deep dive schedule for the 2018 financial year was prepared giving consideration to coverage of the Group's principal risks and, where possible, to align with Internal Audit reporting and the output of related cross-entity audits. There is an integrated assurance response to the Group's principal risks review across the Group Internal Audit, Risk and Compliance teams. Principal risks not covered by these in-depth reviews were covered in the Board agenda during the 2018 financial year.

Subject of in-depth review	Principle risk (see pages 38 to 45)
Anti-money laundering and M-Pesa, including the introduction of comprehensive anti-money laundering compliance programme in all markets operating M-Pesa and the implementation of a new watch list and transactional monitoring screening tool.	Legal and regulatory compliance
Sanctions and the Group's risk tolerance relating to its existing relationships in high risk locations.	Legal and regulatory compliance
Technology resilience, including the Group's continuing mobile resilience programme, the newer fixed resilience programme and the challenges related to building IT resilience.	Technology resilience
GDPR programme, including the implementation of a GDPR compliance programme as well as understanding its complexity and importance for delivering the Group's digital telco strategy and being a trusted and admired brand.	Effective data management Cyber threat and information security
The Group's business continuity and crisis management approach, training and governance processes, particularly as they relate to the business continuity plans for principal risks.	Covers a number of principal risks
Telecommunications regulation compliance programme designed to ensure that all local markets have governance processes in place to address regulatory requirements.	Legal and regulatory compliance
Vodacom Group risk and compliance overview, including the organisational structures to ensure programme compliance in South Africa and the international markets.	Local market view of its principal risks
IT transformation and the Group's methodology which is being applied to all new IT transformation projects.	Effective digital and technological transformation
Anti-bribery, including the Group's risk tolerance and anti-bribery and corruption processes.	Legal and regulatory compliance
Cyber security and information security and the Group's processes to manage its risk tolerance.	Cyber threat and information security

In addition to these in-depth reviews, the Committee also received annual updates on:

- the risk of fraud in the organisation and how it is being managed from the Group Corporate Security Director;
- local market audit and risk committee activities and alignment with the Group Committee's activities; and
- 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.

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 2018 financial year and allowed us to provide positive assurance to the Board to assist it in making the statements required by the 2016 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.

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 changes to the section 404 programme including scoping and the results of work performed.

The scope of the Group's section 404 compliance activities in 2018 were broadly similar compared to the 2017 financial year. The external auditors reported the status of their work in each of their reports to the Committee.

Remuneration Committee

Following the approval of the Remuneration Policy at our 2017 AGM, the Committee has continued to ensure remuneration levels are determined in line with our principles and in the context of evolving external considerations.

Chairman
Valerie Gooding

Members
Dr Mathias Döpfner
Renee James
Samuel Jonah

Key objectives:
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.

The Committee met five times during the year and each meeting had full attendance. The terms of reference of the Committee are available on vodafone.com/governance.

Contents of the Remuneration Report

Letter from the Remuneration Committee Chairman

Dear Shareholder

On behalf of the Board, I present our 2018 Directors' Remuneration Report. This report includes both our current policy and details of how our remuneration arrangements were implemented during the year under review.

Our current policy was last approved at the 2017 AGM where it received a vote in favour from shareholders of over 97%. I would like to take this opportunity to thank our shareholders for engaging in what was a constructive and two-way dialogue during the policy consultation. The relationship that exists between the Committee and our shareholders is greatly valued and we will work hard to ensure this continues.

Whilst our recently approved policy has just completed its first year of implementation, the Committee will continue to monitor its effectiveness and appropriateness for our business. The policy was drafted to provide a degree of continuity in our arrangements and, subject to any compelling and currently unforeseen reason to the contrary, it is intended that the current policy will remain in place for its full three-year term.

At the centre of this policy, and the decisions made by the Committee during the year, are our principles of:

- 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;
- 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; and
- offering competitive and fair rates of pay and benefits.

Strategic Priorities

The Committee is fully aware of its responsibility in ensuring that remuneration arrangements support and drive our strategic priorities.

These priorities are focused on leveraging our core programmes of Network Leadership, Customer eXperience eXcellence and Fit for Growth to build a sustainable competitive advantage.

This advantage is set to be supported through the transformation of our business model via Digital Vodafone. This journey will ensure that we are equipped to compete in the Gigabit Society by allowing our growth engines of mobile data, fixed & converged and Enterprise to remain as competitive in the future as they are in the present.

A core sign of our success along this journey will be how our customers judge our efforts. As such the importance of ensuring that the remuneration of management remains linked to customer satisfaction remained a priority for the Committee during this year's review. The 40% weighting on customer appreciation KPIs under our short-term incentive will therefore remain in place for 2019 and will continue to be assessed robustly against a range of metrics (as detailed further on page 86).

As communicated in previous years, cash generation continues to be the key driver of value creation. The Committee therefore continues to believe that including a cash flow measure in both our short-term and long-term incentive plans remains vital in emphasising where our financial priorities lie. Notwithstanding this, both service revenue and adjusted EBIT remain important metrics for ensuring an emphasis on cost discipline and will therefore continue to have an equal weighting with that of free cash flow under the GSTIP for the year ahead.

Pay for Performance

Over recent years the importance of cultivating a genuine "pay for performance" culture has been reflected in the wider market by the actions of shareholders who have used their votes to send clear messages to boards where they believe this principle has been neglected.

During consultations and conversations with our shareholders I have been pleased to see that the Committee's robust annual approach to target setting is recognised. The Committee's commitment to ensuring that exceptional outcomes are only warranted in the cases of exceptional performance continues to ensure that we deliver genuine variable pay, with the average payout over the last three years, including the year under review, for the GSTIP and GLTI being 56% and 45% of maximum respectively.

Arrangements for the year ahead

As has been announced, our Chief Executive, Vittorio Colao, has given notice to the Board of his wish to retire. Vittorio's retirement will be effective 30 September 2018. His leaving arrangements will be in line with our shareholder approved remuneration policy and as such will include no additional elements outside of our normal approach to departing executives. Vittorio will not receive a GLTI award in 2018.

Following the conclusion of our 2018 AGM, Nick Read (currently Chief Financial Officer) will be appointed Chief Executive-Designate, with Margherita Della Valle (currently Deputy Chief Financial Officer) being appointed to the Board as Chief Financial Officer. Nick Read will subsequently be appointed Chief Executive on 1 October 2018.

Upon appointment to their new roles on 27 July 2018, Nick and Margherita will receive annual salaries of £1,050,000 and £700,000 respectively. This compares to current levels for these roles of £1,150,000 and £725,000 respectively.

In addition, and in response to feedback we received during last year's shareholder consultation, on 27 July 2018 the pension opportunity for both Nick and Margherita will be revised from the current level of 24% of salary to 10% of salary which will then be aligned with our wider UK population.

When viewing these two changes together, the net result is a 19.0% decrease in fixed pay for the position of Chief Executive, and a decrease of 14.3% for the role of Chief Financial Officer. In the case of the Chief Executive the salary is lower than the level paid for the same role eight years ago.

Further information on the forward-looking arrangements for Nick and Margherita can be found on pages 86 and 87 of the Annual Report on Remuneration.

Finally, in respect of incentives, the Committee determined that no changes should be made to either the metrics or the weightings used under the short-term and long-term incentive plans. The Committee will continue to monitor these arrangements closely to ensure that the current measures and their respective weightings remain appropriate in future years. For 2018/19, Nick and Margherita will be eligible for incentives in line with our remuneration policy for their new respective positions.

Remuneration outcomes during 2018

Annual bonus performance during the year was assessed against both financial and strategic measures. The former constituted 60% of total opportunity and consisted of the three equally weighted metrics of service revenue, adjusted EBIT and adjusted free cash flow. The latter constituted 40% of total opportunity and was linked to customer appreciation KPIs – the assessment of which looked at metrics including net promoter score, brand consideration, churn, revenue market share and ARPU.

During the year service revenue performed in line with target, driven by strong performance in our European markets. Adjusted EBIT and free cash flow performed above target, with the UK business performing particularly well across both measures. Our Customer Appreciation KPI performance was above target, reflecting the progress we are making across the business in this area. The combined performance under all of these measures during the year resulted in an overall payout of 64% of maximum. Further details on our performance under each measure can be found on pages 80 and 81 of the Annual Report on Remuneration.

The 2016 Global Long-Term Incentive award was subject to free cash flow and TSR performance as measured over a three-year period ending 31 March 2018. The free cash flow measure finished below target during this period whilst TSR performance was above the median of our TSR peer group. Overall payout for the award was therefore 66.7% of maximum.

Pay in the wider context

During the year there were a number of external developments in the areas of gender pay and all employee pay more generally. For the former, this involved certain UK companies having to publish details of their gender pay gap for the first time, whilst for the latter this involved continued discussion around how corporate governance measures could be enhanced to ensure that employee conditions are appropriately considered when reviewing executive pay levels.

The Committee was presented with information on both of these areas during the year and discussed our current positions as well as what activities were being undertaken to further improve our employee conditions. Our 2017 UK Gender Pay Gap can be found on our website at vodafone.com/sustainablebusiness/genderpay

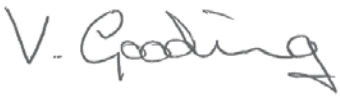
Our activity in the area of gender pay during the year was underlined by the work of our Chief Executive who is one of ten business leaders to actively champion gender equality as part of the UN HeForShe campaign. During the year we continued to engage in a number of activities to support the increase in the number of women in management roles including our ground-breaking global maternity policy and the world's largest international programme to recruit women after a career break.

In the wider area of all employee pay, we continue to undertake an annual Fair Pay exercise to ensure that employees across our markets are appropriately paid and, where issues are identified, that these are investigated and corrected. During the year the Committee also engaged with the consultation on future changes to UK corporate governance – in particular efforts to improve the "employee voice" and the likely future introduction of CEO pay ratios.

In terms of the former, the Committee remains open to ideas on how to improve engagement with our employees and looks forward to seeing the final recommendations. In respect of the latter, given the current uncertainty regarding the methodology to be used, we do not plan to publish a ratio at this point but will of course comply with disclosure requirements once they are in place.

The Committee will continue to monitor all external developments in these areas and respond as appropriate with the best interests of our stakeholders in mind.

Finally, I would like to take this opportunity to thank Dr. Mathias Döpfner, who will be stepping down from the Board at the 2018 AGM, for his work and commitment whilst serving on the Committee. Michel Demaré will join the Committee on the same date as Mathias' departure from it, and I look forward to the insight and experience that Michel will bring to his new role. Similarly, I would like to thank my fellow Committee members for their work during the year and look forward to working with them and you, our shareholders, in the year ahead.



Valerie Gooding
Chairman of the Remuneration Committee

15 May 2018

Remuneration Committee (continued)

Total target remuneration at a glance – 2018 compared to 2019

The below table illustrates the arrangements in place during the year under review (2018) compared to those which will be in place for 2019.

	2018 (y/e 31 March 2018)	2019 (y/e 31 March 2019)
Base salary	**Effective 1 July 2017:** Chief Executive: £1,150,000 (no increase). Chief Financial Officer: £725,000 (1.5% increase).	**Effective 27 July 2018:** Chief Executive: £1,050,000 (8.7% decrease to the role). Chief Financial Officer: £700,000 (3.4% decrease to the role).
Benefits	Travel related benefits and private medical cover.	Travel related benefits and private medical cover.
Pension	Pension contribution of 24% of salary for all Executive Directors.	Pension contribution of 24% of salary for all Executive Directors until 27 July 2018 from which date contributions will be reduced to 10% of salary for new executive incumbents.
GSTIP	**Opportunity (% of salary):** Target: 100% Maximum: 200% **Measures:** Service revenue (20%), adjusted EBIT (20%), adjusted FCF (20%), and customer appreciation KPIs (40%).	**Opportunity (% of salary):** Target: 100% Maximum: 200% **Measures:** Service revenue (20%), adjusted EBIT (20%), adjusted FCF (20%), and customer appreciation KPIs (40%).
GLTI	**Opportunity (% of salary):** Target: Chief Executive – 230% Other Executive Directors – 210% Maximum: Chief Executive – 575% Other Executive Directors – 525% **Measures:** Adjusted free cash flow (2/3 of total award) and TSR (1/3 of total award).	**Opportunity (% of salary):** Target: Chief Executive – 230% Other Executive Directors – 210% Maximum: Chief Executive – 575% Other Executive Directors – 525% **Measures:** Adjusted free cash flow (2/3 of total award) and TSR (1/3 of total award).
Total target remuneration	Chief Executive – £5.2m Chief Financial Officer – £3.2m	Chief Executive – £4.6m Chief Financial Officer – £3.0m
Shareholding guidelines	Chief Executive – 500% of salary Chief Financial Officer – 400% of salary Include post-employment holding requirements.	Chief Executive – 500% of salary Chief Financial Officer – 400% of salary Include post-employment holding requirements.

Remuneration Policy

No changes have been made to our policy since its approval at the 2017 annual general meeting which was held on 28 July 2017. 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 2017 Annual Report. As such, a few phrases (e.g. references to the 2017 annual general meeting and page number references) are now out of date.

REMUNERATION POLICY (FIRST PUBLISHED IN THE 2017 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, including an indication of the potential future value of this package for each of the Executive Directors, and the policy applied to the Chairman and Non-Executive Directors.

We will be seeking shareholder approval for our Remuneration Policy at the 2017 AGM and we intend to implement at that point. A summary and explanation of the proposed changes to the current remuneration policy is provided on pages 67 to 70. Subject to approval, we will review our policy each year to ensure that it continues to support our company strategy and 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 67 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 and a number of key governance stakeholders to comment on remuneration at Vodafone and to provide feedback on the proposed changes to the current policy which was approved at the 2014 AGM. A number of meetings between shareholders and the Remuneration Committee Chairman took place during this consultation period. Further details of this consultation are provided on pages 67 to 69 whilst a summary of the proposed changes to our current policy, which are incorporated in this revised Remuneration Policy section, is provided on page 70.

Listening to and consulting with our employees is very important. This can take different forms in different markets but always includes our annual people survey which attracts very high levels of participation and engagement. We do not consult directly with employees on the executive remuneration policy nor is any fixed remuneration comparison measurement used. However, when determining the policy for Executive Directors, we have been mindful of the pay and employment conditions of employees in Vodafone Group as a whole, with particular reference to the market in which the executive is based. Further information on our remuneration policy for other employees is given on page 74.

Performance measures and targets

Our Company strategy and business objectives are the primary consideration when we are selecting performance measures for our incentive plans. The targets within our incentive plans that are related to internal financial measures (such as revenue, profit and cash flow) are typically determined based on our budgets. Targets for strategic and external measures (such as customer appreciation KPIs 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 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 has the discretion to use either malus or clawback as it sees appropriate. In the case of malus, 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. In the case of clawback, the Committee may recover bonus amounts that have been paid up to three years after the relevant payment date, or recover share awards that have vested up to two years after the relevant vesting date. The key trigger events for the use of the clawback arrangements include material misstatement of performance, material miscalculation of performance condition outcomes, and gross misconduct. Subject to approval of this Remuneration Policy, the clawback arrangements will be applicable to all future bonus amounts paid, or share awards granted, following the 2017 AGM.

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, our all-employee share plan, 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. The strategic measures aim to ensure 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')	– 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 share ownership. – 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 awards consist of performance shares which are granted each year. – 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 24% of annual gross salary.	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) customer appreciation KPIs such as net promoter score and brand consideration.

	– The target award level is 230% of base salary for the Chief Executive and 210% for other Executive Directors.
	– Minimum vesting is 0% of the target award level, threshold vesting is 45% of the target award level, and maximum vesting is 250% of the target award level.
	– Maximum long-term incentive face value at award of 575% of base salary for the Chief Executive and 525% for others Executive Directors.
	– The Committee has the discretion to reduce long-term incentive grant levels for directors who have neither met their shareholding guideline nor increased their shareholding by 100% of salary during the year.
	– 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 the following measures:
		  – adjusted free cash flow as our operational performance measure; and
		  – relative TSR against a peer group of companies as our external performance measure.
		– Measures will normally be weighted 2/3 to adjusted free cash flow and 1/3 to relative TSR.

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 and/or prior to the approval and implementation of this policy. For the avoidance of doubt this includes payments in respect of any award granted under the previous remuneration policy. 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 "2017 award" was made in the financial year ending 31 March 2017. The awards are usually made in the first half of the financial year (the 2017 award was made in June 2016).

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 the award subject to this performance element are shown in the table below (with linear interpolation between points):

Performance	Vesting percentage (% of FCF element)
Below threshold	0%
Threshold	18%
Target	40%
Maximum	100%

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 TSR vesting levels as a percentage of the award subject to this performance element are shown in the table below (with linear interpolation between points):

	Vesting percentage (% of TSR element)
Below median	0%
Median	18%
Percentage outperformance of the peer group median equivalent to 65th percentile	40%
Percentage outperformance of the peer group median equivalent to 80th percentile	100%

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

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 Committee are essentially the same as for the Executive Directors with some minor differences, for example smaller levels of share awards and local or regional performance conditions where appropriate. The remuneration for the next level of management, our senior leadership team, again follows the same principles with 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 conditional share awards without performance conditions.

Estimates of total future potential remuneration from 2018 pay packages

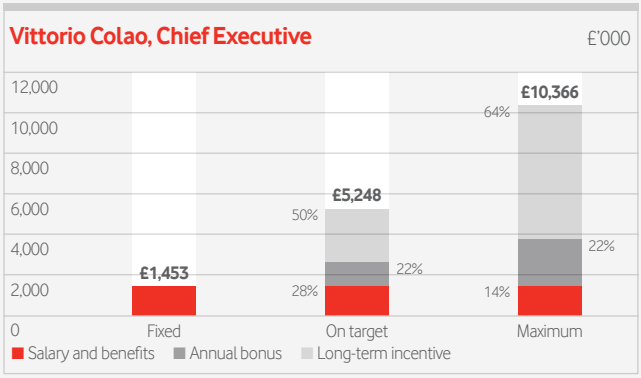
The tables below provide estimates of the potential future remuneration for each of the Executive Directors based on the remuneration opportunity to be granted in the 2018 financial year. Potential outcomes based on different performance scenarios are provided for each Executive Director.

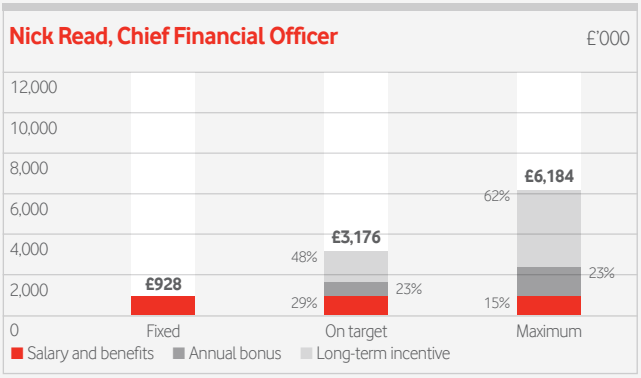
The assumptions underlying each scenario are described below.

Fixed	Consists of base salary, benefits and pension.
	Base salary is at 1 July 2017.
	Benefits are valued using the figures in the total remuneration for the 2017 financial year table on page 78 (of the 2017 report).
	Pensions are valued by applying cash allowance rate of 24% of base salary at 1 July 2017.

	Base (£'000)	Benefits (£'000)	Pension (£'000)	Total fixed (£'000)
Chief Executive	1,150	27	276	1,453
Chief Financial Officer	725	29	174	928

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 230% of base salary for the Chief Executive and 210% for the Chief Financial Officer. 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	Long-term incentives consist of share awards only which are measured at face value i.e. no assumption for increase in share price or cash dividend equivalents payable.





Recruitment remuneration

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

The remuneration policy table (pages 72 and 73) sets out the various components which would be considered for inclusion in the remuneration package for the appointment of an Executive Director. Any new Director's remuneration package would include the same elements, and be subject to the same constraints, as those of the existing Directors performing similar roles. This means a potential maximum bonus opportunity of 200% of base salary and long-term incentive maximum face value of opportunity at award of 575% 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.

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.

Remuneration Policy (continued)

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') 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 for reasons 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.

Annual Report on Remuneration

Remuneration Committee

In this section we give details of the composition of the Remuneration Committee and activities undertaken during the 2018 financial year. The Committee is comprised to exercise independent judgement and consists only of the following independent Non-Executive Directors:

Chairman: Valerie Gooding
Committee members: Dr Mathias Döpfner, 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 at the time 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.	63	Reward and benefits consultancy; provision of benchmark data; pension administration; and insurance consultancy services.

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

2017 annual general meeting – Remuneration Policy voting results

At the 2017 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	17,581,245,488	97.19	507,704,367	2.81	18,088,949,855	55,312,703

2017 annual general meeting – Remuneration Report voting results

At the 2017 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	17,324,339,658	97.40	462,209,294	2.60	17,786,548,952	357,720,232

Meetings

The Remuneration Committee had five formal meetings and one formal conference call 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 2017	– 2017 annual bonus achievement and 2018 targets and ranges – 2015 long-term incentive award vesting and 2018 targets and ranges	– 2017 Directors' Remuneration Report
July 2017	– 2018 long-term incentive awards	– Large local market CEO remuneration
November 2017	– Corporate governance matters	– External insights
January 2018	– 2019 annual bonus framework – Gender Pay Gap	– Review of Remuneration Policy
March 2018	– 2019 reward packages for the Executive Committee – Chairman and Non-Executive Director fee levels – 2018 Directors' Remuneration Report	– Committee's Terms of Reference – Risk assessment

Annual Report on Remuneration (continued)

2018 remuneration

In this section we summarise the pay packages awarded to our Executive Directors for performance in the 2018 financial year versus 2017. 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 2018 as a result of the performance through the three year period ended at the completion of our financial year on 31 March 2018.

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 of long-term incentives awards under the 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 2018 financial year (audited)

	Vittorio Colao		Nick Read	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Salary/fees	1,150	1,150	722	710
Taxable benefits[1]	25	27	24	29
Annual bonus: GSTIP (see below for further detail)	1,471	1,087	927	675
Total long-term incentive:	5,061	3,791	2,648	2,029
GLTI vesting during the year[2]	4,296	3,271	2,248	1,751
Cash in lieu of GLTI dividends[3]	765	520	400	278
Cash in lieu of pension	276	276	173	171
Other[4]	1	1	1	1
Total	**7,984**	**6,332**	**4,495**	**3,615**

Notes:
1 Taxable benefits include amounts in respect of: – Private healthcare (2018: Vittorio Colao £2,482, Nick Read £2,482; 2017: Vittorio Colao £3,091, Nick Read £2,079);
– Cash car allowance £19,200 p.a.; and
– Travel (2018: Vittorio Colao £2,864, Nick Read £2,479; 2017: Vittorio Colao £4,812, Nick Read £7,933).
2 The value shown in the 2017 column is the award which vested on 26 June 2017 and is valued using the execution share price on 26 June 2017 of 224.29 pence. The value shown in the 2018 column is the award which vests on 26 June 2018 and is valued using an average of closing share price over the last quarter of the 2018 financial year of 211.81 pence.
3 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 2018 relates to the award which vests on 26 June 2018.
4 Reflects the value of the SAYE benefit which is calculated as £375 (2017: £250) x 12 months x 20% to reflect the discount applied based on savings made during the year.

2018 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 2018 of 127.9% of target. 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%	20.5%	43.4	45.7	48.0	45.7
Adjusted EBIT	20%	40%	30.0%	2.5	3.7	4.8	4.3
Adjusted free cash flow	20%	40%	32.7%	3.9	4.7	5.6	5.3
Customer appreciation KPIs	40%	80%	44.7%	See below for further details			
Total annual bonus payout level	**100%**	**200%**	**127.9%**				

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

Financial Metrics

During the year under review, service revenue performance was in line with the target performance level. This reflected above target revenue performance in Germany, UK, Italy, and most of our other European markets as well as Egypt and Turkey. However, this was offset by below target performance in Spain, India, and New Zealand.

Adjusted EBIT and free cash flow results were above target in nearly all markets, with particularly strong results in the UK, Germany, Italy, Egypt and Turkey.

Customer appreciation KPIs

An assessment of performance under the customer appreciation KPIs measure was conducted on a market by market basis. Each market was assessed against a number of different metrics which included:

- Net Promoter Score for both Consumer and Enterprise business units
- Brand consideration for Enterprise and both Consumer user and Consumer non-user
- Churn, revenue market share and ARPU

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 from our local markets which is collected and 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 other relevant customer factors such as churn, customer growth and service levels are considered.

Overall Group performance was above target for the year reflecting our current market positions of:

- Being ranked number 1 for Consumer NPS in 19 of the 22 markets where we measure this metric.
- Being ranked number 1 for Enterprise NPS in 12 of the 18 markets where we measure this metric.
- Being ranked number 1 for both User and Non-User Consumer Brand Consideration in 17 of the 22 markets where we measure this metric.

During the year we increased the number of markets where we were number 1 for consumer NPS from 15 to 19 markets, but saw the number of markets where we were number 1 for Enterprise NPS decrease from 14 to 12. The fact that overall performance against our Customer Appreciation KPIs metrics remains significantly below maximum opportunity reflects that, in our opinion, there is still work to be done to both maintain and improve our global customer service offering.

The aggregated performance for the regions and the Group is calculated on a revenue-weighted average to give an overall achievement. Performance this year under this measure is as follows;

	Customer appreciation KPIs Achievement
Europe	110.0%
AMAP	115.9%
Group	111.7%

To provide a breakdown of overall performance, the table above sets out our achievement in both our Europe and AMAP regions. The achievement percentage for Europe reflects strong performance in both Germany and Italy, with Portugal and Ireland also recording above target performance in this area. The above target performance in Germany reflects our position as NPS leader in this market, with our overall NPS score improving year on year. In Italy we hold the position of 4G customer leader with the average data usage increasing compared to the previous year.

The achievement percentage for AMAP reflects strong performance in India, South Africa and our other Southern African markets. In South Africa we are the NPS leader in both Consumer and Enterprise with a significant lead above our second placed peers. This market leading position is replicated in India despite particularly challenging market conditions. Despite pricing pressures in this market we are the joint leader for both user and non-user Brand Consideration reflecting the effective implementation of our CXX programme despite difficult local conditions.

2018 annual bonus ('GSTIP') amounts	Base salary £'000	Target bonus % of base salary	2018 payout % of target	Actual payment £'000
Vittorio Colao	1,150	100%	127.9%	1,471
Nick Read	725	100%	127.9%	927

Long-term incentive ('GLTI') award vesting in June 2018 (audited)

The 2016 long-term incentive ('GLTI') awards which were made in June 2015 and September 2015 will vest at 66.7% of maximum (166.9%of target) in June 2018. The performance conditions for the three year period ending in the 2018 financial year are as follows:

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

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

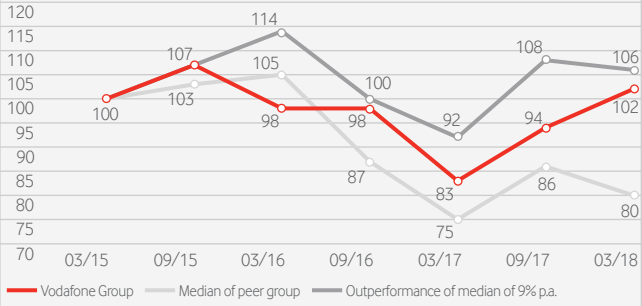
The adjusted free cash flow for the three year period ended on 31 March 2018 was £8.7 billion. This compares with a target of £9.0 billion and a threshold of £7.3 billion.

The chart to the right shows that our TSR performance against our peer group for the same period resulted in an out-performance of the median by 7.6% a year.

Using the combined payout matrix above, this performance resulted in a payout of 166.9% of target.

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

2016 GLTI award: TSR performance
(growth in the value of a hypothetical US$100 holding over the performance period, six-month averaging)



Annual Report on Remuneration (continued)

2016 GLTI performance share awards vesting in June 2018	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	3,039,156	1,215,662	90.5%	1.84 times	166.9%	2,028,332	£4,296
Nick Read	1,589,967	635,986	90.5%	1.84 times	166.9%	1,061,143	£2,248

These share awards will vest on 26 June 2018. 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 measure is undertaken by Willis Towers Watson. Details of how the plan works can be found in the Policy Report that was approved at the 2014 AGM.

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

The independent performance conditions for the 2018 long-term incentive awards made in August 2017 are adjusted free cash flow and TSR performance as follows:

Adjusted FCF Performance (2/3 of total award)	Adjusted FCF performance (€bn)	Vesting percentage (% of FCF element)
Below threshold	<14.75	0%
Threshold	14.75	18%
Target	16.60	40%
Maximum	18.45	100%

TSR Performance (1/3 of total award)	TSR outperformance	Vesting percentage (% of TSR element)
Below threshold	Below median	0%
Threshold	Median	18%
Target	5.0% p.a. (65th percentile equivalent)	40%
Maximum	10.0% p.a. (80th percentile equivalent)	100%

TSR peer group				
Bharti	BT Group	Deutsche Telekom	Liberty Global	MTN
Orange	Royal KPN	Telecom Italia	Telefónica	

The awards made to Executive Directors in August 2017 were as follows:

2018 GLTI performance share awards made in August 2017	Number of shares awarded		Face value of shares awarded[1]		Proportion of maximum award vesting at minimum performance	Performance period end
	Target vesting level (40% of max)	Maximum vesting level	**Target vesting level**	Maximum vesting level		
Vittorio Colao	**1,180,803**	2,952,008	**£2,644,999**	£6,612,498	⅕th	31 Mar 2020
Nick Read	**669,374**	1,673,437	**£1,499,398**	£3,748,499	⅕th	31 Mar 2020

Note:
1 Face value calculated based on the share price at the date of grant of 224.0 pence.

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

Outstanding awards

The structure for awards made in June 2016 (vesting in June 2019) is set out below. These awards vest subject to a combined vesting matrix as follows (illustrated as a percentage of target with linear interpolation between points):

Adjusted free cash flow measure	TSR outperformance		
	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 structure for awards made in August 2017 (vesting August 2020) is set out at the top of this page.

Further details on the structure of these awards can be found in the Annual Report on Remuneration of the relevant year.

All-employee share plans

During the year, the Executive Directors were eligible to participate in the Vodafone Group 2008 Sharesave Plan which is open to UK all-employees.

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 84.

Pensions (audited)

The Executive Directors received a cash allowance of 24% of base salary during the 2018 financial year. 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 £256,913 (2017: £233,011) into defined contribution pension schemes.

Alignment to shareholder interests (audited)

Both 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 2018 of 217.58 pence.

At 31 March 2018	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	500%	2,306%	461%	12,190,562	£26.5m	July 2012
Nick Read	400%	634%	159%	2,113,416	£4.6m	April 2019

The shareholding goals include a post-employment condition whereby the Executive Directors will be required to continue to meet their guideline until all long-term incentives have vested. If this condition is not met, then any unvested GLTI awards will normally be forfeited

Collectively the Executive Committee including the Executive Directors own more than 24 million Vodafone shares, with a value of over £54.3 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 2018	Total number of interests in shares	Share plans: Unvested GLTI shares (with performance conditions)	Share options: SAYE (unvested without performance conditions)
Executive Directors			
Vittorio Colao	21,274,490	9,070,102	13,826
Nick Read	6,822,235	4,695,527	13,292
Total	**28,096,725**	**13,765,629**	**27,118**

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

At 31 March 2018	Total number of interests in shares
Non-Executive Directors	
Sir Crispin Davis	34,500
Michel Demaré[1]	–
Dr Mathias Döpfner	11,500
Dame Clara Furse	25,000
Valerie Gooding	28,970
Renee James	27,272
Samuel Jonah	30,190
Gerard Kleisterlee	107,078
Maria Amparo Moraleda Martinez[1]	–
David Nish	74,137

Notes:
1 On 15 May 2018 Michel Demaré acquired an interest in 50,000 shares and Maria Amparo Moraleda Martinez acquired an interest in 25,000 shares resulting in a total interest in 50,000 shares and 25,000 respectively as at 15 May 2018.

At 15 May 2018 and during the period from 1 April 2018 to 15 May 2018, 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 2018 members of the Group's Executive Committee at 31 March 2018 had an aggregate beneficial interest in 10,695,611 ordinary shares of the Company. At 15 May 2018 the Directors had an aggregate beneficial interest in 14,717,625 ordinary shares of the Company and the Executive Committee members had an aggregate beneficial interest in 10,695,611 ordinary shares of the Company. 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 50,000 shares by Michel Demaré, and the acquisition of an interest in 25,000 shares by Maria Amparo Moraleda Martinez as outlined above, the Directors' total number of interests in shares did not change during the period from 1 April 2018 to 15 May 2018.

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	2016 award Awarded: June 2015 and September 2015 Performance period ending: March 2018 Vesting date: June 2018 Share price at grant: 239.4 pence and 207.2 pence	2017 award Awarded: June 2016 Performance period ending: March 2019 Vesting date: June 2019 Share price at grant: 216.8 pence	2018 award Awarded: August 2017 Performance period ending: March 2020 Vesting date: August 2020 Share price at grant: 224.0 pence
Vittorio Colao	3,039,156	3,078,938	2,952,008
Nick Read	1,589,967	1,432,123	1,673,437

For details of the performance conditions for the 2017 and 2018 awards please see page 82. Details of the 2016 award are available on page 81.

Annual Report on Remuneration (continued)

Share options

The following information summarises the Executive Directors' options under the Vodafone Group 2008 Sharesave Plan ('SAYE'). 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 2017 or date of appointment Number of shares	Options granted during the 2018 financial year Number of shares	Options exercised during the 2018 financial year Number of shares	Options lapsed during the 2018 financial year Number of shares	Options held at 31 March 2018 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	–	–
SAYE	Jul 2017	–	4,219	–	–	4,219	177.75	Sep 2022	Feb 2023	–	–
Total		**9,607**	**4,219**			**13,826**					
Nick Read											
SAYE	Jul 2012	10,389	–	10,389	–	–	144.37	Sep 2017	Feb 2018	213.75	£7,208
SAYE	Mar 2017	4,854	–	–	–	4,854	154.51	Apr 2022	Sep 2022	–	–
SAYE	Jul 2017	–	8,438	–	–	8,438	177.75	Sep 2022	Feb 2023	–	–
Total		**15,243**	**8,438**	**10,389**		**13,292**					

Notes:
1 The closing trade share price on 31 March 2018 was 194.22 pence. The highest trade share price during the year was 238.00 pence and the lowest price was 190.90 pence.

At 15 May 2018 there had been no change to the Directors' interests in share options from 31 March 2018.

Other than those individuals included in the table above, at 15 May 2018 members of the Group's Executive Committee held options for 47,592 ordinary shares at prices ranging from 154.5 pence to 189.2 pence per ordinary share, with a weighted average exercise price of 162.0 pence per ordinary share exercisable at dates ranging from 1 September 2018 to 1 September 2022.

Hannes Ametsreiter, Aldo Bisio, António Coimbra, Ahmed Essam, Joakim Reiter, Ronald Schellekens and Serpil Timuray held no options at 15 May 2018.

Loss of office payments (audited)

Other than amounts already disclosed in prior year reports, no loss of office payments were made during the year.

Payments to past Directors (audited)

During the 2018 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 (2017: £9,813).

Fees retained for external non-executive directorships

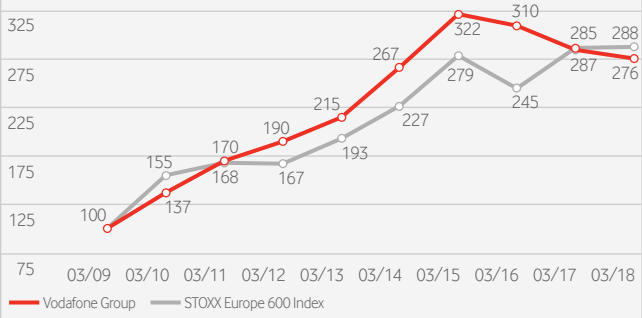
Executive Directors may hold positions in other companies as non-executive directors and retain the fees.

During the year ended 31 March 2018, Vittorio Colao served as a non-executive director on the boards of Unilever N.V. and Unilever PLC. Vittorio retained fees of €54,474 and £42,500 respectively for these roles (2017: €54,474 and £43,870).

Assessing pay and performance

In the table below we summarise the Chief Executive's single figure remuneration over the past nine 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 nine 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 81 and not this chart.

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



Financial year remuneration for Chief Executive (Vittorio Colao)	2010[1]	2011	2012	2013	2014	2015	2016	2017	2018
Single figure of total remuneration £'000	3,350	7,022	15,767	11,099	8,014	2,810	5,224	6,332	7,984
Annual variable element (actual award versus maximum opportunity)	64%	62%	47%	33%	44%	56%	58%	47%	64%
Long-term incentive (vesting versus maximum opportunity)	25%	31%	100%	57%	37%	0%	23%	44%	67%

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

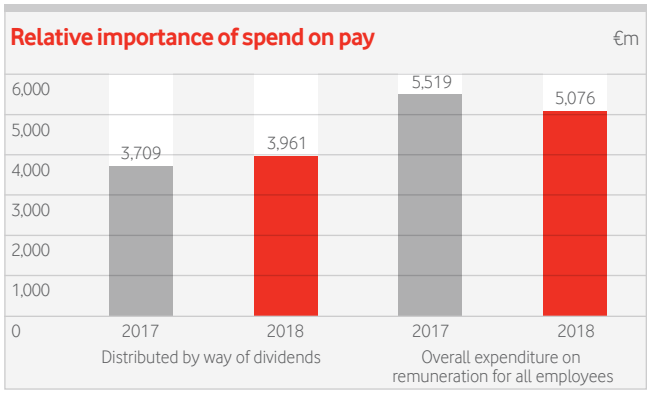
Change in the Chief Executive's remuneration between 2017 and 2018

In the table below we show the percentage change in the Chief Executive's remuneration (salary, taxable benefits and annual bonus payment) between the 2017 and 2018 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 2017 (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 2017 to 2018	
Item	Chief Executive: Vittorio Colao	Other Vodafone Group employees employed in the UK
Base salary	0.0%	4.9%
Taxable benefits	-7.4%	1.2%
Annual bonus	35.3%	51.2%

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 130 and 154 respectively.

2018 remuneration for the Chairman and Non-Executive Directors (audited)

	Salary/fees		Benefits[1]		Total	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Chairman						
Gerard Kleisterlee	625	625	85	87	710	712
Senior Independent Director						
Valerie Gooding	157	140	10	12	167	152
Non-Executive Directors						
Sir Crispin Davis	115	115	5	10	120	125
Michel Demaré (appointed 1 February 2018)	19	–	6	–	25	–
Dr Mathias Döpfner	115	115	5	10	120	125
Dame Clara Furse	115	115	6	13	121	128
Renee James[2]	139	139	19	11	158	150
Samuel Jonah[2]	151	145	12	9	163	154
Maria Amparo Moraleda Martinez (appointed 1 June 2017)	96	–	21	–	117	–
David Nish	132	115	24	13	156	128
Former Non-Executive Directors						
Nick Land (retired 28 July 2017)	47	140	6	3	53	143
Phil Yea (retired 28 July 2017)	47	140	3	2	50	142
Total	**1,758**	**1,789**	**202**	**170**	**1,960**	**1,959**

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)

2019 remuneration

Details of how the remuneration policy will be implemented for the 2019 financial year are set out below.

2019 base salaries

Vittorio Colao, will retire from the Board effective 30 September 2018. Following the conclusion of our 2018 AGM, Nick Read (currently Chief Financial Officer) will be appointed Chief Executive-Designate, with Margherita Della Valle (currently Deputy Chief Financial Officer) being appointed Chief Financial Officer. Nick Read will subsequently be appointed Chief Executive on 1 October 2018.

The annual salaries for the two new incumbents (effective 27 July 2018) are as follows:

- Chief Executive: Nick Read £1,050,000; and
- Chief Financial Officer: Margherita Della Valle £700,000.

The above salaries reflect a decrease on the current levels paid for these positions (currently £1,150,000 and £725,000 respectively).

The Committee has sought to ensure that the revised salaries reflect the significant and relevant business experience and strong track records that both individuals will bring to the positions, and that overall arrangements remain fair and competitive.

The average salary increase for Executive Committee members will be 2.6% – this compares to a budget of 2.5% which is based on an average of the relevant local market budget for each Executive Committee member,

Pension

Effective 27 July 2018, the pension contributions for all new Executive Directors will be reduced from 24% of salary to 10% of salary. This revised level will apply to both Nick Read and Margherita Della Valle following their appointments to their new respective positions on 27 July 2018 and is now in line with the pension arrangements of our other people in the UK.

Total fixed pay

The combined impact of the changes to salary and pension results in a reduction in fixed pay of 19.0% for the position of Chief Executive, and of 14.3% for the Chief Financial Officer.

Although external market data was not the determining factor when setting the salary positions, the Committee recognises that the revised base salaries for both the Chief Executive and the Chief Financial Officer are towards the lower end of the market when compared to companies of a comparable size and complexity.

Further information on the Committee's rationale for the revised salary position can be found in the Remuneration Committee Chairman's letter on page 71.

2019 annual bonus ('GSTIP')

The performance measures and weightings for 2019, which remain unchanged from 2018, are outlined below.

- service revenue (20%);
- adjusted EBIT (20%);
- adjusted free cash flow (20%); and
- customer appreciation KPIs (40%). This includes an assessment of Net Promoter Score ('NPS') and brand consideration measures.

The assessment of NPS and brand consideration metrics utilises data collected in our local markets which is validated for quality and consistency by independent third party agencies. Further details on how this data is collated and how the individual metrics used to measure customer appreciation KPIs are defined is provided on pages 80 and 81.

Due to the potential impact on our commercial interests, annual bonus targets are considered commercially sensitive and therefore will be disclosed in the 2019 Remuneration Report following the completion of the financial year.

Long-term incentive ('GLTI') awards for 2019

Awards for 2019 will be made in line with the arrangements described in our policy on pages 74 to 76. Vesting of the 2019 award will be subject to the performance of adjusted free cash flow (2/3 of total award) and TSR (1/3 of total award). The details for the 2019 award targets are provided in the table below (with linear interpolation between points).

Following the annual review of the performance measures which included a review of analysis provided by the Committee's external advisers, the Committee decided that for the 2019 award the TSR outperformance range should remain unchanged from that used for the 2018 award at 5.0% p.a. at target and 10.0% p.a. at maximum. The Committee also determined it appropriate to keep the same peer group constituents as used for the 2018 award.

Adjusted FCF Performance (2/3 of total award)	Adjusted FCF performance (€bn)	Vesting percentage (% of FCF element)
Below threshold	<15.15	0%
Threshold	15.15	18%
Target	17.00	40%
Maximum	18.85	100%

TSR Performance (1/3 of total award)	TSR outperformance	Vesting percentage (% of TSR element)
Below threshold	Below median	0%
Threshold	Median	18%
Target	5.0% p.a. (65th percentile equivalent)	40%
Maximum	10.0% p.a. (80th percentile equivalent)	100%

TSR peer group				
Bharti	BT Group	Deutsche Telekom	Liberty Global	MTN
Orange	Royal KPN	Telecom Italia	Telefónica	

2019 remuneration for the Chairman and Non-Executive Directors

For the 2018 review, the fees for our Chairman and non-executives have been benchmarked against the FTSE 30 (excluding financial services companies). The Chairman's fee was last increased in April 2014 and, following the review, it was agreed that this fee should be increased from £625,000 to £650,000 with effect from 1 July 2018. No changes will be made to the current non-executive fee structure. Full details of the fee levels are provided in the table below.

Position/role	Fee payable £'000 From 1 July 2018
Chairman[1]	650
Non-Executive Director	115
Additional combined fee for Senior Independent Director and Chairman of the Remuneration Committee	50
Additional fee for Chairmanship of Audit and Risk Committee	25

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

For 2019, 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

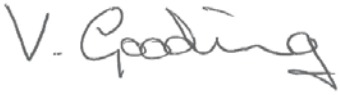
Dilution

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, including the planned June 2018 awards, is approximately 2.7% of the Company's share capital at 31 March 2018 (2.9% at 31 March 2017), whilst from all-employee share awards it is approximately 0.4% (0.3% at 31 March 2017). This gives a total dilution of 3.1% (3.2% at 31 March 2017).

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

15 May 2018

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 2016 UK Corporate Governance Code (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.

Directors' report

The Directors of the Company present their report together with the audited consolidated financial statements for the year ended 31 March 2018.

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 Guidance and 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 91 and 92 which also provides details regarding the disclosure of information to the Company's auditors and management's report on internal control over financial information.

Going concern

The going concern statement required by the Listing Rules and the UK Corporate Governance Code (the 'Code') is set out in the "Directors' statement of responsibility" on page 92.

System of risk management and internal control

The Board is responsible for maintaining a risk management and internal control system and for managing principal risks faced by the Group. 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. This is described in more detail in the Audit and Risk Committee report on pages 64 to 69.

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 (which can be found on pages 38 to 45).

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 our internal control and risk management arrangements in relation to the financial reporting process is set out on pages 47 to 87. The information required by DTR 7.2.6R can be found in the "Shareholder information" section on pages 191 to 197. A description of the composition and operation of the Board and its Committees is set out on pages 52 to 53.

Strategic Report

The Strategic Report is set out on pages 4 to 45 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 2018 and up to the date of signing the financial statements are as follows: Gerard Kleisterlee, Vittorio Colao, Nick Read, Sir Crispin Davis, Michel Demaré, Dr Mathias Döpfner, Dame Clara Furse, Valerie Gooding, Renee James, Samuel Jonah, Amparo Moraleda, Nick Land, Phil Yea and David Nish. A summary of the rules relating to the appointment and replacement of Directors and Directors' powers can be found on page 62 to 63. 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 70 to 87.

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 62.

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, details of Company share repurchases and other shareholder information is contained on pages 30 and 191 to 197.

Change of control

Details of change of control provisions in the Company's revolving credit facilities are set out on page 148.

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 pages 77 and 78. 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 2018 are set out on page 21 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 32 to 35. 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 22 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 22.

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 31 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. Further details are included on page 169.

Employee disclosures

Vodafone is an inclusive employer and diversity is important to us. We give full and fair consideration to applications for employment by disabled persons and the continued employment of anyone incurring a disability whilst employed by us. Training, career development and promotion opportunities are equally applied for all our employees, regardless of disability. Our disclosures relating to the employment of women in senior management roles, employee engagement and policies are set out on pages 36 and 37.

By Order of the Board

Rosemary Martin
Group General Counsel and Company Secretary

15 May 2018