Vodafone Group Plc
Annual Report 2021

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Together we can
vodafone

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This document is the Group's UK Annual Report and is not the Group's Annual Report on Form 20-F that will be filed separately with the US SEC at a later date.

This Report contains references to Vodafone's website, and other supporting disclosures located thereon such as videos, our ESG Addendum and our TCFD Report, amongst others. These references are for readers' convenience only and information included on Vodafone's website is not incorporated in, and does not form part of, this Annual Report.

Welcome to our 2021 Annual Report

Our new approach to reporting

This year we have adopted a digital first approach reflecting how we operate as a business. As a result, while the Annual Report continues to be a core part of our reporting suite, we have simplified the format and included links to interactive online content, such as videos. This online material brings to life what we do, how we do it, and provides you with a better overall understanding of our business. We have also introduced new summaries at the start of each key section (denoted by an Ⓢ in the contents to the left).

For the first time we have also published a separate report that summarises our progress towards meeting the recommendations of the Task Force on Climate-related Financial Disclosures ('TCFD'), as well as a comprehensive addendum that includes data on environmental, social and governance ('ESG') topics.

vodafone.com

investors.vodafone.com/tcfd

investors.vodafone.com

investors.vodafone.com/esgaddendum

References

The Annual Report has been redesigned to aid navigation. We have cross-referenced relevant material and navigation buttons are 'clickable' when using the digital version of the Annual Report. Online content can be accessed by clicking links on the digital version of this Annual Report, copying the website address into an internet browser, or scanning the QR code on a mobile device.

Read more page reference

Click to see related content online

Scan or click to watch related video content online

We have also reported against a number of voluntary reporting frameworks to help our stakeholders understand our sustainable business performance. Disclosures prepared in accordance with the Global Reporting Initiative ('GRI') or Sustainability Accounting Standards Board ('SASB') guidance can be found in our ESG Addendum or on investors.vodafone.com.

investors.vodafone.com/esgaddendum

investors.vodafone.com/sasb

Videos:

Our new brand

Scan or click to watch a video summarising our new brand positioning, 'Together we can': **investors.vodafone.com/videos-brand**

Strategy

Scan or click to watch our Chief Executive, Nick Read, summarise our performance this year and introduce the next phase of our strategy: **investors.vodafone.com/videos-strategy**

Financial performance

Scan or click to watch our Chief Financial Officer, Margherita Della Valle, summarise our financial performance in FY21: **investors.vodafone.com/videos-cfo**

Governance

Scan or click to watch our Chairman, Jean-François van Boxmeer, share his views on his first months at Vodafone: **investors.vodafone.com/videos-chair**

Scan or click to watch the Chair of the Audit and Risk Committee, David Nish, explain his role: **investors.vodafone.com/videos-arc**

Scan or click to watch the Senior Independent Director and Chair of the Remuneration Committee, Valerie Gooding, explain her role: **investors.vodafone.com/videos-rem**

Scan or click to watch our prospective Non-Executive Director, Olaf Swantee, introduce himself: **investors.vodafone.com/videos-ned**

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Our strategic framework

Our next phase to drive returns through growth

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Our purpose: We connect for a better future

Inclusion for All
Ensuring everyone has access to the benefits of a digital society

Read more on pages 34-37

Planet
Reducing our environmental impact and helping society decarbonise

Read more on pages 38-40

Digital Society
Connecting people and things and digitalising critical sectors

Read more on pages 41-42

Our strategy: The new generation connectivity and digital services provider for Europe & Africa, enabling an inclusive & sustainable digital society

Customer commitments

Best connectivity products & services
Providing the best core connectivity for consumers and businesses

Leading innovation in digital services
Leveraging our unique platforms and partnering with leading technology firms to provide customers with a 'best on Vodafone' user experience

Outstanding digital experiences
Using our leading digital architecture to provide a seamless customer experience

Enabling strategies

Simplified & most efficient operator
Through digital transformation, standardisation, and automation of processes at scale

Social contract shaping the digital society
Influencing policy and regulation to shape a more healthy industry structure, and build a resilient, inclusive and sustainable digital society

Leading gigabit networks
Maintaining our leading gigabit networks as we provide our customers with the best connectivity products and 'best on Vodafone' user experience

Our advantage: Leading connectivity provider

Our people & culture
The 'Vodafone Spirit'

Read more on pages 21-22

Europe & Africa
Two attractive regions with scale

Read more on pages 16-20

Governance & Risk Management
Strong frameworks in place

Read more on page 81

Creating value for society and shareholders

About Vodafone

A new generation connectivity and digital services provider

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Our business

We offer a range of leading connectivity products and platforms to consumers and businesses across Europe and Africa.

Consumer

Europe

Mobile

We provide a range of market leading mobile services, enabling customers to reliably call, text and access data.

Fixed

Our fixed-line services include broadband, TV and voice. We offer high-speed connectivity through our next-generation network ('NGN').

Convergence

Our converged plans, which combine mobile, fixed and TV services, provide simplicity and better value for customers.

Other value added services

These include our Consumer Internet of Things ('IoT') propositions, as well as security and insurance products.

Africa

Mobile

We provide a range of mobile services, enabling customers to call, text and access data. The demand for mobile data is growing rapidly driven by the lack of fixed broadband access and by increased smartphone penetration.

M-Pesa & financial services

M-Pesa is our African payment platform, which has moved beyond its origins as a money transfer service. Together with Vodacom's own platform, we now provide a range of financial services, as well as business and merchant payment services.

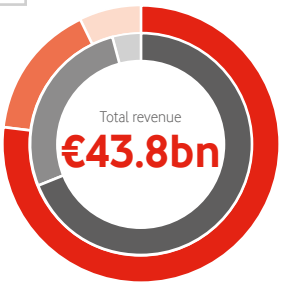
Business

We serve private & public sector customers of all sizes with a broad range of connectivity services, supported by our dedicated global network.

We have unique scale and capabilities, and are expanding our portfolio of products and services beyond core mobile and fixed connectivity into new growth areas, such as:

- Unified communications
- Internet of Things
- Cloud & security

Revenue contribution (FY21)



Total revenue

Europe	77%
Africa	16%
Other	7%

Service revenue

Consumer	69%
Business	27%
Other	4%

Our strategy (2019-21)

We have delivered the first phase of our strategy to become a new generation connectivity & digital services provider.

Delivering our strategic priorities at pace

During the first phase of our transformation we have focused on reshaping the Group and establishing a foundation from which to grow in the converged connectivity markets in Europe, and mobile data and payments in Africa.

This has been delivered through four key strategic priorities:

Deepening customer engagement

Deepening the relationship we have with our customers by offering additional products and services in order to deliver a more consistent commercial performance and improve customer loyalty.

Accelerating digital transformation

Capturing the significant opportunities we have through standardisation, digitalisation and the sharing of processes to deliver best-in-class operational efficiencies and a structurally lower cost base.

Improve asset utilisation

Undertaking a series of actions to improve the utilisation of the Group's assets as part of our focus on improving return on capital employed.

Optimising the portfolio

Actively managing our portfolio to simplify the Group and strengthen our position in converged connectivity markets in Europe, and mobile data and payments in Africa.

Over the last three years we have made strong progress against all of these strategic priorities – reshaping Vodafone to be a stronger connectivity provider.

Read more on pages 14-15

Purpose pillars

Our strategy helps us to deliver our targets across three purpose pillars: Inclusion for All, Planet, and Digital Society.

Inclusion for All

Ensuring everyone has access to the benefits of a digital society.

Planet

Reducing our environmental impact and helping society decarbonise.

Digital Society

Connecting people and things and digitalising critical sectors.

Read more on pages 32-42

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How we manage our Group

Our business model is underpinned by our strong governance and risk management framework.

Governance

The Board held seven scheduled meetings this year to deliberate on key strategic matters, our purpose and culture, our people and stakeholder interests.

Nominations and Governance Committee

This Committee evaluates the composition and performance of the Board to ensure it remains comprised of an appropriate balance of independence, skills, knowledge, experience and diversity.

Audit and Risk Committee

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

Remuneration Committee

This Committee assesses and makes recommendations to the Board on the policies for executive remuneration and reward packages for the individual Executive Directors.

ESG Committee

On 11 May 2021, the Board approved the establishment of a new Committee to oversee our ESG programme and monitor progress against ESG key performance indicators.

Risk management

As the risk landscape becomes more complex and fast moving, we have to be more agile and adaptive in our identification and response to risks. We continue to evolve our risk processes to support the organisation's goals and strategy.

Risk framework

Our risk framework clearly defines roles and responsibilities and sets out a consistent end-to-end process for identifying and managing risks. We have embedded the risk framework across the Group as it allows us to take a holistic approach and to make meaningful comparisons. This year our framework was further enhanced, enabling us to be more dynamic in risk detection, modelling of risk interconnectedness and the use of data, all of which are improving our risk visibility and our responses.

Board oversight of principal and emerging risks

To provide adequate oversight, we report on our principal and emerging risks throughout the year to the different management committees and the Board. Additionally, risk owners are invited to present in-depth reviews to ensure that risks are managed within the defined tolerance levels.

Read more on pages 53-61

How we measure success

We track a range of measures that reflect our financial, operational and strategic progress and performance.

Financial targets

The Group provides guidance on adjusted EBITDAaL[1] and adjusted free cash flow[2].

Senior management incentive plans include organic service revenue, adjusted EBIT, adjusted free cash flow, customer appreciation metrics, relative total shareholder return and ESG measures.

Read more on pages 20 and 101-103

Return on capital employed ('ROCE')

This is a key area of focus for the Group, reflecting how efficiently we are generating profit with the capital we deploy.

Our goal is to deliver a sustainable improvement in ROCE through a combination of consistent revenue growth, ongoing margin expansion, strong cash flow conversion, and disciplined allocation of capital.

Read more on pages 20 and 31

Operational metrics

We have a number of commercial metrics that are used to monitor our progress against our key strategic priorities and reflect the strong underlying momentum across the business.

Read more on pages 14-15

Social contract

Monitoring the success we have in shaping a healthier industry structure that is pro-investment, supportive of returns, and build a resilient, inclusive and sustainable digital society.

Read more on page 19

Sustainability metrics

We monitor metrics that are aligned to the three pillars of our purpose.

- **Inclusion for All:** Rural connectivity, our commercial propositions for equality, as well as workplace equality.
- **Planet:** Our carbon footprint across the full value chain, enabling our customers to reduce their own emissions, and waste.
- **Digital Society:** Customers connected to our gigabit networks, supporting SMEs, and the digitalisation of critical sectors.

We have also included Environmental, Social and Governance ('ESG') KPIs in the long-term incentive plan for our senior leaders.

Read more on pages 32-42

Notes:
1. Adjusted EBITDAaL is equivalent to FY21 definition and calculation of adjusted EBITDA.
2. Adjusted free cash flow is free cash flow before spectrum, restructuring, integration costs and Vantage Towers growth capital additions.

Financial and non-financial performance

Key Performance Indicators

Our progress

We measure our success by tracking key performance indicators that reflect our strategic, operational and financial progress and performance.

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Financial results summary[1]

		2021 IFRS 15/16	2020 IFRS 15/16	2019 IFRS 15/ IAS 17
Group revenue	€m	**43,809**	44,974	43,666
Group service revenue	€m	**37,141**	37,871	36,458
Operating profit/(loss)	€m	**5,097**	4,099	(951)
Adjusted EBITDA (non-GAAP[2])	*€m*	***14,386***	*14,881*	*13,918*
Profit/(loss) for the year	€m	**536**	(455)	(7,644)
Basic earnings/(loss) per share	€c	**0.38**	(3.13)	(29.05)
Adjusted basic earnings per share (non-GAAP[2])	*€c*	***8.08***	*5.60*	*6.27*
Cash flow from operating activities	€m	**17,215**	17,379	12,980
Free cash flow (pre spectrum, restructuring and integration costs) (non-GAAP[2])	*€m*	***5,019***	*5,700*	*5,443*
Borrowings less cash & cash equivalents	€m	**(61,939)**	(61,368)[3]	(39,318)
Net debt (non-GAAP[2])	*€m*	***(40,543)***	*(42,047)[3]*	*(27,033)*
Total dividends per share	€c	**9.00**	9.00	9.00

Strategic progress

		2021	2020	2019
Deepening customer engagement				
Europe mobile contract customers[4]	million	**65.4**	64.4	63.2
Europe broadband customers[4]	million	**25.6**	25.0	18.8
Europe on-net gigabit capable connections[4]	million	**43.7**	31.9	21.9
Europe Consumer converged customers[4]	million	**7.9**	7.2	6.6
Europe mobile contract customer churn	%	**13.7**	14.6[5]	15.5
Africa data users[6]	million	**84.9**	82.6	75.6
M-Pesa transaction volume[6]	billion	**15.2**	12.2	11.0
Business fixed-line service revenue growth[7]	%	**3.0**	3.3	3.8
IoT SIM connections	million	**123.3**	102.9	84.9
Accelerating digital transformation				
Europe net opex savings[8]	€bn	**0.5**	0.4	0.4
Europe digital channel sales mix[9]	%	**26**	21	17
Europe frequency of customer contact	contacts per year	**1.4**	1.4	1.5
Europe MyVodafone app penetration	%	**63**	65	62
Improving asset utilisation				
Average mobile data usage per customer in Europe	GB/month	**7.2**	5.7	3.7
Europe on-net NGN broadband penetration[4]	%	**30**	30	28
Pre-tax return on capital employed (controlled)[10] (non-GAAP[2])	*%*	***5.5***	*6.3*	*5.9*
Post-tax return on capital employed (controlled and associates/joint ventures[10] (non-GAAP[2])	*%*	***3.9***	*3.9*	*3.5*

Our people

		2021	2020	2019
Average number of employees and contractors	thousand	**105**	104	102
Employee engagement index[11]	%	**74**	77	80
Employee turnover rate (voluntary)	%	**8**	12	13
Women on the Board	%	**45**	42	42
Women in management and leadership roles	%	**32**	31	31
Women in total workforce	%	**40**	39	40

Notes:

1. IFRS 16 "Leases" was adopted on 1 April 2019 for our statutory reporting, without restating prior period figures. As a result, the Group's statutory results for the years ended 31 March 2021 and 31 March 2020 are on an IFRS 16 basis, whereas the comparative period for the year ended 31 March 2019 is on an IAS 17 basis.
2. These line items are alternative performance measures which are non-GAAP measures that are presented to provide readers with additional financial information that is regularly reviewed by management and should not be viewed in isolation or as an alternative to the equivalent GAAP measure. See "Non-GAAP measures" on page 217 for more information.
3. FY20 borrowings and net debt has been aligned to the FY21 presentation which excludes derivative movements in cash flow hedging reserves.
4. Including VodafoneZiggo.
5. Excluding the impact of inactive data only SIM losses in Italy during Q3 and Q4 FY20.
6. Africa including Egypt, Ghana and Safaricom.
7. Organic growth.
8. Europe and Common Function operating costs.
9. Based on Germany, Italy, UK and Spain.
10. We calculate two ROCE measures: i) Pre-tax ROCE for controlled operations only, and ii) Post-tax ROCE which also includes our share of adjusted results in equity accounted associates and joint ventures. See pages 223 and 224 for more information.
11. For 2020 and 2021, our employee engagement index is based on a weighted average index of responses to three questions: satisfaction working at Vodafone, experiencing positive emotions at work, and recommending us as an employer. Different methodology applied in 2019.

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Purpose, sustainability and responsible business

We want to enable an inclusive and sustainable digital society.
We are also dedicated to ensuring that Vodafone operates responsibly and ethically.

Purpose, sustainability and responsible business		2021	2020	2019
Inclusion for All				
4G population coverage (outdoor 1Mbps) – Europe[1]	%	**98**	97	95
4G population coverage (outdoor 1Mbps) – Africa[2]	%	**62**[3]	53	42
Estimated number of additional female customers in Africa[4] & Turkey since 2016	million	**15.9**	9.6[5]	9.5[5]
M-Pesa and mobile money customers[4]	million	**48**	42	37
Planet[6]				
Energy use				
Total electricity cost	€m	**760**	–	–
Total energy use	GWh	**5,832**	5,790	5,770
Energy use on base stations & technology centres	%	**96**	95	94
Purchased electricity from renewable sources (Group)	%	**56**	23	14
Purchased electricity from renewable sources (Europe)	%	**80**	33	19
Greenhouse gas emissions ('GHGs')				
Total Scope 1 and Scope 2 GHG emissions (market-based method)	m tonnes CO_2e	**1.37**	1.95	2.14
Total Scope 3 GHG emissions	m tonnes CO_2e	**9.4**	9.5	10.7
Total customer emissions avoided due to our IoT platform	m tonnes CO_2e	**7.1**	6.9	5.9
Waste				
Total waste (including hazardous waste)	metric tonnes	**7,900**	9,500	8,500
Network waste recovered and recycled	%	**99**	99	94
Digital Society				
Europe gigabit capable connections[1]	million	**69**	42	26
5G available in countries[1]	#	**12**	8	1
5G available in cities (>100k population)[1]	#	**244**	75	1
Responsible business				
Code of Conduct				
Completed 'Doing What's Right' employee training	%	**84**	92	–
Number of 'Speak Up' reports	#	**623**	602	738
Employee trust in Speak Up	%	**87**	–[7]	84
Health & safety				
Number of lost-time employee incidents	#	**7**	33	64[8]
Lost time incident rate per 1,000 employees	#	**0.06**	0.35	0.62[8]
Responsible supply chain				
Total spend	€bn	**24**	24	22
Direct suppliers	thousand	**11**	11	11
Number of site assessments (conducted by Vodafone or Joint Audit Cooperation)	#	**76**	74	85
Tax and economic contribution				
Total tax and economic contribution[9]	€bn	–	12.4	12.7

Notes:
1. Includes VodafoneZiggo.
2. Based on coverage in Africa, including Egypt. Excludes Safaricom.
3. Includes Ghana.
4. Africa including Egypt, Ghana and Safaricom.
5. 2019 and 2020 restated to include Egypt.
6. Data calculated using local market actual or estimated data sources from invoices, purchasing requisitions, direct data measurement and estimations. Carbon emissions calculated in line with GHG Protocol standards. Scope 2 emissions are reported using the market-based methodology. For full methodology see our ESG Addendum 2021.
7. Figure not available due to change in employee survey methodology during the year.
8. Data includes lost-time incidents in Vodafone India up until 1 September 2018.
9. Includes direct taxes, non-taxation based revenue mechanisms, such as payments for the right to use spectrum, and indirect taxes collected on behalf of governments around the world. Our tax report for 2021 will be published in the next year following the submission of our tax returns and payment of all applicable taxes. For more information, refer to our Tax and Economic Contribution reports, available at: vodafone.com/tax.

Chairman's message

Enabling an inclusive, sustainable digital society

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It is a great privilege to be able to share my thoughts with you for the first time since becoming Chairman of Vodafone in November 2020. Before I comment on the strong progress we have made this year, and the key role Vodafone has played in keeping society connected during the COVID-19 pandemic, I would first like to comment on what attracted to me to joining your Board.

The attraction of Vodafone

Vodafone is a dynamic and fast paced business, operating in an essential industry. It has a clear vision and purpose for society, which in light of the current pandemic is even more relevant than ever. Under Nick's leadership not only has a lot already been achieved over the last three years, there is still a great opportunity ahead of us.

The opportunity to oversee and support the long-term success of Vodafone in the next phase of its transformation to become a new generation connectivity and digital services provider for Europe and Africa, enabling an inclusive, sustainable digital society is, I believe, an exceptionally exciting one – and one I'm fully committed to.

Whilst my induction to Vodafone has been almost entirely digital, I am grateful to the Board, Executive Committee and broader team for the comprehensive on-boarding that I have received and the many extensive engagements covering all aspects of the business. I would also like to thank my predecessor, Gerard Kleisterlee, for his strong support and counsel during my transition to Vodafone.

Supporting society during the COVID-19 crisis

Since I joined the Board, I have been impressed by the Company's ability to adapt quickly to the changes in circumstances for the business and the demand placed on our service, across all of our markets. The ongoing COVID crisis represents a significant challenge for many businesses and citizens. Yet, Vodafone has continuously adapted throughout this period. The passion and commitment of all of our 105,000 people, combined with the 'can-do' spirit to get things done together, has been essential over the last year.

The connectivity we provide has been a lifeline for society, enabling people to work, businesses to remain operational, public services to function and people to stay in touch with their family and friends. As a result, the pace of the business has actually accelerated to address many of the challenges we and our customers are facing, but also to capture the opportunities that have arisen as societies embrace digital transition more than ever.

Resilient performance in a challenging backdrop

Despite the tough operating environment, and unprecedented period of global uncertainty, we delivered a resilient financial performance that was in line with our expectations and guidance for the year.

This was the result of the strong execution against our strategy, as we further deepened customer engagement and delivered a more consistent commercial performance, accelerated our digital transformation, continued to improve asset utilisation and optimised our portfolio.

Total revenue declined by 2.6% to €43.8 billion, with Group organic service revenue returning to growth in the second half of the year. This was despite lower roaming and visitor revenue following a significant reduction in international travel due to COVID-19. Group operating profit increased by €1.0 billion to €5.1 billion and basic earnings per share increased to 0.38 eurocents.

The significant progress we've made in improving asset utilisation and reshaping the Group, including the successful IPO of Vantage Towers, is also helping to drive improved returns on capital and a reduction in net debt across the Group – however there is clearly still more to be done.

This good financial performance, solid commercial momentum and robust financial position provides the Board with the confidence to declare a total dividend per share of 9.00 eurocents for the year, implying a final dividend per share of 4.5 eurocents which will be paid on 6 August 2021.

Shaping industry structure to support the COVID-19 recovery

As we now look to the challenges faced by governments, regulators and policy makers in enabling and supporting both economic and social recovery, it is clear that the services we provide to people, businesses and public sector organisations are increasingly essential to this broader recovery. Yet, it is also clear to me that policy and regulatory decisions of the last decade have had a material impact on returns for the telecommunications industry, which still weighs heavily on operators' ability to invest in everything from connectivity infrastructure to new services.

Looking forward, and considering Europe and Africa's important digital ambitions, there is an ever more urgent need to overcome the shortcomings of the past. Clear actions – and better cooperation between governments and industry – are required to create a more healthy and sustainable industry structure that is truly pro-investment, pro-innovation and supportive of returns.

Our social contract embraces this new collaborative, partnership approach with governments, policy makers, regulators and external stakeholders. Through a shared future vision, we believe that both Europe and Africa can overcome their many digital divides and sizeable investment gaps, thereby allowing them to compete more effectively on the global stage and even become pioneers in many areas of the technology ecosystem. At the same time, while we have started to see some positive signs of a more healthy industry structure emerge, it is also clear that the steps to date fall far short of what is needed to close the widening investment gaps and build a resilient, inclusive and sustainable digital society.

Vodafone is fully committed to deliver its part to achieve truly inclusive digital societies in all communities that we serve. Guided by our purpose, our 'social contract' response to the COVID crisis (so-called 'five point plan') has been significant and, as we did even before this crisis, we will continue to do whatever we can to support the most vulnerable among us. We are also committed to taking urgent action to address the climate change emergency both in our own and our business customers' footprint. Our high-speed connectivity and digital tools will be critical enablers of the green transition. Similarly, we are rapidly reducing our own environmental footprint, taking the lead in the sector, and demonstrating the value of digital. All of our European networks will be fully powered by renewable energy by July this year, and we have set a target to reach 'net zero' for our own carbon emissions by 2030 and across our complete value chain by 2040. We have also reported for the first time our progress towards meeting the recommendations of the Task Force on Climate-related Financial Disclosures ('TCFD') in a standalone TCFD report.

Looking ahead

On behalf of the Board, I would like to thank all of our people who have worked tirelessly over the last year to keep our customers and society reliably connected, as well as our shareholders for their continued support. As we enter FY22, we will continue to focus on delivering our purpose and strategy at pace, supported by the good underlying momentum in the business. Never has our role of 'connecting people for a better future' been more important.

Jean-François van Boxmeer
Chairman

Scan or click to watch our Chairman, Jean-François van Boxmeer, share his views on his first months at Vodafone: **investors.vodafone.com/videos-chair**

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Chief Executive's statement

Resilient performance in FY21 and announcing next phase in our strategy

I am pleased that we achieved full year results in line with our guidance and we exited the year with accelerating service revenue growth across the business, with a particularly good performance in our largest market, Germany.

We have delivered on the first phase of our strategy to reshape Vodafone as a stronger connectivity provider – including the simplification of the group to Europe and Africa, the successful IPO of Vantage Towers (€13.2 billion market capitalisation), the fast roll out of our next generation mobile and fixed networks, share gain in broadband subscriptions and continued reduction in customer churn. Our digital transformation initiatives have generated savings of €0.5 billion over the year and the integration of the assets acquired from Liberty Global is well ahead of plan.

The world has changed. The pandemic has shown how critical connectivity and digital services are to society. Vodafone is strongly positioned and through increased investment, we are taking action now to ensure we play a leadership role and capture the opportunities that these changes create. The increased demand for our services supports our ambition to grow revenues and cash flow over the medium-term. We remain fully focused on driving shareholder returns through deleveraging, improving our return on capital, and a firm commitment to our dividend.

Nick Read
Chief Executive

Scan or click to watch our Chief Executive summarise our performance this year and introduce the next phase of our strategy: **investors.vodafone.com/videos-ceo**

Our strategy (2019-21) ✓

We have delivered the first phase of our strategy to become a new generation connectivity & digital services provider.

Delivering our strategic priorities at pace

During the first phase of our transformation we have focused on reshaping the Group and establishing a foundation from which to grow in the converged connectivity markets in Europe, and mobile data and payments in Africa.

This has been delivered through four key strategic priorities:

Deepening customer engagement
Deepening the relationship we have with our customers by offering additional products and services in order to deliver a more consistent commercial performance and improve customer loyalty.

Accelerating digital transformation
Capturing the significant opportunities we have through standardisation, digitalisation and the sharing of processes to deliver best-in-class operational efficiencies and a structurally lower cost base.

Improve asset utilisation
Undertaking a series of actions to improve the utilisation of the Group's assets as part of our focus on improving return on capital employed.

Optimising the portfolio
Actively managing our portfolio to simplify the Group and strengthen our position in converged connectivity markets in Europe, and mobile data and payments in Africa.

Over the last three years we have made strong progress against all of these strategic priorities – reshaping Vodafone to be a stronger connectivity provider.

Read more on pages 14-15

The next phase of our strategy

We are now well positioned for the next phase in our multi-year transformation.

Our customer commitments

Best connectivity products & services
Grow revenue through providing the best core connectivity products and services in each of our markets for both consumers and businesses.

Leading innovation in digital services
Leveraging our unique platforms and partnering with leading technology firms to provide customers with a 'best on Vodafone' user experience.

Outstanding digital experiences
Using our leading digital architecture to provide a seamless customer experience across all channels – app, online, retail and physical delivery at home.

Our enabling strategies

Simplified & most efficient operator
Delivering further efficiencies through digital transformation, standardisation of products and procedures, and automation of processes at scale.

Social contract shaping digital society
Influencing policy and regulation to shape a more healthy industry structure, and build a resilient, inclusive and sustainable digital society.

Leading gigabit networks
Maintaining our leading gigabit networks as we provide our customers with the best connectivity products and 'best on Vodafone' user experience

During this next phase of our ongoing transformation to be a new generation connectivity and digital services provider, we are committed to improving returns.

Read more on pages 18-20

Market and strategy

Operating in a rapidly changing industry

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Mega trends

The long-term trends that are shaping our industry and driving new growth opportunities.

Remote working

The trend towards remote working for employees is growing and this has been further accelerated by the COVID-19 pandemic. Providing reliable high-speed connections for consumers and businesses working from home or remotely is becoming increasingly essential.

Connected devices

The demand for connected devices, beyond smartphones, is growing rapidly. The Internet of Things is expected to drive huge operational efficiencies, deliver real-time information, and can be applied to a broad range of use cases.

Adoption of cloud technology

Businesses and consumers are increasingly moving away from using their own hardware and device-specific software and instead using more efficient, shared capacity and services over the cloud.

Digital and green transformation for the private & public sector

The European Union has launched a series of support mechanisms totalling €750 billion under the banner "NextGenerationEU". This includes a Recovery & Resilience facility, which combines €360 billion of loans and €312 billion of grants available to European Union Member States. This funding presents a direct and indirect opportunity given at least 20% of the total funding is planned to support the European Commission's digital transformation agenda.

In addition, in order to remain competitive and fulfil their social and environmental commitments, companies are increasingly looking to digitalise their operations to become more efficient and limit their environmental impact.

Digital payments & financial services

The trend towards more digital forms of payment is growing, with a broader range of financial services now being delivered through apps and online. In Africa, the growth in smartphone penetration is allowing consumers to access digital financial services for the first time, enabling money transfers, loans, insurance and even merchant payments.

Read more on pages 10-11

Our stakeholders

The demands of our stakeholders are continuously evolving. Engaging with them regularly is fundamental to how we operate.

Our customers[1]

We are focused on deepening our engagement with our customers to develop long-term valuable and sustainable relationships. Vodafone is the largest mobile and fixed network operator in Europe and a leading global IoT connectivity provider. We have millions of customers across Europe and Africa, ranging from individual consumers to large multinational corporates.

315m mobile customers

28m broadband customers

22m TV customers

Our people

Our people are critical to the successful delivery of our strategy. It is essential they are engaged and embrace our purpose and values.

105,000 employees and contractors

Our suppliers

Our suppliers provide us with the products and services we need to deliver our strategy and connect our customers. In total we have more than 10,500 suppliers who partner with us, ranging from start-ups and small businesses to large multinational companies.

10,500 suppliers

Our local communities and NGOs

We believe the long-term success of our business is closely tied to the success of the communities in which we operate. We interact with local communities and NGOs, seeking to be a force for good wherever we operate.

€150m donated in contributions and services in-kind in response to the COVID-19 crisis

Government and regulators

Our relationship with governments and regulators is important to ensure policies are developed in the interests of our customers and the industry, while also enabling them to better understand the positive impact we can have on the environment and communities we operate in.

€12.4bn total tax and economic contribution in 2020

Our investors

Our investors include individual and institutional shareholders, as well as debt investors. We maintain an active dialogue with our investors through our extensive investor relations programme.

>1,000 investor interactions in FY21

Note:
1. Includes VodafoneZiggo and Safaricom

Read more on pages 12-13

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Our strategy (2019-21)

Reflecting the long-term opportunities and challenges that we face.

Our progress

We have made strong progress and executed at pace across all four of our strategic priorities. As a result we have completed the first phase of our transformation.

Our strategic priorities

FY21 achievements

Deepening customer engagement

Consumer

We are deepening the relationship we have with our customers by selling additional products and services, particularly fixed and converged products in Europe and mobile data and financial services in Africa.

We believe this will enable us to deliver a more consistent commercial performance, drive revenue growth and improve customer loyalty.

Europe

NGN broadband customers added
+1.4m

Customer loyalty
0.9pp
year-on-year improvement in mobile contract customer churn

Africa[1]

Data users
84.9m

M-Pesa transaction volume
15.2bn
+25% year-on-year

Business

We are expanding our portfolio of products and services beyond core connectivity into new growth areas such as unified communications, Internet of Things, and cloud & security.

Business

Fixed line service revenue growth
3.0%

IoT SIM connections
+20m
total base now 123 million

Accelerating digital transformation

Through standardisation, digitalisation and sharing of processes we are capturing the significant opportunities available to us to deliver best-in-class operational efficiencies and a structurally lower cost base.

Cumulative European net opex savings[2]
€1.3bn
c.15% reduction over 3 years

Role efficiencies in shared services
5,500
over 3 years

Improving asset utilisation

Through a series of initiatives we are improving the utilisation of the Group's assets as part of our focus on improving the Group's return on capital.

Unitymedia cost & capex synergies realised
>65%

Countries with network sharing agreements
7

Optimising portfolio

We are actively managing our portfolio of assets in order to simplify the Group, and strengthen our position in converged connectivity markets in Europe, and mobile and data payments in Africa.

Vantage Towers IPO
€2.2bn
proceeds[3]

Portfolio optimisation
19
M&A transactions since FY19

Read more on pages 14-15

Scan or click to watch our Chief Executive, Nick Read, summarise our performance this year and introduce the next phase of our strategy: **investors.vodafone.com/videos-strategy**

Notes:
1. Africa including Ghana, Egypt and Safaricom.
2. Europe and Common Functions.
3. Includes greenshoe proceeds of €0.2 billion received in April 2021.

Long-term trends shaping our industry

The world continues to evolve rapidly. In part, this is due to the availability of new and transformational technologies, but it is also to do with the way society connects, adapts and makes use of these new digital advances. We have identified five 'mega trends' that will shape our industry in the years to come: remote working, connected devices, adoption of cloud technology, the digital and green transformation of public and private sectors, and digital payments.

Remote working

The trend towards remote working for employees and businesses was strong before the impact of the pandemic, driven by the changing lifestyle priorities of different demographics. COVID-19 has driven a step-change in demand, driving multiple benefits including a more flexible organisational culture and greater productivity. This trend is driving demand for fast and reliable fixed and mobile connectivity for individual workers, but also emerging cloud architecture, digital security and unified communications solutions for employers.

The majority of large multinationals already have remote working capabilities, however they are now moving to more efficient technologies. For smaller companies, ranging from corporates to small/medium-sized offices, they rely on network operators such as Vodafone to provide secure remote working solutions. These solutions include virtual private networks, unified communication services and the migration of enterprise applications to the cloud. This is vital for business continuity, and it provides network operators an opportunity to further deepen customer relationships – offering them a broader range of services.

Connected devices

The world is becoming ever more connected, and it is not just driven by smartphones. A wide range of new devices, across all sectors and applications, are increasingly being connected to the internet. The number of connected devices, known as the Internet of Things, is expected to more than double to 25 billion by 2025[1]. This is driven by continued reductions in the cost of computing components, advances in cross-device operability and software, and the near-ubiquity of mobile networks.

For consumers, there is a growing range of applications such as smartwatches, tracking devices for pets, bags and bicycles, and connected vehicles – which can lower insurance premiums and enable a range of advanced in-vehicle solutions. Network operators are increasingly not only providing the connectivity, but also building the complete end-to-end hardware and software solutions for these devices.

For businesses, the demand for IoT and potential use cases is even more evident. These include solutions such as automated monitoring of energy usage across national grids, tracking consumption in smart buildings and detecting traffic and congestion in cities.

In environments that are more localised, such as factories and ports, network operators are building and running Mobile Private Networks ('MPNs'). MPNs offer corporate customers unparalleled security and bespoke network control. As an example, MPNs enable autonomous factories to connect to thousands of robots, enabling them to work in a synchronised way. Once a product leaves the factory it can also be tracked seamlessly through global supply chain management applications, whether it is delivered through the post, a vehicle or even via drones.

In areas where the same solution can be deployed across multiple sectors, network operators are moving beyond connectivity to provide complex end-to-end hardware and software solutions such as surveillance, smart metering and remote monitoring; and it is often more efficient for these solutions to be created in-house. Scaled operators can leverage their unique position to co-create or partner with nimble start-ups at attractive economics.

Adoption of cloud technology

Over the last decade, large technology companies have invested heavily in advanced centralised data storage and processing capabilities that organisations and consumers can access remotely through connectivity services (commonly termed 'cloud' technology). As a result, organisations and consumers are increasingly moving away from using their own expensive hardware and device-specific software to using more efficient shared hardware capacity or services over the cloud. This is popular as it allows upfront capital investment savings, the ability to efficiently scale resources to meet demand, easily update systems and increase resiliency. This is driving demand for fast, reliable and secure connectivity with lower latency.

Many small businesses increasingly understand the benefits of cloud technology, however they lack the technical expertise or direct relationships with large enterprise and cloud specialists. This presents an opportunity for network operators, who have strong existing relationships and can effectively navigate moving to the cloud at scale.

Note:
1. GSMA Intelligence, The Mobile Economy 2020.

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Larger corporates who may already use the cloud today, are progressively moving away from complex systems based on their own servers or single cloud solutions, to multi-cloud offers, sold by network operators and their partners. This approach reduces supplier risk and increases corporate agility and resilience. Large corporates continue to drive higher demand for robust, secure and efficient connectivity services as they transition from their own legacy hardware and services. Cloud providers also recognise the criticality of telecommunications networks. Many cloud providers are partnering with the largest network operators, sometimes through revenue sharing agreements, to develop edge computing solutions which integrate data centres at the edge of telecommunication networks to deliver customers reduced latency. The opportunity is significant as the total addressable market in B2B cloud & security is expected to reach over €60 billion by 2024 compared to €40 billion today[1].

Consumers use cloud solutions for a variety of reasons, including digital storage and online media consumption. Consumer hardware is also now being replaced by cloud-first solutions. For example, new cloud-based gaming services allow consumers to stream complex, bandwidth-heavy computer games directly to their phones or tablets, without the need for expensive dedicated hardware. Fast and reliable connectivity will act as a catalyst for further innovation and consumer applications, many of which do not currently exist today.

Read more about Vodafone's leading gigabit connectivity infrastructure and digital platforms on pages 18-20

Digital and green transformation of the public and private sectors

As part of the fiscal response to the COVID-19 pandemic, the European Union has launched a series of support mechanisms with €750 billion available under the banner "NextGenerationEU". This includes the Recovery & Resilience facility, which combines €360 billion of loans and €312 billion of grants available to European Union Member States. Of these grants, approximately 70% of the total will be allocated to European Union Member States in which Vodafone has an operating presence. 70% of these grants are planned to be distributed by the end of 2022. The range of funding presents a direct and indirect opportunity given at least 20% of the total funding is planned to support the European Commission's digital transformation agenda.

The UK and many of our African markets have similar stimulus measures in place.

These support measures will help connect schools, hospitals and businesses to gigabit networks and provide hardware, such as tablets to millions of schoolchildren.

Read more about how Vodafone is helping revolutionise healthcare on page 42

Similarly, the European Union has committed to be carbon-neutral by 2050. Mobile network operators across Europe will be able to benefit from these funds as they seek to limit their impact on the climate, and help other customers from across the private and public sectors reduce their own energy use and carbon emissions.

Small and medium-sized enterprises ('SMEs') in Europe can often lag behind in terms of digital adoption. However, under various government-led support mechanisms, SMEs will be eligible for vouchers, grants and loans to transition to eCommerce, upskill employees, and transition to cloud-based solutions whilst ensuring they are secure as they do so. SMEs will look to trusted and experienced network operators which can offer a full suite of solutions, whilst also help them navigate technical and regulatory processes. Finally, to ensure the benefits of these projects are spread equitably, funding is also being allocated towards rural inclusion to subsidise the building of network infrastructure where it is currently uneconomical for operators to do so.

Read more about how Vodafone is ensuring society and communities have access to connectivity wherever they are on pages 34-36

Digital payments

Businesses in Europe continue to expand and migrate sales channels from physical premises to online channels such as websites and mobile applications. As a result, businesses increasingly transact through mobile-enabled payment services which remove the need for legacy fixed sales terminals. Consequently, businesses demand reliable and secure mobile connectivity. Consumers are also increasingly transitioning away from using cash, to digital payment methods conducted directly via mobile phones or smartwatches, further increasing the importance of mobile networks.

In Africa, digital payments are primarily conducted via mobile phones through payment networks owned and operated by network operators, and the value of transactions processed per day is expected to reach over $3 billion globally by 2022, compared to $2.1 billion in 2020[2]. Consumers are also moving beyond peer-to-peer transactions as rising smartphone penetration drives the adoption of mobile payment applications. Network operators are using these applications to sell additional financial services focused products, ranging from advances on mobile airtime and device insurance to more complex offerings such as life insurance. This plays a critical role in improving financial inclusion for millions of people across Africa where the traditional banking sector has not been able to reach.

Read more about how Vodafone is building platforms on pages 18 and 36

Businesses are also increasingly reliant on operator-owned payment infrastructure for consumer-to-business payments, but also for large business-to-business transfers. These payment networks drive scale benefits for the largest operators by allowing customers to save on transaction fees whilst also driving both business and consumer customers to seek reliable and secure networks.

Notes:
1. Vodafone, Business Investor Briefing, March 2021.
2. GSMA Intelligence, State of the Industry Report on Mobile Money 2021.

Stakeholder engagement

Engaging regularly with our stakeholders is fundamental to the way we do business

Regular engagement ensures we operate in a balanced and responsible way, both in the short and longer term.

We are committed to maintaining good communications and building positive relationships with all of our stakeholders, as we see this as essential to strengthening our sustainable business. We have summarised our interactions with key stakeholders during the year below.

Vodafone is required to provide information on how the Directors have performed their duty under section 172 of the Companies Act 2006 to promote the success of Vodafone, including how those matters and the interests of Vodafone's key stakeholders have been taken into account by the Directors. The engagement mechanisms directly involving the Directors are indicated below with a (B) symbol.

Read more about how the Board considered stakeholder interests on pages 71-72

Our customers

We are focused on deepening our engagement with our customers to develop long-term valuable and sustainable relationships. In total we have hundreds of millions of customers across Europe and Africa, ranging from individual consumers to large multinational corporates.

How did we engage with them?

- Digital channels (MyVodafone app, TOBi chatbots, social media interaction and the Vodafone website)
- Call centres
- Branded retail stores

What were the key topics raised?

- Better value offerings
- Faster data networks and wider coverage
- Making it simple and quick to deal with us
- Managing the challenge of data-usage transparency
- Converged solutions for consumer and business customers
- Prompt feedback/resolution on service-related issues

How did the Board engage?

- The Board participated in a dedicated review of the Group's Net Promoter Scores, facilitated by Executive Committee members

How did we respond?

- Launched speed-tiered worry-free unlimited data offers in 10 markets
- Launched 5G in 12 markets and expanded our 4G coverage
- Leveraged our digital channels to support easy access for all of our customers during the COVID-19 crisis
- Upgraded MyVodafone app – new functionality and easier navigation
- Scaled up TOBi (our Artificial Intelligence 'AI' agent) to include voice as well as chat capabilities
- Implemented the highest safety standards possible in our stores in order to keep our customers and colleagues safe
- Introduced integrated packages offering internet, TV and mobile
- Extended our range of consumer IoT products
- Facilitated working from home and increased data allowances during the COVID-19 crisis

Our people

Our people are critical to the successful delivery of our strategy. It is essential that they are engaged and embrace our purpose and values. Throughout the year we focused on a number of areas to ensure that our people are highly motivated and we remained focused on wellbeing.

How did we engage with them?

- Regular meetings with managers
- (B) European Employee Consultative Committee
- (B) National Consultative Committee (South Africa)
- (B) Internal website & live webinars
- (B) Executive Committee discussions
- (B) Newsletters and electronic communication
- (B) Employee Speak Up channel
- (B) Global Pulse and Spirit Beat surveys

What were the key topics raised?

- Opportunities for personal and career development
- Communication and knowledge sharing across the Group
- Enhancing leadership coaching capacity
- Deepening digital skills
- Impacts of COVID-19 and Brexit
- Global Pulse & Spirit Beat survey actions

How did the Board engage?

- Valerie Gooding, in her capacity as Workforce Engagement Lead, updated the Board on employee voice engagements, and the Chief Human Resources Officer provided updates on the Vodafone Spirit

How did we respond?

- Training courses including developing new skills such as digital marketing, e-commerce, coding, big data and analytics
- Internal communication to staff on the impacts of COVID-19 and Brexit
- Introduced new digital tools and apps to improve our people experience as the majority of our employees (95%) continued to work effectively and safely from home during the year
- Provided a range of physical and mental wellbeing services
- Survey actions and monitoring progress at Executive Committee and Board level
- Launched a leadership programme called the Senior Leadership Team ('SLT') Spirit Accelerator for 277 of our senior leaders

Our suppliers

Our business is helped by more than 10,500 suppliers who partner with us. These range from start-ups and small businesses to large multinational companies. Our suppliers provide us with the products and services we need to deliver our strategy and connect our customers.

How did we engage with them?

- Virtual safety forums, events, conferences and site visits
- Tenders and requests for audits
- Supplier audits and assessments

What were the key topics raised?

- Improving health and safety standards
- Promoting diversity and inclusion
- Partnering on environmental solutions
- Timely payment and fair terms
- Supplier/product innovation

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How did the Board engage?
- The Board received updates on the role of our key suppliers and geo-political factors impacting our global supply chains

How did we respond?
- Held safety forums virtually every quarter
- Hosted a technology event to encourage our suppliers to explore the latest technologies
- Provided faster payment terms to support over 1,200 smaller businesses during the COVID-19 crisis

Our local communities and non-governmental organisations ('NGOs')

We believe that the long-term success of our business is closely tied to the success of the communities in which we operate. We interact with local communities and NGOs seeking to be a force for good wherever we operate.

How did we engage with them?
- Through our products and services
- Community interaction on projects relating to education, health, agriculture and inclusive finance
- Participation in key international forums and working groups
- Vodafone Foundation/community partnerships
- Worked with different NGOs around the world

What were the key topics raised?
- Access to connectivity and digital services, and closing the digital divide
- Maintaining connectivity services during the COVID-19 pandemic and providing data analytics support
- Free-to-use social media, education and job sites
- Investment in infrastructure
- Delivery of global and national development goals, including UN Sustainable Development Goals

How did the Board engage?
- A comprehensive update on Vodafone's purpose and Vodafone Foundation was presented to the Board, including progress made against KPIs

How did we respond?
- Responded to COVID-19 with dedicated plans in Europe and Africa, providing donations and services in-kind, and data analytics support to World Bank, UNICEF & IMF
- Launched ConnectU in South Africa – a "free-to-use" portal providing essential services to customers
- Ensured that our technology continues to be compliant with national regulations and international guidelines
- We continued work as the largest corporate partner for Connected Education for United Nations High Commissioner for Refugees

Governments and regulators

Our relationship with governments and regulators is important to ensure policies are developed in the interests of our customers and the industry, while also enabling them to better understand the positive impact we can have on the environment and communities we operate in.

How did we engage with them?
- (B) Participation and attendance at company and industry meetings with government and regulators, public forums and parliamentary processes
- (B) Meetings with ministers, elected representatives, policy officials and regulators
- Hosting workshops to improve sector understanding

What were the key topics raised?
- Security and supply chain resilience
- The Digital Economy and Society
- Responses to COVID-19
- The European Green Deal
- Data protection and privacy
- Regulatory environment and compliance

How did the Board engage?
- Management updated the Board on how Vodafone has worked with governments and regulators during the COVID-19 pandemic
- Management provided regular updates on legal and regulatory matters

How did we respond?
- Held workshops with European and US governments as well as the European Commission
- Communications on the impact of electromagnetic fields ('EMF')
- Engaged on network design and deployment (e.g. Open RAN)
- Engaged on issues such as the allocation of spectrum and the protection of consumers
- Discussion on an environment that facilitates investment in technology
- Engaged on the Green and Digital Transformation of the EU
- Engaged on digitisation of Industries and SMEs

Our investors

Our investors include individual and institutional shareholders as well as debt investors. We maintain an active dialogue with our investors through our extensive investor relations programme.

How did we engage with them?
- (B) Personal meetings, virtual roadshows, conferences
- (B) Annual & interim reports and presentations
- Capital markets days
- Stock Exchange News Service ('SENS') announcements
- Re-platformed Investor relations website to enhance digital communication capabilities
- (B) Annual General Meeting ('AGM')
- (B) Investor perception study and regular feedback survey

What were the key topics raised?
- Strategy to deliver sustained financial growth
- Impact of COVID-19
- Allocation of capital
- Corporate governance practices
- ESG strategy and targets
- Dividend policy
- Deleveraging strategy

How did the Board engage?
- Due to restrictions on large gatherings, the 2020 AGM was closed. However, shareholders were able to submit questions to the Board
- Investor roadshows are attended by Directors for direct Q&A sessions

How did we respond?
- We conducted over 1,000 investor interactions through meetings with major institutional shareholders, debt investors, individual shareholder groups and financial analysts, and attended several conferences
- Meetings were attended by the appropriate mix of Directors and senior management, including our Chairman, Chief Executive, Chief Financial Officer, and Executive Committee members
- Capital markets day as part of the IPO of Vantage Towers and a virtual investor briefing for Vodafone Business

Strategic review

A new generation connectivity and digital services provider

In November 2018, we set out our ambition to reshape Vodafone and establish a foundation from which the Group can grow in the converged connectivity markets in Europe, and mobile data and payments in Africa. During the first phase of our transformation we have executed at pace to deliver on our priorities, and in this strategic review we highlight that:

We have delivered the first phase of our strategy to reshape Vodafone

Read more on pages 14-15

The next phase of our strategy is to become a new generation connectivity and digital services provider for Europe and Africa

Read more on pages 18-20

We are committed to improving returns

Read more on page 20

We have delivered the first phase of our strategy to reshape Vodafone

We have now substantially delivered the first phase of our strategic ambition to reshape Vodafone into a stronger connectivity provider.

This has been delivered through four key strategic priorities: (i) deepening customer engagement; (ii) accelerating our transformation to a digital first organisation; (iii) improving the utilisation of our assets; and (iv) optimising our portfolio.

During FY21, we have continued to execute at pace across all four priorities. Highlights of activity during the period include:

- mobile contract customer loyalty improved by 0.9 percentage points year-on-year;
- we have added 1.4 million NGN broadband customers and 44 million homes are now passed with our 1 gigabit capable fixed-line network in Europe;
- we have launched 5G in 240 cities across 10 of our European markets;
- in response to the trading conditions related to the COVID-19 pandemic, we accelerated a series of cost saving activities, resulting in a €0.5 billion net reduction in operating expenditure in Europe and Common Functions;
- we have secured mobile wholesale agreements with PostePay in Italy and Asda Mobile in the UK; and
- we completed the IPO of Vantage Towers March 2021, with a market capitalisation of €13.2 billion as at 17 May 2021.

The table below summarises the progress against our strategic priorities in FY21.

Strategic progress summary

	Units	FY21	FY20
Deepening customer engagement			
Europe mobile contract customers[1]	million	**65.4**	64.4
Europe broadband customers[1]	million	**25.6**	25.0
Europe on-net gigabit capable connections[1]	million	**43.7**	31.9
Europe Consumer converged customers[1]	million	**7.9**	7.2
Europe mobile contract customer churn	%	**13.7**	14.6[2]
Africa data users[3]	million	**84.9**	82.6
M-Pesa transaction volume[3]	billion	**15.2**	12.2
Business fixed-line service revenue growth[4]	%	**3.0**	3.3
IoT SIM connections	million	**123.3**	102.9
Accelerating digital transformation			
Europe net opex savings[5]	€bn	**0.5**	0.4
Europe digital channel sales mix[6]	%	**26**	21
Europe frequency of customer contacts p.a	#	**1.4**	1.4
Europe MyVodafone app penetration	%	**63**	65
Improving asset utilisation			
Average mobile data usage per customer in Europe	GB/month	**7.2**	5.7
Europe on-net NGN broadband penetration[1]	%	**30**	30
Pre-tax return on capital employed (controlled)[7]	%	**5.5**	6.3
Post-tax return on capital employed (controlled and associates/joint ventures)[7]	%	**3.9**	3.9

Notes:
1. Including VodafoneZiggo.
2. Excluding the impact of inactive data-only SIM losses in Italy during Q3 and Q4 FY20.
3. Africa including Ghana, Egypt and Safaricom.
4. Organic growth.
5. Europe & Common Function operating costs.
6. Based on Germany, Italy, UK and Spain.
7. We calculate two ROCE measures: i) Pre-tax ROCE for controlled operations only, and ii) Post-tax ROCE which also includes our share of adjusted results in equity accounted associates and joint ventures. See pages 223-224 for more information.

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Deepening customer engagement

Our actions have delivered a more consistent commercial performance, and our service revenue trends have remained resilient, despite the direct impacts of the COVID-19 pandemic on revenue from roaming and visitors.

In mobile, we have launched speed-tiered, unlimited data plans in 10 markets. This has enabled us to stabilise and grow our higher value customer base and increase average revenue per user ('ARPU'). We have also launched and embedded 'second' brands across our markets and now have over 5 million active users across our second brands in Germany, Italy, the UK and Spain.

We have maintained strong commercial momentum in our fixed business and over the past three years we have added 4.3 million NGN broadband customers in Europe. We also have converged customer plans available in all major markets. By deepening the relationship we have with our customers we have been able to drive a significant improvement in customer loyalty, with mobile contract churn in Europe reducing by 2.3 percentage points over the last three years.

In Africa, demand for mobile data remains significant given the lack of fixed line infrastructure. There is also a substantial opportunity to grow M-Pesa (our mobile payments platform) and expand it into new financial and digital services. During the last three years, we have continued to see significant demand for mobile data and monthly average data usage in our markets outside Europe has increased to 4.6 GB (FY18: 2.2 GB). The total number of data users in Africa has grown from 72.4 million to 84.9 million. The number of M-Pesa and other mobile money customers has continued to grow strongly, with a total of 48.3 million active users now registered.

Accelerating digital transformation

We have now exceeded our original three-year target of at least €1.2 billion of net savings from operating expenses in Europe and Common Functions, with cumulative savings of €1.3 billion, equivalent to a c.15% net reduction. This focus on efficiency, delivered through standardisation, integration and digitalisation of our operations, has enabled our adjusted EBITDA margin to be resilient during the pandemic and remain broadly stable at 32.8%. In the last three years, we have introduced 5,500 role efficiencies in our shared service centres ('_VOIS') and approximately 30% of Group employees now work in our shared operations. We are continuing to transform the business and evolve the Group digital toolset – including our AI assistant, TOBi, and Robotic Process Automation ('RPA') – in order to further our productivity leadership. We have also increased our digital sales, now 26% of total sales across Germany, Italy, the UK and Spain, and optimised our retail footprint.

Improving asset utilisation

Three years ago, we began a series of activities to improve our asset utilisation to support a recovery in return on capital employed ('ROCE'). We have reached network sharing agreements with leading mobile network operators in most of our European markets, established Vantage Towers as a separate business to consolidate the ownership and operations of our passive mobile network infrastructure, and signed significant wholesale agreements in both our fixed and mobile networks.

Despite the strong delivery of our strategic priorities at pace, our post-tax return ROCE of 3.9% remains below our cost of capital. In a subsequent section, we have set out our growth model and capital allocation framework and explained how we will drive shareholder returns through efficiency and growth.

Optimising the portfolio

In order to achieve our strategic objectives to focus on converged connectivity markets in Europe, and mobile data and payments in Africa, we began a large programme to rationalise our portfolio in 2019. Our portfolio optimisation programme has had three overriding objectives as summarised below:

Objective	Transactions
1. Focus on Europe & Africa	5 disposals including New Zealand and Malta 4 acquisitions, including purchase of KDG shares from minority shareholders 3 mergers in Australia and India (Vodafone Idea & Indus Towers)
2. Achieve convergence with local scale	3 acquisitions in Germany, Greece and Eastern Europe
3. Enable structural shift in asset utilisation	2 tower mergers in Italy and Greece, as well as subsequent sale of INWIT stake IPO of Vantage Towers

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Business model

Creating a new generation connectivity & digital services provider

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The next phase of our strategy

We have completed the first phase of our strategy to reshape Vodafone. We are now well positioned for the next phase in our multi-year transformation.

The next phase of our strategy focuses on three customer commitments and three enabling strategies, all of which work towards growing our revenues, expanding our margins, improving our cash conversion, and ensuring capital is allocated effectively.

These areas of focus, combined with our existing strategic execution, will create sustainable value for our shareholders and returns above our weighted average cost of capital.

Our customer commitments

Best connectivity products & services
Grow revenue through providing the best core connectivity products and services in each of our markets for both consumers and businesses.

Leading innovation in digital services
Leveraging our unique platforms and partnering with leading technology firms to provide customers with a 'best on Vodafone' user experience.

Outstanding digital experiences
Using our leading digital architecture to provide a seamless customer experience across all channels – app, online, retail and physical delivery at home.

Our enabling strategies

Simplified & most efficient operator
Delivering further efficiencies through digital transformation, standardisation of products and procedures, and automation of processes at scale.

Social contract shaping digital society
Influencing policy and regulation to shape a more healthy industry structure, and build a resilient, inclusive and sustainable digital society.

Leading gigabit networks
Maintaining our leading gigabit networks as we provide our customers with the best connectivity products and 'best on Vodafone' user experience.

Read more on pages 18-20

Scan or click to watch our Chief Executive summarise our performance this year and introduce the next phase of our strategy:
investors.vodafone.com/videos-strategy

Investing in our key differentiators

Our leading scale and assets provide us with a significant advantage.

Leading scale in core connectivity

In Europe[1], we are the leading converged connectivity provider with 7.9 million converged customers, 113 million mobile connections, 142 million marketable NGN broadband homes, cover 98% of the population in the markets we operate in with 4G, and have launched 5G in 240 cities across 10 markets.

In Africa[2], we are the leading provider of mobile data and mobile payment services. We have 178 million customers and are the leading connectivity provider in seven out of eight of the markets we operate in covering 62% of the population where we operate with 4G services.

Differentiated platforms

We have developed a range of unique and differentiated platforms that leverage on our connectivity base, and provide customers with a 'best on Vodafone' experience. These platforms also make us a 'strategic partner of choice' for large global technology companies, enabling them to distribute their content and services across multiple markets via a single platform. We have:

- one of Europe's leading TV platforms with over 22 million users[1]
- a market leading IoT platform with over 123 million connections
- M-Pesa – Africa's leading mobile payment platform processed over 15 billion transactions during the year, and has 48 million active users
- MyVodafone app – digitally serving customers
- scaled shared service centres – centralising and automating our processes

Our people & culture

Our employees' passion, commitment and expertise are key to delivering our strategy and purpose. It is important that we continue to invest in the right talent and skills for the future in order to help accelerate our digital transformation.

Read more about our people strategy on pages 21-22

Governance & risk management

We have strong governance and risk management frameworks that ensure that we operate responsibly and take a consistent and holistic approach to the identification, management and oversight of risks.

Our brand

We have one of the world's most recognised brands. Our purpose is also the basis of our new brand positioning: 'Together we can'. It conveys our belief that technology and innovation can help millions of people and their communities to stay connected. We feel positively about the opportunity technology gives us all when combined with the right human spirit.

Notes:
1. Including VodafoneZiggo
2. Africa including Egypt, Ghana and Safaricom

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Our financial strengths

We have a resilient operating model, a robust financial position, and a disciplined approach to capital allocation.

Resilient and growing revenue streams

We generate revenue primarily through monthly recurring contracts or subscriptions – providing us with robust and resilient revenue streams. We are also growing quickly in new growth areas such as IoT, cloud & security, and next-generation fixed-line services.

Significant opportunities to lower our cost base

By being Digital First, radically simpler, and leveraging our Group scale we are able to structurally transform our cost base. Over the past three years we have delivered €1.3 billion of net opex savings in Europe, and are targeting a 20% reduction in our European cost base over five years to FY23.

Robust balance sheet

Our average tenure of debt is 12 years (excluding debt issued by Vantage Towers), we have no significant short-term refinancing needs, and we have a strong liquidity position with cash and short term Investments of €9.8 billion and unused facilities of €7.4 billion.

Read more on pages 23-31

Disciplined approach to capital allocation

Our capital allocation framework

Enabling us to balance our three capital allocation priorities:

Invest in critical infrastructure

1 **€7.9 billion**
cash capital additions in FY21

Maintain a robust balance sheet

2 **2.8x**
net debt/adjusted EBITDA

Shareholder distribution

3 **9.00 eurocents**
dividends per share in FY21

Read more on our capital allocation framework on page 20

Scan or click to watch our Chief Financial Officer summarise our financial performance in FY21: **investors.vodafone.com/videos-cfo**

Our medium-term ambitions

Disciplined capital allocation to drive shareholder returns.

Value model	Medium-term ambition
Consistent revenue growth	Growth in both Europe & Africa
+ Ongoing margin expansion	Mid-single digit adjusted EBITDAaL[1] growth
+ Good cash conversion	Mid-single digit adjusted FCF[2] growth
+ Disciplined capital allocation	Net debt to adjusted EBITDA: 2.5-3.0x
= Sustainable value creation	ROCE[3] greater than WACC A minimum dividend of 9.00 eurocents per share per annum

Notes:
1. Adjusted EBITDAaL is equivalent to FY21 definition and calculation of adjusted EBITDA.
2. Adjusted free cash flow is free cash flow before spectrum, restructuring, integration costs and Vantage Towers growth capital additions. Growth capital additions is on a cash basis and includes expenditure on new sites, ground lease optimisation and other adjacency opportunities as defined by Vantage Towers.
3. Pre-tax return on capital employed (controlled).

Our sustainable business strategy

Our purpose is to connect for a better future. We believe that Vodafone has a significant role to play in contributing to the societies in which we operate and we want to enable an inclusive and sustainable digital society. Our sustainable business strategy helps the delivery of our targets across three purpose pillars: Inclusion for All, Planet and Digital Society. We have clear and robust short, medium and long-term targets across all three pillars.

Read more on pages 32-52

Strategic review (continued)

The next phase in our strategy – a new generation connectivity and digital services provider

Following the significant actions we have taken to reshape the Group, we are focused on growing our converged connectivity markets in Europe, and mobile data and payments in Africa. The next phase of our strategy focuses on three customer commitments and three enabling strategies, all of which work together towards realising our vision to become a new generation connectivity and digital services provider for Europe and Africa, enabling an inclusive and sustainable digital society.

Best connectivity products & services

Consumer Europe

In Europe, we are a leading converged connectivity provider with 7.9 million converged customers, 113 million mobile connections, 142 million marketable NGN broadband homes, we cover 98% of the population in the markets we operate in with 4G, and we have launched 5G in 240 cities in 10 markets in Europe. We have achieved this leading position by focusing on our core fixed and mobile connectivity. We are enhancing our products through capacity and speed upgrades, unlimited mobile plans, a distinct tiered branding hierarchy and convergent product bundles.

Consumer Africa

In Africa, we are the leading provider of mobile data and mobile payment services. We have 178 million mobile customers in 8 markets which represent 40% of Africa's total Gross Domestic Product. We are the leading mobile connectivity provider by revenue market share in 7 markets. Excluding Kenya, we cover 62% of the population in the markets in which we operate with 4G services. Our M-Pesa financial services platform processed over 15 billion transactions during the year.

Click to read more about our operations in Africa: **vodacom.com**

Vodafone Business

In March 2021, we held a virtual briefing on Vodafone Business for investors and analysts. This briefing outlined the following four key messages.

1. We operate in attractive markets

   We serve over 6 million private and public sector customers of all sizes, across Europe and Africa, in addressable markets totalling over €100 billion. With more employees seeking flexible working, gigabit connectivity with low latency and both public and private organisations driving digitalisation, we have a compelling structural opportunity, with expected addressable market growth of c.8% per annum.

2. We have unique scale & capabilities

   We have the scale, expertise and technology to successfully compete in these attractive markets. We are expanding our portfolio of products and services to enhance our provision of core connectivity services, with in-house innovation in IoT and partnerships with leading technology companies to offer cloud, security and unified communications services.

3. We have strong operating momentum

   Over the last three years, we have delivered a step-change in our commercial performance, leading to service revenue growth (excluding roaming and visitor revenue) of 1.8% in FY21, with total service revenue now over €10 billion. This has been driven by ongoing improvements in our commercial momentum, strong support to our customers throughout the pandemic, clear understanding of our economic model and disciplined prioritisation of high marginal return on capital opportunities.

4. We are on a clear growth pathway

   Our strategy is grounded in our purpose to connect for a better future and is focused on three core elements. Firstly, to be the trusted partner for small and medium-sized enterprises. Secondly, to be the gigabit connectivity provider of choice to large enterprises. Thirdly, to be the leading end-to-end provider of IoT solutions for every organisation.

Scan or click to watch our virtual investor briefing at: **investors.vodafone.com/vbbriefing**

Leading innovation in digital services

Alongside optimising our core connectivity services, we are building platforms that will allow 'best on Vodafone' experiences. Our primary areas of focus are premium TV in Europe; financial services in Africa; Vodafone Business specific digital platforms across the Group; and the IoT for both consumers and businesses.

Premium TV

Our consumer TV proposition now has over 22 million subscribers in 11 markets, making Vodafone the 2nd largest TV provider in Europe. We partner with 18 leading global content producers and distributors such as Disney, ViacomCBS, WarnerMedia, Netflix, Amazon and Comcast. Our premium TV offering is delivered through a seamlessly integrated, multi-device platform. This enables consumers to watch whatever they want, whenever they want on any connected device.

Financial services

We remain focused on embedding Vodacom as a leading pan-African technology company and M-Pesa offers a unique opportunity to extend our reach further into financial services through our investments in financial, digital and lifestyle services. This provides us with opportunities to enhance our relationship with the 178 million mobile customers we serve across our African footprint. In particular, we note our partnership with Alipay and the imminent launch of our single lifestyle app for customers and merchants in South Africa that promotes greater financial inclusion. We see this super-app as a precursor to M-Pesa's evolution, supporting accelerated growth across our financial services' businesses and assisting us in connecting hundreds of millions more in Africa so that no one is left behind.

Vodafone Business digital platforms

We are extending the breadth of our propositions to private and public sector organisations beyond connectivity. We estimate the addressable market for unified communications, cloud applications and digital security is over €50 billion and growing at over 10% per annum. We are partnering with leading technology firms such as Microsoft, Accenture, IBM, Google, Cisco and Amazon to provide our customers with best-in-class products and services. We provided further information on this growth opportunity as part of the Vodafone Business virtual investor briefing.

IoT

Our end-to-end IoT proposition is the largest of its kind globally. Our Business IoT offering for private and public sector clients was discussed at our recent virtual investor briefing. Our addressable market has already reached €10 billion and is expected to grow at 16% per annum over the medium term. At the end of March 2021, we had over 120 million devices connected to our network, including 33 million connected cars. We have also developed over 100 tailored end-to-end solutions for a range of sectors including healthcare, distribution, manufacturing and automotive.

Our consumer IoT offering has now connected over 1.4 million devices such as the watches through our OneNumber service and our 'Curve' mobile tracking device. In addition, we recently launched a new smart kids

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watch, developed with The Walt Disney Company. We will be expanding on the opportunity for consumer IoT and other consumer growth opportunities at a virtual investor briefing in December 2021.

Outstanding digital experiences

Over the last thirty years, Vodafone's approach to retail, distribution and customer care has evolved in line with broader social and technological development. During the 1990s, we operated primarily through a traditional retail 'high street' store mode, whereby the vast majority of customer interaction was face-to-face and involved a high degree of manual process. In the 2000s, we introduced a multi-channel model, in which customers could also choose to interact with us through dedicated websites or contact centres, in addition to the retail stores. In the 2010s, we began to combine the models into an omni-channel experience, through which our customers could move between different channels for different missions.

In the new decade, our ambition is for customers to primarily interact with us in a 'Digital First' manner. Our investments in this area have already resulted in our artificial intelligence-enabled assistant ('TOBi') resolving 63% of customer support interactions with no human interaction and an approximate 5% reduction in the frequency of customer contacts per year to 1.4. As we look ahead, we expect the majority of new customers will join Vodafone through digital channels and the overwhelming majority of customer interaction and queries will be fulfilled through either the MyVodafone app or support provided through 'TOBi'. We will then support the ongoing customer relationship through data-driven and automated targeting of upselling, cross-selling and contract extension. This Digital First customer experience will improve customer loyalty and reduce the service cost per customer.

We will be expanding on our plans for outstanding digital experiences at a virtual investor briefing in December 2021.

Simplified, most efficient operations

The connectivity value chain involves a high degree of repeatable processes across all of our markets, such as procurement, network deployment, network operations, sales activities, customer support operations, and billing and transaction processing. This has provided us with a significant opportunity to standardise processes across markets, relocate operations to lower cost centres of excellence and apply automation at scale, delivering best in class efficiency levels.

In the next phase of our strategy, we are pursuing these opportunities through two significant evolutions in our operating model. Firstly, integrating our network and digital teams in Europe and, secondly, streamlining our approach to product development and customer care within our European commercial teams. These programmes will be key components in delivering the next phase of our ongoing efficiency programme, which targets a total net reduction of Europe and Common Function operating expenses of 20% by FY23 (versus a FY18 baseline).

Integrating network & digital teams

We are integrating our European network and digital teams. This new structure will drive effectiveness, increase our speed of execution, standardise key processes, and support the codification of what is the best solution for Group implementation. We will increase our IT and digital capabilities, standardise key development environments and enhance coding collaboration, while internalising software engineering capabilities, further leveraging our _VOIS shared services environment.

This new operating model for our technology teams will enable our multi-year journey to redefine our technology architecture following a 'Telco as a Service' ('TaaS') model. Our TaaS model is based on two existing layers of inter-connected digital technology. We have created a standardised suite of customer and user-facing interfaces for an entire omni-channel journey and called it OnePlatform. The OnePlatform suite is powered by our Digital eXperience Layer ('DXL'). DXL refers to the abstraction layer in our IT architecture which separates customer-facing micro-services requiring frequent and rapid adjustment from back-end systems such as billing and CRM.

We have already moved more than half our core network functions to the cloud in Europe, supporting voice core, data core and service platforms on over 1,300 virtual network functions. In Europe, we now operate a single digital network architecture across all markets, enabling the design, build, test and deployment of next generation core network functions more securely, 40% faster and at 50% lower cost. Similarly, more than half of our IP applications are now virtualised and running in the cloud.

Product development consistency & common customer care

To meet the needs of our customers, both individuals and businesses, we need to bring innovative and differentiated products to market and scale them across our footprint much faster than we do today. We also need to further leverage the scale of our footprint and avoid duplication and fragmentation of our resources. We are simplifying and unifying our approach to product development, reducing time and resources for new products from the idea creation phase to launch, with a new process to allocate and sustain funding across our markets.

We are also accelerating the deployment and adoption of digital tools through common digital platforms with the ambition to move to one 'My Vodafone' app and, over time, one TOBi chatbot platform. This will also help us deliver a more consistent customer experience regardless of geography, with further automation and simplification.

Social contract shaping industry structure to improve returns

Over the last decade, the performance of the European telecommunications industry has been weaker than other regions, which market commentators largely attribute to its regulatory environment. European regulation differs in both its fragmented approach to spectrum licensing and market structure, compared with North America or Asia.

In 2019, we introduced our 'social contract', which represents the partnerships we want to develop with governments, policy makers and civil society. We believe the industry needs a pro-investment, pro-innovation partnership approach to ensure Europe can compete in the global digital economy and be at the forefront of technology ecosystems. This requires healthy market structures, an end to extractive spectrum auctions, support for equipment vendor diversity, a defined framework for network sharing, and regulation that enables the physical deployment of network infrastructure, as well as rewards quality – such as security, resilience and coverage – with fair prices.

Following our efforts and society's increasing reliance on our connectivity infrastructure and services, notably during the COVID-19 pandemic, we are beginning to see positive signs of a healthier industry structure emerge. Recent spectrum auctions in the UK, Greece and Hungary were conducted in a positive manner and completed with spectrum being assigned at sustainable prices, in line or below European benchmark levels. Authorities are recognising that operators need to be able to focus available private funds for fast deployment of new infrastructure and services.

We have also seen national governments increase support, such as state-subsidies for rural networks in the UK and Germany. A key area will be shaping Member State recovery funds and how at least 20% of the €750 billion NextGenerationEU funding targeted for digital initiatives is distributed.

We will play our part by investing in our high-quality network infrastructure and will continue to work closely with regulators and policy makers in order to create a more healthy and sustainable industry structure that is truly pro-investment, pro-innovation and supportive of returns.

Strategic review (continued)

Leading gigabit networks

In order to provide our customers with the best connectivity products and 'best on Vodafone' connectivity platforms, we need to have leading gigabit network infrastructure in each of our markets. Importantly, we must also ensure that our customers recognise and value the quality of our gigabit network infrastructure. We will be hosting a dedicated virtual investor briefing on technology and our approach on 17 June 2021.

In mobile, we are currently deploying mobile network infrastructure to deliver 5G connectivity. So far, we have launched 5G services in 240 cities, in 10 markets in Europe. 5G services provide 'real world' speeds well in excess of 100 Mbps, compared with 4G which provides 'real world' speeds of 20-35 Mbps. In addition to the speed advantage, 5G networks that are 'built right' and with longer-term competitive advantage in mind, provide more uses cases, and significant capacity and efficiency advantages, ultimately lowering the cost per gigabyte of mobile data provision. However, the European mobile sector is also utilising dynamic spectrum sharing ('DSS') technology to share existing 4G spectrum to provide a more limited 5G experience.

Underpinning our 5G network infrastructure is our majority shareholding in Vantage Towers AG.

Click to read more about Vantage Towers: **vantagetowers.com**

Alongside our 5G mobile network infrastructure is our NGN fixed-line network infrastructure. We can now reach 142 million homes across 12 markets in Europe (including VodafoneZiggo). This marketable base is connected through a mix of owned NGN network (56 million homes, of which 44 million are gigabit-capable), strategic partnerships (24 million homes) and wholesale arrangements (62 million homes). This network provides us with the largest marketable footprint of any fixed-line provider in Europe. In Germany, our owned network covering 24 million households is being progressively upgraded to the latest DOCSIS 3.1 standard, which provides us with a structural speed advantage over the incumbent. Over the medium-term we will continue to increase the proportion of our Europe customers that can receive gigabit-capable connections through our owned network and continue to work with strategic partners to provide cable and fibre access.

Committed to improving returns

Outlook for FY22

Our performance during FY21 has been in line with our expectations and demonstrates the relative resilience of our operating model. We remain focused on the delivery of the next phase of our strategy.

Adjusted EBITDA will be referred to as 'adjusted EBITDAaL' from FY22 onwards, with no change to the underlying definition. Free cash flow (pre spectrum, restructuring and integration costs) will be referred to as 'adjusted free cash flow'[1], and excludes Vantage Towers growth capital additions.

Based on the current prevailing assessments of the global macroeconomic outlook:

- Adjusted EBITDAaL[1] is expected to be between €15.0 - €15.4 billion in FY22; and
- Adjusted free cash flow[2] is expected to be at least €5.2 billion in FY22.

Disciplined capital allocation to drive shareholder returns

The objectives of our portfolio activities over the last three years have been to focus on our two scaled geographic platforms in Europe and Africa; achieve converged scale in our chosen markets; and deliver a structural shift in asset utilisation. We are now a matrix of country operations, products and platforms and will continue to be disciplined in managing our portfolio, following three principles:

- we aim to continue to focus on the converged connectivity markets in Europe, and mobile data and payments in Africa;
- we aim to achieve returns above the local cost of capital in all of our markets; and
- we consider whether we are the best owner (i.e. whether the asset adds value to the Group and the Group adds value to the asset) and whether there are any pragmatic and value-creating alternatives.

Our capital allocation priorities are to support investment in connectivity infrastructure; maintain a robust balance sheet; and support improved shareholder distribution.

Our growth strategy requires a greater level of investment, in four major areas.

- We will continue to invest in leading gigabit networks by upgrading our fixed networks and rolling out 5G 'built right'. To help fund this, our new Technology operating model will drive a higher level of efficiency in unitary spend, while greater standardisation will eliminate duplication.
- We will have a stronger, more comprehensive product offering in every market, particularly in Vodafone Business, to accelerate our revenue and profit growth.
- We will accelerate our digital capabilities, which will ultimately help us sustain margin expansion, strengthen our direct channels and build further differentiation in our customer offer.
- We are retaining the flexibility to support Vantage Towers in realising its own growth ambitions, particularly in the high incremental returns opportunities of new build-to-suit sites and ground-lease buyouts.

Medium-term financial ambition

During this next phase of our ongoing transformation to be a new generation connectivity and digital services provider, we are committed to improving returns. The table below sets our model for value creation, alongside our medium-term financial ambition.

Value model	Medium-term ambition
Consistent revenue growth	Growth in both Europe & Africa
+ Ongoing margin expansion	Mid-single digit adjusted EBITDAaL[1] growth
+ Good cash conversion	Mid-single digit adjusted FCF[2] growth
+ Disciplined capital allocation	Net debt to adjusted EBITDA: 2.5-3.0x
= Sustainable value creation	ROCE[3] greater than WACC A minimum dividend of 9.00 eurocents per share per annum

Notes:
1. Adjusted EBITDAaL is equivalent to FY21 definition and calculation of adjusted EBITDA.
2. Adjusted free cash flow is free cash flow before spectrum, restructuring, integration costs and Vantage Towers growth capital additions. Growth capital additions is on a cash basis and includes expenditure on new sites, ground lease optimisation and other adjacency opportunities as defined by Vantage Towers.
3. Pre-tax return on capital employed (controlled).

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Our people strategy

Our vision is to create an inclusive environment, which is supportive of growth and where everyone has the opportunity to thrive.

We are now beginning the next phase in our transformation to become a new generation connectivity and digital services provider for Europe and Africa. Our people strategy will accelerate this transition, by creating a place where everyone can truly belong, innovate, work effectively and fulfil their potential.

Vodafone Spirit

Our culture – called the 'Vodafone Spirit' – outlines the beliefs we stand for and the four key behaviours enabling our strategy and purpose. The Vodafone Spirit is the catalyst for change, underpinning the successful and sustainable delivery of our transformation.

This year we focused on embedding Spirit at the individual, team, leader and organisation level.

At the start of the financial year, we launched a survey called 'Spirit Beat' to replace our annual employee survey. We use Spirit Beat surveys to measure our culture and its impact. The results – shown in the table below – show a strong adoption of the Spirit beliefs and behaviours. In the second survey undertaken in January 2021, scores remained relatively consistent in a time of unprecedented change. The scores also outlined strengths and areas of focus to embed our culture further.

Our Spirit Beat surveys are conducted using artificial intelligence and the results are used to encourage the adoption of our Spirit behaviours. Following completion and based on confidential survey responses, all employees receive automated and personalised coaching tips called 'nudges' over a 20-week period, to support behaviour change and the creation of new habits. These personalised nudges create a continuous feedback loop and over 750,000 nudges have been sent to employees so far. Subsequent analysis has shown the value of these nudges: 71% of colleagues found nudges useful, and data shows that teams with managers who embraced the Vodafone Spirit had a higher Spirit Index (+13) and employee engagement score (+15) compared to managers who did not.

Spirit Beat surveys

	2021	2020
Earn customer loyalty	72	74
Experiment, learn fast	77	78
Create the future	75	75
Get it done, together	76	77
Overall Spirit index[1]	**75**	**76**
Response rate	86%	84%

Note:
1. The overall Spirit index reflects the average of the four Spirit behaviour scores.

Insights from our Spirit Beat surveys have informed our approach as we plan the next phase of embedding the Vodafone Spirit within our culture. We will continue to use AI-driven nudges and reinforce Spirit behaviours through our reward and recognition tools. We are embedding Spirit into our performance development approach to help us attract, retain and develop future talent to deliver our strategy, and are refreshing our global leadership development suite to support leaders to role-model Spirit behaviours. Aligned with Spirit, a new leadership assessment will be introduced to support leadership selection and we will continue to activate Spirit through Future Ready ways of working such as remote hiring and hybrid working.

Our senior leadership are accountable for our culture transformation. The Board has monitored the launch and progress of Spirit, and our Executive Committee is regularly involved in discussions on survey results and actions.

As leadership is essential for driving the transformation, we have invested in developing inclusive leaders who drive growth and innovation, act as role models, coach and empower teams, and lead with Spirit behaviours.

In June 2020, we launched a leadership programme called the Senior Leadership Team ('SLT') Spirit Accelerator for 277 of our senior leaders. This consisted of a series of leadership talks on the topics of resilience, psychological safety, adaptability, the future of work and growth mindset, as well as coaching delivered through a digital platform.

Agile and efficient operating model

During the year, we have worked to simplify our operating model, leveraging our global scale. We initiated one of our largest ever organisational changes to accelerate our transformation into a new generation connectivity and digital services provider for Europe and Africa. This consists of three major initiatives, effective from 1 April 2021:

- **Product operating model:** We will establish a simplified and unified approach to product development, to shorten the time between idea creation of new products and launch. The new model will help us to leverage our scale when bringing innovative products to market and scale them across our footprint faster.
- **Technology operating model:** We will create one integrated European network and IT/digital team across the Group, to drive efficiency, increase speed of execution, standardise key processes, and codify the best solutions for implementation across all of our markets.
- **Customer operations model:** To prevent duplication in the creation of digital tools to serve our customers, we will move to common digital platforms across our entire footprint to deliver a consistent experience.

Our transformation has provided a critical opportunity to embed Spirit more deeply into our operating model, organisation, and ways of working. As we have accelerated our transformation, we have codified the critical enablers of successful strategy execution, building on the results of the McKinsey Execution Excellence survey sent to 1,193 senior leaders from Vodafone. Vodafone scored above the benchmark in all areas, and together with structured leadership interviews and best practice sharing, the survey has provided us with the data and insights to define key success metrics for execution excellence.

We also continued to build an agile culture in order to accelerate our digital transformation, simplify our ways of working and enable quick and insight-led decision-making. We made good progress on implementing our new digital operating model, with 67 active tribes and 441 squads in 13 different markets.

Lastly, to support our transformation into Europe's leading connectivity provider, we integrated the Liberty Global organisations and people in Germany and central eastern Europe, as well as AbCom in Albania following recent acquisitions. We also successfully established Vantage Towers, our European tower company which listed on the Frankfurt stock exchange in March 2021.

Strategic review (continued)

Diverse talent and future ready skills

As we evolve our operating model and execute our strategy, we have focused on developing diverse talent for the future, and accelerating reskilling and upskilling at scale.

This year, we created talent and succession pools for our most senior roles, as well as a pool for our female talent. These pools are reviewed and updated at the annual Executive Committee talent review and are considered by the Board.

The transformation into a new generation connectivity and digital services provider requires new skills and capabilities in our organisation, such as software engineering, automation and data analysis. To develop future skills at scale, we ran a skills transformation pilot in Italy, involving 10 functions, and more than 4,600 people (86% of local headcount). The results were encouraging, showing that there are almost as many future opportunities as there are roles that will change, highlighting the need for reskilling and upskilling programmes at scale. As part of the Italy pilot, we have successfully reskilled 2,000 people to date, of whom 115 have been redeployed to new roles. Through the pandemic, we have also prioritised reskilling for those whose roles were paused during lockdowns, such as retail employees reskilling as call support staff.

We have also continued to support the personal and professional growth of our people through the pandemic by moving all of our learning initiatives online. During the year, 85% of employees completed non-mandatory training during the year, with an average of 2.8 hours per month (including the skills transformation pilot in Italy). During the year, we invested an average of €470 into training for each employee to build future capabilities.

We continue to accelerate our skills transformation programme and will shortly launch a new tool which allows employees to update their skills profiles. This new functionality will help us measure and validate proficiency levels, as well as support our new global mentoring tool. We are targeting an 80% completion rate for our new skills profiles and a year-on-year increase in employees completing non-mandatory training.

To execute our strategy and bring our purpose to life, we also invested in youth hiring (6,974 hires, of which 757 graduates) whilst providing digital learning experiences to 30,601 young people, through local work experience programmes and initiatives.

To attract, engage and retain diverse talent, we launched our new Employer Value Proposition "Together We Can" in March 2021, bringing our culture and purpose to life for candidates and employees.

Digital and personalised experience

Our people experience is informed by employee insights and guided by our culture. Ensuring employees are excited about the opportunities our transformation brings and placing them at the heart of the change is critical to drive our strategy at pace.

Future ready framework

This year, we introduced our future ready framework as an immediate response to the pandemic and began to rethink future ways of working. The framework is based on the outcomes of internal and external research, including two internal surveys, a business customer survey, 70 interviews and almost 100 video diaries, alongside the analysis of internal data and external trends. The data confirmed that our office-based employees, while missing the social office connection, strongly support increased adoption of remote working, and our leaders foresee their teams using office spaces to collaborate rather than for individual work. At the same time, we observed sustained levels of productivity.

As a result, we have introduced further flexibility to our working practices through new policies issued in March 2021. Our remote working policy sets global standards for new hybrid ways of working including an average split between remote and in-office working of 60:40 (depending on the specific role). Where appropriate, our remote hiring policy will also allow our teams to source skills irrespective of location.

We recognise that effective hybrid ways of working require new technology and policies. We have deployed digital collaboration and time management tools, such as Microsoft Teams and MyAnalytics, and introduced meeting guidelines to reduce meeting duration by 25%.

We have also started to reimagine how we will use our offices going forward, with the target of having approximately 80% of our office space dedicated to collaboration and co-creation. We have initiated pilots in offices in the Czech Republic and UK, leveraging our own IoT technology tracking how office space is used, as well as room booking.

We maintained strong relationships with the workers councils and unions, with approximately 22,000 people covered by collective bargaining agreements globally. This year, we reached several agreements with the unions as we began to shape the future of work. For example, in Italy, employees will work between 60-80% remotely post-COVID depending on their role and have guaranteed rights to disconnect during non-working hours.

Pulse surveys

We place significant importance on listening to the feedback of our colleagues. During the year we ran six pulse surveys to listen to employee feedback and used the results to inform our COVID-19 response plans.

Pulse surveys

	Nov 2020	Sept 2020	July 2020	April 2020[1]	April 2020[1]	April 2020[1]
How are you feeling?	74	76	76	76	75	73
Support you need to do your job effectively?	82	83	83	85	84	85
Connected to your team?	79	81	81	84	84	83
Response rate	64%	59%	57%	62%	60%	55%

Note:
1. During the early stages of the pandemic, we ran a number of pulse surveys to regularly check in with our employees.

Pay, benefits and wellbeing

As part of our people experience, we continued to ensure pay, benefits, and wellbeing propositions are competitive and fair.

We have simplified our reward approach to encourage collective performance and increased focus on recognition, launching our peer-to-peer recognition tool 'Thank You' (with 30,864 awarded during the year) and increasing the available budget for Vodafone Stars, our cash recognition programme. We also continued to apply our Fair Pay principles across all markets, working with the Fair Wage Network to ensure a good standard of living in each market.

We remained focused on physical and mental wellbeing, with a variety of training and services available in each market. In the UK, we moved onsite medical services to online, including GP and Cognitive Behavioural Therapy ('CBT') services. Provision of employee assistance programmes and psychological support services continued to grow, particularly in Italy, Albania, Romania, as well our shared service centres in Romania and Hungary.

Digital tools

Our people experience and strategy execution is powered by our digital tools and systems. We have established SuccessFactors as the single foundational platform and integrated new tools and apps such as Humu for Spirit Beat, DocuSign, our diversity data profile page, and domestic violence portal. To effectively support the transformation, we kicked off the "future ready HR" programme aiming to build a more digital and agile HR team. We have started to experiment with new solutions in our markets, such as a new digital onboarding process in Spain, and we will continue to implement advanced digital tools to support reskilling at scale, strategic workforce planning and recruiting.

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Our financial performance

Resilient performance, in line with our expectations

- Total revenue declined by 2.6% to €43.8 billion (FY20: €45.0 billion), as our good underlying momentum and the benefit from the acquisition of Liberty Global's assets in Germany and Central and Eastern Europe was offset by lower revenue from roaming, visitors and handset sales, adverse foreign exchange movements and the disposal of Vodafone New Zealand.
- Operating profit increased by 24.3% to €5.1 billion (FY20: €4.1 billion). Compared to the prior year period, we recognised lower gains on disposals, no impairment losses, and we no longer recognised Vodafone's share of losses related to Vodafone Idea following the write down of the asset to nil in FY20. On an underlying basis, performance was broadly stable as lower adjusted EBITDA was partially offset by lower restructuring costs, depreciation and amortisation and a higher share of profits from associates and joint ventures.
- Adjusted EBITDA decreased by 1.2%* to €14.4 billion (FY20: €14.9 billion) as the decline in revenue was partially offset by strong cost control, with a net reduction in our Europe and Common Functions operating expenditure of €0.5 billion.
- Cash inflow from operating activities decreased by 0.9% to €17.2 billion (FY20: €17.4 billion).
- Free cash flow (pre spectrum, restructuring and integration costs) decreased by 11.9% to €5.0 billion (FY20: €5.7 billion) due to lower adjusted EBITDA and increased investment in network performance during the pandemic, partially offset by working capital movements including lower cash commissions.
- Income tax expense increased by €2.6 billion, primarily due to a non-cash charge of €2.8 billion following a decrease in the carrying value of deferred tax assets.
- Total dividends per share are 9.0 eurocents (FY20: 9.0 eurocents), including a final dividend per share of 4.5 eurocents. The ex-dividend date for the final dividend is 24 June 2021 for ordinary shareholders, the record date is 25 June 2021 and the dividend is payable on 6 August 2021.

All amounts marked with an "*" represent organic growth, which presents performance on a comparable basis, including merger and acquisition activity and foreign exchange rates. Organic growth is a non-GAAP measure that is presented to provide readers with additional financial information and should not be viewed in isolation or as an alternative to the equivalent GAAP measure.

Read more about non-GAAP measures on page 217

Group financial performance

	FY21[1] €m	FY20 €m	Reported change %
Revenue	**43,809**	**44,974**	(2.6)
– Service revenue	37,141	37,871	(1.9)
– Other revenue	6,668	7,103	
Adjusted EBITDA[2,3]	**14,386**	**14,881**	(3.3)
Restructuring costs	(356)	(695)	
Interest on lease liabilities[4]	374	330	
Loss on disposal of property, plant & equipment and intangible assets	(30)	(54)	
Depreciation and amortisation on owned assets	(10,187)	(10,454)	
Share of results of equity accounted associates and joint ventures	342	(2,505)	
Impairment losses	–	(1,685)	
Other income and expense	568	4,281	
Operating profit	**5,097**	**4,099**	24.3
Non-operating expense	–	(3)	
Investment income	330	248	
Financing costs	(1,027)	(3,549)	
Profit before taxation	**4,400**	**795**	
Income tax expense	(3,864)	(1,250)	
Profit / (loss) for the financial year	**536**	**(455)**	
Attributable to:			
– Owners of the parent	112	(920)	
– Non-controlled interests	424	465	
Profit/(loss) for the financial year	**536**	**(455)**	
Basic earnings/(loss) per share	0.38c	(3.13)c	
Adjusted basic earnings per share[2]	8.08c	5.60c	

Notes:
1. The FY21 results reflect average foreign exchange rates of €1:£0.89, €1:INR 86.60, €1:ZAR 19.04, €1:TRY 8.58 and €1: EGP 18.44.
2. Adjusted EBITDA and adjusted basic earnings per share are Non-GAAP measures. See page 217 for more information.
3. Includes depreciation on Right-of-use assets of €3,914 million (FY20: €3,720 million).
4. Reversal of interest on lease liabilities included within adjusted EBITDA under the Group's definition of that metric, for re-presentation in financing costs.

Our financial performance (continued)

FY21 geographic performance summary

	Germany €m	Italy €m	UK €m	Spain €m	Other Europe €m	Vodacom €m	Other Markets €m	Common Functions €m	Eliminations €m	Group €m
Total revenue (€m)	12,984	5,014	6,151	4,166	5,549	5,181	3,765	1,368	(369)	43,809
Service revenue (€m)	11,520	4,458	4,848	3,788	4,859	4,083	3,312	470	(197)	37,141
Adjusted EBITDA (€m)	5,634	1,597	1,367	1,044	1,760	1,873	1,228	(117)		14,386
Adjusted EBITDA margin (%)	*43.4%*	*31.9%*	*22.2%*	*25.1%*	*31.7%*	*36.2%*	*32.6%*	*(8.6)%*		*32.8%*

FY21 Service revenue growth %

	Q1	Q2	H1	Q3	Q4	H2	Total
Germany	25.4	6.9	15.4	1.0	1.2	1.1	7.7
Italy	(6.5)	(7.9)	(7.2)	(7.8)	(8.8)	(8.3)	(7.8)
UK	(3.2)	(0.8)	(2.0)	(5.1)	(4.4)	(4.7)	(3.4)
Spain	(6.9)	(1.8)	(4.4)	(0.9)	(2.2)	(1.5)	(3.0)
Other Europe	3.8	(1.9)	0.8	(4.0)	–	(2.0)	(0.6)
Vodacom	(11.9)	(12.3)	(12.1)	(9.1)	(1.2)	(5.3)	(8.7)
Other Markets	(18.9)	(15.1)	(17.0)	(9.5)	(6.1)	(7.8)	(12.8)
Group	**1.3**	**(2.5)**	**(0.7)**	**(3.9)**	**(2.4)**	**(3.1)**	**(1.9)**

FY21 Organic service revenue growth %*

	Q1	Q2	H1	Q3	Q4	H2	Total
Germany	–	(0.1)	(0.1)	1.0	1.2	1.1	0.5
Italy	(6.5)	(8.0)	(7.2)	(7.8)	(7.8)	(7.8)	(7.5)
UK	(1.9)	(0.5)	(1.2)	(0.4)	(0.6)	(0.5)	(0.8)
Spain	(6.9)	(1.8)	(4.4)	(1.1)	(1.3)	(1.2)	(2.8)
Other Europe	(3.1)	(1.8)	(2.4)	(0.7)	(0.2)	(0.4)	(1.4)
Vodacom	1.5	3.2	2.3	3.3	7.3	5.3	3.9
Other Markets	9.1	9.0	9.0	12.3	13.1	12.7	10.8
Group	**(1.3)**	**(0.4)**	**(0.8)**	**0.4**	**0.8**	**0.6**	**(0.1)**

Germany: 31% of Group service revenue

	FY21 €m	FY20 €m	*Reported change %*	*Organic change* %*
Total revenue	12,984	12,076	*7.5*	
Service revenue	11,520	10,696	*7.7*	*0.5*
Other revenue	1,464	1,380		
Adjusted EBITDA[1]	5,634	5,077	*11.0*	*1.8*
Adjusted EBITDA margin[1]	*43.4%*	*42.0%*		

Note:
1. Adjusted EBITDA and Adjusted EBITDA margin are Non-GAAP measures. See page 217 for more information.

Reported total revenue increased by 7.5% to €13.0 billion, primarily reflecting the consolidation of the acquired Liberty Global assets for the full year.

On an organic basis, service revenue grew by 0.5%* (Q3: 1.0%*, Q4: 1.2%*), with growth across all customer segments in the second half of the year. Growth was supported by good customer and ARPU growth, a strong performance in Business fixed and higher variable usage revenue during the COVID-19 lockdown, offset by lower roaming, visitor and wholesale revenue. The year-on-year impact from the decline in roaming and visitor revenue was -1.0 percentage points (Q3: -1.0 percentage points, Q4: -0.5 percentage points). Retail service revenue grew by 1.1%* (Q3: 1.5%*, Q4: 1.8%*).

Fixed service revenue grew by 1.4%* (Q3: 1.4%*, Q4: 1.4%*). This was driven by customer base and ARPU growth, higher variable usage during the pandemic and growing demand for new services, such as cloud & security. Business fixed service revenue grew strongly by 9.8%* in FY21. We added 301,000 cable customers in the year, including 140,000 migrations from legacy broadband DSL. Almost half of our cable broadband customer base now subscribes to speeds of at least 250Mbps, and gigabit speeds are now available to 22.4 million households across our network. Our total broadband customer base increased by 161,000 to 10.9 million despite the majority of our retail stores being closed for four months during the year due to the COVID-19 pandemic, including during most of Q4.

Our TV customer base declined by 236,000 reflecting lower retail activity during the COVID-19 pandemic. During the year, we launched a harmonised portfolio across all homes in Germany, aligning our sales activities and brought Vodafone TV to the Unitymedia footprint. We also launched the 'DAZN' Pay-TV channel and our new Apple set-top box product during the year. The full benefit from these actions was not visible in our commercial results due to lockdown restrictions affecting retail activity. Our converged propositions, led by 'GigaKombi', allow customers to combine their mobile, landline, broadband and TV subscriptions for one monthly fee. Our converged customer base continued to grow, with 130,000 Consumer additions during the year. We now have over 1.6 million Consumer converged accounts.

Mobile service revenue declined by 0.7%* (Q3: 0.5%*, Q4: 0.9%*) mainly due to the reduction in roaming, visitor and wholesale revenue. Service revenue grew in the second half of the year, supported by higher variable usage and increased demand from business customers, particularly in the public and health sectors. We added 317,000 contract customers during the year, supported by the migration of 187,000 Unitymedia mobile customers onto our network. Contract churn improved by 0.8 percentage points year-on-year to 11.8%. We also added 437,000 prepaid customers, supported by our online-only proposition, 'CallYa Digital'. We added a further 5.9 million IoT connections during the year, supported by a strong demand from SMEs.

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In April 2021, we became the first operator in Europe to launch a standalone 5G network. This enables higher speeds, enhanced reliability and ultra-low latency, in addition to using 20% less energy on customers' devices.

Adjusted EBITDA grew by 1.8%* as the benefit synergy delivery and ongoing cost efficiencies were partially offset by a -1.5 percentage point year-on-year impact from lower roaming and visitors, and lower wholesale revenue. The adjusted EBITDA margin was 0.4* percentage points higher year-on-year and was 43.4%.

We have continued to make good progress on integrating Unitymedia, with the rebranding, harmonisation of our internet & TV portfolio, and the organisational integration completed during the year. We are eight months ahead of plan with respect to our cost and capital expenditure synergy targets and remain on track to deliver the remaining synergies.

Italy: 12% of Group service revenue

	FY21 €m	FY20 €m	Reported change %	Organic change* %
Total revenue	5,014	5,529	(9.3)	
Service revenue	4,458	4,833	(7.8)	(7.5)
Other revenue	556	696		
Adjusted EBITDA[1]	1,597	2,068	(22.8)	(12.7)
Adjusted EBITDA margin[1]	31.9%	37.4%		

Note:
1. Adjusted EBITDA and Adjusted EBITDA margin are Non-GAAP measures. See page 217 for more information.

Reported total revenue decreased by 9.3% to €5.0 billion, driven by continued price competition in the mobile market, as well as lower roaming, visitor and equipment revenue.

On an organic basis, service revenue declined by 7.5%* (Q3: -7.8%*, Q4: -7.8%*). The year-on-year impact from the decline in roaming and visitor revenue was -2.1 percentage points (Q3: -1.9 percentage points, Q4: -1.2 percentage points).

Mobile service revenue declined 10.5%* (Q3: -10.7%*, Q4: -9.3%*) reflecting lower roaming and visitor revenue, a reduction in the active prepaid customer base year-on-year, which began to stabilise in Q4, and price competition in the value segment. Market mobile number portability ('MNP') volumes were approximately 20% lower year-on-year, reflecting retail lockdowns. Our second brand 'ho.' continued to grow, with 662,000 net additions during the year and now has 2.5 million customers. Quarterly net additions slowed in Q4, although returned to growth towards the end of the quarter. During the year, we signed mobile wholesale agreements with PostePay and Digi. We will start to migrate PostePay customers onto our network in the first quarter of FY22.

Fixed service revenue grew by 1.4%* (Q3: 1.1%*, Q4:-3.8%*) driven by 90,000 broadband customer additions. In total, we now have almost 3.0 million broadband customers. The quarter-on-quarter slowdown in Q4 service revenue trends reflected higher Business project revenue in the prior year. However, Business demand was strong overall, supported by our NPS leadership and now represents approximately 40% of fixed revenue. Our total Consumer converged customer base is now 1.2 million (39% of our broadband base), an increase of 105,000 during the year. Through our own next generation network and partnership with Open Fiber, our broadband services are now available to 8.4 million households. We also cover 3.4 million households with fixed-wireless access, offering speeds of up to 100Mbps.

Adjusted EBITDA declined by 12.7%* reflecting a -4.0 percentage point year-on-year impact from lower roaming and visitors, and lower service revenue, partially offset by continued good cost control. The adjusted EBITDA margin was 1.3* percentage points lower year-on-year and was 31.9%.

UK: 13% of Group service revenue

	FY21 €m	FY20 €m	Reported change %	Organic change* %
Total revenue	6,151	6,484	(5.1)	
Service revenue	4,848	5,020	(3.4)	(0.8)
Other revenue	1,303	1,464		
Adjusted EBITDA[1]	1,367	1,500	(8.9)	(7.3)
Adjusted EBITDA margin[1]	22.2%	23.1%		

Note:
1. Adjusted EBITDA and Adjusted EBITDA margin are Non-GAAP measures. See page 217 for more information.

Reported total revenue decreased by 5.1% to €6.2 billion, primarily due to the depreciation of the local currency versus the euro, and lower roaming, visitor and equipment revenue.

On an organic basis, service revenue decreased by 0.8%* (Q3: -0.4%*, Q4: -0.6%*) as good customer base growth and strong Business demand, was offset by lower roaming, visitor and incoming revenue. The year-on-year impact from the decline in roaming and visitor revenue was -2.4 percentage points (Q3: -2.3 percentage points, Q4: -1.5 percentage points).

Mobile service revenue declined 3.3%* (Q3: -3.6%*, Q4: -1.8%*), as lower roaming, visitor and incoming revenue offset good customer base growth. During the year, we maintained our good commercial momentum, supported by a significant shift in sales mix, with digital sales growing significantly to 39%. We also benefited from Business demand, strong iPhone sales, and improved customer loyalty. Contract churn improved 1.1 percentage point year-on-year to 13.0%. In total, we added 219,000 customers to our mobile contract base in FY21. Our digital sub-brand 'VOXI' also continued to grow strongly, with 176,000 customers added during the year, supported by the launch of new propositions.

Fixed service revenue grew by 5.6%* (Q3: 7.9%*, Q4: 2.2%*) and our commercial momentum remained strong with 192,000 net customer additions during the year. The quarter-on-quarter slowdown in Q4 was driven by the lapping of strong Business fixed performance in the prior year and lower wholesale revenue. In March, we launched Vodafone 'Pro Broadband' which combines fixed and mobile connectivity to provide 'unbreakable' connectivity. Pro Broadband customers also benefit from super Wi-Fi and dedicated customer support. We now have 911,000 broadband customers, of which 459,000 are converged. Business demand for our SME and corporate products remained strong, including productivity and security solutions.

Adjusted EBITDA decreased by 7.3%* reflecting the year-on-year impacts from lower roaming and visitors of -4.8 percentage points and a prior year one-off licence fee settlement of -4.6 percentage points. On an underlying basis, we continued to grow adjusted EBITDA, supported by strong cost control, with operating expenses 7.5% lower year-on-year. Our adjusted EBITDA margin was 1.1* percentage points lower year-on-year at 22.2%.

To support our continued investment in our networks, products and services, we announced that an annual price increase of Consumer Price Index plus 3.9% will be applied to all broadband and mobile contracts signed from 9 December 2020, taking effect from April 2021.

In March 2021, we acquired 40MHz of spectrum in the 3.6GHz band for next-generation 5G mobile services at a cost of €206 million. The new spectrum acquired will enable us to significantly expand 5G network capacity to meet the growing demand for fast, reliable, high-quality data services.

Our financial performance (continued)

Spain: 10% of Group service revenue

	FY21 €m	FY20 €m	Reported change %	Organic change* %
Total revenue	4,166	4,296	(3.0)	
Service revenue	3,788	3,904	(3.0)	(2.8)
Other revenue	378	392		
Adjusted EBITDA[1]	1,044	1,009	3.5	3.4
Adjusted EBITDA margin[1]	25.1%	23.5%		

Note:
1. Adjusted EBITDA and Adjusted EBITDA margin are Non-GAAP measures. See page 217 for more information.

Reported total revenue decreased by 3.0% to €4.2 billion, primarily due to lower roaming and visitor revenue and other COVID-19 related impacts.

On an organic basis, service revenue declined by 2.8%* (Q3: -1.1%*, Q4: -1.3%*) reflecting price competition in the market and lower roaming and visitor revenue. The year-on-year impact from the decline in roaming and visitor revenue was -2.0 percentage points (Q3: -1.7 percentage points, Q4: -1.1 percentage points). The service revenue slowdown quarter-on-quarter mainly reflected a change in premium calling regulation.

In mobile, we are competing effectively across all segments, and grew our contract customer base by 70,000, despite the market remaining highly competitive following the easing of restrictions in the second half of the year and an increase in mobile number portability. Mobile contract churn decreased 1.0 percentage points year-on-year to 20.2% reflecting our continued focus on improving customer loyalty. Our second brand 'Lowi' added 236,000 customers during the year and now has a total base of 1.2 million.

Our broadband customer base increased by 21,000 despite our more-for-more pricing actions, and higher competitive intensity during the second half of the year. We added 109,000 customers to our NGN network as customers continued to transition to higher-speed plans. Our extensive library of movies and TV series, as well as our new 'boxless' TV app proposition, supported continued good customer growth in TV with 156,000 customers added during the year.

Adjusted EBITDA grew by 3.4%* and the adjusted EBITDA margin was 1.5* percentage points higher year-on-year at 25.1%. The growth in EBITDA reflects lower commercial and football content costs, and a 5.8% reduction in operating expenses, partially offset by a -5.7 percentage point year-on-year impact from lower roaming and visitors.

Other Europe: 13% of Group service revenue

	FY21 €m	FY20 €m	Reported change %	Organic change* %
Total revenue	5,549	5,541	0.1	
Service revenue	4,859	4,890	(0.6)	(1.4)
Other revenue	690	651		
Adjusted EBITDA[1]	1,760	1,738	1.3	(0.5)
Adjusted EBITDA margin[1]	31.7%	31.4%		

Note:
1. Adjusted EBITDA and Adjusted EBITDA margin are Non-GAAP measures. See page 217 for more information.

Total revenue increased by 0.1% to €5.5 billion, primarily reflecting the consolidation of the acquired Liberty Global assets in Central Eastern Europe for a full year, offset by lower roaming and visitor revenue and the disposal of Vodafone Malta in the prior year.

On an organic basis, service revenue declined by 1.4%* (Q3: -0.7%*, Q4: -0.2%*), as growth in Portugal, Czech Republic, and Hungary was offset by declines in Ireland, Greece and Romania. The decline in service revenue was driven by lower roaming and visitor revenue, lower prepaid top-ups (notably in Greece), and increased competition in some markets. The year-on-year impact from the decline in roaming and visitor revenue was -2.0 percentage points (Q3: -1.8 percentage points, Q4: -1.3 percentage points).

In Portugal, service revenue grew as mobile contract and fixed base growth was partially offset by lower roaming and visitor revenue. During the year, we added 62,000 mobile contract customers and 71,000 fixed broadband customers. Almost a third of our broadband customer base is converged.

In Ireland, service revenue declined reflecting lower roaming and visitor revenue and higher competitive intensity, partially offset by the successful launch of unlimited Consumer mobile data tariffs. During the year, our mobile contract customer base increased by 68,000 and mobile contract churn improved 0.6 percentage point year-on-year to 9.9%.

Service revenue in Greece declined, reflecting lower roaming, visitor and prepaid revenue and higher promotional intensity during the COVID-19 pandemic, partially offset by strong fixed demand, notably from business customers. Mobile contract churn improved 1.8 percentage point year-on-year to 9.3%.

Adjusted EBITDA declined by 0.5%*, including a -4.4 percentage point year-on-year impact from lower roaming and visitors. The adjusted EBITDA margin increased by 0.2* percentage points and was 31.7%.

We have continued to make good progress on integrating the assets acquired from Liberty Global in Central Eastern Europe and we remain on track to deliver our targeted synergies.

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Vodacom: 11% of Group service revenue

	FY21 €m	FY20 €m	Reported change %	Organic change* %
Total revenue	5,181	5,531	(6.3)	
Service revenue	4,083	4,470	(8.7)	3.9
Other revenue	1,098	1,061		
Adjusted EBITDA[1]	1,873	2,088	(10.3)	2.9
Adjusted EBITDA margin[1]	36.2%	37.8%		

Note:
1. Adjusted EBITDA and Adjusted EBITDA margin are Non-GAAP measures. See page 217 for more information.

Reported total revenue decreased by 6.3% to €5.2 billion and reported adjusted EBITDA decreased by 10.3%, primarily due to the depreciation of the local currencies versus the euro.

On an organic basis, Vodacom's total service revenue grew 3.9%* (Q3: 3.3%*, Q4: 7.3%*) as good growth in South Africa was partially offset by revenue pressure in Vodacom's international operations due to macroeconomic pressure and the zero-rating of person-to-person M-Pesa transfers for most of the year. The quarter-on-quarter improvement in growth in Q4 reflected stronger growth in South Africa and an acceleration in Vodacom's international markets as M-Pesa service fees normalised across all markets from January 2021.

In South Africa, service revenue growth achieved a 10-year high, as the business benefited from higher demand for voice, data and financial services, and an increase in consumer discretionary spend as a result of government measures and social grants during the COVID-19 pandemic. We added 133,000 contract customers, supported by strong growth in Business connectivity as remote working and mobile broadband demand increased. We also added 2.5 million prepaid customers supported by our successful 'Shake-off' summer campaign and new behavioural loyalty programme launched during the second half of the year. Data traffic increased by c.60% year-on-year, and 45% of our customer base is now using data services. Our 'ConnectU' platform continues to promote digital inclusion via zero-rated access to a wide range of websites, including job portals and online learning platforms, with total unique users reaching 15.5 million at year end. Financial Services customers in South Africa increased by 15.4% to 13.3 million, reflecting our strong execution and the ongoing expansion of our service offerings. In January 2021, we announced an expanded wholesale agreement with Cell-C for its mobile contract and mobile broadband customers to roam on our network.

In Vodacom's international markets, service revenue slightly declined, reflecting economic pressure, the disruption to our commercial activities during the COVID-19 pandemic, the zero-rating of person-to-person M-Pesa transfers in DRC, Mozambique, and Lesotho, and the impact of service barring in Tanzania due to biometric registration compliance. There was a significant improvement in trends in the second half of the year, driven by the reinstatement of person-to-person M-Pesa transfer fees across all markets and improved commercial momentum. Digital adoption across Vodacom's international markets accelerated. M-Pesa transaction value increased by 28.4%, while M-Pesa revenue as a share of total service revenue increased by 1.6 percentage points to 20.9%, and 52% of our customer base is now using data services.

Vodacom's adjusted EBITDA increased by 2.9%* as growth in South Africa was partially offset by revenue pressure in Vodacom's international operations, notably in the first half of the year. The adjusted EBITDA margin was 1.3* percentage points lower year-on-year, partly driven by 5G roaming investment in South Africa. The adjusted EBITDA margin was 36.2%.

Other Markets: 9% of Group service revenue

	FY21 €m	FY20 €m	Reported change %	Organic change* %
Total revenue	3,765	4,386	(14.2)	
Service revenue	3,312	3,796	(12.8)	10.8
Other revenue	453	590		
Adjusted EBITDA[1]	1,228	1,400	(12.3)	8.5
Adjusted EBITDA margin[1]	32.6%	31.9%		

Note:
1. Adjusted EBITDA and Adjusted EBITDA margin are Non-GAAP measures. See page 217 for more information.

Reported total revenue decreased by 14.2% to €3.8 billion, primarily due to the depreciation of the local currencies versus the euro and the disposal of Vodafone New Zealand in the prior year.

On an organic basis, service revenue increased by 10.8%* (Q3: 12.3%*, Q4: 13.1%*), driven by customer base growth and increased demand for data across our markets. The year-on-year impact from the decline in roaming and visitor revenue was -1.5 percentage points (Q3: -1.0 percentage points, Q4: -0.5 percentage points).

Service revenue in Turkey grew ahead of inflation, reflecting strong customer contract ARPU growth and increased demand for mobile data and fixed broadband. Mobile contract customer additions were 1.1 million during the year – the highest amongst any of our markets – supported by migrations from prepaid customers. Contract churn improved by 3.3 percentage points year-on-year to 19.3%.

Service revenue in Egypt also grew ahead of inflation, supported by customer base growth and increased data usage, partially offset by lower roaming and visitor revenue. During the year, we added 402,000 mobile contract customers and 1.1 million prepaid mobile customers. Mobile contract churn in Egypt was the lowest in the entire Group at 6.5%.

Adjusted EBITDA increased by 8.5%* and the adjusted EBITDA margin decreased by 0.7* percentage points. This reflected strong revenue growth and operating efficiencies in Turkey, offset by the lapping of a prior year settlement and the impact of the temporary zero-rating of e-money transaction fees in Egypt. The adjusted EBITDA margin was 32.6%.

In November 2020, we announced that Vodafone Egypt had acquired 40MHz of 2.6Ghz spectrum, with a 10-year licence through to 2030. The spectrum will enable us to significantly expand network capacity to meet growing demand for reliable, high quality voice and data services.

In December 2020, we announced that discussions with Saudi Telecom Company in relation to the sale of Vodafone's 55% shareholding in Vodafone Egypt had been terminated. Vodafone Egypt has a strong market position in an attractive market and generates a strong return on capital employed, in excess of its local cost of capital. We are committed to retaining our presence in Egypt.

Our financial performance (continued)

Associates and joint ventures

	FY21 €m	FY20 €m
VodafoneZiggo Group Holding B.V.	(232)	(64)
Indus Towers Limited	274	19
Safaricom Limited	217	247
Vodafone Idea Limited	–	(2,546)
Other	83	(161)
Share of results of equity accounted associates and joint ventures	**342**	**(2,505)**

VodafoneZiggo Joint Venture (Netherlands)

The results of VodafoneZiggo (in which Vodafone owns a 50% stake) are reported here under US GAAP, which is broadly consistent with Vodafone's IFRS basis of reporting.

Total revenue grew 1.6% (Q3: 0.5%, Q4: 1.8%) to €4.0 billion. This reflected mobile contract customer base growth and strong Business fixed demand, partly offset by lower roaming, visitor and handset revenue.

During the year, VodafoneZiggo added 262,000 mobile contract customers, supported by the successful 'Runners' campaign and higher demand from businesses. Strong Business fixed performance was supported by an increase in the customer base, as well as higher demand for unified communications and remote-working solutions. The number of converged households increased by 81,000, with 44% of broadband customers and 71% of all B2C mobile customers now converged, delivering significant NPS and churn benefits. VodafoneZiggo was the first operator to launch a nationwide 5G network in the Netherlands and also completed its analogue TV switch-off during April 2021. VodafoneZiggo now offers 1 gigabit speeds to more than 3.1 million homes and is on track to provide nationwide coverage in 2022.

Adjusted EBITDA grew by 5.2%, supported by top line growth and cost synergies realisation, more than offsetting a year-on-year impact from lower roaming and visitor mobile revenue. VodafoneZiggo has now successfully delivered the €210 million cost and capital expenditure synergies targeted, one year ahead of the original plan.

During the year, Vodafone received €209 million in dividends from the joint venture, as well as €43 million in interest payments. The joint venture also drew down an additional €104 million shareholder loan from Vodafone to fund spectrum licences acquired in July 2020.

Indus Towers Associate (India)

In November 2020, we announced that the merger of Indus Towers Limited ('Indus Towers') and Bharti Infratel Limited ('Bharti Infratel') had completed. The merged company is listed on the National Stock Exchange of India and the Bombay Stock Exchange and was renamed Indus Towers Limited following the merger. Vodafone was issued with 757.8 million shares in the merged company in exchange for its 42% shareholding in Indus Towers and this is equivalent to a 28.1% shareholding in the combined company.

Indus Towers is classified as held for sale at 31 March 2021 in the consolidated statement of financial position. The Group's interest in Indus Towers has been provided as security against certain bank borrowings secured against Indian assets and partly to the pledges provided to the new Indus Towers entity under the terms of the merger between erstwhile Indus Towers and Bharti Infratel.

Safaricom Associate (Kenya)

Safaricom service revenue declined by 0.3%* (Q3: 1.6%*, Q4: 6.4%*) due to depressed economic activity and the zero-rating of some M-Pesa services in the first half of the year. The quarter-on-quarter improvement in Q4 was driven by an increase in M-Pesa revenue as service fees normalised and higher demand for fixed broadband. Adjusted EBITDA decreased by 3.3% primarily driven by a decline in revenue.

Vodafone Idea Limited Joint Venture (India)

In October 2019, the Indian Supreme Court gave its judgement in the Union of India v Association of Unified Telecom Service Providers of India case regarding the interpretation of adjusted gross revenue ('AGR'), a concept used in the calculation of certain regulatory fees. Vodafone Idea was liable for very substantial demands made by the Department of Telecommunications ('DoT') in relation to these fees. Based on submissions of the DoT in the Supreme Court proceedings (which the Group is unable to confirm as to their accuracy), Vodafone Idea reported a total estimated liability of INR 654 billion (€7.6 billion) excluding repayments and including interest, penalty and interest on penalty up to 30 June 2020. On 17 February, 20 February, 16 March and 16 July 2020, Vodafone Idea made payments totalling INR 78.5 billion (€0.9 billion) to the DoT. In September 2020, the Supreme Court of India directed that telecom operators make payment of 10% of the total dues by 31 March 2021 and thereafter repay the balance, along with 8% interest, in 10 annual instalments.

Vodafone Idea Limited ('Vodafone Idea') recorded losses for each of the six month periods ended 30 September 2019, 31 March 2020 and 30 September 2020, respectively. For the six months ended 30 September 2019, the Group recognised its share of estimated Vodafone Idea losses arising from both its operating activities and those in relation to the AGR judgement. The Group has no obligation to fund Vodafone Idea, consequently the Group's recognised share of losses in the six months ended 30 September 2019 was limited to the remaining carrying value of Vodafone Idea which was therefore reduced to €nil at 30 September 2019; no further losses have been recognised by the Group.

As part of the agreement to merge Vodafone India and Idea Cellular in 2017, the parties agreed a mechanism for payments between the Group and Vodafone Idea pursuant to the crystallisation of certain identified contingent liabilities in relation to legal, regulatory, tax and other matters, and refunds relating to Vodafone India and Idea Cellular. Cash payments or cash receipts relating to these matters must have been made or received by Vodafone Idea before any amount becomes due from or owed to the Group. Any future payments by the Group to Vodafone Idea as a result of this agreement would only be made after satisfaction of this and other contractual conditions. The Group's potential exposure under this mechanism is now capped at INR 64 billion (€747 million). See note 29 'Contingent liabilities and legal proceedings' to the consolidated financial statements for further information.

Vodafone Hutchison Australia / TPG Telecom Limited Joint Venture (Australia)

In July 2020, Vodafone Hutchison Australia Pty Limited ('VHA') and TPG Telecom Limited ('TPG') completed their merger to establish a fully integrated telecommunications operator in Australia. The merged entity was admitted to the Australian Securities Exchange ('ASX') on 30 June 2020 and is known as TPG Telecom Limited. Vodafone and Hutchison Telecommunications (Australia) Limited each own an economic interest of 25.05% in the merged unit.

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Net financing costs

	FY21 €m	FY20 €m	Reported change %
Investment income	330	248	
Financing costs	(1,027)	(3,549)	
Net financing costs	**(697)**	**(3,301)**	78.9
Adjustments for:			
Mark-to-market (gains)/losses	(1,091)	1,128	
Foreign exchange losses	23	205	
Adjusted net financing costs[1]	**(1,765)**	**(1,968)**	10.3

Note:
1. Adjusted net financing costs is a Non-GAAP measure. See page 217 for more information. The FY20 adjusted net financing costs has been aligned to the FY21 presentation which no longer excludes lease interest. This increased adjusted net financing costs for FY20 by €330 million.

Net financing costs decreased by €2.6 billion, primarily due to mark-to-market gains of €1.1 billion (compared to losses of €1.1 billion in FY20). This was driven by a higher share price, causing a gain on options held relating to €3.8 billion of mandatory convertible bonds. Adjusted net financing costs decreased reflecting net favourable interest movements on borrowings in relation to foreign operations.

Taxation

	FY21 %	FY20 %	Change pps
Effective tax rate	**87.8%**	**157.2%**	**(69.4)**
Adjusted effective tax rate[1]	**26.9%**	**25.3%**	**1.6**

Note:
1. Adjusted effective tax rate is a Non-GAAP measure. See page 217 for more information.

The Group's effective tax rate for the year ended 31 March 2021 was 87.8%.

The Group's effective tax rate for both years includes the following items: a €2,827 million charge (2020: €346 million credit) for the utilisation of losses in Luxembourg which arises from an increase (2020: decrease) in the valuation of investments based upon local GAAP financial statements and tax returns. The increase in the current year was principally driven by increases in the value of our operating businesses, listed associates and joint ventures. These items change the total losses we have available for future use against our profits in Luxembourg and neither item affects the amount of tax we pay in other countries.

The Group's effective tax rate for the year ended 31 March 2020 included a reduction in our deferred tax assets in Luxembourg of €881 million following a reduction in the Luxembourg corporate tax rate.

The Group's adjusted effective tax rate for the year ended 31 March 2021 was 26.9%. The rate increased as a result of the mix of profits in the Group and a lower use of our Luxembourg losses in the year.

The Group's adjusted effective tax rate for both years does not include the following items:, €320 million relating to Luxembourg losses (2020: €348 million) and €2,827 million charge (2020: €346 million credit) arising from an increase (2020: decrease) in the valuation of investments based upon the local GAAP financial statements and tax returns as stated above.

We expect the adjusted effective tax rate to rise to the high 20's over the medium term reflecting the forecast profit mix, a reducing annual use of our Luxembourg deferred tax asset as market conditions drive margins lower on existing financing activities, the impact of an anticipated reduction in levels of intercompany debt over the medium term and the impact of government responses to the COVID pandemic resulting in increased tax liabilities.

The Group's adjusted effective tax rate for the year ended 31 March 2020 does not include the reduction in our deferred tax assets in Luxembourg referred to above.

Earnings per share

	FY21 eurocents	FY20 eurocents	Reported change eurocents
Basic earnings/(loss) per share	**0.38c**	**(3.13)c**	3.51c
Adjusted basic earnings per share[1]	**8.08c**	**5.60c**	2.48c

Note:
1. Adjusted basic earnings per share is a Non-GAAP measure. See page 217 for more information.

Basic earnings per share was 0.38 eurocents, compared to a loss per share of 3.13 eurocents for the year ended 31 March 2020.

Adjusted basic earnings per share was 8.08 eurocents compared to 5.60 eurocents for the year ended 31 March 2020.

Consolidated statement of financial position

The consolidated statement of financial position is set out on page 122. Details on the major movements of both our assets and liabilities in the year are set out below.

Assets

Goodwill and other intangible assets decreased by €0.5 billion between 31 March 2020 and 31 March 2021 to €53.5 billion. This reflects the amortisation of computer software, partially offset by software and purchased licence additions in the period.

Property, plant and equipment increased by €1.1 billion between 31 March 2020 and 31 March 2021 to €41.2 billion. This reflects additions in the period, partially offset by the depreciation charge.

Other non-current assets decreased by €9.2 billion between 31 March 2020 and 31 March 2021 to €32.0 billion, primarily due to a €5.5 billion decrease in derivative assets included in trade and other receivables, a €2.0 billion decrease in deferred tax assets and a €1.2 billion decrease in investments in associates and joint ventures, reflecting the reclassification of the Group's interest in Indus Towers Limited as held for sale at 31 March 2021. Further detail is provided in note 7 to the consolidated financial statements.

Current assets decreased by €6.2 billion between 31 March 2020 and 31 March 2021 to €27.0 billion, primarily due to a €7.7 billion decrease in cash and cash equivalents and a €0.8 billion decrease in trade and other receivables, partially offset by an increase of €2.1 billion in other investments.

Total equity and liabilities

Total equity decreased by €4.8 billion between 31 March 2020 and 31 March 2021 to €57.8 billion largely due to €2.4 billion of dividends paid to the Group's shareholders, €0.4 billion of dividends paid to non-controlling interests and total comprehensive expense for the period of €3.6 billion, partially offset by an increase of €1.9 billion arising from transactions with non-controlling interests in subsidiaries.

Non-current liabilities decreased by €3.6 billion between 31 March 2020 and 31 March 2021 to €68.5 billion, primarily due to a €3.7 billion decrease in borrowings.

Current liabilities decreased by €4.7 billion between 31 March 2020 and 31 March 2021 to €28.7 billion, primarily due to a €3.5 billion decrease in borrowings, a €1.4 billion decrease in financial liabilities under put option arrangements, partially offset by an increase of €0.4 billion in trade and other payables.

Inflation

Inflation did not have a significant effect on the Group's consolidated results of operations and financial condition during the year ended 31 March 2021.

Our financial performance (continued)

Cash flow, capital allocation and funding

Analysis of cash flow

	FY21 €m	FY20 €m	Reported change %
Inflow from operating activities	**17,215**	**17,379**	(0.9)
Outflow from investing activities	**(9,262)**	**(8,088)**	(14.5)
Outflow from financing activities	**(15,196)**	**(9,352)**	(62.5)

Cash inflow from operating activities decreased by 0.9% to €17.2 billion (FY20: €17.4 billion) due to an increase in the net working capital outflow compared to the prior year. Working capital movements in FY21 include a €0.3 billion inflow from handset purchases and the associated sale of customer receivables.

Outflow from investing activities primarily increased by 14.5% to €9.3 billion (FY20: €8.1 billion) due to lower inflows from disposals of subsidiaries and disposals of short term investments, increased investment in network performance during the pandemic, partially offset by reduced outflows on purchases of subsidiaries and associates.

Outflows from financing activities increased by 62.5% to €15.2 billion (FY20: €9.4 billion) principally due to higher net outflows on borrowings. Inflows from transactions with non-controlling shareholders, mostly from the Vantage Towers public offering, were partially offset by payments to purchase shares from KDG minorities.

Analysis of cash flow (continued)

	FY21 €m	FY20 €m	Reported change %
Adjusted EBITDA[1]	**14,386**	**14,881**	(3.3)
Capital additions[2]	(7,854)	(7,411)	
Working capital	564	(127)	
Disposal of property, plant and equipment	42	41	
Interest received and paid[3]	(1,553)	(1,160)	
Taxation	(1,020)	(930)	
Dividends received from associates and joint ventures	628	417	
Dividends paid to non-controlling shareholders in subsidiaries	(391)	(348)	
Other	217	337	
Free cash flow (pre spectrum, restructuring and integration costs)[1]	**5,019**	**5,700**	(11.9)
Licence and spectrum payments	(1,221)	(181)	
Restructuring and integration payments	(421)	(570)	
Integration capital expenditure[4]	(267)	–	
Free cash flow[1]	**3,110**	**4,949**	(37.2)
Acquisitions and disposals	447	(14,454)	
Equity dividends paid	(2,427)	(2,296)	
Share buybacks[3]	(53)	(1,094)	
Foreign exchange (loss)/gain	(219)	309	
Other movements on net debt[5]	646	(2,428)	
Net debt decrease/(increase)[1,6]	**1,504**	**(15,014)**	
Opening net debt[1,6]	(42,047)	(27,033)	
Closing net debt[1,6]	**(40,543)**	**(42,047)**	3.6

Notes:

1. Adjusted EBITDA, free cash flow (pre spectrum, restructuring and integration costs), free cash flow and net debt are Non-GAAP measures. See page 217 for more information.
2. See page 226 for an analysis of tangible and intangible additions in the year.
3. Interest received and paid excluded interest on lease liabilities of €307 million (FY20: €305 million outflow); €nil (FY20: €175 million) of interest costs related to Liberty acquisition financing, included within Other; and €9 million of cash inflow (FY20: €273 million outflow) from the option structures relating to the issue of the mandatory convertible bonds, included within Share buybacks. The option structures were intended to ensure that the total cash outflow to execute the programme were broadly equivalent to the amounts raised on issuing each tranche .
4. Integration capital expenditure comprises amounts for the integration of acquired Liberty Global assets and network integration.
5. "Other movements on net debt" for the year ended 31 March 2021 includes mark-to-market gains recognised in the income statement of €1,091 million, offset by payments in respect of bank borrowings secured against Indian assets (€83m) and payments to Vodafone Idea Limited of €235m in respect of the contingent liability mechanism. The comparative figure primarily included €1,510 million of debt in relation to licences and spectrum in Germany and mark-to-market losses recognised in the income statement of €1,128 million
6. Net debt as at 31 March 2020 has been aligned to the FY21 presentation, increasing by €3,799 million to exclude derivative movements in cash flow hedging reserves and decreasing by €121 million to reflect that Vodafone Egypt is no longer held for sale.

Free cash flow (pre spectrum, restructuring and integration costs) decreased by 11.9% to €5.0 billion (FY20: €5.7 billion) due to lower adjusted EBITDA and increased investment in network performance during the pandemic, partially offset by working capital movements including lower cash commissions.

Acquisitions and disposals in the current year included proceeds from the Vantage Towers public offering of €2.0 billion, partially offset by payments to purchase shares from KDG minorities of €1.5 billion. The prior year included €2.0 billion received on completion of the sale of Vodafone New Zealand on 31 July 2019, together with €2.1 billion received on completion of the sale of Italian tower assets on 31 March 2020. It also included €10.3 billion paid on completion of the acquisition of the Liberty Global assets on 31 July 2019 and acquired net debt of €8.2 billion.

Net debt at 31 March 2021 was €40.5 billion, compared to €42.0 billion as at 31 March 2020.

Borrowings and cash position

	FY21 €m	FY20 €m	Reported change %
Non-current borrowings	(59,272)	(62,949)	
Current borrowings	(8,488)	(11,976)	
Borrowings	**(67,760)**	**(74,925)**	
Cash and cash equivalents	5,821	13,557	
Borrowings less cash and cash equivalents	**(61,939)**	**(61,368)**	0.9

Borrowings principally includes bonds of €46,885 million (FY20: €49,412 million) and lease liabilities of €13,032 million (FY20: €12,118 million).

Reductions in borrowings are offset by movements in cash and cash equivalents and are principally driven by the early repayment of €3.4 billion of bonds due to mature up to 2024 and lower derivative collateral positions which impact both cash and short term borrowings.

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Funding position

	FY21 €m	FY20 €m	Reported change %
Bonds	(46,885)	(49,412)	
Bank loans	(1,419)	(2,880)	
Other borrowings incl. spectrum	(4,215)	(3,877)	
Gross debt[1]	**(52,519)**	**(56,169)**	(6.5)
Cash and cash equivalents	5,821	13,557	
Short term investments[2]	4,007	4,132	
Derivative financial instruments	3	610	
Net collateral liabilities[3]	2,145	(4,177)	
Net debt[1]	**(40,543)**	**(42,047)**	(3.6)

Notes:
1. Gross debt and net debt are Non-GAAP measures. See page 217 for more information. Net debt as at 31 March 2020 has been aligned to the FY21 presentation, increasing by €3,799 million to exclude derivative movements in cash flow hedging reserves and decreasing by €121 million to reflect that Vodafone Egypt is no longer held for sale.
2. Short term investments includes €1,053 million (FY20: €1,681 million) of highly liquid government and government-backed securities and managed investment funds of €2,954 million (FY20: €2,451 million) that are in highly rated and liquid money market investments with liquidity of up to 90 days.
3. Collateral arrangements on derivative financial instruments result in cash being paid/(held) as security. This is repayable when derivatives are settled and is therefore deducted from liquidity.

Net debt decreased by €1.5 billion primarily as a result of free cash flow of €3.1 billion and €2.0 billion of proceeds from the Vantage Towers public offering, partially offset by €2.4 billion of equity dividends and €1.5 billion of payments to purchase KDG shares from minority shareholders.

Other funding obligations to be considered alongside net debt include:

- Lease liabilities of €13,032 million (31 March 2020: €12,118 million)
- Mandatory convertible bonds recognised in equity of €1,904 million (31 March 2020: €3,848 million)
- KDG put option liabilities of €492 million (31 March 2020: €1,850 million)
- Guarantees over Australia joint venture loans of €1,489 million (31 March 2020: €2,062 million)
- Pension liabilities of €513 million (31 March 2020: €438 million)

The Group's gross and net debt does not consider the 50% equity characteristic of the long term "Hybrid bonds" being €3,971 million (31 March 2020: €2,971 million). The Group's gross and net debt includes certain bonds which have been designated in hedge relationships, which are carried at €1.4 billion higher value (31 March 2020: €1.5 billion higher) than their euro equivalent redemption value. In addition, where bonds are issued in currencies other than euros, the Group has entered into foreign currency swaps to fix the euro cash outflows on redemption. The impact of these swaps are not reflected in gross debt and would decrease the euro equivalent redemption value of the bonds by €0.1 billion (31 March 2020: €1.3 billion).

Return on capital employed

Return on Capital Employed ('ROCE') reflects how efficiently we are generating profit with the capital we deploy.

	FY21 €m	FY20[1] €m	Change bps
ROCE[2]	**4.4%**	**3.9%**	0.5
Pre-tax ROCE (controlled)[3]	**5.5%**	**6.3%**	(0.8)
Post-tax ROCE (controlled and associates/joint ventures)[3]	**3.9%**	**3.9%**	–

Notes:
1. The presentation of FY20 ROCE has been aligned to the FY21 presentation. See page 224.
2. ROCE is calculated by dividing operating profit by the average of capital employed as reported in the consolidated statement of financial position. See page 223 for the detail of the calculation.
3. Pre-tax ROCE (controlled) and Post-tax ROCE (controlled and associates/joint ventures) are Non-GAAP measures. See page 217 for more information.

ROCE increased to 4.4% (FY20: 3.9%). The increase reflects the increase in operating profit in the year coupled with broadly stable average capital employed.

We calculate two further ROCE measures: i) Pre-tax ROCE for controlled operations only and ii) Post-tax ROCE (including associates & joint ventures). See "Non-GAAP measures" on pages 223 and 224 for an explanation how ROCE is calculated and a reconciliation to the GAAP basis discussed above.

ROCE decreased to 5.5% on a pre-tax basis (FY20: 6.3%). The decrease reflects stable adjusted operating profit, offset by higher average capital employed. ROCE remained stable at 3.9% on a post-tax basis (FY20: 3.9%).

Share buybacks

On 19 March 2021, Vodafone announced the commencement of a new irrevocable and non-discretionary share buyback programme (the 'programme'). The sole purpose of the Programme was to reduce the issued share capital of Vodafone to partially offset the increase in the issued share capital as a result of the maturing of the first tranche of the mandatory convertible bond ('MCB') in March 2021.

In order to satisfy the second tranche of the MCB, 1,426.8 million shares were reissued from treasury shares in March 2021 at a conversion price of £1.2055. This reflected the conversion price at issue (£1.3505) adjusted for the pound sterling equivalent of aggregate dividends paid in August 2019, February 2020, August 2020 and February 2021.

The programme started on 22 March 2021 and is expected to complete by 18 May 2021. Details of the shares purchased under the programme, including those purchased under irrevocable instructions, are shown below.

Date of share purchase	Number of shares purchased[1] 000s	Average price paid for share inclusive of transaction costs Pence	Total number of shares purchased under publicly announced share buyback programme[2] 000s	Maximum number of shares that may yet be purchased under the programme[3] 000s
March 2021	52,682	134.60	52,682	204,141
April 2021	131,704	135.34	184,386	72,437
May 2021 (to 17 May)	65,852	141.09	250,238	6,585
Total[4]	**250,238**	**136.70**	**250,238**	**6,585**

Notes:
1. The nominal value of shares purchased is 20[20/21] US cents each.
2. No shares were purchased outside the publicly announced share buyback programme.
3. In accordance with shareholder authority granted at the 2020 Annual General Meeting.
4. The total number of shares purchased represented 0.9% of our issued share capital, excluding treasury shares, at 18 May 2021.

Dividends

The Board is recommending total dividends per share of 9.0 eurocents for the year. This includes a final dividend of 4.5 eurocents compared to 4.5 eurocents in the prior year.

This year's report contains the Strategic Report on pages 1 to 61, which includes an analysis of our performance and position, a review of the business during the year, and outlines the principal risks and uncertainties we face. The Strategic Report was approved by the Board and signed on its behalf by the Chief Executive and Chief Financial Officer.

Nick Read
Chief Executive
18 May 2021

Margherita Della Valle
Chief Financial Officer
18 May 2021

Purpose, sustainability and responsible business

We connect for a better future

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Purpose pillars

Our strategy helps to deliver our targets across three purpose pillars: Digital Society; Inclusion for All; and Planet – and ensures Vodafone acts responsibly and ethically, wherever we operate. We are also committed to supporting the delivery of the UN Sustainable Development Goals ('SDGs').

Inclusion for All

Ensuring everyone has access to the benefits of a digital society.

Access for all

We are finding new ways to roll-out our network to rural locations in our markets, through a number of initiatives, including network sharing.

Propositions for equality

We are providing relevant products and services to address specific societal challenges such as access to education, gender equality, financial inclusion and poverty.

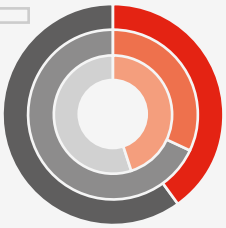
48.3 million
customers using M-Pesa (or equivalent)

15.9 million
additional female customers in Africa and Turkey since 2016

Workplace equality

We are committed to developing a diverse and inclusive global workforce that reflects the customers and societies we serve. This year, our diversity and inclusion focus has been on removing barriers to workplace equality, by accelerating momentum on gender equality, sustaining focus on LGBT+, setting solid foundations on race and ethnicity, and ensuring our physical and digital workplace is fully accessible.

Women in management and leadership roles



Overall Group		
	Women	40%
	Men	60%
Management and senior leadership		
	Women	32%
	Men	68%
Board		
	Women	45%
	Men	55%

Planet

Reducing our environmental impact and helping society decarbonise.

Net zero

This year, we set a 2030 Science-Based Target and committed to reaching 'net zero' emissions across our full value chain by 2040.

56%
renewable electricity purchased

Enabling our customers to reduce emissions

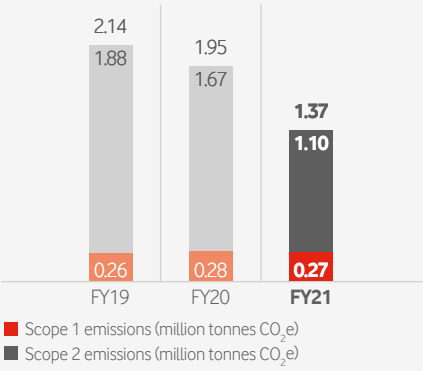
We have committed to helping our customers reduce their own carbon emissions by a cumulative total of 350 million tonnes between 2020 and 2030.

7.1 million
avoided tonnes of CO_2e as a consequence of our IoT technologies and services in FY21

Building a circular economy

We are focused on reducing e-waste, progressing against our target to reuse, resell or recycle 100% of our network waste by 2025, and driving action to reduce device waste.

Scope 1 and 2 GHG emissions



Digital Society

Connecting people and things and digitalising critical sectors.

Gigabit network

We continue to invest in our network infrastructure and coverage to deliver a high-quality service that allows individuals and businesses to connect anywhere, at any time.

Over 150 million
customers connected to our next-generation networks

Small and medium-sized enterprises ('SMEs')

Through Vodafone Business, we provide products and services which are specifically tailored for SMEs.

One million
business customers across Europe now using our free digital V-Hub service

Healthcare sector

Our connectivity and platforms are supporting the digitalisation of healthcare, ranging from enhanced hospital connectivity to connected IoT monitoring devices.

Smart cities

Our IoT platform and technology are supporting cities to become smarter to adapt to the demands of urban growth, as well as improve the lives of the citizens within them.

Agriculture sector

We are helping to increase the amount of information that farmers have available to them, enabling the optimisation of operations and use of resources.

2.1 million
smallholder farmers across Africa registered to our Connected Farmer platform

Click to read about our three purpose pillars:
vodafone.com/our-purpose

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Responsible business

To underpin the delivery of our purpose, we ensure that we operate in a responsible way. Acting ethically, lawfully and with integrity is critical to our long-term success.

Code of Conduct

Our Code of Conduct outlines the requirements that every single person working for and with Vodafone must comply with, regardless of location.

Protecting data

Data privacy

We respect the right to privacy and always seek to protect our customers' lawful rights to hold and express opinions and share information and ideas without interference. We are committed to looking after our customers' data, only using it for its stated purpose, and we are always open about what we collect.

Cyber security

Our networks connect millions of people, homes, businesses and things to each other and the internet. The security of our networks, systems and customers is a top priority and a fundamental part of our purpose.

Protecting people

Health and safety

Keeping our people safe is one of the most important responsibilities we hold as an employer. Our ongoing focus is to create a safe working environment for everyone working for, and on behalf of, Vodafone and the communities in which we operate.

Mobiles, masts and health

We always operate our mobile networks strictly within national regulations, which are typically based on, or go beyond, international guidelines set by the independent scientific body the International Commission for Non-Ionizing Radiation Protection ('ICNIRP').

Human rights

We believe that wherever we operate, our contributions help to advance the protection and promotion of a number of fundamental human rights and freedoms, supporting socio-economic development.

Responsible supply chain

We spend approximately €24 billion a year with more than 10,500 direct suppliers around the world. This year we updated our processes to evaluate suppliers on their commitments to diversity, inclusion and the environment when they tender for new work.

Business integrity

Tax and economic contribution

As a major investor, taxpayer and employer, we make a significant contribution to the economies of all the countries in which we operate.

Anti-bribery and corruption

We have a policy of zero tolerance towards bribery or corruption. Our policy provides guidance on what constitutes a bribe and prohibits giving or receiving any excessive or improper gifts and hospitality.

Click to read about how we operate responsibly: **vodafone.com/operating-responsibly**

Governance

The Executive Committee has overall accountability to the Board for Vodafone's sustainable business strategy and regularly reviews progress. In addition, each pillar of our purpose has an executive-level sponsor: Digital Society (Vinod Kumar, CEO Vodafone Business), Inclusion for All (Serpil Timuay, CEO Europe Cluster) and Planet (Joakim Reiter, Group External Affairs Director).

Reflecting its ownership of environmental, social and governance matters ('ESG'), the Board has approved the establishment of a new ESG Committee as a Committee of the Board and the Board will benefit from its dedicated oversight of our ESG programme. We have also included ESG measures in the long-term incentive plan for our senior leaders.

Read more about our new ESG Committee on page 72

Materiality

We have conducted a materiality assessment to identify the material and emerging ESG issues relevant to our business, our stakeholders and the societies in which we operate.

More information on our 2021 materiality assessment can be found on our website: **vodafone.com**

Reporting frameworks

Vodafone reports against a number of voluntary reporting frameworks to help stakeholders understand our sustainable business performance.

GRI — The Global Reporting Initiative ('GRI') is the most widely accepted global standard for sustainability reporting. The GRI Standards allow companies to report their material impacts for a range of economic, environmental and social issues. Our 2021 disclosure is included in our 2021 ESG Addendum.

Click to download our ESG Addendum: **investors.vodafone.com/esgaddendum**

SASB — Due to increasing demand for sustainability information that is comparable, consistent and financially material, we have published disclosures in accordance with the Sustainability Accounting Standards Board's ('SASB') Standards.

Click to read our SASB disclosures: **investors.vodafone.com/sasb**

CDP — Vodafone participates in the CDP's annual climate change questionnaire. This year we secured a place on CDP's climate change 'A List'.

UNGC — Vodafone is a participant in the United Nations Global Compact ('UNGC'). As part of this, Vodafone supports the Ten Principles of the United Nations Global Compact on human rights, labour, environment and anti-corruption. Our 2021 Communication on Progress can be found in our 2021 ESG Addendum.

Purpose

Our purpose

Our purpose – to connect for a better future by enabling inclusive and sustainable digital societies – serves as the framework for what we do at Vodafone. It is underpinned by our focus on three specific pillars: Inclusion for All, Planet and Digital Society.

In response to the COVID-19 crisis, we reviewed and adapted the focus areas under our three purpose pillars so they would respond better to the evolving socio-economic challenges and to society's needs.

We call the difference we make in supporting the communities in which we operate our social contract. Launched in 2019, our social contract is how we drive and activate many of our purpose initiatives. For example, our social contract creates new partnerships with governments and other stakeholders to overcome some of the most important challenges that our customers and societies are facing. In return, we want governments, policy-makers and regulators to adopt a pro-investment, pro-innovation approach to allow network operators to make sufficient returns on their investments.

In responding to the pandemic – specifically through the five-point plan we implemented in Europe and the six-point plan in Africa – our social contract has accelerated the delivery of our purpose during the last 12 months.

As a Group, through the consistent delivery against our plans in Europe and Africa, we have:

- sent over 250 million text messages with free public health information;
- supported 1.5 million healthcare workers through €6 million of donated funds and devices;
- helped more than 15 million people through zero-rating health sites;
- helped over 100 million people in Europe and Africa through €150 million in donations and in-kind benefits; and
- donated €10 million in cash and in-kind donations through Vodafone Foundation.

Read more on Vodafone's social contract on page 19

Our purpose is also the basis of our new brand positioning: 'Together we can'. It conveys our belief that technology and innovation can help millions of people and their communities to stay connected. We feel positively about the opportunity technology gives us all when combined with the right human spirit.

The following sections provide an overview of the purpose programmes and targets we have set, as well as the achievements over the past year as a result of the acceleration of purpose driven by our social contract.

Inclusion for All

Our Inclusion for All strategy seeks to ensure no one is left behind. It focuses on access to connectivity, digital skills and creating relevant products and services, such as access to education, healthcare and finance. We are also committed to developing a diverse and inclusive global workforce that reflects the customers and societies we serve.

Whilst the past year has seen an unparalleled acceleration in society's reliance on connectivity, it has also shone a light on the existing digital divides. Millions of people are still unable to take advantage of the benefits digital technology can bring.

Through our social contract acceleration, we have broadened the focus of Inclusion for All, and accelerated programmes to deliver benefit for groups affected by the crisis. Highlights have included:

- 5.2 million students accessing free digital education;
- over 18,000 devices donated for education;
- we launched Jobseekers.Connected proposition in multiple markets; and
- removed transaction fees for mobile money users.

Access for all

The use of fixed and mobile services is accelerating globally. For example, GSMA estimates that 5.1 billion people have a mobile phone and 3.8 billion use mobile internet[1]. But many remain unconnected, with 600 million people globally still living outside areas covered by mobile networks.

We know that when people can access mobile internet, they are able to use services that improve their lives. For example 1.6 billion mobile subscribers have used mobile to monitor their health and 1.2 billion people have a mobile money account[2].

Access for all is therefore a priority – and rural connectivity is a specific focus area for us. Within the EU, 29% of the population live in rural areas[3]. In Africa, the number is much higher. In Tanzania, for example, over 70% live in rural areas.

Expanding rural networks can often be more challenging and have a lower return on investment due to lower population densities. That is why we are finding new ways to roll-out our network to rural locations in our markets, through a number of initiatives and innovative partnerships, including network sharing.

Notes:
1. GSMA, 2020.
2. GSMA, 2021.
3. Eurostat, 2020.

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FY21 network deployment

	4G sites deployed (000s)	% base covered	4G population coverage
Europe*	100.1	91%	98%
Africa and Turkey**	50.5	86%	69%
Group	150.6	89%	75%

Notes:
* excluding Vodafone Ziggo.
** excluding Safaricom.

New approaches and a blend of technologies will help us to deliver universal mobile coverage to Europe and Africa. For example, we are piloting OpenRAN – a new promising way to engineer the access network – in rural communities. We have also continued to work with our partners AST & Science LLC to develop the first space-based mobile network to connect directly to 4G and 5G smartphones without the need for specialised hardware. The aim is to transform mobile coverage in the DRC, Ghana, Mozambique, Kenya and Tanzania. The mobile network will also reach 1.6 billion people across 49 countries from 2023.

In addition, this year, Vodafone Group Chief Executive, Nick Read, was appointed as a Commissioner to the UN Broadband Commission for Sustainable Development, which brings together governments, civil society, industry and international organisations to address the digital divide, achieve universal broadband connectivity and accelerate progress toward the Sustainable Development Goals by 2030.

Enabling quality education and digital skills

Even before the COVID-19 crisis, an estimated 258 million children around the world were not in school. More than half of all children globally were not meeting the minimum expected standards in reading and maths[4].

The COVID-19 crisis has made things worse, impacting nearly 1.6 billion learners in over 190 countries[5]. Lack of access to devices and poor connectivity hindered home learning. Across our markets, we have responded by providing devices and connectivity to students and families, as well as growing our existing education platforms across Europe and Africa.

We expanded Connected Education, which was launched in January 2020, by our social enterprise Vodafone Business Ventures to provide access to connectivity, devices and classroom collaboration software for students and teachers across the world. To date, over 800,000 students in over 2,900 educational institutions across 10 countries have benefited from this digital learning solution.

In South Africa, the Vodacom e-School solution allows learners to access curriculum-aligned content and educators to access learning materials on their smartphone with no data charges. We currently have over one million users on the platform.

This year, we announced an investment of €20 million[6] by Vodafone Foundation to expand digital skills and education programmes across Europe, aiming to reach over 16 million learners by 2025. One example is Vodafone Foundation Germany's 'Coding for Tomorrow' which teaches students and their teachers about how to use digital technologies in an independent, critical and creative way. To date, the programme has reached 119,500 students and teachers.

In the UK, we launched Schools.Connected to help improve connectivity for learners from low income families. The programme provided an initial 250,000 SIMs with a 30GB data allowance valid for 90 days. All SIMs were ordered by 6,970 primary and secondary schools in just four working days, so we doubled the number of SIMs and distributed 500,000. We estimate that each SIM used potentially prevented a student missing 60 days of schooling.

Supporting jobseekers and disadvantaged groups

Supporting jobseekers has been a focus area for years, in particular building programmes to respond to the growing youth unemployment crisis. In the EU the youth unemployment rate is 17%[7] and in South Africa it is 56%[8]. In 2018, we launched the Future Jobs Finder, for jobseekers whose background is in non-technology fields. The Future Jobs Finder helps identify transferable skills and strengths, giving recommendations on tech professions and e-learning suited to people's backgrounds and aptitudes. Since its launch, the Future Jobs Finder has supported over 600,000 people.

In South Africa, our ConnectU platform provides over 15.5 million Vodacom customers with free access to a range of services covering health, education, safety and security, social media and jobs. ConnectU's job portal has enabled 3.1 million people to access seven different job search websites for free, with over a third of users being in the lowest income bracket.

We also developed a temporary immediate response initiative to address the contraction in economic activity caused by the COVID-19 crisis. Our 'Jobseekers.Connected' offer across our European markets, Egypt, Turkey and South Africa includes discounted connectivity to help jobseekers remain connected and supports them while they are searching for a new career opportunity. It includes free access to over 600 curated courses on global e-learning platform Udemy to help people re-skill.

Bringing mobile to more women

Goal: To connect an additional 20 million women living in Africa and Turkey to mobile by 2025

Mobile technology enables women in many of our markets to access essential services from maternal healthcare to agricultural information for female smallholder farmers. 54% of women in emerging markets now use mobile internet, but the gender gap for internet usage is substantial with over 300 million fewer women than men accessing the internet on a mobile phone[9].

We develop commercial programmes that support education, skills and jobs, better health and wellbeing and safety for women, and enable economic empowerment. For example, this year, we expanded Vodacom's Mum & Baby service from South Africa to the DRC. Mum & Baby is a free-to-use (no data charges) mobile health service which gives customers maternal, neonatal and child health information. The service has helped over 1.9 million parents and caregivers to take positive actions to improve their children's health since its launch in 2017.

Through these programmes we aim to connect an additional 20 million women living in Africa and Turkey to mobile by 2025. Since 2016 we estimate to have added an additional 15.9 million female customers. The increase of women in our customer base also makes good business sense; women have a higher Net Promoter Score (+4pp compared to men).

Notes:
4. UNESCO, 2018.
5. UN, 2020.
6. Beyond digital training, the Vodafone Foundation builds programmes around the world that combine Vodafone's charitable giving and technology to deliver public benefit and improve people's lives. The total amount donated by Vodafone to Vodafone Foundation in 2021 was €44.2 million.
7. Eurostat, 2021.
8. Statistics South Africa, 2021.
9. GSMA, 2021.

Purpose (continued)

Building platforms for financial inclusion

Goal: To connect over 50 million people and their families to mobile money services by 2025

Financial inclusion is key to reducing extreme poverty. Nevertheless, many people, especially women, still lack access to financial services with close to 1.7 billion adults currently un-banked[1]. Without the ability to transfer money, people are limited in their ability to save, access loans, start a business and even be paid.

In 2007, together with our Kenyan associate, Safaricom, we developed the first mobile money transfer service, M-Pesa. This provides financial services to millions of people who have a mobile phone but limited access to a bank account. It is also widely used to manage business transactions and to pay salaries, pensions, agricultural subsidies and government grants, and reduces the associated risks of robbery and corruption in a cash-based society.

In April 2020, Vodacom and Safaricom completed the acquisition of the M-Pesa brand and the product development team from Vodafone Group through M-Pesa Africa, a newly created joint venture. The joint venture will help consolidate M-Pesa as the largest FinTech company in Africa and accelerate the growth of M-Pesa across the continent.

As of March 2021, 48.3 million customers were using M-Pesa (or equivalent), with over 15.2 billion transactions made in the year (1.7 million per hour on average) through a network of more than 918,500 agents.

In the last year we disbursed €4 billion in loans and overdrafts across our markets. We also launched a lending marketplace in Tanzania and Mozambique to enable lenders to easily integrate and offer a range of credit products with tailored pricing and terms to millions of customers and businesses.

During the COVID-19 crisis, we implemented measures to support customers across our markets and promote digital payments as a safer way to transact than cash. These included removing fees on person-to-person transactions, increasing transaction and balance limits in partnership with the regulators and creating more flexible customer registration processes.

This year we have seen a significant increase in mobile money customers, as the COVID-19 crisis has accelerated consumers moving to cashless transactions. Over the next year, we plan to evaluate our 2025 goal to ensure it better reflects our commercial ambition and opportunity.

M-Pesa and mobile money services adoption

	Number of mobile money customers (million)	% of service revenue	% M-Pesa penetration on GSM base
Kenya	28.3	33%	90%
Tanzania	7.4	37%	62%
Mozambique	4.9	19%	73%
DRC	3.0	10%	26%
Lesotho	0.9	10%	69%
Ghana	1.6	3%	40%
Egypt	2.3	1%	7%

Note:
1. World Bank 2017.

Workplace equality

We are passionate about making the world more connected, inclusive and sustainable, and committed to creating a place where everyone can truly be themselves and belong. We bring the human touch to our technology to create a better digital future for all, starting with our people.

Our people

We are committed to developing a diverse and inclusive global workforce that reflects the customers and societies we serve.

Key information

	2021	2020
Average number of employees	**94,274**	92,866
Average number of contractors	**10,481**	11,269
Employee contract types		
Permanent	**87%**	87%
Fixed term contracts	**13%**	13%
Full-time	**93%**	92%
Part-time	**7%**	8%
Number of markets where we operate	**19**	21
Employee nationalities	**137**	126
Our people across the Group		
Germany[1]	**14%**	14%
UK[1]	**9%**	10%
Italy[1]	**5%**	5%
Spain[1]	**4%**	4%
Vodacom[1]	**11%**	11%
_VOIS and Shared Operations[2]	**31%**	30%
Other[3]	**26%**	26%
Employee experience		
Employee engagement index[4]	**74**	77
Alignment to purpose[4]	**93%**	94%
Voluntary turnover rate[5]	**8%**	12%
Involuntary turnover rate[5]	**3%**	7%

Notes:
All headcount figures exclude non-controlled operations such in the Netherlands, Kenya, Australia and India.
1. The percentages reflect headcount in each operating company or group of operating companies such as Vodacom. The percentages exclude headcount in our shared services businesses ('_VOIS') and other shared operations.
2. _VOIS + Shared Operations constitute a significant number of our employees, and includes _VOIS headcount across our footprint (India, Romania, Hungary and Egypt) as well as in our global Group entities.
3. Other includes employees based in all other operating companies (Albania, Czech Republic, Egypt, Ghana, Greece, Hungary, Ireland, Portugal, Romania, Turkey) and other countries.
4. More detail on our employee survey is included on page 21. Our employee engagement index is based on a weighted average index of responses to three questions: satisfaction working at Vodafone; experiencing positive emotions at work; and recommending us as an employer. Alignment to purpose is based on a single question that asks whether employees feel their daily work contributes significantly to Vodafone's purpose.
5. Turnover rates have decreased since 2020 due to the COVID-19 pandemic and a lower number of involuntary leavers. Wherever possible, we have protected the employment of our people. We have not used furlough schemes in any of our markets during the pandemic. The voluntary turnover rate includes retirements and death-in-service.

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Diversity and inclusion

This year, our diversity and inclusion focus has been on removing barriers to workplace equality, by accelerating momentum on gender equality, sustaining focus on LGBT+, setting solid foundations on race and ethnicity, and ensuring our physical and digital workplace is fully accessible. Our expanded focus on multiple dimensions of diversity reflects our ambition to be a company with a global workforce that reflects the customers, communities and businesses we serve, as well as the wider societies in which we operate.

Goal: We aim to have 40% women in management roles by 2030.

We have reached 32%, and continue to drive progress through our programmes, policies and leadership incentives. Our progress and achievements to increase diversity were recognised with the inclusion of Vodafone in the Bloomberg Gender Equality Index and Refinitiv's D&I Top 100 during the year. As part of our approach, we ensure that there is gender diversity when resourcing for senior leadership roles and our leadership team is accountable for maintaining and encouraging diversity amongst their teams. Women in management targets are also embedded in our long-term incentive plans. We hired 53% women for our graduate roles, and to date have supported 564 people back into employment after a career break through our Reconnect programme, of whom 470 were women. We have also connected with over 5,000 girls via our digital skills programme 'Code Like a Girl' since 2017, including 576 this year, and continued this programme during the COVID-19 pandemic by launching a digital coding classroom experience, available to all markets.

Gender diversity

	2021	2020
Women on the Board	**45%**	42%
Women on the Executive Committee	**29%**	29%
Women in senior leadership positions[1]	**30%**	29%
Women in management and senior leadership roles[2]	**32%**	31%
Women as a percentage of external hires	**43%**	38%
Women as a percentage of graduates	**53%**	53%
Women in overall workforce	**40%**	39%

Notes:
1. Percentage of senior women in our top 178 positions (FY20: 173).
2. Percentage of women in our 6,609 management and leadership roles (FY20: 6,372).

In 2019, Vodafone launched the first global domestic violence policy, which set out comprehensive workplace resources, security and other measures for employees at risk of experiencing, and recovering from, domestic violence and abuse. As the majority of the global workforce shifted to home working in the outbreak of COVID-19, reports of a 'shadow pandemic' of domestic violence intensified worldwide. Our markets considered the policy very important for supporting employees affected by domestic violence and abuse. Of those affected, the most frequent forms of support were counselling and advice, paid safe leave and referrals to specialist organisations with adaptations to working hours and workload. We reinforced our commitment to this area through training, technology, modified remote working policies and support for other employers. Our technology includes free apps such as Bright Sky, which provides support and information to anyone in an abusive relationship or those concerned about someone they know, reaching over 75,000 users.

To support the health and wellbeing of our people through different life stages, we commissioned a global research project which identified that 62% of women with symptoms of menopause found it impacted their work. In March 2021, we made a global commitment to support women experiencing menopause, estimated to currently affect 37% of women in Vodafone. The virtual global launch event was held during International Women's Week in March with over 1,400 participants, and was followed by the release of digital supporting toolkits and resources. During the year, we also implemented our global parental leave policy across our markets, giving every parent the opportunity to take 16 weeks of fully paid leave with a phased return to work over six months where parents work the equivalent of four days and are paid for five to spend time with new children in their family. Alongside gender equality, we retained focus on supporting the LGBT+ community, being recognised as a Top Global Employer by Stonewall. Our global LGBT+ network is thriving, with over 3,000 allies and active support from senior executives who champion inclusion.

We marked International Day of People with Disabilities with a global event attended by over 600 people, highlighting initiatives across markets that create inclusive environments for customers and colleagues with visible and invisible differences. We have also hosted training on neurodiversity and accessibility webinars to ensure our colleagues are aware of the accessibility features in our digital workplace and how to use them.

This year, we have expanded our existing diversity and inclusion agenda and focused on race and ethnicity, starting with our Global Black Lives Matter webinar listening to colleagues share their experience. To build capability in holding conversations on race in the workplace, we launched a 'Let's talk about race' session in partnership with "Business in the Community". We delivered Race Fluency sessions for our senior leaders, and launched cross-company reciprocal mentoring schemes. In October 2020, we hosted a global Black History Month webinar to reiterate our commitment, with the sponsorship of our Vodafone Business CEO, Vinod Kumar.

To better understand representation across our organisation and target diversity and inclusion programmes more effectively, we launched a campaign called #CountMeIn in November 2020, which encourages employees to voluntarily self-declare their diversity demographics. These include race, ethnicity, disability, sexual orientation, gender identity and caring responsibilities, in line with local privacy and legal requirements. Our intention is to use this data to set leadership targets around race and ethnicity, to complement our commitments on gender, by the end of 2021. We are still in the process of collecting robust and complete data for our entire workforce, however 29% of our Executive Committee members are from ethnically diverse backgrounds.

Our commitment to diversity and inclusion is reflected across our global policies and principles, such as our Code of Conduct and our Fair Pay principles.

Read more about our Fair Pay principles on page 97

Click to read about our approach to fair pay: **vodafone.com/fair-pay**

Purpose (continued)

Planet

We believe that urgent and sustained action is required to address the climate emergency. Business success should not come at a cost to the environment, and we are committed to ensure the greening of all of our activities. We also see a key role for our digital networks and technologies in helping to address climate change. Digitalisation is key to saving energy, using natural resources more efficiently and creating a circular economy.

This year, as part of the acceleration guided by our social contract, and our commitment to "build back better", we brought forward our target to purchase 100% renewable electricity in Europe, from 2025 to July 2021. Building on previous commitments, we set a new Science-Based Target to reduce our carbon emissions and we set a 'net zero' goal.

To help deliver a twin digital and green transformation, we also set a target to enable our customers to reduce their emissions; and we updated our supplier evaluation criteria to include environmental considerations. In addition, we continue to focus on reducing electronic waste (e-waste), progressing against our target to reuse, resell or recycle 100% of our network waste by 2025, and driving action to reduce device waste.

We were recognised by global environmental non-profit organisation CDP for our actions and transparency on our environmental impact and secured a place on CDP's climate change 'A List'. This places us in the top 5% of companies that responded to CDP's 2020 climate change questionnaire.

We also continued our work to identify potential climate change risks and opportunities through conducting Task Force on Climate-related Financial Disclosures ('TCFD') scenario-based risk and opportunity assessments across key markets. We are using the insights to create mitigating controls and identify ways to embed climate risk into our risk management system and processes.

Our Planet goals

2021	– Purchase 100% of the electricity we use in Europe from renewable sources by July 2021
2025	– Purchase 100% of the electricity we use globally from renewable sources – Reuse, resell or recycle 100% of our network waste
2030	– Eliminate all carbon emissions ('net zero') from our own activities and from energy we purchase and use (Scope 1 and 2) – Halve carbon emissions from our carbon footprint (against a 2020 baseline), including joint ventures, all supply chain purchases, the use of products we have sold and business travel (Scope 3) – Enable our business customers who use our services to reduce their own carbon emissions by a cumulative total of 350 million tonnes between 2020 and 2030
2040	– Eliminate Scope 3 emissions completely to reach 'net zero' across our full carbon footprint

Read more on Vodafone's approach to climate change risk aligned to the TCFD on page 59

Click to download our ESG Addendum: **investors.vodafone.com/esgaddendum**

Reducing carbon emissions

Goal: To reduce our own carbon emissions to 'net zero' by 2030 and across the full value chain by 2040.

We set an approved 2030 Science-Based Target in line with reductions required to keep warming to 1.5°C, becoming the first major telecoms operator to follow the emission reduction pathway developed for the ICT sector (setting out specific emissions reduction trajectories for mobile, fixed and data centres).

We also committed to reaching full value chain 'net zero' emissions by 2040.

Driving energy efficiency

Despite ever-growing use of data and expansion of our networks, this year our total Scope 1 and 2 GHG emissions decreased by 30% to 1.37 million tonnes of CO_2e (carbon dioxide equivalent), due to our ongoing focus on energy efficiency and an increase in the proportion of renewable electricity purchased.

We are committed to continually improving the energy efficiency of our base station sites and in our technology centres, which together account for 96% of our total global energy consumption. During FY21, we invested €65 million of capital expenditure in energy efficiency and on-site renewable projects across our business, which has led to annual energy savings of 135 GWh.

This has been underpinned by the implementation of the 'best-in-class' ISO 50001 Energy Management System framework. To date, Albania, Germany, Greece, Ireland, Spain, Turkey and the UK have been awarded certification, with other markets due to implement the framework in the next year. Key energy efficiency initiatives we have focused on during the year include:

- sourcing and deploying more efficient network equipment and powering-down carriers during times of low traffic;
- gradually switching off the 3G network (which is typically 70% less energy efficient than 4G) and decommissioning legacy equipment in our core network;
- deploying high-density pods (modular blocks with concentrated power and cooling technology) to maximise the performance of servers and minimise cooling requirements within data centres;
- reducing energy demand by installing lower-energy power and cooling technologies; and
- using AI algorithms in our passive infrastructure, allowing us to optimise energy use in cooling.

We continue to work with eSight Energy to implement an energy data management system using data feeds from our electricity suppliers and from smart meters. This system is now live across 12 markets in Europe, with smart meters installed at 62,000 sites. This year, we developed additional functionality, including a module to validate energy savings from projects, forecasting of energy consumption, tenant billing reports and capacity and meter calibration reports.

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Our performance

	Unit	2021	2020
Total Scope 1 and Scope 2 emissions	Million tonnes of CO_2e	**1.37**	1.95
Scope 1 emissions	Million tonnes of CO_2e	**0.27**	0.28
Scope 2 emissions	Million tonnes of CO_2e	**1.10**	1.67
Scope 3 emissions	Million tonnes of CO_2e	**9.4**	9.5
Joint ventures and associates*	Million tonnes of CO_2e	**3.2**	2.9
Purchased goods and services	Million tonnes of CO_2e	**4.0**	3.7
Use of sold products	Million tonnes of CO_2e	**1.5**	2.1
Fuel and energy-related activities	Million tonnes of CO_2e	**0.6**	0.7
Other (business travel, upstream leased assets, waste)	Million tonnes of CO_2e	**0.1**	0.1
**Of which India (Vodafone Idea and Indus Towers)*	Million tonnes of CO_2e	**2.5**	2.4
Renewable electricity			
Percentage of purchased electricity from renewable sources	%	**56**	23
Percentage of purchased electricity from renewable sources in Europe	%	**80**	33
GHG emissions per petabyte ('PB') of mobile data carried			
Mobile Data Traffic (petabytes)	Petabytes	**11,714**	7,983
Scope 1 and 2 GHG emissions per petabyte of mobile data carried by our networks	Tonnes of CO_2e	**117**	245

Note:
Data calculated using local market actual or estimated data sources from invoices, purchasing requisitions, direct data measurement and estimations. Carbon emissions calculated in line with GHG Protocol standards. Scope 2 emissions are reported using the market-based methodology. For full methodology see our ESG Addendum 2021.

Vodafone energy use

	Unit	2021	2020
Base stations	Gigawatt hours / %	**4,239 / 73**	3,993 / 69
Technology centres	Gigawatt hours / %	**1,358 / 23**	1,488 / 26
Offices	Gigawatt hours / %	**201 / 3**	263 / 5
Retail stores	Gigawatt hours / %	**33 / 1**	46 / 1
Total	Gigawatt hours / %	**5,832 / 100**	5,790 / 100

Purchasing renewable electricity

This year, we spent approximately €760 million on purchasing electricity. During the year, 56% of our electricity purchased was from renewable sources (2020: 23%).

In July 2020, we committed that all of our European operations would be purchasing 100% renewable electricity no later than July 2021, significantly accelerating our previous target of 2025. This year, 80% of our purchased electricity in Europe was from renewable sources (2020: 33%) and we are confident that we will meet our July 2021 target.

We currently have Power Purchase Agreements ('PPAs') in Spain and the UK. Electricity prices agreed under PPA contracts are broadly comparable to wholesale electricity prices and also provide us with more certainty, as well as helping to create new capacity within the markets. In addition, Italy, Germany, Ireland, Hungary, Romania, Spain, Greece and Czech Republic all sourced Renewable Energy Certificates ('RECs') or tariffs during the year. The incremental cost of RECs (or their equivalent) is small in the context of our overall energy spend.

Working with our partners to reduce Scope 3 emissions

Scope 3 emissions are indirect GHG emissions which we cannot control but may be able to influence. As part of our Science-Based Target, we have committed to halve our Scope 3 carbon emissions by 2030 (against a 2020 baseline) and eliminate them entirely by 2040, as part of our 'net zero' target. The main sources of Scope 3 emissions are investments (joint ventures and associates), purchased goods and services, and the use of sold products.

This year, our estimated Scope 3 emissions were 9.4 million tonnes of CO_2e. We worked with the Carbon Trust to analyse our Scope 3 emissions and prioritise reduction opportunities, mostly by working with our suppliers.

From October 2020, we introduced a 20% weighting for environmental and social criteria in our supplier evaluation criteria in 'Request For Quotation' ('RFQ') processes. The updated process examines whether suppliers have environmental policies to address carbon reduction, renewable energy, plastic reduction, circular economy and product life-cycle (in addition to diversity and health and safety).

Read page 50 for further information on our supplier evaluation criteria

The assessment awards positive scoring for suppliers that have set (or are willing to set) a Science-Based Target. In addition, suppliers which offer product-specific CO_2 data and pathways for reduction over the contract period are positively scored.

Our supplier performance management programme also covers environmental factors, and suppliers' GHG performance is one of the factors evaluated in our annual assessment process. We ask selected suppliers to provide details of their GHG emissions and management programmes through CDP. Last year, 88% of those suppliers responded, with 77% reporting that they had set a target for GHG emissions. This work was recently acknowledged by CDP, with Vodafone joining its Supplier Engagement Rating Leaderboard, which recognises companies which engage with their suppliers to tackle climate change.

In addition to suppliers, we also work with our joint ventures and associates, which represent the most significant proportion of our Scope 3 emissions. Actions include:

- In India, Vodafone Idea has developed an Energy and Carbon Management Policy, with actions to save energy and reduce carbon emissions;
- In Kenya, Safaricom has committed to becoming a zero carbon-emitting company by 2050;

Purpose (continued)

- In the Netherlands, VodafoneZiggo launched its first green bond, which will be used to finance green projects that will lower its environmental impact; and
- In Australia, TPG Telecom recently committed to purchase 100% renewable electricity by 2025.

The third most significant source of our Scope 3 emissions is the use of sold products (e.g. charging devices). As countries de-carbonise their electricity grids, these associated emissions will also reduce.

Enabling our customers to reduce their emissions

For Vodafone, our most important contribution to tackling climate change is through enabling our customers (which include both businesses and governments) to reduce their environmental footprint using our digital technologies and services.

In July 2020, we committed to helping our business customers reduce their own carbon emissions by a cumulative total of 350 million tonnes globally over 10 years between 2020 and 2030 – the equivalent to Italy's total annual carbon emissions for 2019.

Our IoT service offer, including logistics and fleet management, smart metering and manufacturing activities, will be central in delivering this target. Other savings are expected to be made through healthcare services, cloud hosting and home working.

We work with the Carbon Trust to calculate the total GHG emissions avoided as a consequence of our IoT technologies and services. We estimate that over 54% of our 123 million IoT connections directly enabled customers to reduce their emissions in the past year. During the year, we estimate an avoidance of 7.1 million tonnes CO_2e, which is 5.2 times the emissions generated from our own operations (Scope 1 and 2).

In March 2021, we became a founding member of the European Green Digital Coalition, which brings together ICT sector companies to work together with EU policymakers and experts, to drive investment in, and implementation of, digital solutions in action against climate change.

Carbon enablement overview

	Number of connections (million)	GHG emission saving (million tonnes CO_2e)
Smart meters	15.4	1.8
Smart logistics	38.1	4.4
Healthcare	11.8	0.6
Other (cloud/street lighting/ EV charging)	1.1	0.4
Total	66.4	7.1

Enablement ratio

	2021	2020
Total GHG enablement saving (Million tonnes CO_2e)	**7.1**	6.9
Scope 1 and Scope 2 emissions (Million tonnes of CO_2e)	**1.37**	1.95
Enablement ratio	**5.2**	3.5

Reducing waste and helping to build a circular economy

Goal: To reuse, resell or recycle 100% of our network waste by 2025

Apart from carbon emissions, electronic waste is a material environmental issue for our business. We have consistently sought to manage our own impact in a responsible manner and also support our customers with their efforts.

Our global policy on waste management prioritises the reuse, resale or recycling of unwanted equipment. We aim to keep resources in use for as long as possible, extracting the maximum value from equipment while in use and then recovering and reusing materials responsibly.

We implement resource efficiency and waste disposal management programmes in all our markets to minimise environmental impacts from network waste, IT equipment and waste. This year, we generated an estimated 7,900 tonnes of waste (which includes hazardous waste) and we recovered and recycled 79%. Globally, 98.7% of our network waste was sent for reuse and recycling (excluding hazardous waste).

To deliver our 2025 goal to reuse, resell or recycle 100% of our network waste, we have launched an internal asset marketplace, a business-to-business solution within Vodafone that allows us to re-sell and re-purpose excess stock or large decommissioned electrical items like masts and antennae. Since launching at the start of 2020, we estimate that we have saved over €10 million of spend and avoided over 1,250 tonnes of CO_2e. We are assessing the possibility of expanding the solution to partner markets and other operators.

Network waste management (excluding hazardous waste)

	2021	2020
Reused	**20%**	15%
Recycled	**79%**	84%
Landfilled	**1%**	1%
Total network waste (metric tonnes)	**6,307**	8,138

Apart from addressing our network waste, we are working on a series of actions to reduce device waste. We are increasingly adopting circular economy approaches and take a life-cycle management approach, which includes extending the lifespan of devices through repair, refurbishment and resale before encouraging the responsible recycling of devices at the end of their useful life.

Most of our markets operate trade-in and device buyback schemes and repair services to encourage customers to repair or return their old devices. For example, this year Vodafone UK launched a phone trade-in tool, accessible via the MyVodafone app. The tool assesses device eligibility and provides a guaranteed trade-in price, encouraging greater trade-in rates.

We also strive to refurbish and reuse fixed-line equipment multiple times, with significant associated environmental and cost savings.

Given a large part of the solution to drive circularity for devices depends on industry action, we recently joined the Circular Electronics Partnership, which brings together leaders across the value chain – from manufacturing, reverse logistics, material recovery, to e-waste management – to drive circularity solutions for electronics.

Beyond what we can directly and indirectly influence we also support societal change to more circular economy models. Digital and connected solutions are an essential part of the solution towards lower resource use and improved reuse and recycling. For example, through enabling material tracing or shifting from product-based business models to service-based ones.

We are also eliminating all unnecessary plastics and other disposable single-use items where there are lower impact alternatives across all our retail stores and offices.

Engaging our people

More than 15,000 colleagues are currently members of our "#RedLovesGreen" employee engagement initiative, which aims to raise awareness of the individual actions that employees can take to reduce energy and other resource uses.

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Digital Society

We believe in the power of connectivity and digital services to strengthen the resilience of economies. Through our mobile and fixed networks, data flows at speed, connecting people and communities.

Over the past year, the COVID-19 crisis has tested the resilience of our societies, of businesses small and large, and of public services. We have also seen how connectivity and digital services became a lifeline allowing people to work, learn, stay in touch with friends and family, access healthcare and more.

This year, in response to the COVID-19 crisis and informed by our social contract, we shifted the focus of the Digital Society pillar towards digitalising critical sectors, whilst continuing to invest in our network infrastructure and coverage. We have specifically focused on small and medium-sized enterprises ('SMEs'), smart cities, agriculture and health. The following outlines our approach and progress in these areas.

Building a gigabit network

We continue to invest in our network infrastructure and coverage to deliver a high-quality service that allows individuals and businesses to connect confidently anywhere and at any time, with benefits for the economy, for quality of life and for the environment.

Read how Vodafone's gigabit network is connecting rural communities on page 34

Currently, we have over 150 million customers connected to our next-generation mobile and fixed networks.[1]

Supporting small businesses

SMEs are a critical part of the economy, but many have been disproportionally affected by the crisis. The OECD found that in 2020, more than half of SMEs were facing severe losses in revenues due to COVID-19, with one third fearing for their future without further support[2]. SMEs also provide opportunities for socio-economic participation and social mobility for women, young people, and ethnic minorities; groups of the workforce that have been particularly vulnerable during the COVID-19 crisis.

Through Vodafone Business, we provide products and services which are specifically tailored for SME and small-office home-office ('SOHO') businesses, helping guide them through technology choices and improving their digital readiness. These segments also represent a significant commercial opportunity for Vodafone, with the overall market expected to grow a combined €6 billion over three years[3].

To better support SMEs across Europe, Vodafone Business launched V-Hub this year. The free service provides access to online information putting businesses in direct touch with experts to advise on digitalising their business. As at 31 March 2021, over one million businesses were using V-Hub across our four largest European markets. We plan to continue the expansion of the service, to support over three million customers by April 2022.

Notes:
1. Customers connected to our next-generation networks include active 4G and 5G customers, as well as customers connected to fixed networks with speeds higher than 30Mbps.
2. OECD, 2020.
3. Vodafone Business investor day, 2021.
4. Food and Agriculture Organization (FAO), 2017.
5. Eurostat, 2021.
6. World Bank, 2019.

To assist businesses most at risk within our supply chain, Vodafone ensured that all new orders issued to micro and small suppliers by Vodafone's European operations were paid within 15 days (instead of the customary 30 to 60 days) between April and October 2020, benefiting over 1,200 small businesses. We also offer optional supply chain financing which allows suppliers to leverage Vodafone's credit position to access cheaper funding and liquidity. This has no impact on Vodafone's commercially negotiated payments terms.

In South Africa, Vodacom Financial Services has built a supplier portal called VodaTrade, where small suppliers can connect with bigger business partners.

Digitalising agriculture

According to the Food and Agriculture Organization, by 2050, the world will need to produce 50% more food than current levels[4]. There is also a growing need to address the environmental impact of agriculture. In Europe, agriculture accounts for 10% of the EU's total greenhouse gas emissions and over 40% of EU land use[5], in many cases leading to habitat loss and deforestation.

Through our connectivity and platforms (including our IoT platform), we are helping to increase the amount of information that farmers have available to them, enabling the optimisation of operations and use of resources. This allows a farmer to reduce the use of pesticides and fertiliser (which reduces emissions), water use and resource consumption, as well as improving the protection of biodiversity and increasing yields.

Through Vodacom's subsidiary, Mezzanine, we are digitalising agriculture in sub-Saharan Africa by giving smallholder farmers access to agricultural inputs, financial services like insurance, logistics suppliers, buyers and markets and knowledge through a digital agri-ecosystem called Connected Farmer. With over 2.1 million smallholder farmers registered, the platform allows an ecosystem of partners to register, profile, communicate and transact (using M-Pesa in some cases) with each other.

To support larger commercial farmers, Mezzanine developed MyFarmWeb, a cloud-based web platform that allows a producer to capture agricultural information (physical, chemical, and microbial soil analysis, pest presence, satellite and remote sensing information and data from various internet connected farming sensors) into a system that aggregates and calibrates the data to assist in best practice decision-making. This helps farmers to increase yield whilst not damaging the environment.

Over 6,800 farms across Africa, USA, Australia and New Zealand use MyFarmWeb, and we are excited about the potential of further expansion of this platform.

Creating smarter cities

With 55% of the world's population living in cities[6], digitalisation can play a key role in tackling many of our cities' most pressing challenges. Acting as a close partner with municipal governments, Vodafone's data platform and extensive IoT solutions help to make cities smarter by, for example, intelligently managing energy use and pollution right across the built environment. They can also protect citizens and businesses from crime more effectively and safeguard vulnerable citizens in their homes.

This year, Vodafone Spain continued work with the Sevilla municipal government to integrate the Vodafone Smart Cities Platform to monitor its services. The Security Vertical service, for example, monitors visitor flows and, by integrating different sources of anonymised and aggregated data with analytical capabilities, can help identify security risks. Smart management of parking, water use, waste collection, energy, and air quality are also being piloted.

Purpose (continued)

Revolutionising healthcare

The need for a fast response to the health crisis has accelerated the digitalisation of healthcare, which will also mean national healthcare systems will be in a better place to address the backlog that the COVID-19 crisis has created in a more cost efficient and faster way. Vodafone's connectivity services and platforms include:

- **Connected (IoT) wearable or implanted devices**, which allow patients to be monitored as they recover at home while healthcare professionals can monitor and treat more patients;
- **Artificial Reality and robotics to aid surgeries and remote expert support**, increasing both the quality of care delivered through digital assistants and access to healthcare for more people;
- **Large-scale device (IoT) connectivity within hospitals**, enabling monitoring and optimal allocation of limited resources, such as beds, medical devices and even hospital staff; and
- **Auxiliary robotics**, which have the future potential to take care of non-patient-facing work in hospitals, such as cleaning and restocking, so that doctors and nurses can spend more time with patients.

In Greece, we have implemented the Vodafone Telemedicine Programme, an end-to-end telemedicine care system to support patient management, monitoring and clinical care. Since launching in 2013, more than 500 doctors have been trained in the programme and over 51,000 virtual appointments were conducted. Almost 75% of patients reported a reduction in the number of hospital visits and 90% of doctors thought that the greatest benefit was the ability to deliver better quality care to their patients.

Over the last year, Vodafone has played a significant role in supporting government responses to the COVID-19 health crisis. For example, across Europe, Vodafone provided connectivity to emergency hospitals. In Spain, we connected 500 wireless IoT alarms by beds in the largest field hospital in Madrid. In South Africa, our subsidiary Mezzanine, provided a PPE stock visibility solution to 350 hospitals to monitor and optimise the stock of 3,500 facilities spread across the country.

We contribute to the Sustainable Development Goals

The UN Sustainable Development Goals ('SDG's) provide a blueprint for human progress and a clear call to action for businesses to contribute to a better future.

The COVID-19 crisis has posed a huge challenge to society and has led to a reversal of progress on a number of SDGs: for example, over 100 million[1] additional people have been pushed into extreme poverty, 1.6 billion[2] children have missed school during the last year and the pandemic has widened gender inequalities. Digital technology can help accelerate progress towards delivering the SDGs as society builds back better. Vodafone is committed to playing our role and we believe we can increase the speed and scale of delivery across a wide number of SDGs through leveraging our technology and services, and through partnering with others.

We enable inclusive and sustainable digital societies

Vodafone is committed to accelerating connectivity and digitisation in order to meet the United Nations' Sustainable Development Goals (SDGs) by 2030. We have identified two priority SDGs (SDG9 build resilient infrastructure and innovation, and SDG17 strengthen the means of implementation and partnerships for sustainable development) that will enable us and our partners to find lasting solutions to social, economic and environmental challenges and thereby accelerate the delivery of many other SDGs.

Connectivity: We want everyone – whoever they are and wherever they live – to have access to reliable and affordable internet.

Digital innovations: We will build digital innovations such as IoT solutions and digital platforms like M-Pesa to contribute to the sustainable development across a range of sectors including manufacturing, transport, health, agriculture, education and energy.

Partnerships: We are building new models of cooperation between business, governments, international organisations and civil society to deliver process and scale, for example to connect the unconnected.

Through connectivity infrastructure, digital innovations and partnerships, we deliver impact across many of the SDGs:

Notes:
1. World Bank, 2020.
2. World Bank, 2021.

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Responsible business

To underpin the delivery of our purpose, we ensure that we operate in a responsible way. Acting ethically, lawfully and with integrity is critical to our long-term success.

Our Code of Conduct sets out what we expect from every single person working for and with Vodafone, regardless of location. We also expect our suppliers and business partners to uphold the same standards and to abide by our Code of Ethical Purchasing.

Click here to read our Code of Conduct: **vodafone.com/code-of-conduct**

Our 'Doing What's Right' training and communication programme is key to embedding a shared understanding of the Code of Conduct across Vodafone. Throughout the year, Doing What's Right training communications promoted different areas of our Code of Conduct, including Speak Up, anti-bribery and privacy to competition law, security, and health and safety. Training on our Code of Conduct is included in our standard induction processes for new employees. We expect every employee to complete refresher training when assigned, and this is typically every two years. Of those employees assigned induction or refresher training during the period, 84% had completed the training as at 31 March 2021.

A new Code of Conduct module was produced and launched to over 34,000 English speaking employees this financial year – with 88% completing it. The module pushes the boundaries of e-learning with high impact video-based scenarios that are designed to reinforce behaviours rather than just give employees information or test knowledge. The course is currently being translated and will be rolled out to the rest of Vodafone over the next year.

During the year, we updated our Global policy portal and the digital version of our Code of Conduct. These new tools provide employees easy access to the information and policies that they need. Since launch, 28,000 users accessed our Global policy portal and 25,000 users accessed the new digital Code of Conduct.

Our Code of Conduct is well understood throughout Vodafone. In our latest Spirit Beat employee survey, 96% of respondents agreed with the statement "Our team lives by the Code of Conduct".

Speak Up

Everyone who works for or on behalf of Vodafone has a responsibility to report any behaviour at work that may be unlawful or criminal or could amount to an abuse of our policies, systems or processes and therefore a breach of our Code of Conduct. Employees are able to raise concerns with a line manager, with a colleague from human resources or through our confidential third-party hotline – Speak Up – accessible online or by telephone.

Speak Up operates under a non-retaliatory policy, meaning that everyone who raises a concern in good faith is treated fairly, with no negative consequences for their employment with Vodafone, regardless of the outcome of any subsequent investigation.

All Speak Up reports are confidentially investigated by local specialist teams, with a senior team in place to triage reports. Each grievance is formally and robustly investigated and is monitored to verify that any corrective action plan or remediation has been conducted. Our Group Risk and Compliance Committee reviews the effectiveness of the Speak Up process, and the Audit and Risk Committee receives periodic updates.

Our employees trust our Speak Up process, as evidenced by our latest Spirit Beat survey, with 87% of respondents agreeing that they believe appropriate action would be taken as a result of using our Speak Up process. We also track the proportion of 'named' versus 'anonymous' reports as a higher number of named reports suggests higher levels of trust in the Speak Up process. During the year, 64% of reports were 'named' and this was higher than available industry benchmarks.

This year, 623 separate concerns were reported using Speak Up. Speak Up reports could relate to matters of unlawful behaviour or matters of integrity, such as bribery, fraud, price fixing, a conflict of interest, or a breach of data privacy. Reports could also relate to people issues such as discrimination, bullying or harassment, danger to the health and safety of employees or the public, or potential abuses of human rights.

If we decide to proceed with an investigation, a qualified expert will investigate, keeping the person who raised the concern informed throughout the process. Where reports made to Speak Up require remedial action, this could include consequences at the individual level, or changes to internal processes and procedures.

Speak Up topics raised during the year

Topic	Speak Up reports	Requiring remedial action
People issues	47%	28%
Integrity	41%	35%
Other (e.g. breach of policies)	11%	41%
Health and safety	1%	33%

Speak Up is also made available to our suppliers and is communicated through our Code of Ethical Purchasing. For suppliers that decide to maintain their own grievance mechanisms, we require that they inform us of any grievances raised relating to work done on behalf of Vodafone directly.

Protecting data

Millions of people communicate and share information over our networks, enabling them to connect, innovate and prosper. Customers trust us with their data and maintaining this trust is at the heart of everything we do.

Data privacy

We believe that everyone has a right to privacy wherever they live in the world, and our commitment to our customers' privacy goes beyond legal compliance. As a result, our privacy programme applies globally, irrespective of whether there are local data protection or privacy laws.

Our privacy management policy is based on the European Union General Data Protection Regulation ('GDPR') and this is applied across Vodafone markets both inside and outside the European Economic Area. Our privacy management policy establishes a framework within which local data protection and privacy laws are respected and sets a baseline for those markets where there are no equivalent legal requirements.

Responsible business (continued)

We always seek to respect and protect the right to privacy, including our customers' lawful rights to hold and express opinions and share information and ideas without interference. At the same time, as a licensed national operator, we are obliged to comply with lawful orders from national authorities and the judiciary, including law enforcement.

Privacy risks

As data volumes continue to grow and regulatory and customer scrutiny increases, it is more important than ever to be clear on the privacy risks we face, as well as how our policies and programmes can mitigate these risks. We separate data privacy risk into three main areas of risk:

- **Collection:** collection of personal data without permissions or excessive collection of data;
- **Access & Use:** use of personal data for unauthorised purposes, excessive data retention or poor data quality; and
- **Sharing:** unauthorised disclosure of personal data, including supplier non-compliance.

To help us identify and manage emerging risks, we constantly evaluate our business strategy, new technologies, products and services as well as government policies and regulation.

Privacy principles

Our privacy programme governs how we collect, use and manage our customers' personal data to ensure we respect the confidentiality of their communications and any choices that they have made regarding the use of their data. Our privacy programme is based on the following principles:

- **Accountability:** We are accountable for living up to our commitments throughout Vodafone and with our partners and suppliers.
- **Privacy by design:** Respect for privacy is a key component in the design, development and delivery of our products and services.
- **Fairness and lawfulness:** We comply with privacy laws and act with integrity and fairness. We also actively engage with stakeholders, including civil society, academic institutions, industry and government, in order to share our expertise, learn from others, and shape better, more meaningful privacy laws and standards.
- **Openness and honesty:** We communicate clearly about our actions that may impact privacy. We ensure our actions reflect our words and we are open to feedback.
- **Choice and access:** We give people the ability to make simple and meaningful choices about their privacy and allow individuals, where appropriate, to access, update or delete their personal data.
- **Responsible data management:** We apply appropriate data management practices to govern the processing of personal data. We carefully select external partners and we limit disclosure of personal data to what is described in our privacy notices or to what has been authorised by our customers. We also ensure personal data is not stored for longer than necessary or as is required by applicable laws and to maintain accuracy of data.
- **Security safeguards:** We implement appropriate technical and organisational measures to protect personal data against unauthorised access, use, modification or loss.
- **Balance:** When we are required to balance the right to privacy against other obligations necessary for a free and secure society, we work to minimise privacy impacts.

Using customer data

We want to enable our customers to get the most out of our products and services. In order to provide these services, we need to use our customers' personal information. We are committed to looking after our customers' data, using it for its stated purpose, and we are always open about what we collect.

Key uses of customer data are outlined below.

- **Provision of services:** We process customer personal data to provide our customers with the products and services they have requested, to fulfil our contractual and legal obligations, and to provide customer care. To provide our services and to charge our customers the correct amount, we must process communications metadata regarding calls, texts and data usage.
- **Quality, development and security of services:** We monitor the quality and use of our connectivity and other services so that we can continually improve and optimise them. This information also helps detect and prevent fraud, as well as keep our networks and services secure. We also do not sell data tied to specific individuals to third parties.
- **Marketing:** With customer permission, we will use customer data to market our products and services and provide more accurate recommendations. This means we can present our customers with offers when they need them most; for example, when they are about to run out of data.
- **Permissions:** Our multi-channel permission management platforms, deployed across all our channels (MyVodafone app, website, call centres and retail stores) allow our customers to control how we use their data for marketing and other purposes. For example, customers can express their opt-in consent to the use of their communications metadata for marketing purposes or for receiving third-party marketing messages, or they can opt-out from marketing entirely. All permissions can be revoked and choices can be changed at any time.
- **Rights of individuals:** Our businesses provide their customers with access to their data through online and physical channels. These channels can be used to request deletion of data that is no longer necessary or correction of outdated or incorrect data. Our customer privacy statements and other customer facing documents provide information on how these rights can be exercised and how to raise complaints. Our frontline staff are trained to respond to the customers' requests.
- **Sharing of data:** Where we rely on external suppliers and service providers to process data on our behalf, they are subject to security and privacy due diligence processes, and appropriate data processing agreements govern their activities. We do not share customers' personal data otherwise, unless required by law or with the consent of the customer.

Each local market publishes a Privacy Statement to provide clear, transparent and relevant information on how we collect and use personal data, what choices are available regarding its use and how customers can exercise their rights.

Click to read more about our privacy policies: **vodafone.com/privacy-centre**

Operating model

Vodafone has an experienced team of privacy specialists dedicated to ensuring compliance with data protection laws and our policies in the countries where we operate.

We apply a process-based approach to managing privacy risks across the data life-cycle and teams from across Vodafone ensure end-to-end coverage. Dedicated security teams ensure appropriate technical and organisational information security measures are applied to protect personal data against unauthorised access, disclosure, loss or use during transit and at rest.

Read more about cyber security on page 45-47 and 54

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All products, services and processes are subject to privacy impact assessments as part of their development and throughout their life-cycle. We maintain Personal Data Processing Records, Supplier Privacy Compliance, Data Breach Management and Individual Rights processes, as well Internal and International Data Transfer compliance frameworks, and training and awareness programmes.

Our teams monitor and influence regulatory and industry developments and work to build and maintain relationships with local data protection authorities and other key stakeholders.

Our privacy control frameworks are subject to continuous risk-based improvements. In addition to introducing updates to our global privacy controls, we also require every employee and where possible contractors, to complete privacy-specific training within six weeks of joining and then every two years. We have also refined training for high-risk roles aimed at teams with a key role in personal data processing. With this approach we aim to achieve a 90% completion rate on both types of training across all target groups across our global footprint.

The effectiveness of control implementation is subject to regular reporting and testing by the privacy teams and internal audit. Any findings are subject to remedial actions by the responsible control operator, and completion is monitored.

Governance

The Group General Counsel and Company Secretary, a member of the Group Executive Committee, oversees the global privacy programme. The Group Privacy Officer, reporting to the Group General Counsel, is responsible for managing and overseeing the privacy programme on a day-to-day basis across the markets and provides regular status reports to Group General Counsel and Company Secretary and an annual update to the Group Audit and Risk Committee.

Whilst each employee is responsible for protecting personal data they are trusted with, accountability for compliance sits with each operating company. A member of the local executive committee oversees the local implementation of our privacy programme. Each operating company also has a dedicated privacy officer, privacy legal counsel and other privacy specialists. Local privacy officers provide reports to the Group Privacy Officer throughout the year.

The Privacy Leadership team brings together Group and local privacy officers. It approves new standards and guidelines and monitors the implementation of global privacy plans. Operating companies also maintain privacy steering committees that bring together privacy and security teams and senior management from relevant business functions.

Privacy incidents

We have a strong culture of data privacy and our assurance and monitoring activities are capable of identifying potential issues before they materialise. However, during the financial year, Vodafone was fined a combined €20 million for separate data privacy issues in Italy, Spain and Romania. The fines in Italy and Spain related to Vodafone's use of third-party marketing agencies, some of which had conducted direct marketing activities towards people who had opted-out. These activities were in violation of existing supplier agreements. In limited instances, there were also delays and issues in adding people to opt-out lists as a result of human and system errors, as well as related fraudulent activities which Vodafone reported to the relevant authorities. In addition, we received a fine in Spain due to a supplier's sub-contractor's non-compliance with international data transfer rules. The fine in Romania related to a delayed response to a subject access request.

Our rules on telesales have been reviewed and compliance with these rules is subject to increased assurance and monitoring. Where necessary, improved controls have been introduced to monitor and enforce suppliers' compliance. Such measures include, for example, introduction of tools to automatically prevent or detect calls to opted-out customers, verification that commission is only paid for authorised calls, enforcement of contractual penalties for non-compliance, and discontinuation of contracts with a number of suppliers.

For detail on how we respond to a data breach, refer to the cyber security section on page 46

Location Insights

Vodafone provides anonymous and aggregated insights which are based on network location data to our public sector and business customers. The Location Insights product harnesses the power of anonymised geospatial movement data of our customers to give organisations adopting the product a better understanding of how populations move in space and time, all while protecting the privacy of our customers. These insights are being used by Vodafone Business customers for transport or retail planning purposes as cities and urban areas become 'smart'. It is important to note that once we have aggregated and anonymised customer-level data, individual customers cannot be identified or targeted with personal advertisements. Our customer privacy statements are open and transparent about this use of data and we allow customers to opt-out.

Anonymous and aggregated location insights were also shared with government authorities to help them understand how populations moved during the COVID-19 pandemic. These initiatives were subject to detailed privacy assessments.

Our Location Insights product received an honourable mention by the International Association of Privacy Professionals in 2018 for the most innovative privacy safeguarding product.

Cyber security

Our purpose is to enable connectivity in society and as a provider of critical national infrastructure we recognise the importance of cyber and information security. No organisation, government or person will ever be fully immune to cyber-attacks; however, the telecommunications industry is faced with a unique set of risks as we provide connectivity services and handle private communication data.

Our networks connect millions of people, homes, businesses and things to each other and the internet. The security of our networks, systems and customers is a top priority and a fundamental part of our purpose. Our customers use Vodafone products and services because of our next-generation connectivity, but also because they trust that their information is secure.

Identification of vulnerabilities & risks

Cyber security is a principal risk. We recognise that if not managed effectively, there could be major customer, financial, reputation or regulatory impacts. Risk and threat management are fundamental to maintaining the security of our services across every aspect of our business. We separate cyber security risk into three main areas of risk:

- **External:** Attackers and criminals targeting our systems, networks, or people to conduct malicious attacks;
- **Insider:** Accidental leakage of information or malicious misuse of access privileges by our employees; and
- **Supply chain:** A supplier is breached or used as a conduit to gain access to our systems, data or people.

To help us identify and manage emerging and evolving risks, we constantly evaluate and challenge our business strategy, new technologies, government policies and regulation, and cyber threats. We conduct regular reviews of the most significant security risks affecting our business and develop strategies to detect, prevent and respond to them. Our cyber security approach focuses on minimising the risk of cyber incidents that affect our networks and services.

Responsible business (continued)

Understanding the threat landscape is key to managing cyber risk. Over the course of the year, two of the biggest cyber security threats faced by all organisations significantly increased – phishing and ransomware attacks. Cyber criminals exploited the emotion and uncertainty associated with the pandemic to deceive users into engaging with malicious emails or pay a sum of money to regain access to systems. Cyber criminals also increasingly targeted smaller suppliers to large organisations as a way to more easily compromise their targets. Organisations across all industries also continued to experience other forms of threats, such as sophisticated espionage attempts and the exploitation of unpatched vulnerabilities.

Controls

Controls can prevent, detect or respond to risks. Most risks and threats are prevented from occurring and most will be detected before they cause harm and need a response. A small minority will need recovery actions.

We use a common global framework called the Cyber Security Baseline and it is mandatory across the entire Group. The baseline includes key security controls which significantly reduce cyber security risk, by preventing, detecting or responding to events and attacks. Our framework was initially developed based on an international standard mapped to our key risks in the way that provides the most comprehensive protection. Each year, we review the framework in the light of changing threats and create new or enhanced controls to counter these threats.

A dedicated assurance team reviews and validates the effectiveness of our security controls, and our control environment is subject to regular internal audit. The security of our global networks is also independently tested every year to assure we are maintaining the highest standards and our controls are operating effectively. We maintain independently audited information security certifications, including ISO 27001, which cover our global technology function and 15 local markets. We also comply with local requirements or certifications and actively contribute to consultations and debates with regard to laws and regulations that aim to improve and assure the security of communications networks.

Read more on our identification of cyber threat and information security risks on page 54

New technologies

We adopt new technologies to better serve our customers and gain operational efficiency. For every technology programme, new or existing, we follow our Security by Design process, evaluating suppliers' hardware and software, modelling threats and understanding the risks before designing and implementing the necessary security controls and testing them.

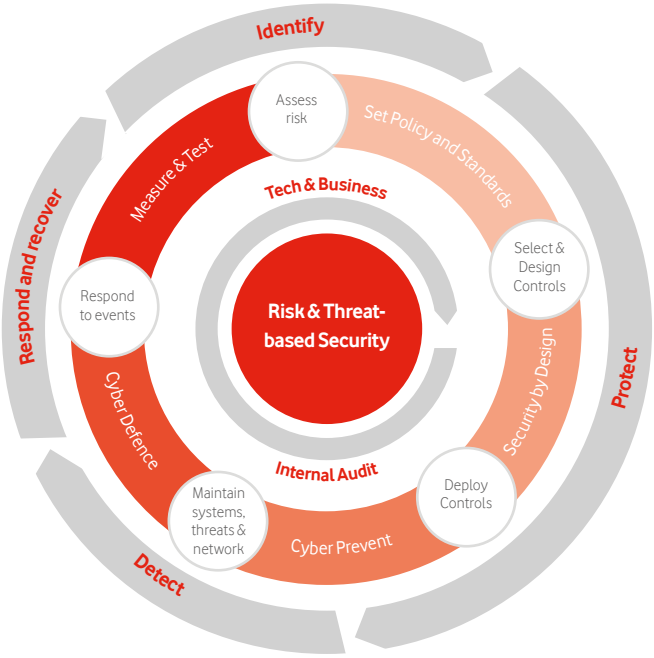
Every new mobile network generation has brought increased performance and capability, along with new opportunities in security. 5G improves existing security, with additional protection against threats such as location tracking, call or message interception and modification of network traffic. Similarly, 5G includes enhanced features to protect signalling between different operators' networks, which helps prevent tracking or interception while roaming. Vodafone is working at pace to embed these new security features into our 5G network deployments.

Getting the right security by design across all operators is vital as 5G and other mobile technologies will connect billions of devices. Vodafone has helped establish the GSMA IoT Security Guidelines, and the accompanying self-assessment scheme. Where we work with partners or third parties to build and deploy IoT solutions, we also advocate the approach co-developed between Vodafone and Consumers International, as seen in their publication of the Consumer IoT Trust by Design Guidelines.

We also track and monitor potential future threats to our networks, systems and customers, such as quantum computing and its effect on encryption. While such a risk is not specific to Vodafone, we have started work to address the potential negative effects and maintain a robust level of encryption that is quantum safe within our network and systems.

Operating model

We have implemented an operating model based on the leading industry security standards published by the US Department of Commerce, specifically the National Institute of Standards and Technology. We have an international team of over 800 employees who are focused on constantly monitoring, protecting and defending our systems and our customers' data. We also work with third-party experts and consultants, to maintain specialist skills and continue to follow leading practice. Our scale means we benefit from global collaboration, technology sharing, deep expertise and ultimately have greater visibility of emerging threats. Although the Cyber team leads on detect, respond and recover, preventative and protective controls are embedded across all of our technology and throughout the entire business.



Every employee has responsibility for cyber security and must follow the Vodafone Cyber Code, be sensitive to threats and report suspicious activity. Embedded in our Code of Conduct, the Cyber Code is the cornerstone of how we expect all employees to behave when it comes to best practice in cyber security. It consists of seven areas where employees need to follow security good practice. Our cyber security awareness programme is delivered digitally via our internal social media platform, videos and webinars. In addition, we perform regular phishing simulations to raise awareness and train employees. In the last year we sent 161,000 simulated phishing emails across 23 markets and Group functions, and employee reporting improved during 2020.

We have also performed incident simulations for the senior management team in all markets and the main Group functions. These simulations allowed the CEOs and their teams to experience what a real incident is like and exercise their responsibilities, as well as identifying areas for improvement in internal processes.

Click to read more about Vodafone's Cyber Code in our Code of Conduct: **vodafone.com/code-of-conduct**

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Governance

The Group's Chief Technology Officer is the Executive Committee member responsible for managing the risks associated with cyber threats and information security. The Vodafone Cyber Security Director is responsible for managing and overseeing the cyber security programme on a day-to-day basis and reports to the Chief Technology Officer.

Cyber threats and information security are a major area of focus for the Audit and Risk Committee and detailed updates including threat landscape, risk position and security programme progress are provided at least twice a year. The Board is also regularly updated on cyber security matters.

Read more on our identification of cyber threat and information security risks on page 54

Cyber incidents

As a global connectivity provider, we are subject to cyber threats, which we work to identify, block and mitigate with our robust control environment without any impact. Where a security incident occurs, we have a consistent incident management framework and an experienced team to manage our response. The focus of our incident responders is always fast risk mitigation and customer security.

We actively engage with stakeholders, including academic institutions, industry and government, in order to protect Vodafone, respond to cyber threats and work together to share best practice. Given our expertise and extensive experience, we also engage with a wide range of organisations to help improve the understanding of cyber security thinking and practice, and contribute to public policy, technical standards, information sharing and analysis, risk assessment, and governance.

In the event of a cyber breach, disclosure is made in line with local regulations and laws, and based on a risk assessment considering customers, law enforcement, relevant authorities and our external auditor. The European Union's General Data Protection Regulation ('GDPR') provides a framework for notifying customers in the event there is a loss of customer data as a result of a data breach and this framework is a baseline across all our markets.

Vodafone holds cyber liability and professional indemnity insurance policies and these policies may cover the costs of an information security breach, in whole or in part.

In December 2020, ho. Mobile, a second brand in Italy, suffered a data breach and part of a database holding customer data was accessed by a third-party; no financial information, passwords, or mobile traffic data relating to calls, texts or web activity was involved. We utilised our existing global incident management framework. Ho. Mobile took a proactive approach and immediately informed affected customers and regulators, enhanced security protections, remotely reissued SIM serial numbers to prevent any misuse, and offered free replacement SIMs to the entire customer base. Ho. Mobile also notified local law enforcement and made the required disclosures to the Italian Data Protection Authority. Ho. Mobile uses distinct and separate IT systems to Vodafone Italy and the rest of the Vodafone Group.

Vodafone classifies security incidents according to severity, measured by business and customer impact. The highest severity category corresponds to a significant data breach or loss of service caused by the incident. In the past financial year, the only such incident was the ho. Mobile incident discussed above.

Protecting people

Wherever we operate, we have an opportunity to contribute to the advancement of fundamental rights for our customers, colleagues and communities. We are also conscious of the risks associated with our operations and we work hard to mitigate negative impacts, ensuring we keep people safe.

Health and safety

Keeping our people safe is one of the most important responsibilities we hold as an employer. Our ongoing focus is to create a safe working environment for everyone working for and on behalf of Vodafone and the communities in which we operate. We want everyone working with Vodafone to return home safely every day.

Our health and safety framework provides a consistent approach to safety leadership, planning, performance monitoring, governance and assurance. Our commitment to safety does not differentiate between employees, contractors and suppliers, all of whom benefit from the same focus on preventing harm, both on worksites and when working or moving between sites.

Health and safety risks

We focus our initiatives on our top health and safety risks, which continue to account for the majority of reported incidents and remain a focus area globally: occupational road risk; falls from height; working with electricity; and fibre operations.

Road traffic incidents continue to be the primary cause of major injuries and fatalities reported globally, accounting for 60% of all reported incidents within Vodafone. As a result, we have included a specific requirement to focus on road safety and driver behaviour within our health and safety strategy and annual objectives. In addition, local market road risk controls are reviewed as part of our internal assurance plans.

In recognition of our top risks, we have established the 'Vodafone Absolute Rules'. These rules focus on risks that present the greatest potential for harm for anyone working for or on behalf of Vodafone. The Absolute Rules are clear and underpinned by a zero-tolerance approach to unsafe behaviours in all of our businesses. The Absolute Rules must be followed by all Vodafone employees and contractors, as well as our suppliers' employees and contractors. In the most recent Spirit Beat survey, 96% of employees agreed that the Absolute Rules are taken seriously at Vodafone.

Leadership engagement

The importance of senior leadership and commitment to health and safety remains key to our approach. Our senior leaders are actively engaged, carrying out regular site tours throughout the year. Despite the restrictions imposed by COVID-19, our senior leaders have continued to carry out tours virtually, recognising the importance of connecting with teams and critical workers as they continued to maintain our networks, work in our retail stores and on customer sites.

Health and safety governance

Health and safety is managed through a global safety framework, which includes the monitoring and assessing of risks, setting targets, reviewing progress and reporting performance. Our health and safety management system is based on international standards for occupational health and safety, is aligned to internationally recognised best practice, and always meets local requirements at a minimum. In addition, some of our local markets have chosen to undergo certification to OHSAS 18001 or ISO 45001, the international standard for occupational health and safety. Our operations in Albania, Egypt, Greece, Ireland, Italy and the UK are either certified to OHSAS 18001 or ISO 45001.

Responsible business (continued)

All incidents relating to our top risks and breaches of our Vodafone Absolute Rules are reported and investigated in adherence with timescales contained within our Incident Reporting Standard. We ensure that incidents are investigated thoroughly and appropriate remedial actions and improvements are identified and implemented. We strongly believe in the importance of prevention, however we also believe that incidents should be treated as an opportunity for learning.

Health and safety is a high-risk policy and included within our risk and compliance governance programme. Due to restrictions introduced as a consequence of the COVID-19 pandemic, in-country audits have not been possible this year. However, we have updated our risk control matrix to help enhance the effectiveness of our assurance programme, ensuring a single set of standards and mandatory controls which local markets self-assess against.

Training

This year we introduced our updated health and safety module as part of our mandatory 'Doing What's Right' training. The training module includes a video from our Group Chief Human Resources Officer demonstrating senior-level support for our Vodafone Absolute Rules. Every employee must complete the training within six weeks of joining and then typically every two years. During 2021, 47,732 employees working for Vodafone completed the health and safety module. Contractors are required to complete separate training relevant to their role and position.

Furthermore, each local market is responsible for delivering health and safety training which supports the development of appropriate safety leadership skills, behaviours and identification of health and safety risks. Additional training is specific to an individual's role and aligned to each market's local safety legislation.

Key performance indicators

We have a global set of key performance indicators as part of our safety framework, which are reported monthly to our Executive Committee, and bi-annually to our Board:

- Number of fatalities;
- Number of employee lost time incidents; and
- Number of top safety risks, including breaches of our Absolute Rules.

After a thorough investigation, we record all fatal incidents related to our operations where we conclude that our controls were not operating as effectively as required and may have prevented the incident from occurring. We also consider circumstances where if our controls could have reasonably been enhanced, the outcome could have been different. Each fatality is presented for review, chaired by the Group Chief Human Resources Officer. We also share any lessons learned from each fatality across the relevant Group functions.

Any injury is one too many and any loss of life related to our operations is unacceptable. It is therefore with great regret that there was sadly one recordable fatality during the year – a road traffic incident involving a member of the public in Mozambique. A thorough investigation was overseen by the respective local market Chief Executive, who is responsible for ensuring that the causes of the incident are widely understood and that any necessary corrective actions are implemented. This incident further reinforces our ongoing focus to reduce the number of road risk related incidents, with a focus on our road safety initiatives and awareness campaigns within our local communities.

We track and investigate incidents relating to our top risks and breaches of our Vodafone Absolute Rules. During the year, 621 breaches of our Vodafone Absolute Rules and 1,211 incidents relating to our top risks were recorded. Each incident is investigated and we seek to identify the root cause and ensure suitable corrective action is taken where necessary. An investigation into each incident is conducted at a scale proportionate to the indicative level of risk.

Lost-time incidents ('LTI') is the term we use when an employee is injured while carrying out a work-related task and is consequently unable to perform his or her regular duties for a complete shift or period of time after the incident. Of the seven incidents, five were attributed to slips, trips or falls in and around the workplace and two were vehicle-related.

Key Performance Indicators

	2021	2020
Work-related injuries or ill health (excluding fatalities)		
Employees	**7**	33
Suppliers' employees/contractors	**24**	21
Lost-time incidents ('LTI')		
Number of lost-time employee incidents	**7**	33
Lost-time incident rate per 1,000 employees	**0.06**	0.35
Total recordable fatalities		
Employees	**0**	0
Suppliers' employees/contractors	**0**	1
Members of the public	**1**	2

COVID-19

Our response to the COVID-19 pandemic has prioritised the safety and wellbeing of our people from the outset. This includes a variety of initiatives deployed across markets, tightly coordinated by the COVID-19 Business Continuity Plan programme management team, chaired by the Chief Human Resources Officer.

Throughout the pandemic, we have closely observed World Health Organization ('WHO') recommendations and control measures, which complement our internal COVID-19 plans, instructions and communications. WHO controls and guidance were implemented as a minimum across all our markets.

A limited number of positive COVID-19 cases amongst employees were reported during the year. All positive cases are reviewed to identify any themes, such as locations or functions requiring additional focus to ensure controls are adequate, or if they require strengthening.

The majority of our employees (95%) continued to work effectively and safely from home during the year and we continue to monitor the situation. Local requirements and rules differ across our markets and in some countries, there are regional variations. This adds to the complexity as markets review control measures and plans that enable the safe return of employees, contractors and suppliers back to their workplaces.

As we continue to manage through the pandemic, we have committed to the following to support our employees:

- All our employees will have access to physical, mental health and wellbeing support.
- We will continue to be flexible with our policies as required by local conditions while exploring other policies that we could adjust/implement to support employees.
- Digital learning will be available to all our employees and their families.
- Local plans will ensure all our employees have a safe place to work, whether they are working on site or at home. We will enable employees to access our offices whenever possible, if that is required to better protect their personal safety. As we maintain our guidance for employees with underlying health conditions, we will ensure they are able to engage and connect with their teams productively.

We will continue to listen to our employees and ensure they are consulted as part of any plans to return to the workplace. We remain confident that our current controls remain appropriate to look after the health, safety and wellbeing of our people and suppliers who work on our sites, however will continue to assess and monitor the risks and follow local market health authority requirements as a minimum.

Read more about employee wellbeing on page 22 and 35-37

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Mobiles, masts and health

The health and safety of our people, customers and the wider public is a priority for Vodafone. We always operate our mobile networks strictly within national regulations, which are typically based on, or go beyond, international guidelines set by the independent scientific body, the International Commission for Non-Ionizing Radiation Protection ('ICNIRP').

In March 2020, the ICNIRP confirmed that there are no adverse effects on human health from mobile networks, including from 5G frequencies if exposure is within their guidelines. This followed an extensive review of scientific studies published during the last 20 years.

As well as complying with national regulations, where Vodafone markets have rolled out 5G we have implemented a "Smart PowerLock" ('SPL') feature. This innovative technology, designed for use with adaptive antennas used for 5G, ensures that the transmitted radio frequency power of the antenna is always below a threshold when averaged over a predefined time window. This guarantees compliance with electromagnetic field ('EMF') regulations under all possible operating conditions for 5G sites. Currently, all our markets that have rolled out 5G have activated the feature in some or all radio sites. During the last year, we have demonstrated the feature to regulators, to evidence compliance with EMF regulations. The feature has been accepted as effective, even in those markets (such as Italy) where EMF regulations are stricter than international science-based guidelines.

COVID-19

At the start of the COVID-19 crisis, it was regrettable that unproven, unsubstantiated theories circulating primarily on social media incited individuals to damage masts and base stations in a number of countries. The levels of misinformation alleging links between COVID-19 and 5G has reduced considerably in Europe over the past year. This is due to improved government public health communications; effective policing from both law enforcement and regulators; improved public education; and social media platforms taking action. We have supported all these actions, both at a global level and in markets where the misinformation has encouraged criminal action.

Vodafone markets have used a common strategy to rebut the misinformation and condemn arson attacks on our base stations. The most recent wave of misinformation and criminal damage was in South Africa, in January 2021. By reacting swiftly in partnership with other operators, and providing clear messages that there is no scientific evidence to link the spread of COVID-19 to 5G, we limited further damage.

Science monitoring

There has been scientific research on mobile frequencies for decades. Scientific reviews have made a vital contribution to establishing industry guidelines and standards. We follow the results of these independent expert reviews to understand developments in scientific research related to mobile devices, base stations and health. We consider the opinions of panels commissioned by recognised national or international health agencies such as the World Health Organization (WHO), the European Commission's Scientific Committee on Health, Environmental and Emerging Risks (SCHEER) and the International Commission on Non-Ionizing Radiation Protection (ICNIRP).

Operating model

We have robust governance mechanisms in place and conduct regular compliance assessments to ensure that our masts and devices meet the standards set by the Group policy and national regulations. We also conduct network measurements and calculations of EMF exposure from the network masts, and review the test reports we receive on EMF testing on devices. With travel restrictions due to the COVID-19 crisis, we have found new and innovative ways to carry out remote checks on labs that carry out EMF tests on devices. With the use of cameras and one on-site resource, we have successfully checked four labs in China remotely and audited one European lab in person as normal.

Human rights

We want to make sure that we have a positive impact on people and society and bring human rights into everything we do. As a global telecommunications provider, we acknowledge that we can be faced with human rights challenges.

Click to read our Human Rights Policy Statement
vodafone.com/human-rights-policy-statement

Human rights risks

As a telecommunications operator, our most significant human rights risks relate to our customers' rights to privacy and freedom of expression. This is because governments in the countries where we operate have the legal right, under certain circumstances, to impose limits on their citizens' ability to access and use digital networks and services, or to request lawful interception of citizens' communications. Governments exercise this right through operators' licence requirements. These requirements can vary significantly from country to country.

Our Freedom of Expression principles, Privacy Management Policy and Law Enforcement Assistance Policy set out our approach to managing these risks.

Click to read more about how we handle Law Enforcement Demands:
vodafone.com/handling-law-enforcement-demands

Our approach

We conduct due diligence to help make sure that we respect human rights. This year, we assessed our approach to children's rights by piloting UNICEF's draft revised Mobile Operators Children's Rights Impact Assessment tool. We found areas of good practice, such as the wide range of programmes that use technology to support the realisation of children's rights. But there is still more to do to make sure our internal policies consistently reflect our commitment to children.

We also commissioned external expert guidance on heightened due diligence needed when operating in higher-risk countries such as those affected by conflict. For example, risks to free expression can be particularly pronounced in countries which are politically unstable or going through a time of transition such as an election.

Governance

The Group's External Affairs Director oversees Vodafone's human rights programme and is a member of the Executive Committee. A senior human rights manager manages our programme, with the support of a cross-functional internal Human Rights Advisory Group, comprising senior managers responsible for: privacy, security, responsible sourcing, and diversity and inclusion, amongst others. We report regularly on our progress to the Reputation and Policy Steering Committee.

Collaboration

Global business' understanding of human rights impacts continues to mature. We play our part in the debate by collaborating and learning from others to improve our approach: we are an active member of the Global Network Initiative, alongside other initiatives such as the United Nations B-Tech Project which convenes business, civil society and government to advance implementation of the UN Guiding Principles in the tech sector.

Responsible business (continued)

Responsible supply chain

We spend approximately €24 billion a year with around 10,500 direct suppliers around the world to meet our businesses' and customers' needs. The majority of our external spend is with suppliers that provide us with network infrastructure, IT and related services, fixed lines, mobile masts and data centres that run our networks.

Supply chain risks

The main areas of risk in our supply chain relate to three key areas: health and safety matters related to non-compliant fire safety measures; excessive working hours due to needing better demand management; and environmental matters related to non-compliant chemical storage and lack of carbon reduction programmes. This year they made up 74% of all non-compliances found in our supply chain through our assessments. Suppliers that do not meet our standards are provided with a corrective action plan to address any areas for improvement and are required to submit evidence that this has been completed.

Policy

Every supplier that works for Vodafone is required to comply with our Code of Ethical Purchasing. These commitments extend down through the supply chain so that a supplier with which we have a direct contractual relationship (Tier 1 supplier) in turn is required to ensure compliance across its own direct supply chain (Tier 2 supplier from Vodafone's perspective) and beyond. The Code of Ethical Purchasing is based on international standards including the Universal Declaration of Human Rights and the International Labour Organization's Fundamental Conventions on Labour Standards. It stipulates the social, ethical, and environmental standards that we expect, including areas such as child and forced labour, health and safety, working hours, discrimination and disciplinary processes.

Click here to read our Code of Ethical Purchasing: **vodafone.com/code-of-ethical-purchasing**

Our approach

When new suppliers tender for work, they are asked to demonstrate policies and procedures that support safe working, diversity in the workplace and to address carbon reduction, renewable energy, plastic reduction, circular economy and product life-cycle which account for up to 20% of the overall evaluation criteria. Suppliers are assessed on their commitment and performance towards diversity & inclusion (5%), the environment (5%) and health & safety (10%) in categories where there is a safety risk.

Our requirements are backed up by risk assessments, audits and operational improvement processes, which are included in suppliers' contractual commitments. Some site audits are conducted under the Joint Audit Cooperation ('JAC') initiative, an association of telecommunications operators established to improve ethical, labour and environmental standards in the ICT supply chain, which Vodafone chairs. This year, 76 site assessments were conducted (either by Vodafone or through JAC).

Vodafone has continued to promote Trust Your Supplier ('TYS'). This is a cross-industry initiative that utilises block chain and external verifiers to evaluate supplier compliance against a number of risk areas. This increases the accuracy of vetting compliance for our supply base and also means suppliers only need to go through the process once. We have a target to on-board over 50% of suppliers by total spend onto the TYS solution by the end of FY22. We currently have 7% of suppliers by total spend on-boarded, with a further 25% already having confirmed they will on-board over the next year.

We report on our approach to preventing modern slavery and human trafficking in our business and supply chain in our annual Modern Slavery Statement.

Click here to read our Modern Slavery Statement: **vodafone.com/modern-slavery-statement**

Governance

The Group Chief Financial Officer oversees our supply chain and is a member of the Executive Committee and Board. Reporting to the Chief Financial Officer, the Chief Executive Officer of the Vodafone Procurement Company is responsible for the implementation of our Code of Ethical Purchasing. Progress is reported regularly to the Vodafone Procurement Company Board meeting. Procurement is a highly centralised function within the business and approximately three quarters of our external spend is managed by VPC. This enables us to maintain a consistent approach to supplier management and makes it easier to monitor and improve supplier performance across our markets.

Business integrity

We are committed to ensuring that our business operates ethically, lawfully and with integrity wherever we operate as this is critical to our long-term success.

Tax and economic contribution

As a major investor, taxpayer and employer, we make a significant contribution to the economies of all the countries in which we operate. In addition to direct and indirect taxation, our financial contributions to governments also include other areas such as radio spectrum fees and auction proceeds.

Tax transparency

Our most recent tax report sets out our total contribution to public finances on a cash-paid basis for both 2019 and 2020. In 2020, we contributed – directly and indirectly – more than €12.4 billion to public finances worldwide, compared with €12.7 billion in 2019. The year-on-year decrease was due to lower direct taxes outside of Europe and currency devaluations in some of our markets. In 2020, we paid nearly €2.6 billion in direct taxes, including more than €1.0 billion in corporate income taxes, nearly €2.3 billion via non-taxation based revenue mechanisms, such as payments for the right to use spectrum, and collected €7.5 billion of indirect taxes for governments around the world.

Acting with integrity in the creation and execution of our tax strategy, policies and practices is absolutely core to our approach to tax, as is our commitment to transparency. We disclose our financial contributions to governments at a country level, as we believe this is an important way to demonstrate that it is possible to achieve an effective balance between a company's responsibilities to society as a whole, through the payment of taxes (and other government revenue-raising mechanisms), and its obligations to its shareholders. The information we share aims to help our stakeholders understand our approach, policies and principles.

We also share our views on key topics of relevance, including the latest on the taxation of the digital economy, as well as publishing our OECD country-by-country disclosure, as submitted to the UK's tax authority (HMRC).

Our tax report for 2021 will be published in the next year following the submission of our tax returns and payment of all applicable taxes.

Click to read more about tax and our total economic contribution to public finances: **vodafone.com/tax**

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Anti-bribery and corruption

At Vodafone, we support and foster a culture of zero tolerance towards bribery or corruption in all our activities.

Our anti-bribery policy

Our policy on this issue is summarised in our Code of Conduct and states that employees or others working on our behalf must never offer or accept any kind of bribe.

Our anti-bribery policy is consistent with the UK Bribery Act and the US Foreign Corrupt Practices Act, and provides guidance about what constitutes a bribe and prohibits giving or receiving any excessive or improper gifts and hospitality. Any policy breaches can lead to dismissal or termination of contract.

Facilitation payments are strictly prohibited and our employees are provided with practical training and guidance on how to respond to demands for facilitation payments. The only exception is when an employee's personal safety is at risk. In such circumstances, when a payment under duress is made, the incident must be reported as soon as possible afterwards.

One of the ways to help the fight against COVID-19 is through charitable donations and contributions, either monetary or in kind. We have issued guidance to all markets and Foundations to assist them in their assessment of different initiatives, to ensure donations are given in line with our policies.

To support our approach, Vodafone is also a member of Transparency International UK's Business Integrity Forum.

Governance and risk assessment

Our Chief Executive and Executive Committee oversee our efforts to prevent bribery. They are supported by local market chief executives, who are responsible for ensuring that our anti-bribery programme is implemented effectively in their local market. They in turn are supported by local specialists and by a dedicated Group team that is solely focused on anti-bribery policy and compliance. The Risk and Compliance Committee assists the Executive Committee in fulfilling duties with regards to risk management and policy compliance.

As part of our anti-bribery programme, every Vodafone business must adhere to minimum global standards, which include:

- ensuring there is a due diligence process for suppliers and business partners at the start of the business relationship;
- completion of the global e-learning training for all employees, as well as tailored training for higher risk teams; and
- using Vodafone's global online gift and hospitality registration platform, as well as ensuring there is a process for approving local sponsorships and charitable contributions.

Engaging employees to raise awareness of bribery risk

We run a multi-channel high profile global communications programme, Doing What's Right, to engage with employees and raise awareness and understanding of the policy. The Doing What's Right programme also features e-learning training, which includes a specific anti-bribery module. The next module, DWR 3.0, will be launched in 2021 and is a video-based module requiring employees to identify risks they see playing out in the conversations on screen. This will be an engaging and interesting way to raise awareness of bribery risks in the everyday activities of employees.

The bribery risks we face are constantly evolving. The table below summarises the principal risk categories and the mitigation measures adopted.

Risk	Response
Operating in high-risk markets	We undertake biennial risk assessments in each of our local operating companies and at Group level, so we can understand and limit our exposure to risk.
Business acquisition and integration	Anti-bribery pre and post due diligence is carried out on a target company. Red flags identified during the due diligence process are reviewed and assessed. Following acquisition, we implement our anti-bribery programme.
Spectrum licensing	To reduce the risk of attempted bribery, a specialist spectrum policy team oversees our participation in all negotiations and auctions. We provide appropriate training and guidance for employees who interact with government officials on spectrum matters.
Building and upgrading networks	Our anti-bribery policy makes it clear that we never offer any form of inducement to secure a permit, lease or access to a site. We regularly remind all employees and contractors in network roles of this prohibition, through tailored training sessions and communications.
Working with third parties	Suppliers and other relevant third parties working for or on behalf of Vodafone, must comply with the principles set out in our Code of Conduct and Code of Ethical Purchasing, as well as have programmes in place to ensure suppliers' employees and contractors are aware of these policies. Third-party due diligence is completed at the start of our business relationship with suppliers, other third parties and partners. Through their contracts with us, our suppliers, partners and other third parties make a commitment to implement and maintain proportionate and effective anti-bribery compliance measures. We regularly remind current suppliers of our policy requirements and complete detailed compliance assessments across a sample of higher-risk and higher-value suppliers. Select high-risk third parties are trained to ensure awareness of our zero-tolerance policy.
Winning and retaining business	We provide targeted training for our Vodafone Business and Partner Markets sales teams. In addition, we also maintain and monitor a global register of gifts and hospitality to ensure that inappropriate offers are not accepted or extended by our employees.

Assurance

Implementation of the anti-bribery policy is monitored regularly in all local markets as part of the annual Group assurance process, which reviews key anti-bribery controls. The assurance programme was modified during the last financial year due to travel restrictions and instead of local market visits, guided self-assessments were undertaken in Albania, Turkey, South Africa, Mozambique and the DRC. There were no emerging or consistent themes from the reviews undertaken and all identified areas for improvement have action plans to improve the control environment and anti-bribery programme. As we adjust our way of conducting assurance to the new environment, the assurance plan for the coming year will include thematic reviews across the key areas of high risk sales intermediaries and representatives and training to high risk employees. Internal Audit will also undertake a programme of audits covering the anti-bribery programme in a number of local markets in Vodafone and Vodacom.

Non-Financial information

Non-financial information statement

The table below outlines where the key content requirements of the non-financial information statement can be found within this document (as required by sections 414CA and 414CB of the Companies Act 2006).

Vodafone's sustainable business reporting also follows other international reporting frameworks, including the Global Reporting Initiative, the SASB Standards, CDP and GHG Reporting Protocol.

Click to download our ESG Addendum:
investors.vodafone.com/esgaddendum

Click to read our SASB disclosures:
investors.vodafone.com/sasb

Reporting requirement	Vodafone policies and approach	Section within Annual Report	Page(s)
Environmental matters	Planet performance	Planet	38-40
	Climate change risk	Risk management	53-61
Employees	Code of Conduct	Responsible business and anti-bribery and corruption	43, 51
	Occupational health and safety	Health and safety	47-48
	Diversity and inclusion	Workplace equality	36-37
Social and community matters	Driving positive societal transformation performance	Inclusion for All	34-37
		Digital Society	41-42
	Stakeholder engagement	Stakeholder engagement	12-13
	Mobiles, masts and health	Mobiles, masts and health	49
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UK Streamlined Energy and Carbon Reporting ('SECR')

In accordance with SECR requirements, this provides a summary of GHG emissions and energy data for Vodafone UK, in comparison with global performance.

	Global (excluding Vodafone UK)	Vodafone UK
Scope 1 GHG emissions (m tonnes CO_2e)	0.25	0.02
Scope 2 market-based GHG emissions (m tonnes CO_2e)	1.06	0.04
Scope 2 location-based GHG emissions (m tonnes CO_2e)	1.89	0.14
GHG emissions per petabyte ('PB') of mobile data carried (tonnes of CO_2e)	122	59
Total energy consumption (GWh)	5,131	701

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Risk management

Managing uncertainty in our business

Managing risks and uncertainty is an integral part of successfully delivering on our strategic objectives. We have embedded a global risk management framework which aims to ensure consistency and the right level of oversight is provided across both Group entities and our local markets.

Identifying our risks

All local markets and Group entities identify and assess risks which could affect the local strategy and operations. A consolidated list of these risks is then presented to a selection of Group senior leaders and executives, alongside the outputs from an external environment scan and specialised risk focus groups. Applying a Group-wide perspective, these executives evaluate and determine our top risks and which emerging risks warrant further exploration. The proposed principal risks, emerging risks and risk watchlist are defined and agreed by our Executive Committee ('ExCo') before being submitted to the Audit and Risk Committee and the Board for the final challenge and approval.

Managing our risks

During the risk evaluation phase, we assign each of our risks to a category (strategic, technological, operational or financial – see next page) and identify the source of the threat (internal or external). This approach enables a better understanding of how we should treat the risk and ensure the right level of oversight and assurance is provided. The assigned executive risk owners are accountable for confirming adequate controls are in place and that the necessary treatment plans are implemented to bring the risk within an acceptable tolerance. We continue to monitor the status of risk treatment strategies across the year and hold in-depth reviews of our risks.

For each of the principal risks, we also develop severe but plausible scenarios which provide additional insights into possible threats and enable a better risk treatment strategy. Scenarios are also used for the purpose of assessing our viability.

Read more about our viability statement on page 61

The diagram below shows a simplified, high-level governance structure for risk management.

Overview of risk governance structure

Vodafone Group

Board/Audit and Risk Committee
Provides oversight for the Vodafone Group

Risk and Compliance Committee
- Reviews principal and emerging risks
- Reviews effectiveness of risk management across the Group

Group risk team
- Responsible for the application of the global risk management framework
- Supports the Board/ExCo by creating programmes to strengthen our risk culture

Group risk owners
- ExCo risk owners have responsibility for management of the risk assigned to them
- Senior executive risk champions identify and implement mitigating actions

Local markets or Group entity

Local oversight committees
Provide oversight for the local risk management programme

Local market CEOs
Set local objectives, identify priority risks and alignment tolerance levels with the Vodafone Group guidance

Local risk owners
Senior managers in local management teams responsible for local risks and the local risk programme to manage, measure, monitor and report on the risks

Local risk managers
Contact point for each market/entity on risk, facilitate all activities as defined by the global risk management framework

Assurance

Business assurance functions
Review and provide assurance over business controls for the Group and local markets

Internal Audit
Support the Audit and Risk Committee in reviewing the effectiveness of the risk management framework and individual risks

Risk management (continued)

Risk categorisation and interdependencies

We continue to consider risks both individually and collectively in order to fully understand our risk landscape. By analysing the correlation between risks, we can identify those that have the potential to impact or increase other risks and therefore are weighted appropriately. This exercise informs our scenario analysis, particularly the combined scenario used in the Long-Term Viability Statement.

Read more about our viability statement on page 61

Strategic

The influence of stakeholders and industry players on our business and our response to them:

A Geo-political risk in the supply chain
B Adverse political and regulatory measures
C Market disruption
D Disintermediation and failure to innovate

Financial

Our financial status, standing and continued growth:

E Global economic disruption

Technological

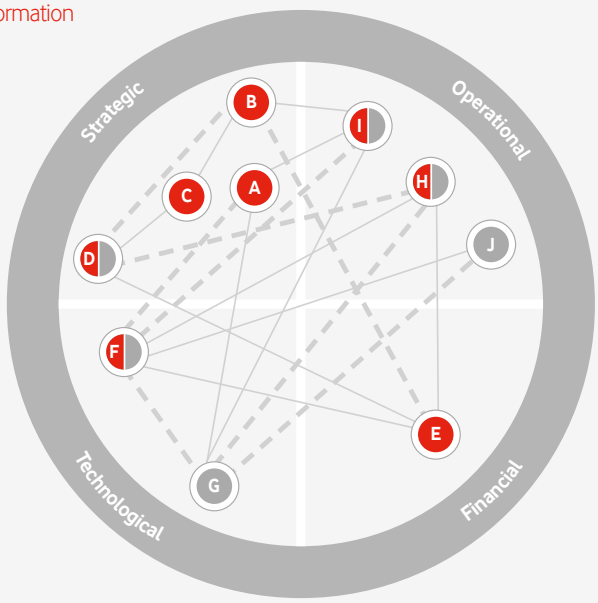
The network, IT systems and platforms that support our business and the data they hold:

F Cyber threat and information security
G Technology failures

Operational

The ability to achieve our optimal business model:

H Strategic transformation
I Legal and regulatory compliance
J IT transformation



Key: External Internal Bidirectional Unidirectional

Principal risks

Cyber threat and information security

Description

An external cyber-attack, insider threat or supplier breach could cause service interruption or the loss of confidential data. Cyber threats could lead to major customer, financial, reputational and regulatory impacts.

Change in risk profile: Stable

Risk owner: Group Technology Officer

Our strategy: Best connectivity products & services; Outstanding digital experiences; Social contract shaping digital society

Mitigation activities

We have a risk-based approach to managing cyber security. We actively identify risks and threats, design layers of control and implement controls across all parts of the Company. The approach balances controls that prevent the majority of attacks, detect events and respond quickly to reduce harm.

Target tolerance

Security underpins our company purpose to enable connectivity in society and maintain our customers' trust. A breach with material adverse customer, reputation, financial or regulatory impact is outside our risk tolerance. We will never be fully immune to cyber-attacks, however, layers of effective controls will reduce the likelihood and impact.

Scenario

Each year we model a severe but plausible scenario. These have included attacks on core infrastructure, a bulk data breach and loss of major customer facing systems. We perform regular cyber crisis simulations with senior management in our markets and Group functions using a tailored set of scenarios.

Emerging threats

Cyber risk is constantly evolving in line with technological and geo-political developments. We anticipate threats will continue from existing sources, but also evolve in areas such as 5G, IoT, vendor software integrity, quantum computing and the use of AI and machine learning.

Read more about cyber security on pages 45-47

Risk profile change

- Increasing
- Decreasing
- Stable

Our strategy

Customer commitments
- Best connectivity products & services
- Leading innovation in digital services
- Outstanding digital experiences

Enabling strategies
- Simplified & most efficient operator
- Social contract shaping digital society
- Leading gigabit networks

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Geo-political risk in supply chain

Description
Our operation is dependent on a wide range of global suppliers. Disruption to our supply chain could mean that we are unable to execute our strategic plans, resulting in increased cost, reduced choice and network quality.

Change in risk profile

Risk owner: Group External Affairs Director

Our strategy

Mitigation activities
Partial mitigation can be achieved through close monitoring of the political situation around key suppliers, engagement with governments, experts and equipment vendors. This enables Vodafone to respond accordingly and to ensure compliance with the latest regulations, economic sanctions and trade rulings. Broader issues of international politics which strongly influence the level of risk are, and will remain, outside Vodafone's control.

Target tolerance
The existence of a broader range of scale suppliers of key equipment. A multi-vendor strategy in place across our markets to mitigate against supply chain disruption.

Scenario
Disruption to our supply chain due to geo-political decisions affecting our ability to select or continue to use equipment from specific vendors or decisions that affect trade and supply chains.

Emerging threats
We operate in a global environment where political landscape changes could influence our operations. The increasing political tension between the US and China shows no sign of easing and this presents a potentially significant risk to our supply chain and customer base.

Adverse political and regulatory measures

Description
Adverse political and regulatory measures impacting our strategy could result in increased costs, create a competitive disadvantage or have negative impact on our return on capital employed.

Change in risk profile

Risk owner: Group External Affairs Director and Chief Financial Officer

Our strategy

Mitigation activities
We actively address issues openly with policy makers and regulatory authorities to find mutually acceptable ways forward. As a last resort we uphold our rights through legal means.

Target tolerance
To have strategies that are based on common objectives with political, policy and regulatory stakeholders to reduce the risk that our business could be undermined by unpredictable and disproportionate political and regulatory environments and interventions.

Scenario
Exposure to additional liabilities by regulatory authorities or if tax laws were to adversely change in the markets in which we operate.

Emerging threats
Regulation is becoming geographically diverse with increases in protectionist behaviours and fragmented regulation. Additionally, governments could seek to recover the costs of the COVID-19 pandemic through tax increases.

Strategic transformation

Description
Failure to execute our strategy as described on pages 18 to 20 including on organisational transformation and portfolio activity (such as integrations, mergers or separations) could result in loss of business value and additional cost.

Change in risk profile

Risk owner: Group Technology Officer and Group Chief Commercial Officer

Our strategy

Mitigation activities
We have specialist teams executing and monitoring our organisational transformation and portfolio activities. We also have robust governance structures in place to protect the Group's interests.

Target tolerance
We are executing our programmes effectively to maximise synergies/benefits realisation; optimising cost and increasing speed of delivery, while ensuring our core organisation and cultural values remains safeguarded throughout.

Scenario
The inability to achieve the expected benefit through transformation activities whilst evolving to the new generation connectivity and digital services provider for Europe & Africa.

Emerging threats
The increased pace of change in the organisation means we have to maintain the required culture and skillset to support our transformational initiatives. Externally, as customer behaviours and their preferences change, we might have to accelerate or adapt our transformation programmes.

Risk profile change
- Increasing
- Decreasing
- Stable

Our strategy
Customer commitments
- Best connectivity products & services
- Leading innovation in digital services
- Outstanding digital experiences

Enabling strategies
- Simplified & most efficient operator
- Social contract shaping digital society
- Leading gigabit networks

Risk management (continued)

Global economic disruption

Description
A global economic crisis could result in reduced telco spend from businesses and consumers, as well as limit our access to financial markets and availability of liquidity, increasing our cost of capital and limiting debt financing options.

Change in risk profile

Risk owner: Chief Financial Officer

Our strategy

Mitigation activities
We have a relatively resilient business model. Our offers are competitive in the markets in which we operate. We are supporting our business customers' efficiencies through our innovative products. We have a long average life of debt which minimises refinancing requirements, and the vast majority of our interest costs are fixed.

Target tolerance
Conservative management of the balance sheet to avoid potential consequences of unstable economic conditions. Access to sufficient liquidity at favourable terms.

Scenario
A severe contraction in economic activity leads to lower cash flow generation for the Group and disruption in global financial markets impacts our ability to refinance debt obligations as they fall due.

Emerging threats
Because this is an externally driven risk, the threat environment is continually changing.

External factors such as the COVID-19 pandemic or a potential sovereign debt crisis could have future impacts on economic activity across our markets. The financial markets are currently experiencing high levels of volatility and sovereign debts levels have reached record levels. These could lead to a significant change in the availably and cost of financing.

Technology failures

Description
Network, system or platform outages resulting from internal or external events could lead to reduced customer satisfaction, reputational damage and/or regulatory penalties.

Change in risk profile

Risk owner: Group Technology Officer

Our strategy

Mitigation activities
Unique recovery targets are set for critical assets to limit the impact of service outages. A global policy supports these targets with requisite controls to provide effective resilience.

Target tolerance
Our customer promise is based on reliable availability of our network; therefore, the recovery of key mobile, fixed, IT services and platforms must be fast and robust.

Scenario
We have a low tolerance to network, IT or platform disruptions which cause significant impact to our customers.

Emerging threats
Potential impact of an increase in extreme weather events caused by climate change may increase the likelihood or frequency of technology failure.

New assets inherited from acquired businesses may not be aligned to our target resilience level which may increase the likelihood of a technology failure.

Market disruption

Description
New telecoms entering the market could lead to significant price competition and lower margins.

Change in risk profile

Risk owner: Group Chief Commercial Officer

Our strategy

Mitigation activities
We closely monitor the competitive environment in all markets and react appropriately to both consumer and business needs. We have launched 'second' brands in a number of markets to compete more effectively and efficiently in the value segment. Alongside our speed-tiered, unlimited data plans, we are now competing effectively across all segments of the markets in which we operate.

Additionally, we evolve our offers and adopt agile commercial models to mitigate competitive risks using simple, targeted offers, smart pricing models and differentiated customer experience.

Target tolerance
Our tolerance focus is on the loss of market value or market share or margin resulting from competitor pricing or new market entrants.

Scenario
Aggressive pricing, accelerated customer losses to MVNO (Mobile Virtual Network Operator) and disruptive new market entrants in key European markets result in greater customer churn and pricing pressures impacting our financial position.

Emerging threats
Emerging threats depend on individual market structures and the competitive landscape.

Risk profile change
- Increasing
- Decreasing
- Stable

Our strategy
Customer commitments
- Best connectivity products & services
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Enabling strategies
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Disintermediation and failure to innovate

Description
Failure in product innovation or ineffective response to threats from emerging technology or disruptive business models could lead to a loss of customer relevance, market share and new/existing revenue streams.

Change in risk profile

Risk owner: Group Chief Commercial Officer

Our strategy

Mitigation activities
We continually strive to introduce innovative propositions and services, which enable us to deepen customer engagement. We are focused on simplifying our product portfolio, improving our operating model and processes, and accelerating our digital transformation, in order to offer the best customer experience.

Target tolerance
Offer a superior customer experience and continually improve our offering through a wide range of innovative products and services. We also develop innovative new products and explore new growth areas to continue to meet our customers' needs.

Scenario
Large technology players invest on products impacting our customer relationships, cannibalising existing revenues and limiting future growth opportunities in digital services in Vodafone Business.

Emerging threats
Emerging risks span both Consumer and Business segments. In the Consumer segment, growing choice of communication solutions could threatening our core, while streaming services could threatening our TV business. In the Business segment, large technology players could attempt to move up further along the telecommunication sectors value chain.

Legal and regulatory compliance

Description
Failure to comply with laws and regulations could lead to a loss of trust, financial penalties and/or suspension of our licence to operate.

Change in risk profile

Risk owner: Group General Counsel and Company Secretary

Our strategy

Mitigation activities
We have subject matter experts and a robust policy and control compliance framework.

We train our employees in 'Doing What's Right'. These training and awareness programmes set out our ethical culture across the organisation and assist employees to understand their role in ensuring compliance.

Target tolerance
We seek to comply with all applicable laws and regulations in all our markets.

Scenario
Breaches of legal compliance could lead to reputational damage, investigation costs, fines and/or personal sanctions.

Emerging threats
Changes to our operating model could require us to adapt our compliance and risk processes. In addition, ongoing changes to workplace dynamics and demographics may challenge our control environment.

Read more about our Code of Conduct and Speak Up policy on page 43

IT transformation

Description
Failure to design and execute IT transformation of our legacy estate could lead to business loss, customer dissatisfaction or reputational exposure.

Change in risk profile

Risk owner: Group Technology Officer

Our strategy

Mitigation activities
Through the assessment of the design and operating effectiveness of the controls, we identify the relevant risks for the IT programmes to determine whether they are being effectively mitigated. Where gaps are identified, recommendations for mitigation are raised and followed up to make sure programmes are effectively de-risked.

Target tolerance
Deliver IT transformation programmes with the correct mix of efficient systems, relevant skills and digital expertise in alignment with the original planned spend, timelines and business benefits.

Scenario
Failure to deliver business benefits causes cost escalation, budget overruns and increased customer dissatisfaction which could negatively impact our financial performance.

Emerging threats
Long implementation timelines of transformation programmes and rapidly changing market conditions pose a risk that programme original scope and objectives might not be valid to achieve the expected business benefits defined at the outset of the programme. Ongoing changes to the organisation strategy might also have an impact on transformation programmes which might need to adjust scope and objectives therefore increasing the risk of time and cost overruns.

Risk profile change
- Increasing
- Decreasing
- Stable

Our strategy
Customer commitments
- Best connectivity products & services
- Leading innovation in digital services
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Enabling strategies
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Risk management (continued)

Key changes to our principal risks:

- The **Adverse political and regulatory measures** risk has reduced, as we continue to build relationships with governments and key stakeholders through our social contract. However, against the backdrop of COVID-19, we continue to monitor for any changes in tax regulation.
- The **Technology failure** risk has reduced as more of our markets achieve the set recovery targets.
- The **Global economic disruption** risk has reduced due to telecommunications proving resilient during the COVID-19 pandemic. We anticipate a similar trend for FY22. However, the full effect of this risk could be delayed, and the risk might increase over a longer time horizon.
- We have split the **IT transformation** risk from our **Digital transformation** risk.
- We anticipate additional changes to risk exposure as we become a new generation connectivity and digital services provider for Europe & Africa. For this reason, we have expanded the **Strategic transformation** risk to include all portfolio related changes (integration, mergers, separations) including the transformation to our operating model.
- We have renamed the **Disintermediation** risk to include '**failure to innovate**' to focus on our success to innovate as well as external disintermediation threats.

Watchlist risk

Our watchlist risk process enables us to monitor material risks to Vodafone Group which fall outside of our top 10 principal risks list. These include, but are not limited to:

EMF (Electromagnetic Field)

This risk can be broken down into three areas:

- failure to comply with national legislation or international guidelines set by the International Commission on Non-Ionizing Radiation Protection ('ICNIRP') as it applies to EMF, or failure to meet policy requirements;
- the risk arising from concerted campaigns or negative community sentiment towards location or installation of radio base stations, resulting in planning delays; and
- changes in the radio technology we use or the body of credible scientific evidence which may impact either of the two risks above.

We have an established governance for EMF risk management (a Group leadership team that reports to the Board, and a network of EMF leaders across all markets). The EMF task group, which was set up in FY20 to focus on assessing and reporting on the impact of 5G on EMF, has merged with the Group leadership team. The Group leadership team continues to update the Executive Committee twice a year on the impact of EMF restrictions in those markets with limits that do not align with international, science-based guidelines, as well as coordinating engagement with policy makers relating to 5G and EMF and assessing the impact of social media campaigns on public concern.

Vodafone continues to advocate for national EMF regulations to be harmonised with international guidelines. The 2020 updated guidelines from ICNIRP confirmed that there are no adverse effects on human health from 5G frequencies if exposure is within their guidelines. Vodafone always operates its mobile networks strictly within national regulations, which are typically based on, or go beyond, ICNIRP's guidelines, and we regularly monitor our operations in each country to meet those regulations.

Read more about EMF on page 49

Brexit

The EU-UK Trade and Cooperation Agreement, which came into effect on 1 January 2021, provides greater clarity on the trading relationship between the UK and the EU. Vodafone's cross-functional steering committee established early in the Brexit process identified risks and produced a comprehensive mitigation plan. Since the signing of the agreement, any outstanding risks have been managed by operational teams. The impact of the agreement, and any legal challenges to elements of the agreement, continue to be monitored, with further mitigations put in place where necessary.

Emerging risk

We face a number of uncertainties where an emerging risk may potentially impact us in the longer term. In some cases, there may be insufficient information to understand the likely scale, impact or velocity of the risk. We also might not be able to fully define a mitigation plan until we have a better understanding of the threat.

We continue to identify new emerging risk trends, using the input from analysis of the external environmental as well as internal participation from key stakeholders.

Using the identified emerging risks, we evaluate the impact and the effect it would have on our organisation (including the changes to our principal risks). The sub-set of our latest emerging risks are:

- Additional regulations or investor pressure brought on by Environmental, Social and Governance ('ESG') requirements;
- Depopulation of city centres;
- Ageing population; and
- Next-generation digitalisation.

Strengthening our framework

Over the course of the year, we have:

- Continued to improve our process for the identification and assessment of **emerging risks**;
- Further enhanced the process of collecting **key risk indicators** and monitoring early-warning signals in both the internal and external environment;
- Continued to align with the TCFD recommendations for **climate-related** risks and opportunities; and
- Defined a more **dynamic approach** to risk identification, assessment and escalation.

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TCFD disclosure

We recognise that climate change poses a number of physical (i.e. caused by the increased frequency and severity of extreme weather events) and transition-related (i.e. economic, technology or regulatory challenges related to moving to a greener economy) risks and opportunities for our business. As part of our commitment to operate ethically and sustainably, we are dedicated to understanding climate-related risks and opportunities and embedding responses to these into our business strategy and operations. We are aligning internal processes with the recommendations of the Task Force on Climate-related Financial Disclosures ('TCFD'). The summarised progress is detailed in this section as we aim to be fully aligned by 2022.

More in-depth information on our work to date on climate-related risks and opportunities, as well as further plans as we continue the TCFD programme can be found in our first standalone TCFD report.

Click to read our TCFD report:
investors.vodafone.com/tcfd

Governance

The Group External Affairs Director, a member of the Group Executive Committee, is the executive-level sponsor for the Planet agenda as part of our purpose-led strategy (pages 38-40) and has overall accountability for the climate change action within the Group. This includes providing updates to the Board on the progress towards our climate-related goals. In addition, at the 2020 AGM shareholders approved the current Remuneration Policy which incorporates our environmental, social and governance ('ESG') priorities in the executive long-term incentive plan. For FY21, this measure included a specific greenhouse gas reduction ambition linked to our 2025 target of reducing our emissions by 50% from the FY17 baseline. More details can be found in the Directors' Remuneration Report on pages 82-103. Further details on how TCFD is managed at Group and in key markets are available in our TCFD Report.

Strategy

This year, we have made progress in understanding the current and potential climate-related impacts on our business, strategy, and financial planning.

We have adopted three scenarios in line with the Bank of England's reference climate scenarios as outlined in their consultation document released in December 2019. This year, we conducted the required assessments to quantify the business impacts of all material climate-related risks under each scenario and over different time horizons to better understand the financial impact on our business.

To continue our TCFD programme, we will use the outputs of the scenario analysis to assist us in either adjusting or introducing policies, as well as considering the available opportunities. We continue to review each material climate-related risk and opportunity and build mitigation strategies to improve the resilience across our infrastructure portfolio and our key markets.

Risk management

We have continued to align the climate-related risk management process with the global risk management framework. The following data sources were used for this year's process:

- Climate-change publications and data;
- Relevant literature on the potential impacts of climate change on the ICT sector;
- Guidance from TCFD on potential risks and opportunities; and
- CDP (formerly Carbon Disclosure Project) data and disclosures from other companies in the ICT sector.

We evaluated the materiality of the identified risks and opportunities by assessing their likelihood and impact using our global risk management framework. This process helped us determine the relative significance of the climate-related risks in relation to other risks. We are currently working to further embed applicable climate-related risks, controls and monitoring metrics into our risk management framework using our emerging risks process.

Metrics and targets

We use a wide variety of metrics to measure climate-related current and potential impact. We have been measuring and reporting on energy and carbon emissions since 2001. In addition, we have set a number of ambitious targets to manage climate-related risks and reduce our impact on the environment, such as reaching 'net zero' emissions across our full value chain by 2040 and purchasing 100% renewable electricity in Europe by July 2021, and all markets by 2025. We constantly review whether any additional metrics and key risk indicators can be identified to measure and manage climate-related risks, and track and act on the opportunities resulting from the impact of climate change.

Material risks and opportunities

Physical risks:

- Damage to infrastructure caused by increasing frequency and severity of extreme weather events, including wildfires, flooding, storms
- Damage to infrastructure caused by sea level rise
- Interruption or reduction in the quality of our wireless services due to increased precipitation

Transition risks:

- Changing consumer preferences impacting our revenues and market share
- Increasing energy consumption due to increased global temperatures
- Changing cost of carbon impacting costs to meet Vodafone's net zero target
- Increasing risk of litigation around climate action
- Increase in carbon taxation
- Changes in regulation over infrastructure efficiency

Opportunities:

- Change in market valuation as a result of changing investor expectations with regard to climate change and Vodafone's ESG performance
- Change in the availability and cost of capital impacted by sustainability performance
- Increasing consumer attractiveness and ability to meet net zero targets through increased energy efficiency of products and services

Risk management (continued)

COVID-19

The vital role telecommunications companies play in society has become more evident during the COVID-19 pandemic. Telecommunications services are critical in enabling people to work remotely, allowing businesses to remain operational, supporting emergency services and government responses, and providing access to online education. Through our infrastructure, we have kept people and societies connected.

We have closely monitored the evolution of COVID-19 as it has continued to impact different countries to varying degrees over time and adapted our risk profile as required. We continue to maintain close contact with local health authorities and government agencies in all of our geographies, so that we minimise the risk to Vodafone, our operations and employees.

Governance

During the early stages of the pandemic, we initiated our response to this crisis by invoking the Group's crisis management process. This process enabled us to prepare a number of planning scenarios based on a range of assumptions and potential outcomes. A Crisis Steering Committee ('Steerco') continues to meet with representatives from the Group and our local markets. The Steerco receives updates and feedback on measures implemented locally, collects best practice, and assesses the adequacy of the Vodafone response as we monitor changes in the virus patterns and the impact it has on our operations.

Impact on our principal risks

We do not consider the COVID-19 pandemic as an individual risk but rather monitor how the pandemic amplifies our principal, emerging and operational risks see pages 54-58.

Using this approach, we are able to manage the 'domino effect' of different risk types while identifying both the negative and positive impacts on our operations. As shown on page 54, we assign each of our risks to a category (strategic, technological, operational and financial) which allows us to prioritise and provide the required assurance. The section below summarises the impact the pandemic had on the different risk categories.

Strategic

Given the nature of the telecommunications industry and the important role communication services have played during the pandemic, external stakeholders have focused more on our sector during the COVID-19 pandemic. We have continued to build stronger relationships and partnerships through our social contract with our stakeholders, industry players and governments when managing strategic risks.

Read more about social contracts on page 19

We continue to monitor external impacts caused by the COVID-19 pandemic. For example we monitor potential adverse changes in regulations or further scrutiny by regulatory authorities which could lead to higher taxes as governments address the potential budget deficit following the pandemic.

More positively, we have seen an increase in consumers and business customers adopting more data services such as video conferencing and video on demand streaming.

Financial

The COVID-19 pandemic has caused significant volatility in the financial markets. This can affect both our access to capital markets and the cost of debt. However, the telecommunications industry has not been as severely impacted. We anticipate a delayed impact as inflation rises due to an expected increase in spending, once countries begin to exit lock-downs. These inflation expectations can drive interest rates higher, which can make long-term borrowing more expensive.

Commercially, the biggest impact was related to our roaming and visitor revenue, however, we expect this to recover as vaccinations programmes are successful and travel restrictions are lifted. We anticipate that as furlough and other government support schemes start to be withdrawn, there might be a decrease in our customers' spending power.

Technological

We have seen a significant increase in data usage during the pandemic and therefore, we have focused on our capacity management processes. Additionally, some of our local markets operate critical national infrastructure which was increasingly needed during the pandemic, and we made sure that we implemented mitigations to better support our infrastructure.

With travel restrictions implemented in most countries, we were not always able to perform physical site visits for business continuity or to test our EMF exposure and therefore ran either robust desktop exercises or used new innovative ways to remotely evaluate our sites.

Read more about EMF operating model on page 49

All organisations have seen an increase in the number of phishing cyber security attacks as cyber criminals attempted to exploit the uncertainty of the pandemic.

Read more about cyber security on page 46

At the start of the crisis, telecommunications companies were exposed to unsubstantiated and misinformed allegations linking COVID-19 to our 5G rollout plan. This incited some vandalism to network equipment affecting our ability to service some of our customers.

Read more about EMF on page 49

Operational

We prioritised the safety and wellbeing of our people, ensuring that we had the business continuity plans in place to operate while most of our people moved to working from home.

Read more about our people wellbeing and safety on page 48

Additionally, to lessen the potential burden on our suppliers, we have implemented controls to assist them through our COVID-19 payment relief policy.

Read more about the supporting of small businesses on page 41

Due to lock-down, social distancing and COVID-19 related restrictions, our ability to physically serve our customers was restricted. We have accelerated and increased our digital transformation projects providing a better customer experience and to capture opportunities as consumer confidence and markets rebound.

Conclusion

To be better prepared for future events such as the COVID-19 pandemic, we have updated our risk process. This approach, which runs parallel to our principal risk process, allows for a quicker identification of threats and risks. The process provides better visibility to our internal stakeholders and more oversight and governance across our risks. We continue to monitor the risks and threats arising from COVID-19 and similar events.

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Long Term Viability Statement

The preparation of the LTVS includes an assessment of the Group's long-term prospects in addition to an assessment of the ability to meet future commitments and liabilities as they fall due over the three-year review period.

Assessment of viability

Vodafone continues to adopt a three-year period to assess the Group's viability, a period in which we believe our principal risks tend to develop. This time horizon is also in line with the structure of long-term management incentives and the outputs from the long range business planning cycle.

For 2021, as a result of the increased pressures on the global financial markets due to the COVID-19 pandemic, we conducted financial stress testing and sensitivity analysis, considering revenues at risk as well as the impact of our response plan to the crisis.

The assessment of the viability started with the available headroom as of 31 March 2021 and considered the plans and projections prepared as part of the forecasting cycle, which include the Group's cash flows, planned commitments, required funding and other key financial ratios. We also assumed that debt refinance will remain available in all plausible market conditions.

Finally, we estimated impact of severe but plausible scenarios for all of our principal and emerging risks on the three-year plan and, in addition, stress tested a combined scenario taking into account the risk interdependencies as defined on the diagram on page 54, where the following risks were modelled as materialising in parallel over the three-year period:

Cyber threat and information security: An external cyber-attack exploits vulnerabilities and leads to a GDPR fine.

Geo-political risk in supply chain: International and political decisions may affect our supply chain and restrict our ability to use critical suppliers.

Global economic disruption: A global economic crisis could result in reduced telco spend from businesses and consumers, as well as limit our access to financial markets and availability of liquidity.

Disintermediation and failure to innovate: A continued and interrupted growth of technology giants and new entrants could impact our business revenue and overall financial performance.

Assessment of long-term prospects

Each year the Board conducts a strategy session, reviewing the internal and external environment as well as significant threats and opportunities to the sustainable creation of long-term shareholder value (note that known emerging threats related to each principal risk are described in pages 54-57).

Read more about mega trends on pages 10-11

As an input to the strategy discussion, the Board considers the principal risks that are longer term in nature, (including Adverse political and regulatory measures, Market disruption and Disintermediation and failure to innovate) with the focus on identifying underlying opportunities and setting the Group's future strategy. The output from this session is reflected in the strategic section of the Annual Report (pages 8-11), which provides a view of the Group's long-term prospects.

Conclusions

The Board assessed the prospects and viability of the Group in accordance with provision 31 of the UK Corporate Governance Code, considering the Group's strategy and business model, and the principal risks to the Group's future performance, solvency, liquidity and reputation. The assessment takes into account possible mitigating actions available to management were any risk or combination of risks materialise.

Cash and cash equivalents available of €5.8bn page 168 as of 31 March 2021, along with options available to reduce cash outgoings over the period considered, provide the Group with sufficient positive headroom in all scenarios tested. Reverse stress testing on revenue and EBITDA over the review period confirmed that the Group has sufficient headroom available to face uncertainty. The Board deemed the stress test conducted to be adequate and therefore confirm that they have a reasonable expectation that the Group will remain in operation and be able to meet its liabilities as they fall due up to 31 March 2024.

Assessment of prospects

Outlook, Strategy & Business Model
Outlook of possible long-term scenarios expected in the sector and the Group's current position to face them
Assessment of the key principal risks that may influence the Group's long-term prospects
Articulation of the main levers in the Group's strategy and business model ensuring the sustainability of value creation

↓

Assessment of viability

Long Range Plan is the three-year forecast approved by the Board on an annual basis, used to calculate cash position and headroom

Headroom is calculated using cash, cash equivalents and other available facilities, at year end

Sensitivity analysis	Principal risks	Combined scenario
Sensitivity analysis to assess the level of decline in performance that the Group could withstand, were a **black swan** event to occur	Severe but plausible scenarios modelled to quantify the cash impact of an individual **principal risk** materialising over the three-year period	Quantification of the cash impact of **combined scenarios** where multiple risks materialise across one or more markets, over the three year period

Viability results from comparing the cash impact of severe but plausible scenarios on the available headroom, considering additional liquidity options

↓

Long-Term Viability Statement
Directors confirm that they have reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period

Governance at a glance

Leadership, governance and engagement

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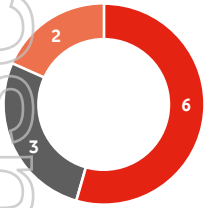
Our Board

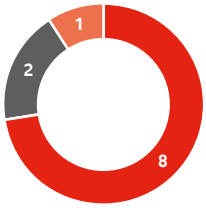
The Nominations and Governance Committee regularly reviews the Board's composition to ensure a diverse mix of backgrounds, skills, knowledge and experience as well as deep expertise in technology and telecommunications. Each year, the Board monitors and improves its performance by conducting an annual performance review.

Tenure



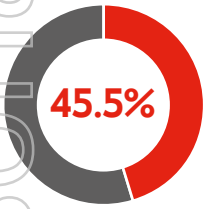
0-3 years 6 | 7-10 years 2 | 4-6 years 3

Independence



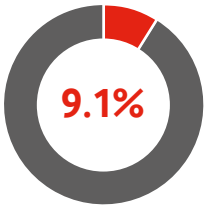
Independent 8 | Independent Non-Executive Chair 1 | Executive 2

Gender diversity



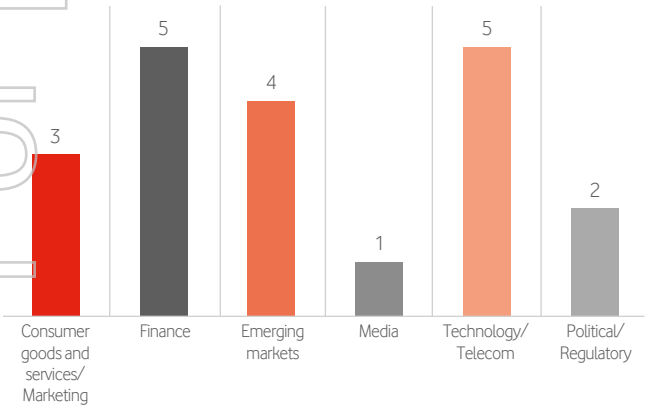
Female representation

Ethnicity



Ethnically diverse

Skills and expertise of Non-Executive Directors



Scan or click to watch our Chairman share his views on his first months at Vodafone: **investors.vodafone.com/videos-chair**

Attendance

Seven scheduled meetings of the Board were held during the year as well as five meetings of the Audit and Risk Committee, four meetings of the Remuneration Committee and three meetings of the Nominations and Governance Committee. Ad hoc meetings of the Board and its Committees were also held during the year, as required.

Name	Board[1]	Nominations and Governance Committee[1]	Audit and Risk Committee[1]	Remuneration Committee[1]
Sanjiv Ahuja	7/7	–	5/5	–
Sir Crispin Davis	7/7	3/3	1/1	–
Margherita Della Valle	7/7	–	–	–
Michel Demare	7/7	–	5/5	4/4
Dame Clara Furse	7/7	–	–	4/4
Valerie Gooding	7/7	3/3	–	4/4
Renee James[2]	6/7	3/3	–	4/4
Gerard Kleisterlee	4/4	1/1	–	–
Amparo Moraleda	7/7	–	5/5	–
David Nish	7/7	–	5/5	–
Nick Read	7/7	–	–	–
David Thodey	1/1	–	–	–
Jean-François van Boxmeer	5/5	2/2	–	–

Notes:
1. The number of attendances is shown next to the maximum number of meetings the Director was entitled to attend.
2. Renee James was unable to attend one scheduled meeting of the Board due to a prior business engagement.

Board evaluation

Progress in the year
- Jean-François' succession to the Chairman role completed and induction progressed.
- Presentations to the Board to enhance understanding of emerging risks and opportunities.
- The Board's strategy meeting was successfully held via video conference where a range of senior managers presented to the Board.

Actions for coming year
- Varied forms of engagement between Directors.
- Review the mix of skills in light of the next phase of our strategy.
- Concentration on organic improvement and growth.
- Monitoring progress on ESG and cultural change.

Read more on page 73

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Committee activities

The Committees undertake focused oversight of Board composition and performance, internal processes and controls and remuneration practices. On 11 May 2021, the Board approved the establishment of an ESG Committee to enhance its oversight of the ESG programme.

ESG Committee

The objective of our new ESG Committee is to provide oversight of Vodafone's ESG programme: Purpose (Inclusion for All; Planet; and Digital Society), sustainability and responsible business practices as well as Vodafone's contribution to the societies we operate in under the social contract. The Committee also monitors progress against key performance indicators and external ESG index results.

Nomination and induction

The Nominations and Governance Committee is normally responsible for the nomination of Directors, however the Chairman search was conducted by a sub-committee led by Valerie Gooding. An overview of the process for the nomination and induction of Jean-François is shown below. At the date of this report, Step 7 was completed.

New Non-Executive Director

It is intended that Olaf Swantee will join the Board as a Non-Executive Director following the AGM on 27 July 2021, subject to shareholder approval. Olaf has extensive experience of the telecommunications sector and a consistent record of creating shareholder value.

Read more on page 68

Scan or click to watch our prospective Non-Executive Director introduce himself: **investors.vodafone.com/videos-ned**

Audit and risk: In-depth reviews

The Audit and Risk Committee regularly performs deep dive reviews of our principal risks and key markets and operations. In addition to being provided with regular updates in these areas, deep dives were undertaken in legal and regulatory compliance, including our Group procurement company, Vodafone Business, Vodacom and M-Pesa, Germany and the UK, global economic disruption, cyber threat and information security, strategic transformation, technology failure, and geo-political risk in supply chain.

Scan or click to watch the Chair of the Audit and Risk Committee, David Nish, explain his role: **investors.vodafone.com/videos-arc**

Remuneration across the Group

The Remuneration Committee takes account of the pay policies in place across the wider business. Remuneration arrangements were reviewed across the business to ensure they fully aligned with our strategy, supported our purpose, and celebrated the Vodafone Spirit.

Principles of fair pay:

1. Market competitive
2. Free from discrimination
3. Ensure a good standard of living
4. Share in our successes
5. Provide benefits for all
6. Open and transparent

96%
shareholder support for the current Remuneration Policy

Read more on pages 84-89

Scan or click to watch the Senior Independent Director and Chair of the Remuneration Committee explain her role: **investors.vodafone.com/videos-rem**

Chairman's governance statement

Strong corporate governance supports our continued strategy execution, business resilience and contribution to societies in which we operate

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I am pleased to present the Corporate Governance Report for the year ended 31 March 2021 on behalf of the Board.

An effective and diverse Board

I was honoured to become Chairman of the Board on 3 November 2020 when Gerard Kleisterlee retired after a decade of service to Vodafone. I am grateful to him for the quality of the Board I have joined.

The restrictions imposed by the COVID-19 pandemic have meant my introduction to Vodafone has been almost entirely digital. This has reinforced for me the immense value of the connectivity Vodafone provides to customers, businesses, governments and society, enabling them to run their daily lives and operate smoothly and efficiently.

The restrictions on travel during the year meant that we held all our Board and Committee meetings by video conference. I am pleased that we were able to hold our meetings with the same cadence as usual, adjusting meeting times to account for different time zones. We also held a number of ad hoc meetings in the early days of the pandemic to ensure the Company was adapting quickly to the rapidly evolving situation.

This past year, we have seen the way the world works change profoundly and I have been impressed with the flexibility, creativity and dynamism of Vodafone in its response to the significant challenges we've faced. During the year, the Board worked with the executive team to ensure Vodafone developed and executed its strategy as well as contributing meaningfully to the efforts of governments and communities to manage the pandemic and to support our customers and employees during this unprecedented period.

The last year has been extremely challenging and I am grateful to my fellow Directors, the executive team and the people of Vodafone for their hard work and strong spirit throughout.

My colleagues on the Board are experienced business leaders who bring a wealth of knowledge and experience from diverse sectors and countries. This supports the Board's discussions on the strategic, operational and sustainability issues which affect the Company today or may do so in the future. As Vodafone moves ahead at pace with its strategy, I am working with my fellow Directors on the Nominations and Governance Committee to ensure our Board continues to comprise a mix of people who have diverse backgrounds, experiences, cultures and thinking styles and deep knowledge of the telecommunications and technology sectors. I am therefore pleased that shareholders will have the opportunity at our 2021 annual general meeting to appoint a new Director to our Board, Olaf Swantee, who has a wealth of experience in the telecommunications sector. I would also like to thank Renee James, ahead of her retirement from the Board on 27 July 2021, for her many valuable contributions to Vodafone during her tenure.

Purpose

Vodafone is a purpose led company. We connect for a better future, enabling inclusive and sustainable digital societies. The relevance of our purpose became very apparent during 2020, a year of pandemic, extreme climate events, and demands for more inclusive societies. Vodafone can, and will, play an important role in working with governments and others to address these issues. We have clear plans with targets for enabling inclusive digital societies and helping to tackle climate change. In the shorter term, we are committed to playing a key role in supporting the post-COVID economic and social recovery in the countries where we operate.

Opportunities and risks

As described in the Strategic Report, we see opportunities to grow Vodafone's business by deepening our relationship with customers and by developing new products and services for them.

We are driving forward energetically to capture these opportunities and doing so whilst also maintaining a strong focus on risk management. The Board and the Audit and Risk Committee have reviewed each of the Company's top 10 risks and during the year received detailed updates on risks relating to, amongst other topics, technology failure, geo-political risk in the supply chain, cyber threats, and information security. Furthermore, additional financial stress testing and liquidity impact analyses were carried out to reflect the impact of COVID-19 and to inform the Group's long-term viability statement.

Continued stakeholder engagement

In March, I had individual meetings with 20 of the Company's largest shareholders. Topics discussed included Vodafone's strategy, challenges and opportunities, the Company's portfolio of assets, our Board and my induction into the Company.

Our annual general meeting was held as a closed meeting on 28 July 2020 due to the restrictions imposed by the UK government at that time. It was disappointing for the Board not to be able to engage with shareholders in person. Nonetheless, the former Chairman, Gerard Kleisterlee, delivered a presentation to shareholders online and answers to questions submitted by shareholders were published on our website. These materials are available to view at vodafone.com/agm

Valerie Gooding continues to serve as the Board's Workforce Engagement Lead, gathering the views of employees through a number of employee consultative committees across all our European and African markets. As well as COVID-19 impacting the format for those meetings, it also dominated discussion at the forums. Valerie was impressed by employees' overwhelming support for Vodafone's efforts to respond to the COVID-19 pandemic.

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Culture

The Board regards culture as a key enabling factor for our strategic, organisational and digital transformation. The Vodafone Spirit campaign was launched successfully in December 2019, galvanising our culture with our purpose and strategy. One of our key values 'Get it done, together' could not have been more important during the last year as our employees worked tirelessly to keep our customers and others connected during the pandemic and to keep our people safe.

By April 2020, our global workforce had successfully transitioned to remote working and eight global employee feedback surveys conducted during the year showed that our employees were extremely satisfied they had the tools and support they needed to work safely at home and elsewhere.

Induction

Before succeeding Gerard Kleisterlee as Chairman, on 28 July 2020 I joined the Board as a Non-Executive Director. This three-month period of orderly transition and thorough handover was hugely valuable for me to draw from Gerard's knowledge and experience. Due to the restrictions imposed by the COVID-19 pandemic, my induction has been largely digital. It began with the executives compiling for me a comprehensive briefing document about the Group. Each section was written by an expert in their part of the business so I gained a valuable perspective in advance of my induction meetings.

During my induction I've been able to meet each of my fellow Board members and attended 16 meetings with executives and senior managers to discuss various topics, including technology, people and culture, strategy, commercial, finance, Vodafone Business, internal controls, risk and compliance, corporate governance and shareholders and investors. As travel restrictions ease, I look forward to visiting our key local markets. Of course, the Board cycle continued alongside my induction and I have attended 12 Board and Committee meetings to date.

The year ahead

During the coming year, the Board's focus will be on maintaining resilient financial performance through the execution of our strategy at pace.

Reflecting its ownership of environmental, social and governance matters, the Board has approved the establishment of a new ESG Committee as a Committee of the Board and the Board will benefit from its dedicated oversight of our ESG programme.

Jean-François van Boxmeer
Chairman of the Board

Scan or click to watch our Chairman share his views on his first months at Vodafone:
investors.vodafone.com/videos-chair

Compliance with the 2018 UK Corporate Governance Code (the 'Code')

In respect of the year ended 31 March 2021 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:

Board leadership and Company purpose	Read more
Long-term value and sustainability	32-51, 59, 66, 69-70
Culture	12, 21-22, 43, 66, 71-72
Shareholder engagement	12-13, 71-72
Other stakeholder engagement	12-13, 71-72
Conflicts of interest	75

Division of responsibilities	Read more
Role of the Chairman	67, 69
Division of responsibilities	62, 69-70
Non-Executive Directors	67-69
Independence	62, 74

Composition, succession and evaluation	Read more
Appointments and succession planning	63, 73-75
Skills, experience and knowledge	62, 67-68
Length of service	62, 67-68, 75
Evaluation	62, 73
Diversity	22, 36-37, 62, 75

Audit, risk and internal control	Read more
Committee	76-77
Integrity of financial statements	61, 77-78, 109
Fair, balanced and understandable	77, 108-109
Internal controls and risk management	79-80
External auditor	80
Principal and emerging risks	53-61, 77

Remuneration	Read more
Policies and practices	82-103
Alignment with purpose, values and long-term strategy	82-86
Independent judgement and discretion	83, 91

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 227 to 232.

Governance

Board leadership and Company purpose

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The Board is collectively responsible for ensuring leadership through effective oversight and review. It sets the strategic direction with the goal of delivering sustainable stakeholder value over the longer term, and has oversight of cultural and ethical programmes.

The Board also oversees the implementation of appropriate risk assessment systems and processes to identify, manage and mitigate Vodafone's principal risks. It is also responsible for matters relating to finance, audit and internal control, reputation, listed company management, corporate governance and effective succession planning, much of which is overseen through its principal Committees.

Full details of the Committees' responsibilities are detailed within the respective Committee reports starting on pages 74, 76 and 82

Purpose

The Board established our purpose pillars: Digital Society, Inclusion for All and Planet. Our purpose is aligned with our culture and strategy, placed at the forefront of our decision-making and strategy development, and the Board considers how the initiatives progressed by management throughout the year have advanced our purpose. This oversight ensures that product innovation realises our ambition, our services continue to improve people's lives with better connectivity, and our operations continue to be enhanced to reduce our impact on the environment.

Read in detail about our purpose on pages 32 to 42

Strategy

The Board monitors the Company's progress against established strategic objectives and performance against competitors. Board meetings are planned with reference to the Company's strategic priorities and meeting agendas are constructed to deliver information at appropriate junctures, and from a broad range of management, to ensure the Board's effective review and challenge. In furtherance of the 2019 Board effectiveness review, sufficient time continues to be allocated to items relating to the execution of the strategy to allow time for deeper discussion.

During the year, this was particularly important for matters related to the shape of Vodafone (for example, the carve-out of our new Vantage Towers business), developing and launching new consumer products and services (such as 5G and Curve), our 'big four' markets in Europe (Germany, Italy, Spain and the UK) and Vodacom in Africa, and the competitive, legal and regulatory landscape in which we operate (particularly in the light of COVID-19).

Read about the next phase of our strategy on pages 18 to 22

Values and culture

The Board has a critical role in setting the tone of our organisation and championing the behaviours we expect to see. Having launched in December 2019, the Vodafone Spirit galvanises our culture with our purpose and strategy. Eight global employee surveys were conducted during FY21 and the survey data was shared widely with employees and the Board. It was encouraging to see a very strong, positive response amongst employees to the Vodafone Spirit launch and that over 50,000 employees had engaged with local plans. The Board were interested in the areas measured by the surveys, the desire indicated by employees to improve 'Earn Customer Loyalty', and plans to attach indicators from surveys to business KPIs.

The cultural climate in Vodafone is comprehensively measured through a number of mechanisms including policy and compliance processes, internal audit and formal and informal channels for employees to raise concerns (including our annual people survey and our whistleblowing programme, Speak Up, which is also available to the contractors and suppliers working with us). The Board is appraised of any material whistleblowing incidents.

More information on Speak Up is provided on page 43

Governance

The Board ensures the highest standard of corporate governance is maintained by regularly reviewing developments in governance best practice and ensuring these are adopted by the Company. The Board dedicated time during the year to thoroughly consider the independence and time commitment of all Directors, the arrangements in place to monitor conflicts of interest, as well as evaluating the effectiveness of the Board and each of the Directors.

All Directors have access to the advice of the Company Secretary, who is responsible for advising the Board on all governance matters.

Read about our governance structure and roles and responsibilities on pages 69 to 70

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Extensive and diverse skills, knowledge and experience

Our business is led by our Board of Directors.

Biographical details of the Directors and senior management as at 18 May 2021 are provided.

External appointments listed are only those required to be disclosed pursuant to Listing Rule 9.6.

Click to find full biographical information for the Directors: **vodafone.com/board**

Jean-François van Boxmeer (N)

Chairman – Independent on appointment

Tenure: <1 year

Skills and experience:

Jean-François brings to the Vodafone Board his extensive international experience in driving growth through both business-to-business and business-to-consumer business models and in-depth knowledge of the countries in which Vodafone operates. Jean-François is highly-regarded as having been one of the longest standing and most successful CEOs in Europe. He was the Chief Executive of Heineken for 15 years, having been with the company for 36 years. Jean-François held a number of senior roles in Africa and Europe before joining Heineken's Executive Board in 2001 with worldwide responsibility for supply chain and technical services, as well as regional responsibility for the operating businesses in North-West Europe, Central and Eastern Europe and Sub-Saharan Africa.

External appointments:

- Mondelez International, Inc., non-executive lead director
- Heineken Holding N.V., non-executive director

Nick Read

Chief Executive – Executive Director

Tenure: 2 years (as Chief Executive)

Skills and experience:

As Chief Executive, Nick combines strong commercial and operational leadership with a detailed understanding of the telecoms sector and its opportunities and challenges.

Prior to becoming Chief Executive in October 2018, Nick served as Group Chief Financial Officer from April 2014, and held a variety of senior roles including Chief Executive for Africa, Middle East and Asia-Pacific for five years and Chief Executive of Vodafone UK. Prior to joining Vodafone, he held senior global finance positions with United Business Media Plc and Federal Express Worldwide.

External appointments:

- Booking Holdings Inc., non-executive director and member of nominating and corporate governance committee

Margherita Della Valle

Chief Financial Officer – Executive Director

Tenure: 2 years

Skills and experience:

Margherita brings considerable corporate finance and accounting experience to the Board. She was Deputy Chief Financial Officer from 2015 to 2018, Group Financial Controller from 2010 to 2015, Chief Financial Officer of Vodafone's European region from 2007 to 2010 and Chief Financial Officer of Vodafone Italy from 2004 to 2007. Margherita joined Omnitel Pronto Italia in Italy in 1994 and held various consumer marketing positions in business analytics and customer base management before moving to finance. Omnitel was acquired by Vodafone in 2000.

External appointments:

- Reckitt Benckiser Group plc, non-executive director and member of audit committee

Valerie Gooding CBE (N) (R)

Senior Independent Director and Workforce Engagement Lead

Tenure: 7 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 valuable to Board discussions.

Sanjiv Ahuja (A)

Non-Executive Director

Tenure: 2 years

Skills and experience:

Sanjiv is the founder and chairman of Tillman Global Holdings, which provides telecommunications and renewable energy project development services. He has broad telecoms expertise, having led mobile, broadband and infrastructure companies, such as Telcordia (formerly Bellcore), Orange SA, Bell Communications Research and Lightsquared, as well as considerable international experience from operating in Europe, the United States, Africa and Asia.

His comprehensive knowledge of the telecoms sector is valuable to Board discussions.

Sir Crispin Davis (N)

Non-Executive Director

Tenure: 6 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.

External appointments:

- Hasbro Inc., non-executive director and member of compensation committee and nominating, governance & social responsibility committee

Committee key

(A) Audit and Risk Committee

(R) Remuneration Committee

(N) Nominations and Governance Committee

● Solid background signifies Committee Chair

Governance (continued)

Michel Demaré (A) (R)

Non-Executive Director

Tenure: 3 years

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-Global Polyolefins & Elastomers Division, 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 and was the vice chairman of UBS Group AG for 10 years.

External appointments:

- AstraZeneca PLC, non-executive director and chair of the remuneration committee and member of the nomination and governance committee and the audit committee

Dame Clara Furse DBE (R)

Non-Executive Director

Tenure: 6 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. In 2008 she was appointed Dame Commander of the Order of the British Empire.

External appointments:

- Amadeus IT Group SA, non-executive director and chair of nominations and remuneration committee

Renee James (N) (R)

Non-Executive Director

Tenure: 10 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 of which she is a member.

External appointments:

- Oracle Corporation, non-executive director
- Citigroup Inc., non-executive director and member of risk management committee and operations & technology committee

Amparo Moraleda (A)

Non-Executive Director

Tenure: 3 years

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.

External appointments:

- Airbus Group, senior independent director, chair of nominations and governance committee and remuneration committee and member of ethics & compliance committee
- CaixaBank, non-executive director and chair of remuneration committee
- A.P. Moller - Maersk, non-executive director and member of the audit committee, remuneration committee and technology and innovation committee

David Nish (A)

Non-Executive Director

Tenure: 5 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.

External appointments:

- HSBC Holdings plc, senior independent director, chair of the audit committee and member of the risk committee and nomination & corporate governance committee

New Non-Executive Director

On 11 February 2021, it was announced that Olaf Swantee would stand for election by shareholders at the 2021 AGM. His biographical details can be found below:

Olaf Swantee

Prospective Non-Executive Director

Skills and experience:

Olaf brings a wealth of communications expertise, has a strong track record of value creation and has presided over a number of Europe's leading telecoms businesses. He is also passionate about technology and its potential to change society for the better.

Olaf was CEO of Sunrise Communications between 2016-2020 and transformed the company's brand, network and services to establish it as the quality challenger in the Swiss market. Prior to that he was CEO of EE, where he successfully merged Orange UK and T-Mobile.

External appointments:

- Mobile Zone, Chairman

Committee key

(A) Audit and Risk Committee

(R) Remuneration Committee

(N) Nominations and Governance Committee

● Solid background signifies Committee Chair

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Roles and responsibilities of the Board

The Board's role is to provide entrepreneurial leadership of Vodafone within a framework of effective controls which enables risks to be assessed and managed. The Board establishes the Company's purpose and values, approves strategy, and satisfies itself that these and its culture are aligned. It is responsible for ensuring the necessary resources are in place for the Company to meet its objectives and for measuring performance against them. The Board is accountable for promoting the long-term sustainable success of the Company, generating value for shareholders and contributing to wider society.

Operation of the Board and its Committees

The Board currently comprises the Non-Executive Chairman, two Executive Directors and eight Non-Executive Directors. Our Non-Executive Directors bring independent judgement, and wide and varied commercial and financial experience to the Board and Committees. A summary of each role can be found below.

The Matters Reserved for the Board and Committee terms of reference were last reviewed in March 2021.

Matters reserved and terms of reference are available on our website **vodafone.com**

Board meetings are structured to allow open discussions. At each meeting the Directors are made aware of the key discussions and decisions of the principal Committees by the respective Committee Chairs. Minutes of Board and Committee meetings are circulated to all Directors after each meeting. Details of the Board's activities during the year can be found on pages 71 and 72.

Chairman

- Leads the Board, sets each meeting agenda and ensures the Board receives accurate, timely and clear information in order to monitor, challenge, guide and take sound decisions;
- Promotes a culture of open debate between Executive and Non-Executive Directors and holds meetings with the Non-Executive Directors, without the Executive Directors present;
- Regularly meets with the Chief Executive and other senior management to stay informed;
- Ensures effective communication with shareholders and other stakeholders;
- Promotes high standards of corporate governance and ensures Directors understand the views of the Company's shareholders and other key stakeholders, and the section 172 Companies Act 2006 duties;
- Promotes and safeguards the interests and reputation of the Company; and
- Represents the Company to customers, suppliers, governments, shareholders, financial institutions, the media, the community and the public.

Senior Independent Director

- Provides a sounding board for the Chairman and acts as a trusted intermediary for the Directors as required;
- Meets with the Non-Executive Directors (without the Chairman present) when necessary and at least once a year to appraise the Chairman's performance and communicates the results to the Chairman; and
- Together with the Nominations and Governance Committee, leads an orderly succession process for the Chairman.

Non-Executive Directors

- Monitor and challenge the performance of management;
- Assist in development, approval and review of strategy;
- Review Group financial information and provide advice to management;
- Engage with stakeholders and provide insight as to their views, including in relation to workforce and the culture of Vodafone; and
- As part of the Nominations and Governance Committee, review the succession plans for the Board and key members of senior management.

Workforce Engagement Lead

- Engages with the workforce in key regions where we operate, answers direct questions from workforce-elected representatives, and provides the Board with feedback on the content and outcome of those discussions.

The Board

Responsible for the overall conduct of the Group's business including our long-term success; setting our purpose; monitoring culture and values; standards and strategic objectives; reviewing our performance; and maintaining positive dialogue with our stakeholders.

Audit and Risk Committee

Reviews the adequacy of the Group's system of internal control, including the risk management framework and related compliance activities.

Monitors the integrity of financial statements, reviews significant financial reporting judgements, advises the Board on fair, balanced and understandable reporting and the long-term viability statement.

Nominations and Governance Committee

Evaluates Board composition and ensures Board diversity and a balance of skills.

Reviews Board and Executive Committee succession plans to maintain continuity of skilled resource.

Oversees matters relating to corporate governance.

Remuneration Committee

Sets, reviews and recommends the policy on remuneration of the Chairman, executives and senior management team.

Monitors the implementation of the Remuneration Policy.

Oversees general pay practices across the Group.

ESG Committee *

Oversees the ESG programme, purpose (Inclusion for All, Planet and Digital Society) and the social contract.

Monitors progress against key performance indicators and external ESG index results.

Oversees progress on ESG commitments and targets.

Note:
* The Board approved the establishment of an ESG Committee on 11 May 2021.

Governance (continued)

Executive management

The Executive Committee is comprised of Nick Read, Chief Executive, Margherita Della Valle, Chief Financial Officer, a number of senior executives responsible for global commercial operations, human resources, technology, external affairs and legal, as well as the Chief Executive Officers of our largest operating companies in Germany, the UK, Italy, Spain, Europe Cluster and Vodacom Group.

Click to find biographies for each member of the Executive Committee: **vodafone.com/exco**

Executive Committee

Each year, the Executive 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 10 times during the year to consider the items noted below. In addition, in response to the COVID-19 pandemic, additional meetings were held weekly in the first part of FY21 to assess our response to the critical needs of our business, people and communities throughout the Group.

- Purpose and strategy;
- Updates on the Group's financial performance;
- Commercial and business performance updates;
- Sustainable business strategy and social contract;
- Developments in our business and portfolio;
- Brexit and COVID-19;
- Talent and succession plan updates; and
- Updates and reports on health and safety matters.

A new Executive sub-committee, the Global Products Board, was established during the year. This is led by Nick Read and is dedicated to overseeing our global product strategy, helping to coordinate commercial programmes by strategically evaluating capital allocation opportunities and identifying those capable of achieving scale across the Group.

Chief Executive

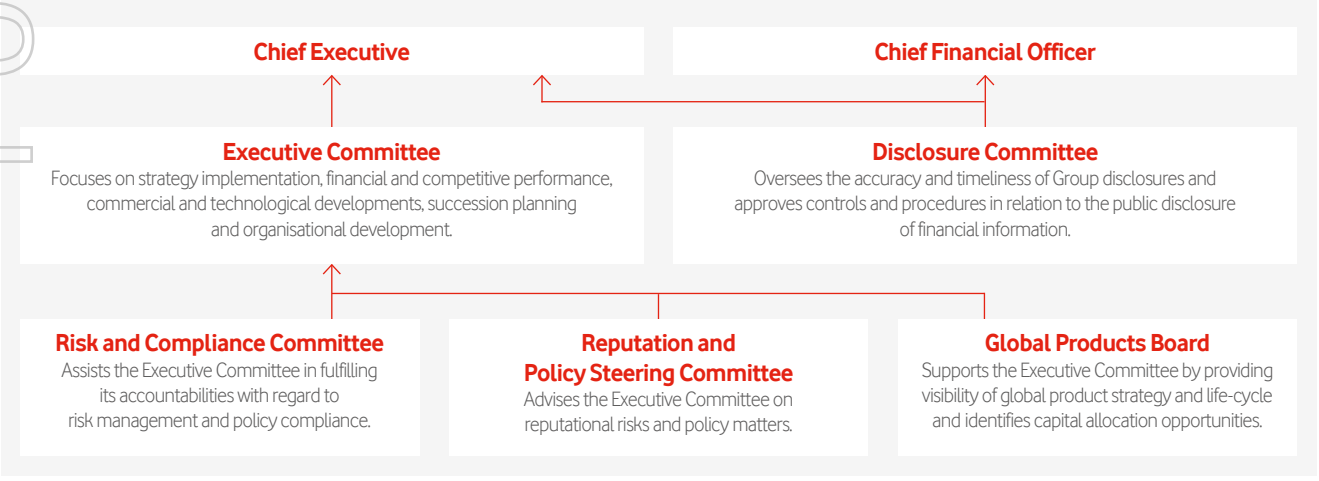
- Provides leadership of the Company, including representing the Company to customers, suppliers, governments, shareholders, financial institutions, employees, the media, the community and the public and enhances the Group's reputation;
- Leads the Executive Directors and senior management team in running the Group's business, including chairing the Executive Committee;
- Develops and implements Group objectives and strategy having regard to shareholders and other stakeholders;
- Recommends remuneration, terms of employment and succession planning for the senior executive team;
- Manages the Group's risk profile and ensures appropriate internal controls are in place;
- Ensures compliance with legal, regulatory, corporate governance, social, ethical and environmental requirements and best practice; and
- Ensures there are effective processes for engaging with, communicating with, and listening to, employees and others working for the Company.

Chief Financial Officer

- Supports the Chief Executive in developing and implementing the Group strategy;
- Leads the global finance function and develops key finance talent;
- Ensures effective financial reporting, processes and controls are in place;
- Recommends the annual budget and long-term strategic and financial plan; and
- Oversees Vodafone's relationships with the investment community.

Company Secretary

- Ensures compliance with Board procedures and provides support to the Chairman, to ensure Board effectiveness;
- Assists the Chairman by organising induction and training programmes and ensures that all Directors have full and timely access to all relevant information;
- Ensures the Board has high-quality information, adequate time and appropriate resources in order to function effectively and efficiently; and
- Provides advice and keeps the Board updated on corporate governance developments.



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Board activities and principal decisions

Board activities were structured to oversee the first phase of the Group's strategy and develop the next phase, to oversee our purpose and values, to review financial performance and to oversee the management of risks and internal controls. The key topics discussed are set out below.

Additional information on principal decisions taken by the Board, assessed as those decisions which are material to the Group's strategy, and a summary of the interests of key stakeholders and likely impact of decisions are shown in boxes.

Details of Vodafone's key stakeholders and how the Board engaged with them during the year is available on pages 12 and 13.

Deeper customer engagement

Improved quality and experience of service for our customers

Net Promoter Score
Targeted network capital allocation focused on the drivers of satisfaction for consumer and business customers.

Customer churn and net additions
Understanding the response of customers to our revised commercial offerings, which vary across markets, is crucial to developing the Board's understanding of performance against KPIs and the overall success of strategic initiatives.

Understanding customers' evolving needs
In addition to the above, the Board regularly received information from Executive Committee members and senior managers to understand in greater depth the evolving needs of consumers and business customers .

Network sharing
The Board reviewed a number of network sharing arrangements across our major European markets.

Accelerating digital transformation

Strengthened digital channel capabilities

Digitalisation and transformation of sales and service
The Board considered Digital First sales channels and its implications for the retail footprint, remote working arrangements and customer journeys.

Digital First: agile and culture
The Board received dedicated updates on the strategy for, and pace of, change within the business as we digitalise our processes and promote a culture that is passionate about Digital Society.

Improving asset utilisation

Improving the Group's return on capital

Vantage Towers
During 2021, the Board regularly reviewed progress on the creation of Vantage Towers, one of Europe's largest tower companies. In March 2021, the Board took a decision to sell 18.3% of the Group's interest in Vantage Towers AG on the Frankfurt stock exchange, enabling the realisation of €2.3 billion value whilst retaining a majority interest and management control.

Key stakeholder interests considered:
- **Investors:** executing on our strategy to improve asset utilisation and focus on lowering debt
- **Suppliers:** building stronger and broader relationships
- **People:** encouraging talent and diversity

Decision-making:
Different options to monetise the newly created Vantage Towers were presented to the Board. The Board acknowledged the interest expressed by investors in the proposed IPO, since the sale would realise value with the opportunity of reducing overall debt for the Vodafone Group. The Frankfurt market was considered well-suited for the European business.

It was considered desirable to retain management control in the near term in order to progress the strategy for the newly created Vantage Towers group.

Optimising the portfolio

Focus on two scale platforms in Europe and Africa

Integration of Liberty Global's assets
The Board considered the key integration outcomes of the acquisition, including synergies and stand-alone benefits and the commercial performance of the local markets in Germany, the Czech Republic, Hungary and Romania.

Vodafone Egypt
The Board agreed to sign a non-binding Memorandum of Understanding with Saudi Telecom Company ('stc') regarding the sale of Vodafone's 55% shareholding in Vodafone Egypt. Discussions with stc have since been terminated.

Merger of Indus Towers with Bharti Infratel
The Board was kept informed on the regulatory clearance for the merger of our Indus Towers assets with Bharti Infratel in India in November 2020.

TPG Telecom
The Board agreed the merger of Vodafone Hutchison Australia with TPG Telecom, which completed in July 2020 and resulted in Vodafone owning a 25.05% economic interest in the Australian listed company.

Governance (continued)

Our people

Investing in our talent and skills

Employee voice – Spirit

Progress with our newly launched cultural programme, 'The Spirit of Vodafone', was reported to, and monitored by, the Board. It was important for the Board to capture the sentiment of the workforce and measure the success of the programme.

Health and safety

The Board received reports on health and safety initiatives, considering the wellbeing of the people working for and with us throughout the Group. For incidents resulting in the death of an employee, the Board requests detailed reports on the ongoing work being undertaken to eliminate the risk of fatalities and work-related safety incidents.

Modern slavery

The Board monitors our compliance with the requirements of the UK Modern Slavery Act 2015.

Financial strength

Revenue, cost, free cash flow and balance sheet

US bonds

As part of its oversight of our business's long-term funding requirements, the Board receives annual updates on activity related to our two bond programmes; the US shelf programme listed on NASDAQ and the Euro Medium Term Note programme listed in both London and Dublin, to ensure cost efficient and dependable financial resources are available to the business. The first tranche of mandatory convertible bond matured in March 2021 and the Company issued a series of notes due between November 2021 and January 2024.

Dividend

To support each dividend approved by the Board, detailed updates are received from Group Investor Relations and Group Finance relating to financial resilience, performance outlook and external views and the Board has an opportunity to discuss those and other relevant considerations.

Key stakeholder interests considered:

- **Investors**: whilst reliable cash returns are generally positive for shareholders and attractive to prospective investors, the COVID-19 pandemic caused a divergence in views amongst institutional investors. Some were supportive of businesses retaining cash to protect themselves from the prolonged period of uncertainty, whilst others preferred that cash returns be maintained where appropriate.
- **Governments and regulators**: during COVID-19, the UK government expressed concerns over the long-term viability of businesses and encouraged businesses to consider retaining cash to 'weather the storm'.

Decision-making:

The concerns of our key stakeholders were considered by the Board. The Board's decision was supported by a robust assessment of the position, performance and viability of the business carried out by management. The Board was mindful that the Directors had continued to adopt the going concern basis in preparing the annual report and accounts and was also cognisant of available reserves to support the dividend.

On 16 November 2020, we announced a dividend of 4.5 eurocents per share and have recommended a dividend of 4.5 eurocents per share to be paid on 6 August 2021. This was consistent with dividends declared during FY20 and the expectations of our shareholders.

Other

System of internal control

Details of the operation of our internal risk and compliance processes informed the Board's discussions on cultural change and operational matters.

Risk tolerance and risk management

The Board reviewed management's identification and assessment of the top 10 principal risks and their impact on strategy and commercial initiatives.

Regulatory landscape

Executives provided regular and detailed updates on various regulatory matters, including the classification of the telecommunications sector as an 'essential service' during COVID-19, restrictions on our key suppliers, and spectrum auction structures.

COVID-19

The COVID-19 global pandemic has created an unprecedented challenge for the global economy. The Board was provided with comprehensive updates on the financial and business impact on Vodafone and the changes to the regulatory environment. The Board endorsed management's five-point plan which was launched in Spring 2020 to contribute to public efforts to respond to the COVID-19 pandemic. The Board kept under review the action taken by management to protect the health and safety of our people and continue to provide critical services to our customers, the emergency services and wider society.

Brexit

The Board considered the likelihood and potential impact of a no-deal Brexit on the Company and its stakeholders, with particular focus on Vodafone UK and Business. Following the withdrawal of the United Kingdom from the European Union on 31 January 2021, the Board continued to monitor any potential impact on our business.

ESG Committee

On 11 May 2021, the Board formally approved the establishment of a new Committee of the Board, the ESG Committee. The objectives of the ESG Committee include the oversight of Vodafone's ESG programme: Purpose (Inclusion for All; Planet; and Digital Society), sustainability and responsible business practices, as well as Vodafone's contribution to the societies we operate in under the social contract. The Committee also monitors progress against key performance indicators and external ESG index results.

Key stakeholder interests considered:

- **Investors**: strong ESG governance has become a key requirement of an ESG programme.
- **Governments and regulators**: ensure compliance with local and international legal and regulatory obligations.
- **Local Communities and NGOs**: ESG matters affect the day-to-day lives of the people in our local communities.
- **Suppliers and customers**: seek high ethical standards to be upheld end-to-end in the supply chain.
- **Employees**: seek protection from health and safety risks, but also take pride in being part of our commitment to ESG matters.

Decision-making:

The Board believed that the ESG Committee will promote the long-term success of Vodafone, for the benefit of its members as a whole and our key stakeholders, by providing the Board with enhanced oversight of ESG matters.

The establishment of a new ESG Committee is a strong signal to all our key stakeholders, and wider society, of the strength of Vodafone's commitment to its ESG programme and goals, and enhances the commitments made in the social contract.

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Effective use of our skills and experience and improving our performance

The Board recognises that it needs to continually monitor and improve its performance. This is achieved through the annual performance evaluation, full induction of new Board members and ongoing Board development. The conclusions of this year's review have been positive and confirmed that the Board remains effective.

Process undertaken for our Board evaluation

Since the appointment of a new Chairman of the Board in 2020, the Board decided to have an externally facilitated review of its effectiveness early in the new Chairman's tenure. Therefore it appointed Consilium Limited, an independent board review firm, to conduct the 2021 Board evaluation. Consilium had conducted the last externally facilitated review in 2019. The Board asked Consilium to assess whether the recommendations it had made in its 2019 review had been implemented and to make a new assessment of the Board's current effectiveness. Consilium is considered fully independent as it does not have a relationship with the Board or any Director.

Consilium took input from the Chairman, Senior Independent Director, Chief Executive and Company Secretary on the design of the review process and the areas to be covered by the questionnaire that was used to gather input to enable a rigorous review of the Board as a whole, its Committees and individual Directors' contributions to Board discussions and decision-making. The objectives of the review were to provide an assessment of Vodafone Group's Board effectiveness and governance.

A tailored Board questionnaire was compiled to gather and distil feedback. Consilium collated the responses from Directors, held interviews with selected Directors and the Company Secretary, made an independent assessment of the effectiveness of the Board and presented a report on its findings and recommendations to the Board which was considered at Board and Committee meetings in March 2021.

The evaluation was designed in part to evaluate the progress made on the four actions identified by the 2020 evaluation. Those were:

- Developing the Board's understanding of relevant regulatory authorities and further attention on customers.
- The effective induction of Jean-François van Boxmeer and seamless transfer of the Chairman role.
- A better understanding of customer insights and the development of its understanding and oversight of Vodafone Business.
- Enhancing the Board's Strategy meeting.

Summary of findings

Progress against 2020 actions

The evaluation determined that Jean-François' succession to the Chairman role had been successfully completed and the comprehensive induction could be improved only with personal visits to Vodafone's main operating locations once travel restrictions are eased.

Presentations to the Board on regulatory developments and consumer behaviours had enhanced the Board's understanding of emerging risks and opportunities for Vodafone.

The Board's Strategy meeting could not be held in person because of the COVID-19 pandemic but was successfully held via video conference and the Board benefited from receiving a range of presentations from senior managers.

Actions for the FY22 financial year

The 2021 Board review reported that virtual working had somewhat blunted the liveliness of discussions and the Directors, recognising the need to continue to improve the quality of conversations, agreed with Consilium's recommendations for:

- more and different forms of engagement between Directors, with and without the Executive Directors;
- refreshing the Board's composition and reviewing the mix of skills and experience on the Board in light of the next phase of strategy;
- continuing to ensure Board agendas concentrate on the specifics of organic improvement and growth and their underlying drivers; and
- understanding closely the organisation's capacity, capabilities and cultural change and monitoring progress on new proposition developments, ESG and culture change.

Details of the next Board evaluation and progress made on the above actions will be reported in the 2022 Governance Report.

Governance (continued)

Nominations and Governance Committee

The Nominations and Governance Committee ('the Committee') continues to focus on evaluating the composition of the Board. The Committee ensures that the Board is comprised with an appropriate balance of skills, knowledge, experience and diversity so that it is effective in discharging its responsibilities and in having oversight of all matters relating to corporate governance.

Chairman
Jean-François van Boxmeer

Members
Sir Crispin Davis
Valerie Gooding
Renee James

Key Responsibilities

- Assessing the composition, structure and size of the Board and its Committees and leading the process for appointments to the Board;
- Succession planning for the Board and Executive Committee, taking into account diversity and the need for an orderly succession;
- 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 comprised solely of independent Non-Executive Directors. The Committee had four scheduled meetings during the year which were fully attended by all members.

Due to the COVID-19 pandemic, Committee meetings were attended virtually by Committee members with other individuals and external advisers invited to attend all or part of the meetings as appropriate. The Committee's key areas for its focus in the coming year are set out below.

Key focus for the year

The key areas of focus for the next year:

- The completion of Jean-François van Boxmeer's induction;
- Subject to shareholder approval, the onboarding and induction of Olaf Swantee;
- Board and Executive Committee succession planning in order to maintain their necessary balance of skills, knowledge and experience to remain effective;
- Continuing to review Board independence and ensuring Directors have sufficient time to fulfil their Board responsibilities;
- Continuing to monitor compliance with the Code and future regulatory updates.

Letter from Committee Chairman

On behalf of the Board, I am pleased to present my first Nominations and Governance Committee Report for the year ended 31 March 2021. This past year, the main focus of the Committee has been Board and Executive Committee composition, succession planning and corporate governance matters, with a continued focus on the appointment of Non-Executive Directors with telecoms and technology expertise. I joined the Board on 28 July 2020 and was appointed Chair of the Board and joined the Committee with effect from 3 November 2020.

As Chairman of the Committee, I take an active role in overseeing the progress made towards improving diversity on the Board and the Executive Committee. Succession planning and the appointment process are key in promoting diversity in a way that is consistent with the long-term strategy of the Group. The Committee ensures we have sufficiently diverse, deep and broad expertise on the Board.

Our commitment to diversity and technology skills extends beyond the Board and Executive Committee. The Committee reviews initiatives which aim to develop the talent pipeline.

Further details of our programmes to manage talent can be found on page 22

Changes to the Board and Executive Committee

On 27 July 2020, David Thodey stepped down from the Board. Following the AGM and effective from 28 July 2020, I joined the Board as a Non-Executive Director, becoming Chairman on 3 November 2020 following Gerard Kleisterlee's resignation after 10 years of service.

I am pleased that shareholders will have the opportunity to appoint Olaf Swantee as a new Non-Executive Director at the AGM on 27 July 2021. Olaf has extensive experience of the telecommunications sector and a consistent record of creating shareholder value.

Renee James will not be standing for re-election at the AGM on 27 July 2021. Over her 10-year tenure, Renee has provided invaluable expertise and contribution to the Board and as a Committee member. On behalf of the Board I would like to extend my gratitude and thanks to Renee.

The Committee is regularly informed on succession planning and changes on the membership of the Executive Committee. During the year the following changes were made:

- On 1 November 2020 Colman Deegan was appointed as CEO Vodafone Spain and a member of the Executive Committee replacing Antonio Coimbra.
- Effective 15 February 2021 Nick Jeffery resigned as CEO of Vodafone UK and a member of the Executive Committee. On the same date, Ahmed Essam became CEO of Vodafone UK, retaining his place on the Executive Committee, and Alex Froment-Curtil became Group Chief Commercial Officer and joined the Executive Committee.

Assessment of the independence of the Non-Executive Directors

All Non-Executive Directors have submitted themselves for re-election at the 2021 AGM, other than Renee James who will retire from the Board at the 2021 AGM.

In accordance with the Code, the independence of all the Non-Executive Directors was considered by the Committee, including the circumstances for Gerard Kleisterlee and Renee James' tenures exceeding nine years to support succession planning and maintain diversity on the Board. All Non-Executive Directors are considered independent and they continue to make independent contributions and effectively challenge management.

The Executive Directors' service contracts and Non-Executive Directors' appointment letters are available for inspection at our registered office and will be available on display at the 2021 AGM.

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Management of conflicts of interest

The Companies Act 2006 provides that directors have a duty to avoid a situation in which they have or may have a direct or indirect interest that conflicts or might conflict with the interests of the Company. This duty is in addition to the existing duty owed to the Company to disclose to the Board any interest in a transaction or arrangement under consideration by the Company.

Our Directors must report any changes to their commitments to the Board, immediately 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 or potential conflicts identified are considered and, as appropriate, authorised by the Board in accordance with the Company's Articles of Association. A register of authorised conflicts is also reviewed periodically.

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, and that each Non-Executive Director is able to dedicate sufficient time to the Company's affairs. During the financial year, the Board noted that Sanjiv Ahuja, who is the Chairman of Tillman Global Holdings ('Tillman') which provides tower/fibre constructions ownership and maintenance, has a potential conflict of interest which has arisen as a result of Tillman operating in Europe where Vantage Towers also operates. The conflict of interest has been, and will continue to be, monitored and managed by Mr Ahuja not receiving materials or taking part in decisions relating to the Company's interest in Vantage Towers or towers matters generally.

The Committee is comfortable that it has adequate measures in place to manage and mitigate any actual or potential conflicts of interests that may arise in the future.

Board evaluation

In accordance with the Code, Vodafone conducts an annual evaluation of the performance of Board and Board Committee, which every Director engages in. This year an external evaluation took place; the outcome of the evaluation and the actions to be addressed during the financial year ending 31 March 2021 can be found on page 73.

Time commitment

In accordance with the Code, the Committee actively reviews the time commitments of the Board. All Directors are engaged in providing their external commitments to establish that they have sufficient time to meet their Board responsibilities. The Committee is satisfied that the Board does meet this requirement and all Directors provide constructive challenge, strategic guidance and hold the management to account.

Succession planning

An overview of my search and induction process can be found on page 63. The search and appointment process for your new Chairman began in 2019 via a sub-committee of the Committee, led by our Senior Independent Director, Valerie Gooding. Two external search consultancies were engaged to support, MWM Consulting and Spencer Stuart (both have no other connections with Vodafone or our Directors). The sub-committee recommended to the Board that I be appointed because it had concluded that I enhanced the mix of diversity, skills and experience for the Board, due to my extensive international experience, particularly across Europe and Africa, and for my expertise at Heineken for managing transformation and creating shareholder value.

The Committee monitors the length of tenure and the skills and experience of the Non-Executive Directors to assist in succession planning. Details of the length of tenure of each Director and summary of the skills and experience of the Non-Executives can be found on pages 67 and 68. The Committee is confident that the Board has the necessary mix of skills and experience to contribute to the Company's strategic objectives.

Diversity

In line with Vodafone's Board Diversity Policy, the Committee is firmly committed to supporting diversity and inclusion in the boardroom in compliance with the Code and acknowledges the importance of diversity and inclusion to the effective functioning of the Board.

As set out in our Board Diversity Policy, Vodafone's long-term ambition is to increase diversity on our Board in all its forms. The Committee annually reviews and agrees the Board Diversity Policy and monitors the progress made at Board and senior management levels during the financial year.

For the technology sector to reach its full social and economic potential it needs to more fairly reflect the world in which we operate. Diversity at Vodafone extends beyond the Board to the global workforce. The Committee has been and continues to monitor Vodafone's compliance with targets and best practice recommendations set for gender diversity by the Hampton-Alexander Review and for ethnic diversity by the Parker Review.

The Hampton-Alexander Review recommended that by 2020 there would be at least 33% female representation at the Board, Executive Committee positions and direct reports of the Executive Committee (the 'Senior Leadership Team'). We are pleased to report that as at 31 March 2021, five women and six men served on the Board, which meant that 45.5% of our Board were female. Our Executive Committee has four positions held by women (28.6%). In the Senior Leadership Team, 50 roles are held by women (30.7%), which is an increase from 2020 (28.9%). We are confident that the initiatives detailed on page 37 will support us to reach the Hampton-Alexander Review target and to achieve our ambition to have 40% of women holding management and leadership roles by 2030.

The Committee is mindful of the recommendation of the Parker Review Report to have at least one Director from a non-white ethnic minority by 2021 and is satisfied that our Board currently meets this recommendation, with 9.1% of the Board being ethnically diverse. Vodafone has implemented a self-declaration process on diversity characteristics including ethnicity on our people system to improve visibility in this area and inform decisions on actions required to support ethnic diversity within the organisation.

Read more about how we build a diverse and inclusive organisation on pages 34 to 37

Read more about our recognition in diversity indexes on pages 37

Governance

The Committee continues to review action taken to comply with the Code and other legal and regulatory obligations during the year. The Committee received regular governance updates and is satisfied that Vodafone has complied with the Code in full during the year.

The Matters Reserved for the Board and the terms of reference of the Nominations and Governance Committee, the Audit and Risk Committee and the Remuneration Committee were reviewed in March 2021.

Jean-François van Boxmeer
On behalf of the Nominations and Governance Committee

18 May 2021

Scan or click to watch our Chairman share his views on his first months at Vodafone:
investors.vodafone.com/videos-chair

Governance (continued)

Audit and Risk Committee

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The Committee plays a key role in the governance of the Group's financial reporting, risk management, internal control and assurance processes and the external audit. Cyber threat and information security remained a key focus for the Committee along with the impact of COVID-19 and the IPO readiness of Vantage Towers prior to its listing on 18 March 2021.

Chairman and financial expert
David Nish

Members
Sanjiv Ahuja
Michel Demaré
Amparo Moraleda

I am pleased to present our report to you as Chair of the Audit and Risk Committee. This report provides an overview of how the Committee operates, an insight into the Committee's activities and its role in ensuring the integrity of the Group's published financial information and the effectiveness of its risk management, controls and related processes.

The membership of the Committee changed during the year. Sir Crispin Davis stepped down to become a member of the Remuneration Committee. I would like to thank Sir Crispin for his significant contribution to the work of the Committee.

This year, the Committee focused on the following areas:

- Cyber threat and information security. External threats in this area continue to grow. The Committee met with the cyber security leadership team twice during the year to challenge the cyber security operating model and to ensure the security risks across the IT landscape are assessed and managed;
- Monitored progress before the initial public offering ('IPO') of Vantage Towers A.G. on 18 March 2021;
- The ongoing impacts of COVID-19 on Group risk management, cash flow and funding, accounting, disclosure and financial controls;
- Ongoing assessment of the risk and control environments at selected business units; and
- Deep-dive reviews with management on a range of topics related to the Committee's accountabilities and which are summarised in this report on page 81.

The Committee met seven times during the year, five times as part of its regular schedule of meetings and two supplementary meetings in December and February to review the IPO readiness of Vantage Towers. The attendance by members at Committee meetings can be seen on page 62. The external auditor is invited to each meeting.

Each regular meeting included reviews of risk and compliance related matters, although these areas received particular focus at the January meeting. At the September and March meetings we considered the anticipated matters impacting the Group's half-year and year-end reporting and approved the principal and emerging risks. In November and May, we concluded our risk assessment and advised the Board of the outcome prior to the release of the Group's half-year and year-end financial results.

Our external auditor, Ernst & Young LLP ('EY'), completed its second annual audit. EY continues to provide robust challenge to management and provides its independent view to the Committee on specific financial reporting judgements and the control environment.

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 2019 and concluded that the Board members considered the Committee to be thorough and fully effective in meeting its objectives. A finding of the Board effectiveness review conducted by Consilium in March 2021 was that the Committee was operating effectively.

David Nish
On behalf of the Audit and Risk Committee

Scan or click to watch the Chair of the Audit and Risk Committee explain his role:
investors.vodafone.com/videos-arc

Objective

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

Key responsibilities

The responsibilities of the Committee are to:

- Monitor the integrity of the financial statements, including the review of significant financial reporting judgements;
- Provide advice to the Board on whether the Annual Report is fair, balanced and understandable and on the appropriateness of the long-term viability statement;
- Review and monitor the external auditor's independence and objectivity and the effectiveness of the external audit;
- Review the system of internal financial control and compliance with section 404 of the US Sarbanes-Oxley Act;
- Review and provide advice to the Board on the approval of the Group's US annual report on Form 20-F;
- Monitor the activities and review the effectiveness of the Internal Audit function; and
- Monitor the Group's risk management system, review of the principal risks and the management of those risks.

Click to read the Committee's terms of reference:
vodafone.com/board

Committee governance

Committee meetings normally take place the day before Board meetings. The Chair reports to the Board, as a separate agenda item, on the activity of the Committee and matters of particular relevance. The Board has access to the Committee's papers and receives copies of the Committee minutes.

The Committee regularly meets separately with the external auditor, the Chief Financial Officer and the Group Audit Director without others being present. The Chair also meets regularly with the external lead audit partner throughout the year outside of the formal Committee process.

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The Chair is designated as the financial expert on the Committee for the purposes of the US Sarbanes-Oxley Act and the UK Corporate Governance Code. The Committee continues to have competence relevant to the sector in which the Group operates. The skills and experience of Committee members is detailed on pages 67 and 68.

COVID-19

The COVID-19 pandemic continues to have a range of implications on risk management and corporate reporting in the year. The key considerations are summarised below.

Principal and emerging risks

The impact of COVID-19 has been accounted for in the assessment of the Group's principal and emerging risks and uncertainties.

Corporate governance

The financial close process and external audit

As restrictions regarding social distancing and travel remained mostly in place during the year, the Group's employees involved in the preparation of ongoing management information, financial reporting and supporting the external audit continue to work from home, as do the external auditor teams. Our second year-end close process under restrictions benefited from the increase in our capabilities and the efficiencies we have developed over the year, working away from our offices.

Internal controls systems

The controls we implemented last year to support remote working remain in place.

Financial reporting

The impact of COVID-19 on current trading conditions has been factored into significant financial reporting judgements, notably our business plans used in impairment testing and amounts provided against receivables and contract assets for expected credit losses. See significant reporting judgements on page 78.

Long-term viability statement and going concern assessment

The Committee provides advice to the Board on the form and basis of conclusion underlying the long-term viability statement as set out on page 61 and the going concern assessment on page 109.

The Committee challenged management on its financial risk assessment as part of its consideration of the long-term viability statement. This included scrutiny of forecast liquidity, balance sheet stress tests, the availability of cash and cash equivalents through new or existing financing facilities and a review of counter-party risk to assess the likelihood of third parties not being able to meet contractual obligations. Certain elements of this exercise supplemented the normal annual process and assessment of the Group's prospects made by management, and included consideration of:

- 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;
- 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 FRC pronouncements: and
- Comprehensive disclosure in relation to the Group's liquidity provided in the consolidated financial statements. See note 22 "Capital and financial risk management".

Financial reporting

The Committee's primary responsibility in relation to the Group's financial reporting is to review, with management and the external auditors, the appropriateness of the half-year and annual consolidated financial statements. The Committee focuses on:

- The quality and acceptability of accounting policies and practices;
- Material areas in which significant judgements have been applied or where significant issues have been discussed with the external auditor;
- An assessment of whether the Annual Report, taken as a whole, is fair, balanced and understandable and whether our US annual report on Form 20-F complies with relevant US regulations;
- The clarity of the disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements;
- Providing advice to the Board on the form and basis underlying the long-term viability statement; and
- Any correspondence from regulators in relation to our financial reporting.

Accounting policies and practices

The Committee received reports from management in relation to:

- The identification of critical accounting judgements and key sources of estimation uncertainty;
- Significant accounting policies; and
- Proposed disclosures of these in the 2021 Annual Report.

Following discussions with management and the external auditor, the Committee approved the disclosures of the accounting policies and practices set out in note 1 "Basis of preparation" and within other notes to the consolidated financial statements.

Fair, balanced and understandable

The Committee assessed 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 reviewed 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 included 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 well as considering the interests of other stakeholders which will have an impact on the Company's long-term success of the entity.

The Committee reviewed a draft of the Annual Report to enable input and comment. The Committee also reviewed the results announcements, supported by the work of the Group's Disclosure Committee, which also reviews and assesses the Annual Report and investor communications.

This work enabled the Committee to provide positive assurance to the Board to assist them in making the statement required by the 2018 UK Corporate Governance Code.

Governance (continued)

Significant financial reporting judgements

The areas considered and actions taken by the Committee in relation to the 2021 Annual Report are outlined below. For each area, the Committee was satisfied with the accounting and disclosures in the financial statements.

Area of focus	Actions taken
Revenue recognition	
Revenue is a risk area given the inherent complexity of IFRS 15 accounting requirements and the underlying billing and related IT systems. See note 1 "Basis of preparation".	The accounting policy for, and related disclosure requirements of IFRS 15 that have been presented in the Annual Report, were reviewed in March and May 2021. The Committee challenged EY on the scope of their revenue audit processes as part of the agreement of the audit plan.
M&A transactions	
There have been a range of transactions in the year requiring accounting consideration. These include: – Vantage Towers related matters, focused mostly around lease accounting and goodwill allocation; – The buy-out offer to KDG minority shareholders; – The combination of the Group's interest in Indus Towers with Bharti Infratel; – The merger of Vodafone Hutchison Australia with TPG Telecom; – The sale of a portion of the Group's interest in INWIT; – The combination of the tower infrastructure assets of Vodafone Greece with Wind Hellas Telecommunications SA; and – Reversal of held for sale accounting for Vodafone Egypt.	The Committee reviewed and discussed the accounting of these transactions with management at the September 2020, March 2021 and May 2021 meetings. The Committee also received detailed reporting from the external auditor on its assessment on the accounting judgements and disclosures made by management in both the half-year and annual consolidated financial statements.
Vodafone Idea	
The disclosure and accounting judgements in relation to the impacts of Vodafone Idea Limited's ('VIL') adjusted gross revenue ('AGR') judgement debt on the Group's conditional and capped obligations to make certain payments to VIL under a payment mechanism agreed at the time of the merger between Vodafone India and Idea Cellular in 2017. See note 29 "Contingent liabilities and legal proceedings".	The Committee reviewed the appropriateness of the Group's provisioning in relation to potential liabilities under the payment mechanism agreed with VIL considering VIL's ability to make any further material payments of its AGR judgement debt. These reviews occurred at the September 2020, March 2021 and May 2021 Committee meetings.
Indus Towers	
The valuation of the security package provided by the Group to Indus Towers ('Indus') in respect of commitments of VIL to Indus. The classification of the investment in Indus as held for sale. See note 29 "Contingent liabilities and legal proceedings".	The Committee reviewed the classification of Indus as held for sale during the May 2021 Committee meeting considering (i) VIL's commitments to Indus and its ability to settle its obligations, (ii) the terms of the pledges contained within the security package, and (iii) the Group's obligations with respect to the loan secured against the Group's interests in VIL and Indus.
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. See note 16 "Provisions" and note 29 "Contingent liabilities and legal proceedings".	The Committee met with the Director of Litigation in November 2020 and May 2021 in advance of the half-year and year-end reporting, respectively. The Committee reviewed and challenged management's assessment of the current status of the most significant claims, together with relevant legal advice received by the Group, to form a view on the level of provisioning and disclosure in the financial statements.
Impairments	
Judgements in relation to impairment testing 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. See note 4 "Impairment losses".	The Committee reviewed and discussed detailed reporting with 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. The ongoing impact of COVID-19 has been factored into the latest business plans. The Group Head of Planning presented the output of the impairment exercise at the May meeting. During the year, the Group recorded no impairments in respect of its investments.
Taxation	
The Group is subject to a range of tax claims and related legal actions in a number of jurisdictions where it operates. 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 those losses. See note 6 "Taxation" and note 29 "Contingent liabilities and legal proceedings".	The Committee met with the Group Tax Director in November 2020 and May 2021 in advance of the half-year and year-end reporting, respectively. The Committee challenged the judgements underpinning both the provisioning and disclosures adopted for the most significant components of contingent taxation liabilities and the underlying assumptions for the recognition of deferred tax assets, principally the assessment of the amount of tax losses and the availability of future taxable profits in Luxembourg. The Group tax charge includes a €2.8 billion charge from the utilisation of deferred tax assets in Luxembourg as a result of a reduction in tax losses arising from an increase in the valuation of investments in local GAAP accounts.

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Regulators and our financial reporting

The FRC publishes thematic reviews to help companies improve the quality of corporate reporting around new accounting standards and also provides guidance and reviews the quality of reporting across public companies. The Group routinely reviews FRC publications, the most relevant publications for the 2021 financial close process being:

- Year-end advice to Audit Committee Chairs, CEOs and CFOs;
- Thematic review on existing disclosure requirements for IFRS 15 and IFRS 16; and
- Consolidated COVID-19 disclosure requirements issued in December 2020 which superseded previous publications on this topic.

The Group already complied with the majority of the recommendations and the 2021 Annual Report has been updated to adopt best practice where applicable.

In March 2021, the Corporate Reporting Review department of the Financial Reporting Council ('FRC') advised that our Annual Report for the year ended 31 March 2020 had been subject to their review and explanations were requested on certain accounting and disclosure matters. Our responses were accepted by the FRC and their review was closed in May 2021. This review resulted in enhancements to our disclosures which are reflected within this Annual Report.

Also in March 2021, the US Securities and Exchange Commission raised a number of matters in relation to disclosures within our Form 20-F for the year ended 31 March 2020. We submitted our written responses to the SEC and, as a result, our US Form 20-F for the year ended 31 March 2021 will reflect enhancements to our disclosures.

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, the compliance 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 Committee and, administratively, to the Group Chief Financial Officer. The function is composed of teams across Group functions and local markets. This enables access to specialist skills through centres of excellence and ensures local knowledge and experience. Cooperation with professional bodies and an information technology research firm has ensured access to additional specialist skills and an advanced knowledge base.

Internal Audit activities are based on a robust methodology and the internal quality assurance improvement programme ensures compliance with the Standards of the Institute of Internal Auditors. The function has invested in several initiatives to improve its effectiveness, particularly in the adoption of new technologies. The increased use of data analytics has provided broader and deeper audit testing and driven increased insights.

The Committee has a standing 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 audit plan was revisited in April 2020 to reflect the risks from the COVID-19 pandemic.

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

During the year, Internal Audit coverage focused on principal risks, which included: Global economic disruption, Cyber threat and information security, Legal and regulatory compliance and Technology failure. 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 across a range of areas, including data loss prevention and phishing, data privacy, network change management, sourcing, tariff and discounts management, credit vetting and collection, Vodafone Business solution delivery and M-Pesa. The activities performed by the shared service organisation also received attention due to their significant bearing on the effectiveness of global processes.

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

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

The Group's risk assessment process and the way in which significant business risks are managed is an area of focus for the Committee. The Committee's activity here was led primarily, but not solely, by the Group's assessment of its principal and emerging risks and uncertainties, as set out on pages 53 to 58. In particular, Cyber threat and information security remains a major focus for the Committee given the ongoing risks in this area.

The Group has an internal control environment designed to protect the business from the material risks which have been identified. Management is responsible for establishing and maintaining adequate internal controls and the Committee has responsibility for ensuring the effectiveness of those controls.

The Committee reviewed the process by which Group management assessed the control environment, in accordance with the requirements of the Guidance on Risk Management, Internal Control and related Financial and Business Reporting published by the FRC. Activity here was driven by reports from the Group Audit Director, the Director of Risk and a range of functional specialists covering areas such as anti-money laundering and policy compliance on the effectiveness of internal controls. Although not relevant in the financial period, this would include any identified incident of fraud, including those involving management or employees with a significant role in internal controls.

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. The review covered all material controls including financial, operating and compliance controls. The Committee confirms that the system of internal control operated effectively for the 2021 financial year. Where specific areas for improvement were identified, mitigating alternative controls and processes were in place. This allows us to provide positive assurance to the Board to help fulfil its obligations under the 2018 UK Corporate Governance Code.

Compliance with section 404 of the US Sarbanes-Oxley Act

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

Management is responsible for establishing and maintaining adequate internal controls over financial reporting and we have responsibility for ensuring the effectiveness of these controls. The Committee received updates on the Group's work in relation to section 404 compliance and the Group's broader financial control environment during the year. As the Group continues to centralise processes and controls into shared service centres, we continue to challenge management on ensuring the nature and scope of control activities change to ensure key risks continue to be adequately mitigated. The deeper use of automated

Governance (continued)

controls embedded within our systems is part of this ongoing evolution in the control environment.

The Committee also took an active role in monitoring the Group's compliance activities, including receiving reports from management in the year covering programme-level changes, the scope of compliance work performed and the results of controls testing. The external auditor also reports the status of its work in relation to controls in its reports to the Committee.

External audit

The Committee has primary responsibility for overseeing the relationship with the external auditor, Ernst & Young LLP ('EY'). This includes making the recommendation on the appointment, reappointment and removal of the external auditor, assessing their independence on an ongoing basis and approving the statutory audit fee, the scope of the statutory audit and the appointment of the lead audit engagement partner. Alison Duncan has held this role since the appointment of EY in the prior financial year.

EY presented to the Committee its detailed audit plan for the 2021 financial year, which outlined its audit scope, planning materiality and its assessment of key audit risks. The identification of key audit risks is critical in the overall effectiveness of the external audit process and these are outlined in the Audit Report on pages 110 to 120.

The Committee also received reports from EY on its assessment of the accounting and disclosures in the financial statements and financial controls.

The Committee will continue to review the auditor appointment and anticipates that the audit will be put out to tender at least every 10 years. The Company has complied with the Statutory Audit Services Order 2014 for the financial year under review. The last external audit tender took place in 2019 which resulted in the appointment of EY.

Independence and objectivity

In its assessment of the independence of the auditor, and in accordance with the US Public Company Accounting Oversight Board's ('PCAOB') standard on independence, the Committee received details of all relationships between the Company and EY that may have a bearing on their independence and received confirmation from EY that it is independent of the Company in accordance with US federal securities law and the applicable rules and regulations of the Securities and Exchange Commission ('SEC') and the PCAOB.

Effectiveness of the external audit process

The Committee reviewed the quality of the external audit throughout the year and considered the performance of EY, taking into account the Committee's own assessment, feedback, and the results of a detailed survey of senior finance personnel across the Group. Based on these reviews, the Committee concluded that there had been appropriate focus and challenge by EY on the primary areas of the audit and that EY had applied robust challenge and scepticism throughout the audit.

In January 2021, the FRC notified the Group that an audit quality review was completed in respect of the EY audit of the Group for the year ended 31 March 2020. The FRC's findings were reviewed by the Committee with EY. No issues were identified in the report and certain areas of good practice were noted.

EY audit and non-audit fees

Total fees payable to EY for audit and non-audit services in the year ended 31 March 2021 amounted to €28 million (2020: €29 million). This included fees of €9 million which were incurred as part of the IPO of Vantage Towers A.G. This comprised fees of €1 million for financial statement audit services and non-audit fees of €8 million for IPO services and Reporting Accountant procedures.

Audit fees

The Committee reviewed and discussed the fee proposal, was 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 an audit fee of €20 million for statutory audit services in the year (2020: €22 million).

Non-audit fees

To protect the independence and objectivity of the external auditor, the Committee has a policy for the engagement of the external auditor to provide non-audit services. The policy prohibits EY from playing any part in management or decision-making, providing certain services such as valuation work and the provision of accounting services. The Group's non-audit services policy incorporates the requirements of the FRC's Ethical Standard, including a 'whitelist' of permitted non-audit services which mirrors the FRC's Ethical Standard.

The Committee has pre-approved that EY 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 those permitted services that exceed these specified fee limits, the Committee Chair pre-approves the service.

Non-audit fees were €8 million (2020: €7 million) and represented 40% of audit fees for the 2021 financial year (2020: 32%). See note 3 "Operating profit/(loss)" for further details.

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In-depth reviews

The Committee requested management to provide in-depth reviews as part of the meeting agendas. These reviews are summarised below, together with the Group's principal risk to which the review relates.

Subject of in-depth review	Principal risk (see pages 54 to 57)
Principal risk deep-dive with the Group External Affairs Director, the Global Supply Chain Director and the Group Corporate Security Director.	Geo-political risk in supply chain
Business risk impact of COVID-19 which considered risks around supply chain management and the impact of the pandemic on the Group's principal risks. This was undertaken with the Group Strategy Director, the Global Supply Chain Director and the Group Head of Risk.	Global economic disruption
Review of the Long Term Viability Statement and the going concern assessment including the financial risk impact of COVID-19. This was undertaken with the Group Financial Controller, the Group Treasury Director, the Group Corporate Finance Director and the Group Head of FP&A.	Global economic disruption
Principal risk deep-dive and mitigating measures that are being taken.	Global economic disruption.
Cyber security briefings provided by the Group CTO and the Cyber Security Director. This included a threat assessment on the implications of remote working and details of oversight activities.	Cyber threat and information security
Principal risk deep-dive with a focus on the Italian market, from the Group CTO, the Group Cyber Security Director and the CEO of Vodafone Italy. This was in response to the reported data breach at Ho Mobile, a brand in Italy owned by the Group.	Cyber threat and information security
Principal risk deep-dive with the Group CTO and the Director of Strategy, R&D and Assurance.	Technology failure
Pre-IPO readiness assessments of Vantage Towers, including (i) status of preparations for it to become an effective listed company, (ii) the risk and control environment and (iii) a review of the financial statements including basis of preparation and accounting judgements. Input was provided by the Group General Counsel, the Group M&A Director, the Vantage Towers CFO and external legal counsel.	Strategic transformation
Deep-dive into the risk and control environment of the procurement company in Luxembourg from the Global Supply Chain Director.	Geo-political risk in supply chain Legal and regulatory compliance
Deep-dive into the risk, compliance and governance at Vodafone Business from the Vodafone Business CEO and CFO.	Disintermediation and failure to innovate Legal and regulatory compliance
Deep-dive into the risk, compliance and governance at Vodacom, including M-Pesa, from the Vodacom Group CEO, South Africa CFO and team.	Strategic transformation Legal and regulatory compliance
Deep-dive into the risk, compliance and governance at Vodafone Germany from the market CEO and CFO.	Strategic transformation Legal and regulatory compliance
Deep-dive into the risk and control environment at Vodafone UK, together with an overview of compliance with FCA obligations and preparations for Brexit. This was provided by the market CEO, CFO, CTO, General Counsel and External Affairs Director.	Technology failure Legal and regulatory compliance
Details of (i) year-end accounting and reporting matters and (ii) s404 compliance status from the Group Financial Controlling and Operations Director.	Legal and regulatory compliance
Details of legal contingencies and key investigations from the Group Litigation Director.	Legal and regulatory compliance
Tax update from the Group Tax Director.	Legal and regulatory compliance
Reports from the Group Audit Director on (i) Internal Audit activities and results, (ii) the Annual Report on market-level Audit and Risk Committee activities and (iii) the Internal Audit plan for FY22.	Legal and regulatory compliance
Update from the 'Speak Up' channel that enables employees to raise concerns about possible irregularities in financial reporting or other issues and the outputs of any resulting investigations.	Legal and regulatory compliance
Briefings from the Group Head of Risk who provided a mid-year update and an overview of the principal risks for FY22.	All principal risks

Remuneration Committee

Letter from the Remuneration Committee Chairman

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On behalf of the Board, I present our 2021 Directors' Remuneration Report.

This report includes both our Policy Report (as approved by shareholders at the 2020 AGM), and our 2021 Annual Report on Remuneration, which sets out how our policy was implemented during the year under review, and how it will be applied for the year ahead.

Response to COVID-19

The last year has been a challenging period for our colleagues, customers, and the societies in which we operate.

During this period our business has shown a high degree of resilience and has continued to provide vital services at a time when communication and connectivity is proving to be more important than ever both in our personal and professional lives.

This resilience is illustrated through how our operations have continued to function without needing to take the type of decisions that have been necessary in other industries and businesses. For example, we have not furloughed any of our employees and have continued our all-employee global reward review in both 2020 and 2021, including the delivery of performance related pay in line with our normal approach. We have also continued to pay a dividend throughout this period.

Such actions formed part of the Committee's consideration when determining a number of matters in the year including executive salaries, incentive outcomes, and package structures for the year ahead. The Committee has also continued to work within the spirit of its principles which aim to ensure our pay arrangements drive the behaviours critical to the delivery of our strategy, are aligned with performance, encourage shareholder alignment, and support our Fair Pay principles. Further details of the Committee's principles can be found online as part of our new digital content using the link on this page.

The remainder of this letter and report provides further information on the nature of and reasons for such decisions.

Stakeholder engagement during the year

As set out in last year's letter, we launched our remuneration policy consultation with our largest shareholders in November 2019 and the Committee would like to thank all shareholders who took the time to provide feedback during the period leading up to the shareholder vote at our 2020 AGM. Our Policy Report was approved by over 96% of shareholders, reflecting the importance and effectiveness of genuine two-way dialogue during such consultations. The intention continues to be for the current Policy Report to remain in place for its full three-year regulatory life-cycle.

In terms of engaging the employee voice, whilst COVID-19 prevented our European and South African employee forums from meeting face-to-face, both were able to take place online. As Senior Independent Director I attended one meeting with each forum, with feedback from the meetings subsequently reported back directly to the Board. The key topics raised by employee representatives this year focused on our response to COVID-19 including matters of remote working, employee well-being and communication during the period. I would like to thank the representatives from both forums for inviting me and demonstrating enthusiasm and diligence in our discussions.

Scan or click to watch the Senior Independent Director and Chair of the Remuneration Committee explain her role: **investors.vodafone.com/videos-rem**

When looking at the feedback from these forums and our other channels of engagement (including senior leader 'town hall' webinars/Q&A sessions, regular pulse surveys, and engagement through our digital collaboration platforms) it is clear that our colleagues valued the open and regular updates the business had given throughout the year in respect of our response to COVID-19. Colleagues have also expressed their pride in working for Vodafone during a period when our services have proved critical to so many areas of society.

Further details on our stakeholder engagement activities can be found on pages 12 and 13 of this Annual Report.

Arrangements for 2022

Base salary and pension arrangements

Neither the Chief Executive nor the Chief Financial Officer have received a salary increase since their appointment to their current roles in 2018. In light of their strong performance and growing experience in role, the Committee agreed an increase would be justified. However, in line with the restraint on salary increases for the wider leadership team, the Committee felt that salaries for both Executive Directors should remain unchanged for the year ahead. The Committee acknowledges the importance of our arrangements remaining fair and competitive and will review this situation again next year.

Pension arrangements for both Executive Directors will continue to remain aligned with the wider UK workforce at 10% of base salary.

Annual bonus ('GSTIP')

Given the importance of growth to our strategy, the Committee agreed it was appropriate to re-introduce service revenue as a performance measure for the 2022 short-term incentive. As set out in last year's report this measure had been removed from the 2021 plan due to the difficulty in setting an appropriate target given the uncertainty caused by COVID-19 at the time.

In light of the evolving external circumstances and our renewed confidence in being able to set a robust target for 2022 it was agreed this measure should be restored in the 2022 plan with a weighting of 25%. The remaining measures of free cash flow, EBIT, and customer appreciation KPIs which have been retained from the 2021 structure, will also be equally weighted at 25% for the 2022 plan.

Global long-term incentive ('GLTI')

Following the approval of the Policy Report at our 2020 AGM, the first grant under our new GLTI structure which incorporates an ESG measure was made in November 2020. For 2022 the intention is to keep the same structure in line with our agreed normal policy. The intention is for such awards to be made in August 2021 with the Committee reviewing both internal and external considerations prior to formally approving the awards at the July 2021 meeting. Further details can be found on pages 101 and 102.

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Performance outcomes during 2021

GSTIP performance (1 April 2020 – 31 March 2021)

Annual bonus performance during the year was measured against both financial and strategic measures. Due to the difficulty in setting a service revenue target in light of the uncertainty created by COVID-19 at the start of the financial year the financial measures were adjusted free cash flow and adjusted EBIT whilst the strategic measure was assessed against customer appreciation KPIs. All three measures were equally weighted at 1/3 of total bonus opportunity.

Performance under both of the financial measures and the strategic measure was above the mid-point of the target range. The combined performance resulted in an overall bonus payout of 62.0% of maximum. Further details on performance can be found on pages 91 and 92.

GLTI performance (1 April 2018 – 31 March 2021)

The 2019 GLTI award (granted June 2018) was subject to free cash flow (2/3 of total award) and relative TSR (1/3 of total award) performance. Both performance conditions were measured over the three-year period ending 31 March 2021.

Final FCF performance finished below the mid-point of the target range resulting in 33.6% of the FCF element vesting. TSR performance was below the median of the peer group resulting in no vesting under this element. This resulted in an overall vesting percentage of 22.4% of maximum. Further details of this vesting calculation can be found on pages 92 and 93.

Consideration of discretion

The Committee reviewed the outcomes of both the annual bonus and long-term incentive plan and considered the results both against the relevant performance targets and the wider internal and external context. As set out at the start of this letter, it was noted that the business had remained resilient during the pandemic and that the bonus outcome for the year reflected this. The Committee also agreed that the outcome under the long-term incentive was appropriate given performance against the three-year targets, particularly noting that the TSR element would lapse in full. The Committee therefore concluded discretion was not required. Further details can be found on page 91.

Looking forward

Renee James will be stepping down from the Board at the 2021 AGM. I would like to take this opportunity to thank Renee for her service to both this Committee and the wider Board.

This year has once again been one of disruption and adaptation as our colleagues, customers and societies have dealt with the developing COVID-19 pandemic. Our people and business alike have shown resilience and strength in the face of these challenges and it is this dedication and commitment which will enable the next stage of our transformation towards becoming the new generation connectivity and digital services provider for Europe and Africa.

The rest of this report sets out both our Policy Report, as approved at the 2020 AGM, and our Annual Report on Remuneration which sets out the decisions and outcomes summarised in this letter in further detail.

Valerie Gooding
Chairman of the Remuneration Committee

18 May 2021

Remuneration at a glance

Component	2021 (year ending 31 March 2021)	2022 (year ending 31 March 2022)
Fixed pay		
Base salary	**Effective 1 July 2020:** Chief Executive: £1,050,000 (no increase). Chief Financial Officer: £700,000 (no increase).	**Effective 1 July 2021:** Chief Executive: £1,050,000 (no increase). Chief Financial Officer: £700,000 (no increase).
Benefits	Travel related benefits and private medical cover.	Travel related benefits and private medical cover.
Pension	Pension contribution of 10% of salary for all Executive Directors.	Pension contribution of 10% of salary for all Executive Directors.
Annual bonus		
GSTIP	**Opportunity (% of salary):** Target: 100%/Maximum: 200% **Measures:** Adjusted EBIT (1/3), adjusted FCF (1/3), and customer appreciation KPIs (1/3).	**Opportunity (% of salary):** Target: 100%/Maximum: 200% **Measures:** Service revenue (25%), adjusted EBIT (25%), adjusted FCF (25%), and customer appreciation KPIs (25%).
Long-term incentive		
GLTI	**Opportunity (% of salary – maximum):** Chief Executive: 500%/Other Executive Directors: 450% **Measures:** Adjusted free cash flow (60%) , relative TSR (30%), and ESG (10%). **Performance/holding periods:** Three-year performance + two-year holding period.	**Opportunity (% of salary – maximum):** Chief Executive: 500%/Other Executive Directors: 450% **Measures:** Adjusted free cash flow (60%) , relative TSR (30%), and ESG (10%). **Performance/holding periods:** Three-year performance + two-year holding period.

Remuneration Policy

Remuneration Policy – notes to reader

No changes have been made to our policy since its approval at the 2020 Annual General Meeting which was held on 28 July 2020. Our approved Policy Report is available on our website at vodafone.com, and has been reproduced below in the shaded boxes exactly as it was set out in the 2020 Annual Report. As such, some of the policy wording is now out of date; this includes references to the 2020 Annual General Meeting and page number references.

Remuneration Policy

In this forward-looking section we describe our Remuneration Policy for the Board. This includes our considerations when determining policy, a description of the elements of the reward package, 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 2020 AGM and we intend to implement it at that point. A summary and explanation of the proposed changes to the current Remuneration Policy is provided on page 100. Subject to approval, we will review our policy each year to ensure that it continues to support our company strategy and if it is necessary to make a change to our policy within the next three years, we will seek shareholder approval.

Considerations when determining our Remuneration Policy

Our remuneration principles which are outlined on page 97 guide the Remuneration Committee when making decisions on our policy and its implementation. A critical consideration for the Remuneration Committee when determining our Remuneration Policy is to ensure that it supports our company purpose, strategy, and business objectives.

A variety of stakeholder views are taken into account when determining executive pay, including those of our shareholders, colleagues, and external bodies. Further details on how we engage with, and consider the views of, each of these stakeholders are set out on page 115.

In advance of submitting our policy for shareholder approval we ran a thorough consultation exercise 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 2017 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 97 and 98 whilst a summary of the proposed changes to our current policy, which are incorporated in this revised Remuneration Policy report, is provided on page 100.

Listening to and consulting with our employees is very important and the Committee is supportive of the growing focus on engaging the employee voice, which has accompanied recent changes to the UK Corporate Governance Code. Our engagement with colleagues can take different forms in different markets but includes a variety of channels and approaches including our annual people survey which attracts very high levels of participation and engagement, regular business leader Q&A sessions, and a number of internal digital communication platforms.

Our Senior Independent Director also undertakes an annual attendance at our European employee forum, and a similar body in South Africa, with any questions or concerns raised by the employee representatives fed back directly to the Board for consideration and discussion.

We do not formally 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, the Remuneration Committee is briefed on 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 approach to remuneration for other employees is given on page 105.

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, ESG measures, 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 normally disclose the targets for each long-term award in the Remuneration Report for the financial year preceding the start of the performance period – where this is not possible, such targets will be disclosed at the time of grant and published in the next Remuneration Report.

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.

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Malus and clawback

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 five years after the relevant grant date. The key trigger events for the use of the clawback arrangements include material misstatement of performance, material miscalculation of performance condition outcomes, gross misconduct, and reputational damage.

Subject to approval of this Remuneration Policy, these arrangements will be applicable to all bonus amounts paid, or share awards granted, following the 2020 AGM. The current clawback arrangements, which are set out in the Remuneration Policy approved by shareholders at the 2017 AGM, have been applicable to all bonus amounts paid, or share awards granted, since the 2017 AGM.

The Remuneration Policy table

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

Fixed pay: **Base salary**	
Purpose and link to strategy	**To attract and retain the best talent**
Operation	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.
Opportunity	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.
Performance metrics	None.
Fixed pay: **Pension**	
Purpose and link to strategy	**To remain competitive within the marketplace**
Operation	– Executive Directors may choose to participate in the defined contribution pension scheme or to receive a cash allowance in lieu of pension.
Opportunity	– The pension contribution or cash payment is equal to the maximum employer contribution available to our UK employees under our Defined Contribution scheme (currently 10% of annual gross salary).
Performance metrics	None.
Fixed pay: **Benefits**	
Purpose and link to strategy	**To aid retention and remain competitive within the marketplace**
Operation	– 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.
Opportunity	– 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.
Performance metrics	None.

Remuneration Policy (continued)

Annual bonus – **Global Short-Term Incentive Plan ('GSTIP')**	
Purpose and link to strategy	**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 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.**
Operation	– 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. A mandatory deferral of 25% of post-tax bonus earned into shares for two years will normally apply except where an executive has met or exceeded their share ownership requirement.
Opportunity	– 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 metrics	– Performance over each financial year is measured against stretching targets set at the beginning of the year. – The performance measures normally comprise 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 churn, revenue market share, and NPS.
Long-term incentive – **Global Long-Term Incentive Plan ('GLTI')**	
Purpose and link to strategy	**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.** **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.**
Operation	– Award levels and the framework for determining vesting are reviewed annually. – Long-term incentive awards consist of shares subject to performance conditions which are granted each year. – Awards will normally vest not less than three years after the respective award grant date based on Group performance against the performance metrics set out below. In exceptional circumstances, such as but not limited to where a delay to the grant date is required, the Committee may set a vesting period of less than three years, although awards will continue to be subject to a performance period of at least three years. – All post-tax shares are subject to a mandatory two year holding from the date of vest prior to release. – Dividend equivalents are paid in cash after the vesting date.
Opportunity	– Maximum long-term incentive face value at award of 500% of base salary for the Chief Executive and 450% for other Executive Directors. – Threshold long-term incentive face value at award is 20% of maximum opportunity. Minimum vesting is 0% of maximum opportunity. Awards vest on a straight-line basis between threshold and maximum. – 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.
Performance metrics	– Performance is measured against stretching targets set at the time of grant. – Vesting is determined based on the following measures: adjusted free cash flow as our operational performance measure, relative TSR against a peer group of companies as our external performance measure, ESG as a measure of our external impact and commitment to our purpose. – Weightings will be determined each year and will normally constitute 60% on adjusted free cash flow, 30% on relative total shareholder return, and 10% on ESG. The Committee will determine the actual weighting of an award prior to grant, taking into account all relevant information.

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Notes to the Remuneration Policy table

Existing arrangements

We will honour existing awards, 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 any 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 "2020 award" was made in the financial year ending 31 March 2020. The awards are usually made in the first half of the financial year.

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

- underlying operational performance as measured by adjusted free cash flow;
- relative Total Shareholder Return ('TSR') against a peer group median; and
- performance against our Environmental, Social, and Governance ('ESG') targets.

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	20%
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	20%
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.

ESG performance

Our ESG targets will be set on an annual basis (as per the approach for our other performance measures), and will be aligned to our externally communicated ambitions in this area. Where performance is below the agreed ambition, the Committee will use its discretion to assess vesting based on performance against the stated ambition and any other relevant information.

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 variances 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.

Remuneration Policy (continued)

Estimates of total future potential remuneration from 2021 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 2021 financial year. Potential outcomes based on different performance scenarios are provided for each Executive Director.

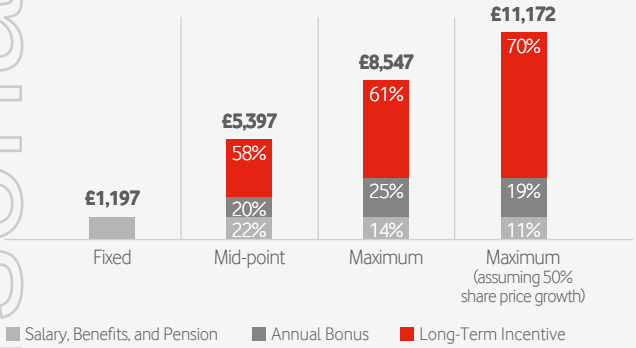
The assumptions underlying each scenario are described below[1].

Fixed	Consists of base salary, benefits and pension.
	Base salary is at 1 July 2020.
	Benefits are valued using the figures in the total remuneration for the 2020 financial year table on page 109 (of the 2020 report).
	Pensions are valued by applying cash allowance rate of 10% of base salary at 1 July 2020.

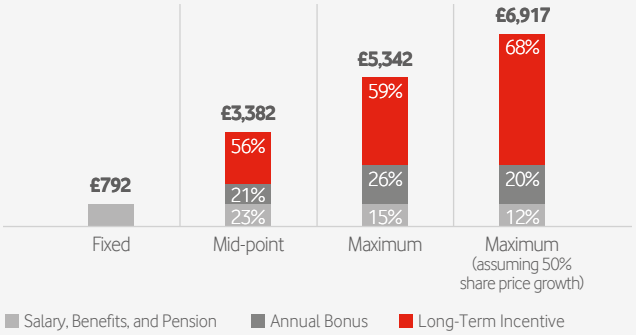
	Base (£'000)	Benefits (£'000)	Pension (£'000)	Total fixed (£'000)
Chief Executive	1,050	42	105	1,197
Chief Financial Officer	700	22	70	792

Mid-point	Based on what a Director would receive if performance was in line with plan.
	The opportunity for the annual bonus ('GSTIP') is 100% of base salary under this scenario.
	The opportunity for the long-term incentive ('GLTI') reflects assumed achievement mid-way between threshold and maximum performance.
Maximum	The maximum award opportunity for the GSTIP is 200% of base salary.
	The maximum GLTI opportunity reflects full vesting based on the maximum award levels set out in this Remuneration Policy (i.e. 500% of base salary for the Chief Executive and 450% of base salary for the Chief Financial Officer).
All scenarios	Long-term incentives consist of share awards only which are measured at face value i.e. no assumption for cash dividend equivalents payable.

Nick Read Chief Executive £'000



Margherita Della Valle Chief Financial Officer £'000



Note:
1. In line with UK reporting requirements, the fourth bar in each chart reflects the same assumptions as per the Maximum scenario but with an assumed share price increase of 50% (which subsequently increases the hypothetical value of the long-term incentive under this scenario by the same percentage).

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 103 and 104) 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 500% 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

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.

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Treatment of corporate events

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, unless the Committee determines otherwise.

In the event of a demerger, distribution (other than an ordinary dividend) or other transaction which would affect the current or future value of any award, the Committee may allow awards to vest on the same basis as for a change of control described above. Alternatively, an adjustment may be made to the number of shares if considered appropriate.

Payments for departing Executive Directors

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 a fee to our Chairman which includes 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 and/or hold the position of Senior Independent Director. Non-executive fee levels are set within the maximum level as approved by shareholders as part of our Articles of Association. We review the structure of fees from time to time and may, as appropriate, make changes to the manner in which total fees are structured, including but not limited to any additional chair or membership fees.
Allowances	– Under a legacy arrangement, an allowance is payable each time certain non-Europe-based Non-Executive Directors are 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 letters of appointment

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 Nominations 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 2021 financial year. The Committee's function is to exercise independent judgement and consists only of the following independent Non-Executive Directors:

Chairman: Valerie Gooding
Committee members: Michel Demaré, Dame Clara Furse and Renee James

The Committee regularly consults with Nick Read, the Chief Executive, and Leanne Wood, the Chief Human Resources Officer, 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 is 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 following 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; advice specific to remuneration matters in the context of COVID-19; and performance analysis.	£158	Reward and benefits consultancy; provision of benchmark data; outsourced pension administration; and insurance consultancy services.

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

2020 Annual General Meeting – Remuneration Policy voting results

At the 2020 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	17,195,227,349	96.41	639,935,461	3.59	17,835,162,810	185,334,870

2020 Annual General Meeting – Remuneration Report voting results

At the 2020 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	17,153,884,741	95.50	807,934,531	4.50	17,961,819,272	58,861,777

Meetings

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

Meeting	Agenda items	
May 2020	– 2020 annual bonus achievement and 2021 targets/ranges – 2018 long-term incentive award vesting and 2021 targets/ranges	– External market update – 2020 Directors' Remuneration Report
July 2020	– 2020 AGM update	– Vantage Towers update
November 2020	– 2021 long-term incentive award grant	– Share plan update
January 2021	– Share plan update	– Gender Pay Gap reporting
March 2021	– Risk assessment of incentive plans – 2022 short-term incentive structure – Remuneration arrangements across Vodafone – Committee's terms of reference	– Chairman and Non-Executive Director fee levels – 2022 reward packages for the Executive Committee – Remuneration Committee performance review – 2021 Directors' Remuneration Report

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2021 remuneration

In this section we summarise the pay packages awarded to our Executive Directors for performance in the 2021 financial year versus 2020. 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 2021 as a result of the performance through the three-year period ended at the completion of our financial year on 31 March 2021.

Consideration of the use of discretion

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.

The Committee reviewed incentive outcomes at the May 2021 meeting and determined them to be appropriate in light of business performance across the relevant performance periods. The Committee agreed that the business had remained resilient during the COVID-19 pandemic, noting how the business had responded in an agile and effective manner during the year under review. In particular the Committee noted that no employees had been furloughed (either in the year under review, or the prior year), the business was continuing to maintain a dividend, and wider employee pay reviews, including the delivery of performance-related pay, had been carried out in both years of the pandemic. It was subsequently agreed that no adjustments were required to either the short-term or long-term incentive outcomes this year.

Total remuneration for the 2021 financial year (audited)

	Nick Read		Margherita Della Valle	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Salary/fees	1,050	1,050	700	700
Taxable benefits[1]	32	42	21	22
Annual bonus: GSTIP (see below for further detail)	1,301	1,090	867	727
Total long-term incentive[2]:	1,126	1,241	686	257
GLTI awards[3]	*952*	*995*	*580*	*218*
GLTI dividends[4]	*174*	*246*	*106*	*39*
Pension/cash in lieu of pension	105	105	70	70
Other[5]	1	1	–	–
Total	**3,615**	**3,529**	**2,344**	**1,776**
Total Fixed Remuneration	*1,188*	*1,198*	*791*	*792*
Total Variable Remuneration	*2,427*	*2,331*	*1,553*	*984*

Notes:
1. Taxable benefits include amounts in respect of: – Private healthcare (2021: Nick Read £2,683, Margherita Della Valle £2,153; 2020: £2,583 for both Executive Directors);
   – Cash car allowance £19,200 p.a.; and
   – Travel (2021: Nick Read £10,114, Margherita Della Valle £nil; 2020: Nick Read £19,759, Margherita Della Valle £325).
2. The share prices used for both the 2021 and 2020 values, as set out in note 3 below, are lower than the grant prices for both respective awards. As such, no amount of the values shown in either column are attributable to share price appreciation during the performance or vesting periods.
3. The value shown in the 2020 column is the award which vested on 4 August 2020 in respect of Nick Read and 26 June 2020 in respect of Margherita Della Valle, and is valued using the respective execution share prices on 4 August 2020 of 118.02 pence and on 26 June 2020 of 127.28 pence. The value shown in the 2020 column for Margherita Della Valle reflects the vesting of a share award granted in June 2017 prior to her appointment to the Board. The value shown in the 2021 column is the award which vests on 26 June 2021 and is valued using an average closing share price over the last quarter of the 2021 financial year of 129.73 pence.
4. Nick Read and Margherita Della Valle 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 dividend value shown in 2021 relates to awards vesting on 26 June 2021. The value in the 2020 column for Margherita Della Vale reflects the value of dividend equivalent shares accrued during the performance period in respect of the award which vested on 26 June 2020 (which was granted prior to her appointment to the Board).
5. Reflects the value of the SAYE benefit which is calculated as £375 x 12 months x 20% to reflect the discount applied based on savings made during the year.

2021 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 2021 of 62.0% of maximum. This is applied to the maximum bonus level of 200% of base salary for each executive. Commentary on our performance against each measure is provided below the table.

Performance measure	Payout at maximum performance (% of salary)	Actual payout (% of salary)	Actual payout (% of overall bonus maximum)	Threshold performance level €bn	Target performance level €bn	Maximum performance level €bn	Actual performance level[1] €bn
Adjusted EBIT	66.6%	40.9%	20.5%	3.3	4.2	5.1	4.4
Adjusted free cash flow	66.6%	42.8%	21.4%	4.2	5.0	5.9	5.3
Customer appreciation KPIs	66.6%	40.2%	20.1%	See overleaf for further details			
Total annual bonus payout level	**200.0%**	**123.9%**	**62.0%**				

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

Annual Report on Remuneration (continued)

Financial metrics

As set out in the table above, free cash flow and EBIT finished above the midpoints of the respective target ranges reflecting strong performance in markets including Germany, Spain, Turkey and South Africa.

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:

- Churn is defined as total gross customer disconnections in the period divided by the average total customers in the period.
- Revenue market share is based on our total service revenue and that of our competitors in the markets we operate in.
- Net Promoter Score ('NPS') for both Consumer and Vodafone Business – defined as the extent to which our customers would recommend us.

All measures utilise data from our local markets which is collected and validated for quality and consistency by independent third-party agencies where possible.

Our overall customer appreciation KPI outcome reflects good performance during the year including in a number of our largest markets (most notably Germany and the UK). Further details on performance against each key metric are set out below. The Committee agreed that a final payout slightly above the mid-point of the target range was appropriate for this measure.

In respect of churn, the business recorded very strong Group results with year-on-year underlying performance also showing an improvement. Such improvement was primarily driven by strong performance in Germany and the UK. Italy and Spain also finished the year off well despite increased competition in these markets.

Revenue market share in our four largest European markets improved slightly during the year with the increases recorded in Germany and the UK offset by less favourable performance in Spain and Italy. The gap to the market leader reduced in all four of these markets, with the UK also improving its position to joint second. Our market position in Germany and Spain remained stable whilst our position in Italy fell.

Elsewhere in the business performance was mixed with a number of markets gaining market share and reducing the gap to the leader (with Portugal improving in both of these areas) albeit a number of others, including Turkey, recording a fall in market share and a widening in the gap to the market leader. Market position across these operations remained stable with the exception of Romania where we improved our position to second.

Consumer NPS performance during the year saw us becoming the new market leader or co-leader in Germany and Italy, with the UK also moving into second place in the market for the first time. In Turkey we closed the gap to our competitors (albeit in the context of declining NPS scores across all local competitors) whilst in South Africa increased pressure saw us move from outright leader to co-leader in this market.

Business NPS performance remained strong during the year and we continue to hold leadership or co-leadership positions in the large majority of our markets including Italy, Spain and South Africa. In Spain we became the market leader for the first time in four years following a significant improvement against our competition, whilst in Germany and Turkey we retained second place whilst also reducing the gap to our competitors. During the year the UK lost its co-leadership position in what is an extremely close and competitive market.

It is within this context that overall performance against our customer appreciation KPIs metrics during the year was judged to be above the mid-point of the target range. The aggregated performance for the Group is calculated on a revenue-weighted average to give an overall achievement. The overall Group achievement for the year was 60.4% which reflects consistently good performance across our largest markets in both Europe and Africa.

Overall outcome

2021 annual bonus ('GSTIP') amounts	Base salary £'000	Maximum bonus % of base salary	2021 payout % of maximum	Actual payment £'000
Nick Read	1,050	200%	62.0%	1,301
Margherita Della Valle	700	200%	62.0%	867

In line with our shareholder approved Remuneration Policy, as Margherita Della Valle is still building towards her shareholding requirement 25% of her post-tax bonus will be deferred into shares for two years. Further details on shareholding requirements can be found on pages 94 and 95.

Long-term incentive ('GLTI') award vesting in June 2021 (audited)

Vesting outcome

The 2019 long-term incentive ('GLTI') awards which were made to executives in June 2018 will vest at 22.4% of maximum in June 2021. The performance conditions for the three-year period ending in the 2021 financial year are as follows:

Adjusted FCF performance – 2/3 of total award (€bn)	
Below threshold	<15.15
Threshold	15.15
Maximum	18.85

TSR outperformance – 1/3 of total award	
Below threshold	Below median
Threshold	Median
Maximum	10.0% p.a.

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

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The adjusted free cash flow for the three-year period ended on 31 March 2021 was €16.5 billion and equates to vesting under the FCF element of 33.6% of maximum.

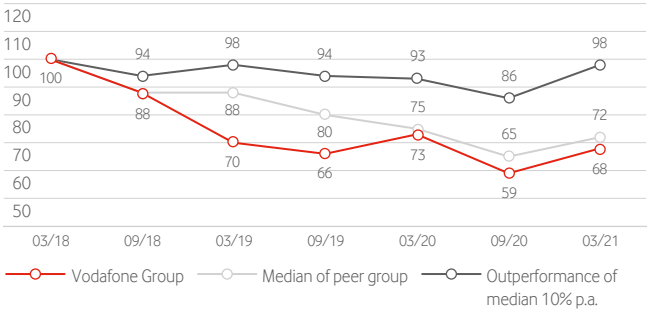
The chart to the right shows that our TSR performance over the three-year period ended on 31 March 2021 was below that of the median of our comparator group resulting in no vesting under the TSR element.

When the weighting of each condition is applied to the respective performance outcomes, this results in a calculated payout of 22.4% of overall maximum.

The vesting impact of this outcome when applied to the number of shares granted is set out in the table below.

2019 GLTI award: TSR performance

Growth in the value of a hypothetical US$100 holding over the performance period, six month averaging



2019 GLTI share awards subject to performance conditions vesting in June 2021	Maximum number of shares	Adjusted free cash flow performance payout % of maximum	Relative TSR performance payout % of maximum	Weighted performance payout % of maximum	Number of shares vesting	Value of shares vesting ('000)
Nick Read	3,278,043	33.6%	0.0%	22.4%	733,953	£952
Margherita Della Valle	1,995,330	33.6%	0.0%	22.4%	446,754	£580

Specified procedures are performed by our internal audit team 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 Remuneration Policy.

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

As set out in last year's Directors' Remuneration Report, due to the exceptional market conditions created by COVID-19, the Committee agreed to delay the grant of the 2021 award, including any decision on the exact weightings of the performance measures, until November 2020.

The Committee met shortly prior to the grant to agree the details of the November 2020 award. During its discussion the Committee agreed that the business had continued to show resilience despite COVID-19 as illustrated through how no employees had been furloughed, the business had continued to pay a dividend and the share price was stable.

The Committee therefore agreed it was appropriate to grant the 2021 award in line with what had been communicated as the normal policy approach and approved by shareholders as part of the Policy Report at the July 2020 AGM. This included balancing the performance conditions in line with the expected normal weightings (as set out below), granting awards in line with the newly reduced maximum opportunity levels for both Executive Directors, and calculating awards using the closing share price of the day immediately prior to grant, as per the Committee's normal approach.

The independent performance conditions for the 2021 long-term incentive awards made in November 2020, and subject to a three-year performance period ending 31 March 2023, are adjusted free cash flow (60% of total award), relative TSR (30% of total award) and ESG (10% of total award) performance as follows:

Adjusted FCF performance (60% of total award)	Adjusted FCF performance (€bn)	Vesting percentage (% of FCF element)
Below threshold	<14.70	0%
Threshold	14.70	20%
Maximum	16.70	100%

TSR performance (30% of total award)	TSR outperformance	Vesting percentage (% of TSR element)
Below threshold	Below median	0%
Threshold	Median	20%
Maximum	8.50% p.a. (80th percentile equivalent)	100%

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

Annual Report on Remuneration (continued)

Purpose pillar	ESG metric for 2021 GLTI	Overall ambition	Baseline position for 2021 GLTI	Ambition for 2021 GLTI (10% of total award)
Planet	Greenhouse gas reduction	50% reduction from FY17 baseline by 2025	11% reduction from FY17 baseline at 31 March 2020	40% reduction from FY17 baseline by 31 March 2023
Inclusion for All	Women in management	40% representation of women in management by 2030	31% representation of women in management at 31 March 2020	34% representation of women in management by 31 March 2023
Digital Society	M-Pesa connections	Connect >50m people and their families to mobile money by 2025	40.5m connections at 31 March 2020	56m connections by 31 March 2023

The table below sets out the conditional awards of shares made to the Executive Directors in November 2020.

2021 GLTI performance share awards made in November 2020	Maximum vesting level (number of shares)	Maximum vesting level (face value[1])	Proportion of maximum award vesting at minimum performance	Performance period end
Nick Read	4,203,362	£5,249,999	1/5th	31 Mar 2023
Margherita Della Valle	2,522,017	£3,149,999	1/5th	31 Mar 2023

Note:
1. Face value calculated based on the closing share price on 29 November 2020 (day immediately preceding the date of grant) of 124.9 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 2019 (vesting June 2022) and November 2020 (vesting August 2023) is set out on the previous page. Further details on the structure of these awards, and relevant targets, 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 Sharesave Plan which is open to all UK employees.

The Vodafone 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 96.

Pensions (audited)

During the 2021 financial year Nick Read received a cash allowance of 10% of base salary. Margherita Della Valle accrued benefits under the defined contribution pension plan of £3,999.96 with the remainder of her 10% of base salary pension benefit for the year delivered as a cash allowance.

Nick Read is a deferred member of the Vodafone Group Pension Scheme which closed to future accrual in 2010 before he was an Executive Director. Margherita Della Valle has not participated in a Vodafone sponsored defined benefit scheme during her employment.

The Executive Directors are provided benefits in the event of death in service. In the event of ill health, an entitlement to benefit of 2/3 of base salary, up to a maximum benefit determined by the insurer, may be provided up until State Pension Age. In respect of the Executive Committee members, the Group has made aggregate contributions of £194,955 (2020: £273,771) into defined contribution pension schemes.

Alignment to shareholder interests (audited)

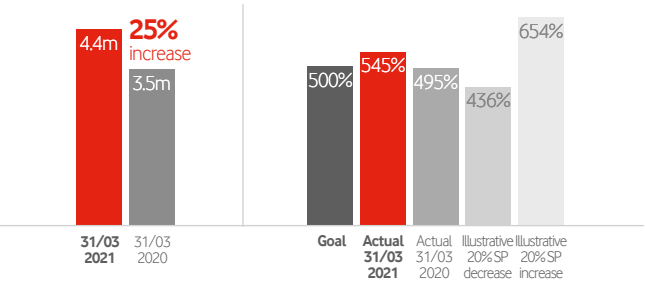
Current levels of ownership by the Executive Directors, and the date by which the goal should be or should have been achieved, are shown below.

Based on a share price of 129.73 pence, Nick Read is currently above, and Margherita Della Valle currently below, the respective shareholding requirement. As shown in the charts below, both Executive Directors increased their shareholding levels during the year. Margherita Della Valle joined the Board on 27 July 2018 and will continue to work towards achieving her goal prior to July 2023.

At 31 March 2021	Requirement as a % of salary	Current % of salary held	% of requirement achieved	Number of shares owned	Value of shareholding	Date for requirement to be achieved
Nick Read	500%	545%	109%	4,409,649	£5.7m	July 2023
Margherita Della Valle	400%	275%	69%	1,484,621	£1.9m	July 2023

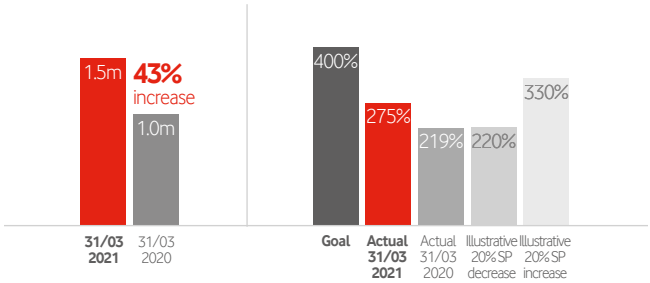
Nick Read

Actual holding (number of shares) | Holding scenario (% of salary) | Goal Deadline: July 2023



Margherita Della Valle

Actual holding (number of shares) | Holding scenario (% of salary) | Goal Deadline: July 2023



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The shareholding requirements include a post employment condition whereby the Executive Directors will need to continue to hold shares equivalent to the value of their requirement at the date of departure (or actual holding on departure if the requirement has not been reached during employment) for a further two years post employment. The Committee has a number of processes in place to ensure this condition is met, including executives agreeing to these terms prior to receiving an award, executives holding the majority of their shares (and at least up to the value of their requirement) in a nominee rather than a personal account, and the Committee having the ability to lapse any unvested GLTI awards if the condition is not met.

Collectively the Executive Committee including the Executive Directors owned 24,478,674 Vodafone shares at 31 March 2021, with a value of over £31.7 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 outstanding shares subject to award and options are set out in the table below and on page 96.

At 31 March 2021	Total number of interests in shares (at maximum)[1]	Unvested with performance conditions (at target)	Unvested with performance conditions (at maximum)	Share options SAYE (unvested without performance conditions)
Executive Directors				
Nick Read	15,791,982	5,388,288	11,369,041	13,292
Margherita Della Valle	8,368,355	3,257,896	6,883,734	–
Total	**24,160,337**	**8,646,184**	**18,252,775**	**13,292**

Note:
1. This includes both owned shares and the maximum number of unvested share awards.

The total number of interests in shares includes interests of connected persons, unvested share awards and share options. During the year the Committee was informed that Vittorio Colao (who retired from the Board on 30 September 2018) had been appointed as Minister for Technological Innovation and Digital Transition within the Italian government. In order to avoid any conflicts of interest, Mr Colao was required to sell his shareholding in Vodafone Group Plc. This included 122,075 vested shares due to be released on 1 July 2021 and a further 141,799 vested shares due to be released on 4 August 2022. In light of the circumstances, the Committee agreed to release these shares from their respective holding periods early in order to allow Mr Colao to meet the compliance requirements of his new role.

At 31 March 2021	Total number of interests in shares
Non-Executive Directors	
Sanjiv Ahuja	14,000 (ADRs)[1]
Sir Crispin Davis	34,500
Michel Demaré	100,000
Dame Clara Furse	75,000
Valerie Gooding	28,970
Renee James	27,272
Gerard Kleisterlee (position at retirement)	220,000
Maria Amparo Moraleda Martinez	30,000
David Nish	107,018
David Thodey (position at retirement)	303,653
Jean-François van Boxmeer[2]	–

Notes:
1. One ADR is equivalent to 10 ordinary shares.
2. On 18 May 2021 Jean-François van Boxmeer acquired an interest in 305,000 shares resulting in a total interest in 305,000 shares as at 18 May 2021.

At 18 May 2021, and during the period from 1 April 2021 to 18 May 2021, 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 2021, members of the Group's Executive Committee at 31 March 2021 had an aggregate beneficial interest in 18,584,404 ordinary shares of the Company. At 18 May 2021, the Directors had an aggregate beneficial interest in 6,742,030 ordinary shares of the Company and the Executive Committee members had an aggregate beneficial interest in 18,584,404 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 305,000 shares by Jean-François van Boxmeer as outlined above, the Directors' total number of interests in shares did not change during the period from 1 April 2021 to 18 May 2021.

Performance share awards

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

GLTI performance share awards	2019 award Awarded: June 2018 Performance period ending: March 2021 Vesting date: June 2021 Share price at grant: 184.2 pence	2020 award[1] Awarded: June 2019 Performance period ending: March 2022 Vesting date: June 2022 Share price at grant: 124.2 pence	2021 award Awarded: November 2020 Performance period ending: March 2023 Vesting date: August 2023 Share price at grant: 124.9 pence
Nick Read	3,278,043	3,887,636	4,203,362
Margherita Della Valle	1,995,330	2,366,387	2,522,017

Note:
1. Reflects shares subject to outstanding awards following voluntary reduction as set out in the 2020 Annual Report on Remuneration.

Annual Report on Remuneration (continued)

Details of the performance conditions for the awards can be found on pages 92 to 94 or in the Remuneration Report from the relevant year.

Share options

The following information summarises the Executive Directors' options under the HMRC approved Vodafone Group 2008 Sharesave Plan ('SAYE'). No other Directors have options under any schemes and, other than under the SAYE, no options have been granted since 2007. Options under the SAYE 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 2020 or date of appointment Number of shares	Options granted during the 2021 financial year Number of shares	Options exercised during the 2021 financial year Number of shares	Options lapsed during the 2021 financial year Number of shares	Options held at 31 March 2021 Number of shares	Option price Pence[1]	Date from which exercisable	Expiry date	Market price on exercise Pence	Gain on exercise
Nick Read											
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		**13,292**	**–**	**–**	**–**	**13,292**				**–**	**–**

Note:
1. The closing trade share price on 31 March 2021 was 131.88 pence. The highest trade share price during the year was 141.12 pence and the lowest price was 101.70 pence.

At 18 May 2021 there had been no change to the Directors' interests in share options from 31 March 2021. Other than those individuals included in the table above, at 18 May 2021 members of the Group's Executive Committee held options for 25,241 ordinary shares at prices ranging from 102.6 pence to 111.7 pence per ordinary share, with a weighted average exercise price of 107.0 pence per ordinary share exercisable at dates ranging from 1 September 2022 to 1 September 2023.

Margherita Della Valle, Hannes Ametsreiter, Aldo Bisio, Colman Deegan, Ahmed Essam, Alexandre Froment-Curtil, Shameel Joosub, Vinod Kumar, Rosemary Martin, Serpil Timuray, and Johan Wibergh held no options at 18 May 2021.

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 2021 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 £23,513 (2020: £23,513).

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 2021 Nick Read served as a non-executive director on the board of Booking Holdings Inc. where he retained fees of US$277,389 (2020: US$294,424). Margherita Della Valle served as a non-executive director on the board of Reckitt Benckiser Group plc (effective 1 July 2020) where she retained fees of £112,000 (2020: £11,270 in respect of services to Centrica plc until 12 May 2019).

2021 remuneration for the Chairman and Non-Executive Directors (audited)

	Salary/fees 2021 £'000	Salary/fees 2020 £'000	Benefits[1] 2021 £'000	Benefits[1] 2020 £'000	Total 2021 £'000	Total 2020 £'000
Chairman						
Jean-François van Boxmeer (appointed 28 July 2020[2])	297	–	–	–	297	–
Senior Independent Director						
Valerie Gooding	165	165	–	5	165	170
Non-Executive Directors						
Sanjiv Ahuja	115	115	1	3	116	118
Sir Crispin Davis	115	115	1	23	116	138
Michel Demaré	115	115	–	11	115	126
Dame Clara Furse	115	115	–	3	115	118
Renee James[3]	115	133	–	11	115	144
Maria Amparo Moraleda Martinez	115	115	–	14	115	129
David Nish	140	140	1	31	141	171
Former Non-Executive Directors						
David Thodey (stepped down 27 July 2020)	38	67	–	19	38	86
Gerard Kleisterlee (stepped down 3 November 2020)	385	650	4	53	389	703
Total	**1,715**	**1,730**	**7**	**173**	**1,722**	**1,903**

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. Jean-François van Boxmeer was appointed to the Board as a Non-Executive Director on 28 July 2020 and subsequently became Chairman on 3 November 2020.
3. Salary/fees for 2020 include an additional allowance of £6,000 per meeting for Directors based outside of Europe.

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Pay in the wider context

Fair pay at Vodafone

As part of its review of executive remuneration arrangements, the Committee takes account of the pay policies in place across the wider business. This includes considering the structure of remuneration offerings at each level of the business to ensure there is a strong rationale for how packages evolve across the different levels of the organisation.

During the year the Committee was updated on how a revised remuneration structure had been implemented across the business to ensure arrangements fully aligned with our strategy, supported our purpose, and celebrated our spirit. The update also set out the growing use of our digital recognition tools across the business including our peer to peer 'Thank You' awards and instant 'Vodafone Star' cash awards – the latter of which are primarily focused on rewarding our non-management colleagues. The Committee was also updated on the results of the latest annual fair pay review, including where the key focus areas were and what actions had been agreed locally to implement any required adjustments. In addition to being a core principle of the Committee, there is a clear culture in our business of ensuring we offer competitive and fair pay to all employees. Our approach, across our business, is guided by the following six principles:

1. Market competitive
The pay of our people is reflective of their skills, role and function and the external market.

We annually review the pay of each employee and actively manage any who fall below the market competitive range.

2. Free from discrimination
Our pay should not be affected by gender, age, disability, gender identity and expression, sexual orientation, race, ethnicity, cultural heritage or belief.

We annually compare the average position of our men and women against their market benchmark, grade and function to identify and understand any differences, and take action if necessary.

3. Ensure a good standard of living
We work with the independent organisation, the Fair Wage Network, to assess how our pay compares to the "living wage" in each of our markets because we are committed to providing a good standard of living for our people and their family.

4. Share in our successes
All our people should have the opportunity to share in our success by being eligible to receive some form of performance related pay, e.g. a bonus, shares or sales incentive.

5. Provide benefits for all
Our global standard is to offer all our people life insurance, parental leave and access to either Company or state provided healthcare and pension provision.

6. Open and transparent
We ensure that our people understand their pay. We do this through a series of user-friendly guides, webpages and an annual reward statement, which help explain our peoples' pay and outline the value of their core reward package.

In addition, they also receive monthly or weekly payslips and a payment schedule.

Click to read more about Fair Pay at Vodafone:
vodafone.com/fair-pay

Stakeholder engagement

The Committee considers all stakeholder groups when setting executive pay including:

Colleagues
The Committee is fully briefed on pay arrangements across the business to ensure any decisions on executive pay are made within our wider business context. We engage with our employees through a variety of means including employee forums, town hall meetings (including with our executives), global Spirit Beat surveys and digital platforms – all of which give our people the chance to voice their opinion on any area of interest – including executive pay.

Shareholders
The Committee values the active participation of our shareholders during our consultations and fully considers all feedback as part of the review process. Last year we started our consultation in November 2019 (for the July 2020 AGM) to ensure all parties had adequate time for engagement.

Government
The Committee actively engages with external professional bodies/government departments when they issue consultations on proposed changes to legislation/reporting guidelines.

Wider society
The Committee is fully aware that society has grown increasingly concerned about executive pay in the wider market. The Committee believes that through transparent reporting and active engagement in explaining both the operation of, and rationale for, executive pay decisions, trust in this area can be rebuilt.

Annual Report on Remuneration (continued)

UK Gender Pay Gap reporting

Each year we publish our UK Gender Pay Gap in line with the statutory UK methodology. The nature of the statutory calculation means the gap will fluctuate year on year, influenced by changes in our business structure, Company performance and the percentage of men and women at all levels and positions. The existence of a UK gender pay gap in our business is primarily a consequence of more men than women holding senior or specialist, and therefore higher-paid, roles.

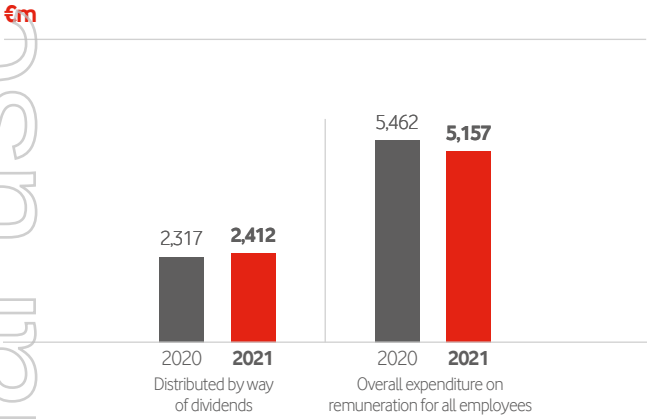
With our commitment to embed an inclusive culture, we continue our work to reduce the gap and have made good progress since the publication of the first report in 2017. Our global programmes aim to support all women across different roles, areas, and geographies of our business and will, over time, reduce our specific UK Gender Pay Gap (which this year was calculated as 12.0% – a slight increase from our 2019 figure of 10.9% but below our 2018 figure of 16.1%). While we have made progress, we are committed to doing more.

Click to learn more about our initiatives, case studies, and key statistics on our dedicated UK Gender Pay Gap webpage at **vodafone.com/uk-gender-pay-gap**

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 152 and 184 respectively.



CEO pay ratio

The following table sets out our CEO pay ratio figures in respect of 2021, 2020 and 2019:

Year	CEO single figure	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2021	£3,615k	Option B	108:1	88:1	42:1
2020	£3,529k	Option B	113.1	69.1	45.1
2019[1]	£4,359k	Option B	154:1	107:1	56:1

Note:
1. The CEO single figure used in the calculation of the 2019 ratios reflects a blended figure for Vittorio Colao and Nick Read, recognising the change in incumbency for the role during this year.

The pay ratio figures in the above table are calculated using the following total pay and benefits information:

Year	Supporting information	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2021	Salary	£30.0k	£37.1k	£71.2k
	Total pay and benefits	£33.5k	£41.0k	£85.3k
2020	Salary	£28.0k	£42.8k	£65.0k
	Total pay and benefits	£31.3k	£51.1k	£78.6k
2019	Salary	£23.1k	£36.4k	£65.0k
	Total pay and benefits	£28.3k	£40.8k	£78.2k

The calculation methodology used reflects Option B as defined under the relevant regulations. In line with the relevant regulations this utilises the most recently collected and disclosed data analysed within our Gender Pay Gap report, with employees at the three quartiles identified from this analysis and their respective single figure values calculated.

To ensure this data accurately reflects individuals at such quartiles, the single figure values for individuals immediately above and below the identified employee at each quartile within the Gender Pay Gap analysis were also reviewed.

This year our ratios have remained relatively stable when viewed on a year-on-year basis. This reflects how the single figures for both the Chief Executive and employees at the quartile positions have remained consistent when viewed over the period set out in the table above. We expect the ratios to be primarily driven by the valuation of the long-term incentive that is included in the Chief Executive's single figure for the year.

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Change in remuneration for Directors and all employees between 2020 and 2021

In line with the new regulatory requirements, the table below calculates the percentage change in Directors' remuneration (salary, taxable benefits and annual bonus payment) between the 2020 and 2021 financial years compared to the average remuneration for other Vodafone Group employees who are measured on comparable business objectives and who have been employed in the UK since 2021 (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 deemed the most appropriate employee group for this comparison.

	Percentage change from 2020 to 2021		
	Base salary / fee	Taxable benefits	Annual bonus
Executive Directors			
Nick Read	0.0%	-23.8%	19.4%
Margherita Della Valle	0.0%	-4.5%	19.3%
Non-Executive Directors			
Jean-François van Boxmeer (appointed 28 July 2020)	–	–	–
Valerie Gooding	0.0%	-100.0%	–
Sanjiv Ahuja	0.0%	-66.7%	–
Sir Crispin Davis	0.0%	-95.7%	–
Michel Demaré	0.0%	-100.0%	–
Dame Clara Furse	0.0%	-100.0%	–
Renee James	-13.5%	-100.0%	–
Maria Amparo Moraleda Martinez	0.0%	-100.0%	–
David Nish	0.0%	-96.8%	–
Former Non-Executive Directors			
David Thodey (stepped down 27 July 2020)	-43.3%	-100.0%	–
Gerard Kleisterlee (stepped down 3 November 2020)	-40.8%	-92.5%	–
Other Vodafone Group employees employed in the UK	3.8%	0.2%	30.2%

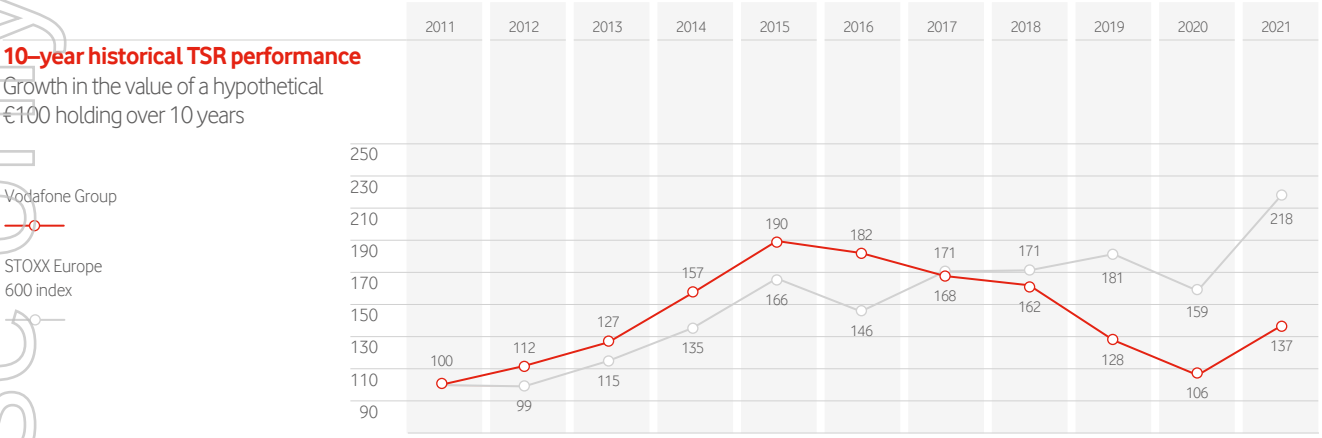
Annual Report on Remuneration (continued)

Assessing pay and performance

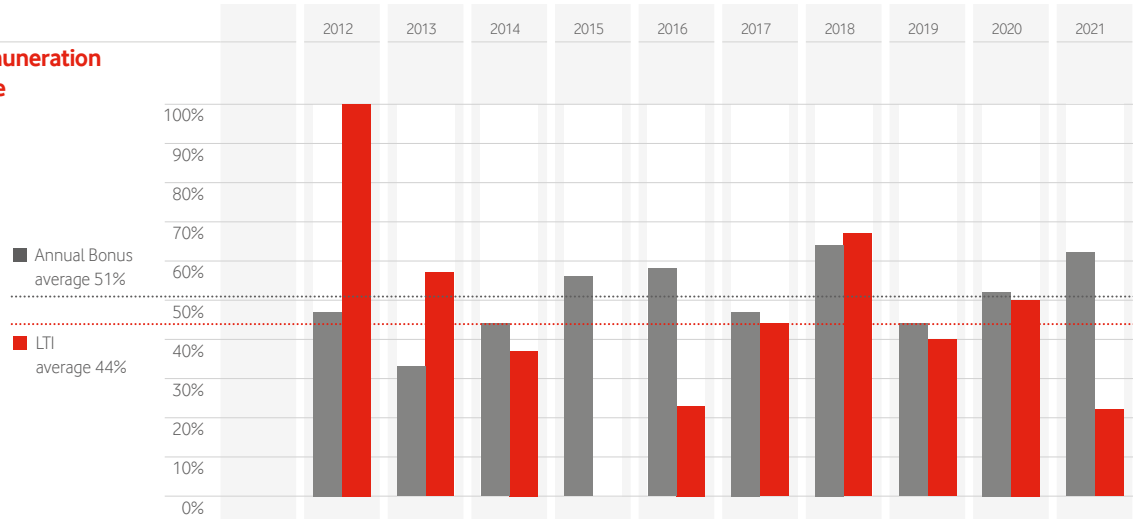
In the table below we summarise the Chief Executive's single figure remuneration over the past 10 years, as well as how our variable pay plans have paid out in relation to the maximum opportunity. This can be compared with the historic TSR performance over the same period. The chart below shows the performance of the Company relative to the STOXX Europe 600 Index over a 10-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 TSR element of the 2019 GLTI is based on the TSR performance shown in the chart on page 93 and not this chart.

10–year historical TSR performance

Growth in the value of a hypothetical €100 holding over 10 years



Financial year remuneration for Chief Executive



	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Single figure of total remuneration £'000	15,767	11,099	8,014	2,810	5,224	6,332	7,389	2,740[1] /1,619[2]	3,529	3,615
Annual bonus (actual award versus max opportunity)	47%	33%	44%	56%	58%	47%	64%	44%	52%	62%
Long-term incentive (vesting versus max opportunity)	100%	57%	37%	0%	23%	44%	67%	40%	50%	22%

Notes:
1. Reflects the single figure in respect of Vittorio Colao for the period to 30 September 2018.
2. Reflects the single figure in respect of Nick Read for the period from 1 October 2018.

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2022 remuneration

Details of how the Remuneration Policy will be implemented for the 2022 financial year are set out below.

Prior to reviewing executive remuneration arrangements the Committee was fully briefed on remuneration arrangements elsewhere in the business. This included a detailed discussion on the structure of remuneration offerings at each level of the business and how pay at these levels is determined. The Committee also considered the wider external context in light of the developing COVID-19 situation, and the commitments made to our wider employee population.

The cumulative effect of these discussions was that the Committee was able to make decisions in respect of executive remuneration within the context of how, and appreciating the rationale for why, remuneration arrangements evolve across the different levels within the organisation.

2022 Base salaries

In March 2021 the Committee reviewed executive remuneration arrangements against the following comparator groups:

1. A EuroTop peer group constituting the top 50 European companies (excluding financial services companies) and a few other select companies relevant to the telco sector; and
2. The FTSE 30 (excluding financial services companies).

As set out on page 82 in the Letter from the Remuneration Committee Chairman, neither the Chief Executive nor the Chief Financial Officer have received a salary increase since their appointment to their current roles in 2018. In the light of their strong performance and growing experience in role the Committee agreed an increase would be justified. However, in line with the restraint on salary increases for the wider leadership team, the Committee felt that salaries for both Executive Directors should remain unchanged for the year ahead at the current levels of:

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

The Committee acknowledges the importance of our arrangements remaining fair and competitive and will review this situation again next year.

The Committee further determined that salaries for Executive Committee members will also remain unchanged.

Pension

Pension arrangements for both the Chief Executive and the Chief Financial Officer will remain unchanged at 10% of salary, in line with the maximum employer contribution level for the wider UK population.

2022 Annual Bonus ('GSTIP')

In light of the uncertainty caused by COVID-19 and the subsequent difficulty to set an accurate one-year service revenue target for the 2021 financial year, the decision was taken to remove the service revenue condition from the 2021 plan and retain the remaining three measures.

As set out on page 82 of the Letter from the Remuneration Committee Chairman, for the 2022 plan the Committee has agreed to re-introduce service revenue given the strategic importance of growth to our business and our ability to now accurately forecast an appropriate target.

The performance measures and weightings for 2022, are outlined below:

- service revenue (25%);
- adjusted EBIT (25%);
- adjusted free cash flow (25%); and
- customer appreciation KPIs (25%). This includes an assessment of churn, revenue market share and Net Promoter Score[1] ('NPS').

Note:
1. The assessment of NPS utilises data collected in our local markets which is validated for quality and consistency by independent third party agencies.

Due to the potential impact on our commercial interests, annual bonus targets are considered commercially sensitive and therefore will be disclosed in the 2022 Remuneration Report following the completion of the financial year.

Long-term incentive ('GLTI') awards for 2022

Awards for 2022 will be made in line with the arrangements described in our policy on pages 86 and 87. Vesting of the 2022 award will be subject to adjusted free cash flow (60% of total award), relative TSR (30% of total award), and ESG (10% of total award) performance. Performance will be measured over the three financial years ending 31 March 2024, and any net vested shares will be subject to an additional two-year holding period (i.e. the '3+2' model). It is anticipated that the final awards will be reviewed by the Committee at the July 2021 meeting and, subject to the Committee's approval, will be granted shortly after in August 2021.

Annual Report on Remuneration (continued)

Further details for the 2022 award targets are provided below.

Adjusted free cash flow (60% of total award)

Details of the three-year adjusted FCF target for the 2022 award are set out in the table below.

Adjusted FCF performance (60% of total award) (% of FCF element)	Adjusted FCF performance (€bn)	Vesting percentage (% of FCF element)
Below threshold	<15.00	0%
Threshold	15.00	20%
Maximum	17.00	100%

Relative TSR (30% of total award)

Following the annual review of the performance measures which included a review of analysis provided by the Committee's external advisers, the Committee determined that the TSR outperformance range for the 2022 award should continue to be set at the 80th percentile equivalent for maximum performance. For the 2022 award, this equates to outperformance of 8.50% p.a. at maximum.

The Committee further determined that the TSR peer group should remain unchanged for the 2022 award. Further details are set out in the tables below.

Relative TSR (30% of total award)	TSR outperformance	Vesting (% of relative TSR element)
Below threshold	Below median	0.0%
Threshold	Median	20.0%
Maximum	8.50% p.a. (80th percentile equivalent)	100.0%

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

Linear interpolation (i.e. straight-line vesting) occurs for performance between threshold and maximum.

ESG (10% of total award)

The table below sets out how performance under the ESG measure for the 2022 award will be assessed against three quantitative ambitions:

Purpose pillar	Metric for 2022 GLTI	Overall ambition	Baseline position for 2022 GLTI	Ambition for 2022 GLTI (10% of total award)
Planet	Greenhouse gas reduction	50% reduction from FY17 baseline by 2025	37% reduction from FY17 baseline at 31 March 2021	60% reduction from FY17 baseline by 31 March 2024
Inclusion for All	Female representation in management	40% representation of women in management by 2030	32% representation of women in management at 31 March 2021	35% representation of women in management by 31 March 2024
Digital Society / Inclusion for All	M-Pesa connections	Connect >50m people and their families to mobile money by 2025	48.3m connections at 31 March 2021	68.2m connections by 31 March 2024

Each ambition for the 2022 award has been set by considering both our externally communicated targets and our internal progress as at 31 March 2021. Where we are ahead of our originally communicated external ambition we have set our target recognising this so as to ensure all ambitions remain stretching against actual current performance.

At the end of the performance period the Committee will assess achievement across the three metrics against the stated ambitions and determine vesting under this element. Full disclosure of the rationale for the final vesting decision will be provided in the relevant Directors' Remuneration Report.

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2022 remuneration for the Chairman and Non-Executive Directors

Fees for our Chairman and Non-Executive Directors have been benchmarked against the FTSE 30 (excluding financial services companies). Following this year's review it was agreed that no changes will be made to the current fee levels which are set out in the table below.

Position/role	Fee payable £'000
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 2022 the allowance payable each time a non-Europe-based Non-Executive Director eligible for this legacy arrangement is required to travel to attend Board and Committee meetings to reflect the additional time commitment involved is £6,000.

Further remuneration information

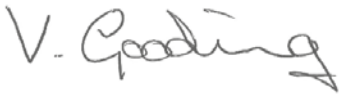
Dilution

All awards are made under plans that incorporate dilution limits as set out in the guidelines for share incentive schemes published by the Investment Association. The current estimated dilution from subsisting executive awards is approximately 2.6% of the Company's share capital at 31 March 2021 (2.6% at 31 March 2020), whilst from all-employee share awards it is approximately 0.3% (0.3% at 31 March 2020). This gives a total dilution of 2.9% (2.9% at 31 March 2020).

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

18 May 2021

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 2018 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 of 1934. – We have terms of reference for our Nominations and Governance Committee, Audit and Risk Committee and Remuneration Committee, each of which comply with the requirements of the Code and are 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 UK (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.

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Directors' report

The Directors of the Company present their report together with the audited consolidated financial statements for the year ended 31 March 2021.

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 DTRs, a statement made by the Board regarding the preparation of the financial statements is set out on pages 108 and 109 which also provides details regarding the disclosure of information to the Company's auditor and management's report on internal control over financial information.

Going concern

The going concern statement required by the Listing Rules and the UK Corporate Governance Code (the 'Code') is set out in the "Directors' statement of responsibility" on page 109.

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 76 to 81.

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 53 to 61).

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 page 65. The information required by DTR 7.2.6R can be found in the "Shareholder information" section on pages 227 to 232. A description of the composition and operation of the Board and its Committees including the Board Diversity Policy is set out on page 69, pages 74 to 81 and page 90. The Code can be viewed in full at frc.org.uk.

Strategic Report

The Strategic Report is set out on pages 1 to 61 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 2021 and up to the date of signing the financial statements are as follows: Jean-François van Boxmeer (appointed on 28 July 2020), Nick Read, Margherita Della Valle, Sanjiv Ahuja, Sir Crispin Davis, Michel Demaré, Dame Clara Furse, Valerie Gooding, Renee James, Maria Amparo Moraleda Martinez, David Nish, David Thodey (stepped down on 27 July 2020) and Gerard Kleisterlee (stepped down on 3 November 2020). A summary of the rules related to the appointment and replacement of Directors and Directors' powers can be found on page 229. 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 82 to 103.

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 75.

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

Ordinary shares of Vodafone Group Plc are traded on the London Stock Exchange and in the form of ADSs on NASDAQ.

ADSs, each representing 10 ordinary shares, are traded on NASDAQ under the symbol "VOD". The ADSs are evidenced by ADRs issued by Deutsche Bank, as depositary, under a deposit agreement, dated 27 February 2017 between the Company, the depositary and the holders from time to time of ADRs issued thereunder.

ADS holders are not shareholders in the Company but may instruct Deutsche Bank on the exercise of voting rights relative to the number of ordinary shares represented by their ADSs. See "Articles of Association and applicable English law" and "Rights attaching to the Company's shares – Voting rights" on page 229.

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Directors' report (continued)

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 details of other shareholder information is contained on page 31 and pages 227 to 232.

Change of control

Details of change of control provisions in the Company's revolving credit facilities are set out in note 22 "Capital and financial risk management".

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 88 and 89. Subject to that, there are no agreements between the Company and its employees providing for compensation for loss of office or 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 2021 are set out on page 23 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 52. 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 credit risk, liquidity risk and market risk are outlined in note 22.

Important events since the end of the financial year

There were no important events affecting the Company which have occurred since the end of the financial year.

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. All of the key Group policies have been consolidated into the Vodafone Code of Conduct which applies 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 in note 31.

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 while 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, diversity, employee engagement and policies are set out on pages 12 and 13, page 37, page 72 and page 75.

By order of the Board

Rosemary Martin
Group General Counsel and Company Secretary

18 May 2021

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Reporting on our financial performance

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Directors' statement of responsibility

The Directors are responsible for preparing the financial statements in accordance with applicable law and regulations and keeping proper accounting records. Detailed below are statements made by the Directors in relation to their responsibilities, disclosure of information to the Company's auditor, going concern and management's report on internal control over financial reporting.

Financial statements and accounting records

Company law of England and Wales requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group at the end of the financial year and of the profit or loss of the Group for that period. In preparing those financial statements the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- state whether the consolidated financial statements have been prepared in accordance with International Accounting Standards in conformity with the requirements of the UK Companies Act 2006, International Financial Reporting Standards ('IFRS') adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and IFRS as issued by the International Accounting Standards Board ('IASB'). The Directors also ensure that the consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ('IASB');
- state for the Company's financial statements whether applicable UK accounting standards have been followed; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and of the Group and enable them to ensure that the financial statements are prepared in accordance with International Accounting Standards in conformity with the requirements of the UK Companies Act 2006 adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. They are also responsible for the system of internal control, for safeguarding the assets of the Company and the Group and, hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' responsibility statement

Each of the Directors, whose names and functions are listed on pages 67 and 68, confirms that, to the best of his or her knowledge:

- the consolidated financial statements, prepared in accordance with International Accounting Standards in conformity with the requirements of the UK Companies Act 2006, International Financial Reporting Standards ('IFRS') adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and IFRS as issued by the International Accounting Standards Board ('IASB'), give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- the parent company financial statements, prepared in accordance with United Kingdom generally accepted accounting practice, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Group, together with a description and robust assessment of the principal risks and uncertainties that it faces.

The Directors are also responsible under section 172 of the Companies Act 2006 to promote the success of the Company for the benefit of its members as a whole and in doing so have regard for the needs of wider society and stakeholders, including customers, consistent with the Group's core and sustainable business objectives.

Having taken advice from the Audit and Risk Committee, the Board considers the Annual Report, taken as a whole, is fair, balanced and understandable and that it provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Neither the Company nor the Directors accepts any liability to any person in relation to the Annual Report except to the extent that such liability could arise under English law. Accordingly, any liability to a person who has demonstrated reliance on any untrue or misleading statement or omission shall be determined in accordance with section 90A and schedule 10A of the Financial Services and Markets Act 2000.

Disclosure of information to the auditors

Having made the requisite enquiries, so far as the Directors are aware, there is no relevant audit information (as defined by section 418(3) of the Companies Act 2006) of which the Company's auditor is unaware and the Directors have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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Going concern

The Group's business activities, performance, position, principal risks and uncertainties and the Directors' assessment of its long term viability are set out on page 61.

In addition, the funding position of the Group is included in "Borrowings" and "Capital and financial risk management" in notes 21 and 22, respectively, to the consolidated financial statements. Notes 21 and 22 include disclosure in relation to the Group's objectives, policies and processes for managing as well as details regarding its capital, its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk. As noted on page 176, the Group has access to substantial cash and financing facilities.

The Group also believes it adequately manages or mitigates its solvency and liquidity risks through two primary processes, described below.

Business planning process and performance management

The Group's forecasting and planning cycle consists of three in-year forecasts, a budget and a long-range plan. These generate income statement, cash flow and net debt projections for assessment by Group management and the Board. Each forecast is compared with prior forecasts and actual results so as to identify variances and understand the drivers of the changes and their future impact so as to allow management to take action where appropriate. Additional analysis is undertaken to review and sense check the key assumptions underpinning the forecasts.

Cash flow and liquidity reviews

The business planning process provides outputs for detailed cash flow and liquidity reviews, to ensure that the Group maintains adequate liquidity throughout the forecast periods. The prime output is a liquidity forecast which is prepared and updated at least on a monthly basis which highlights the extent of the Group's liquidity based on controlled cash flows and the headroom under the Group's undrawn revolving credit facility. The key inputs into this forecast are:

- free cash flow forecasts with information taken from the business planning process;
- bond and other debt maturities; and
- expectations for shareholder returns, spectrum auctions and M&A activity.

The liquidity forecast is reviewed by the Group Chief Financial Officer and included in each of her reports to the Board. In addition, the Group continues to manage its foreign exchange and interest rate risks within the framework of policies and guidelines authorised and reviewed by the Board, with oversight provided by the Treasury Risk Committee.

The Group's financial performance has been resilient during the COVID-19 pandemic and the ongoing impact has been considered as part of the business planning process and reflected in the Group's cash flow forecasts. The Directors have also considered sensitivities in respect of potential downside scenarios in concluding that the Group is able to continue in operation for the period to 30 June 2022 from the date of approving the consolidated financial statements. Those sensitivities include the non-refinancing of debt maturities in the assessment period and the repayment of the EIB loans which have covenants. A reverse stress test was also reviewed to understand how severe conditions would have to be to breach liquidity including the required reduction in EBITDA. In addition to the liquidity forecasts, downside scenarios and reverse stress test prepared, the Director's considered the availability of the Group's €7.4 billion revolving credit facilities, undrawn as at 31 March 2021.

In reaching their conclusion on the going concern assessment, the Directors also considered the findings of the work performed to support the statement on the long-term viability of the Group. As noted on page 61, this included key changes to relevant principal risks in light of global economic and political uncertainty, sensitivity analysis, scenario assessments, and combinations thereof, including that of a longer-term global recession post the COVID-19 pandemic over the viability assessment period.

Conclusion

Based on the review, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the Annual Report and accounts.

Controls over financial reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Group.

The Group's internal control over financial reporting includes policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets;
- are designed to provide reasonable assurance that transactions are recorded as necessary to permit the preparation of financial statements in conformity with IFRS, adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and IFRS as issued by the IASB, and that receipts and expenditures are being made only in accordance with authorisation of management and the Directors of the Company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use or disposition of the Group's assets that could have a material effect on the financial statements.

Any internal control framework, no matter how well designed, has inherent limitations including the possibility of human error and the circumvention or overriding of the controls and procedures, and may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or because the degree of compliance with the policies or procedures may deteriorate.

By Order of the Board

Rosemary Martin
Group General Counsel and Company Secretary

18 May 2021

Independent auditor's report to the members of Vodafone Group plc

Opinion

In our opinion:

- Vodafone Group Plc's Consolidated financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 31 March 2021 and of the Group's profit for the year then ended;
- the Consolidated financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the UK Companies Act 2006 and International Financial Reporting Standards ("IFRS") adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Vodafone Group Plc for the year ended 31 March 2021 which comprise:

Group

Consolidated statement of financial position as at 31 March 2021

Consolidated income statement for the year then ended

Consolidated statement of comprehensive income for the year then ended

Consolidated statement of changes in equity for the year then ended

Consolidated statement of cash flows for the year then ended

Related notes 1 to 32 to the financial statements, including a summary of significant accounting policies

Company

Company statement of financial position as at 31 March 2021

Company statement of changes in equity for the year then ended

Related notes 1 to 11 to the financial statements including a summary of significant accounting policies

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law, International Accounting Standards in conformity with the requirements of the UK Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union. The financial reporting framework that has been applied in the preparation of the Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group and Company's ability to continue to adopt the going concern basis of accounting included:

- confirming our understanding of the directors' going concern assessment process, including the controls over the review and approval of the budget and long-range plan;
- assessing the appropriateness of the duration of the going concern assessment period to 30 June 2022 and considering the existence of any significant events or conditions beyond this period based on our procedures on the Group's long-range plan and from knowledge arising from other areas of the audit;
- verifying inputs against board-approved forecasts and debt facility terms and reconciled the opening liquidity position to the prior year end and half year interim going concern assessments;
- reviewing borrowing facilities to confirm both their availability to the Group and the forecast debt repayments through the going concern assessment period and to validate that there is a financial covenant solely in relation to a single loan arrangement;
- evaluating management's historical forecasting accuracy and the consistency of the going concern assessment with information obtained from other areas of the audit, such as our audit procedures on the long range plans which underpin management's goodwill impairment assessments;
- testing the assessment, including forecast liquidity under base and downside scenarios, for clerical accuracy;
- assessing whether assumptions made were reasonable and in the case of downside scenarios, appropriately severe, in light of the Group's relevant principal risks and uncertainties and our own independent assessment of those risks;
- evaluated the amount and timing of identified mitigating actions available to respond to a severe downside scenario, and whether those actions are feasible and within the Group's control;
- considering the appropriateness of management's 'reverse stress test' downside scenario, to understand how severe conditions would have to be to breach liquidity and whether the reduction in EBITDA required has no more than a remote possibility of occurring;

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- performing independent sensitivity analysis on management's assumptions including applying incremental adverse cashflow sensitivities. These sensitivities included the impact of certain severe but plausible scenarios, evaluated as part of management's work on the Group's long term viability, materialising within the going concern assessment; and
- assessing the appropriateness of the going concern disclosure on page 109.

Our key observations

- The directors' assessment forecasts that the Group will maintain sufficient liquidity throughout the going concern assessment period in both the base case and plausible downside scenarios. This included the scenario of non-refinancing of debt maturities in the assessment period and also the availability of the Group's €7.4 billion revolving credit facilities, undrawn as at 31 March 2021.
- The controllable mitigating actions available to management to increase liquidity over the going concern assessment period were not modelled by management, nor the audit team, due to the level of headroom in both management's plausible downside scenario and the audit team's additional downside sensitivities.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Company's ability to continue as going concerns for a period of at least twelve months from when the financial statements are authorised for issue to 30 June 2022.

In relation to the Group and Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the Annual Report about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group and Company's ability to continue as a going concern.

Overview of our audit approach

Audit scope	– We performed an audit of the complete financial information of 9 components, specified audit procedures on specific balances for a further 12 components and other procedures on the remaining 343 components. – The components where we performed full audit procedures accounted for 76% of Adjusted EBITDA and where we performed full and specified audit procedures accounted for 79% of Revenue.
Key audit matters	– Revenue recognition – Carrying value of cash generating units, including goodwill – Recognition and recoverability of deferred tax assets on tax losses – Luxembourg
Materiality	– Overall Group materiality of €280m (FY20: €282m) has been calculated based on Adjusted EBITDA calculations as defined in the 'Our application of materiality' section of this report. This materiality represents 2% of the Group's Adjusted EBITDA as reported in Note 2 in the Consolidated financial statements.

An overview of the scope of the Company and Group audits

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the Group and effectiveness of group-wide controls, changes in the business environment and other factors such as recent internal audit results when assessing the level of work to be performed at each component.

In assessing the risk of material misstatement to the Consolidated financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the Consolidated financial statements, of the 364 reporting components of the Group, we identified 21 components covering entities within Germany, South Africa, Italy, United Kingdom, Spain, Turkey, Greece, Romania, Egypt, Luxembourg and corporate entities which represent the principal business units within the Group.

Full scope components – Of the 21 components selected, we performed an audit of the complete financial information of 9 components ("full scope components") which were selected based on their size or risk characteristics.

Specified procedures components – For the remaining 12 components ("specified procedures components"), we performed audit procedures on specific accounts within those components that we considered had the potential for the greatest impact on the significant accounts in the Group financial statements, either because of the size of these accounts or their risk profile, in order to ensure that, at the overall Group level, we reduced and appropriately covered the residual risk of error. Depending on the component or type of procedures, these procedures were undertaken by the Primary audit team or separate component audit team.

The remaining 355 components where we did not perform full audit procedures together represent 24% of the Group's Adjusted EBITDA, none are individually greater than 5% of the Group's Adjusted EBITDA.

For the remaining components, we performed other procedures, including analytical review at both the Group and individual component levels, inquiry of management, testing entity level controls, testing group wide controls and testing of journals across the Group to respond to potential risks of material misstatement to the Consolidated Financial Statements.

Independent auditor's report to the members of Vodafone Group plc (continued)

The table below illustrates the coverage obtained from the work performed by our audit teams.

	2021				2020		
Reporting components	Number	% of Group Adjusted EBITDA*	% of Group Revenue	*Note*	Number	% of Group Adjusted EBITDA*	% of Group Revenue
Full scope	9	76%	71%	*1, 2, 4*	10	80%	76%
Specified procedures	12	0%	8%	*2, 3,4*	9	0%	5%
Full and specified procedures coverage	**21**	**76%**	**79%**		**19**	**80%**	**81%**
Remaining components	343	24%	21%	*5,6,7*	243	20%	19%
Total reporting components	**364**	**100%**	**100%**		**262**	**100%**	**100%**

Notes

1. 2 of the 9 full scope components relate to the Company and another corporate entity whose activities include consolidation adjustments which are audited by the Primary audit team. Procedures on 3 of the other full scope locations are undertaken by component audit teams based in Germany and the remaining 4 full scope components are Italy, South Africa, Spain, and the UK.
2. The Group audit risks in relation to revenue recognition were subject to audit procedures at each of the full and specified procedures scope locations with significant revenue streams (being 7 full scope components and 3 specific scope components).
3. For the Turkey, Greece and Romania components, specified procedures were defined by the Group team in respect of Revenue, Cost of sales, Intangible assets, Property, Plant and Equipment, Trade receivables, Trade and other payables and Cash. For the Egypt component specified procedures were performed in respect of certain Intangible Assets and Cash. Specified procedures were also performed over Right of use assets and Lease liabilities within 2 components established in the year as part of the formation of Vantage Towers. The Primary Audit team also performed specified procedures over a further 6 Finance and corporate entities across a range of significant accounts. The audit procedures did not include testing of all significant accounts of the components but will have contributed to the coverage of significant accounts selected for testing by the Primary audit team, including those within Group Adjusted EBITDA.
4. The Group audit risks in relation to Carrying value of cash generating units, including goodwill and Recognition and recoverability of deferred tax assets on tax losses – Luxembourg were subject to audit procedures by the Primary audit team on the entire balance, with support from component audit teams on certain procedures.
5. The contribution of specified procedures components to Group Adjusted EBITDA is included within 'remaining components' as audit procedures were performed on certain, but not all, significant accounts of the specified procedures component contributing to Group Adjusted EBITDA.
6. Included within the 364 reporting components are the Group's joint venture investments in Vodafone Ziggo and INWIT, and Safaricom, an associate, which were subject to review procedures.
7. Changes in the number of "remaining components" compared to prior year reflect increases in the number of entities within the Group's consolidation system.

* Adjusted EBITDA as defined in 'Our application of materiality' section of this report.

Changes from the prior year

The approach to audit scoping is similar to the prior year audit with the rotation of a number of markets designated specified procedures scope for selected significant accounts to extend the Group audit procedures beyond the Group's main markets and to introduce a level of unpredictability through rotational testing. This approach resulted in:

- a specified procedure scope being assigned to components in Romania, Greece and Egypt which were not subject to direct audit procedures in the prior year;
- Turkey being reassessed as specified procedures in the current year (FY20: full scope); and
- following the carve out of tower assets into Vantage Towers Group during the year we designated 2 components, Vantage Towers Germany and Vantage Towers Spain, as specified procedures scope in respect of the Right of Use Asset and Lease Liability balances.

Impact of the COVID-19 pandemic – audit logistics

- Consistent with the prior year-end audit, the performance of the entire FY21 audit remotely at both component and Group locations was supported through remote user access to the Group's financial systems and the use of EY software collaboration platforms for the secure and timely delivery of requested audit evidence.
- We were alert to instances requiring physical verification of original documents and we used secure encrypted data exchanges. In instances when physical access to site was restricted due to social distancing measures, we conducted inventory counts remotely using mobile video technology. There was no significant impact in the execution of our controls testing from the remote working environment.
- We engaged with Vodafone throughout the audit, using video calls and share-screen functionality. Key meetings, such as closing meetings and Audit and Risk Committees, were performed via video conference calls.

Involvement with component audit teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the Primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction. Of the 9 full scope components, audit procedures were performed on 2 of these directly by the Primary audit team, with the remaining 7 being performed by component audit teams. For 6 specified procedures scope components work was performed directly by the Primary audit team with the remaining 6 being performed by component audit teams. Where the work was performed by component audit teams we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole.

Vodafone has centralised processes and controls over certain areas within its Vodafone Intelligent Solutions ("VOIS") finance shared service centre locations. The Primary audit team provide direct oversight, review, and coordination of the EY audit teams at VOIS locations whose work includes centralised testing for certain controls and accounts, including specified procedures on revenue, leases, cash and centralised purchase to pay processes.

Impact of the COVID-19 pandemic – direction, supervision and review of component audit teams

Due to the ongoing travel restrictions imposed by the COVID-19 pandemic, no physical site visits were possible throughout the FY21 audit We replaced the planned site visits with alternative procedures, including video conference call meetings and virtual reviews of our local audit teams' working papers. The Senior Statutory Auditor, and other members of the Primary Team, completed their reviews remotely for the component audit teams in Germany, Italy, Spain, South Africa, UK, Turkey, Greece, Romania, Egypt, Hungary and India.

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We used our global audit software, screen sharing or the provision of copies of work papers direct to the Primary audit team, to enable the Senior Statutory Auditor, and other members of the Primary audit team, to complete reviews of key component audit team working papers, particularly focussing on the Group's risk areas. We conducted meetings using video conferencing to discuss the audit approach and execution with the component audit teams and to discuss audit issues arising from their work. The Senior Statutory Auditor, or other members of the Primary audit team, attended key meetings with local management via video conference, to discuss the component's business performance and matters relating to the local finance organisation including the internal financial control environment.

The Primary audit team interacted regularly with the local EY component audit teams during each stage of the audit and were responsible for the scope and direction of the audit process. We maintained continuous and open dialogue with the component audit teams in addition to holding formal meetings to ensure that we were fully aware of their progress and the results of their procedures. Close meetings for full and specified procedures components were held via tele and video conference in April 2021 and were attended by the Senior Statutory Auditor and other members of the Primary audit team. These activities, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

Based upon the above approach we are satisfied that we have been able to perform sufficient and appropriate oversight of our component audit teams.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Independent auditor's report to the members of Vodafone Group plc (continued)

Risk

Revenue recognition

As more fully described in Note 2, Note 14 and Note 15 to the consolidated financial statements, the Group reported revenue of €43,809 million (FY20: €44,974 million), contract assets of €3,566 million (FY20: €3,563 million) and contract liabilities of €2,490 million (FY20: €2,603 million) at as 31 March 2021. Management records revenue according to the principles of IFRS 15, Revenue from Contracts with Customers, including following the 5-step model therein. Under IFRS 15, management must determine if there are separate performance obligations for the services and goods it provides to customers and assign values thereto, based on the selling prices of goods or services in separate transactions under similar conditions to similar customers (the "stand-alone selling price").

Auditing the revenue recorded by the Group is complex due to the multiple IT systems and tools utilised in the initiation, processing and recording of transactions, which includes a high volume of individually low monetary value transactions. Furthermore, judgement was required to determine the audit approach to evaluate the relevant data that was captured and aggregated, and to assess the sufficiency of the audit evidence obtained. IT professionals were utilised in the design of the audit approach and testing of IT systems and automated processes.

In addition, determining the stand-alone selling price and therefore the allocation of revenue to the different performance obligations, which impacts timing of the related revenue recognition, is complex and judgmental, particularly on new product offerings and non-standard enterprise contracts.

We have also identified a risk of management override through inappropriate manual topside revenue journal entries, given revenue is a key performance indicator, both in external communication and for management incentives.

Our response to the risk

We performed full or specified audit procedures over this risk area in 7 full scope and 3 specified procedure components with significant revenue streams, which covered 79% of the Group's revenue.

Our audit procedures at full scope component locations included, among others, obtaining an understanding of, evaluating the design and testing the operating effectiveness of controls over the Group's revenue recognition process, which includes management's review of contracts, their identification of performance obligations, the estimation of the relative standalone selling price for each performance obligation, and the determination of the timing of revenue recorded. We also evaluated the design and tested the operating effectiveness of controls over the processing of relevant billing data, assisted by our IT professionals. For specified procedures components, we obtained an understanding of the design of controls over the revenue recognition process and at certain locations tested operating effectiveness. Where there had been migrations of IT systems which support the revenue recognition process during the year, we tested controls over access and change management for the new IT systems.

We evaluated management's accounting policies and the methodology used by management to determine the standalone selling price, where relevant to the requirements of IFRS 15.

For significant revenue streams, our audit procedures included the following, on a sample basis:

- We obtained a list of new propositions/tariff plans introduced during the period and tested the completeness of the listing. We evaluated management's assessment of the accounting treatment for new propositions/tariff plans for compliance with IFRS 15.
- For each significant revenue stream system, we obtained the billing data to general ledger reconciliation which included the relevant adjustments to deferred and accrued revenue balances. We reperformed these end-to-end reconciliations, including validating the accuracy of the data inputs to underlying source documentation including contractual agreements where applicable. In addition, we tested the mathematical accuracy and completeness of the reconciliations and any material reconciling items including significant revenue postings outside of the billing systems.
- We recalculated the revenue recognised to evaluate that the processing of the revenue recognition engines was materially correct.
- We corroborated the standalone selling price allocated to individual elements of bundled contracts, including to observable market pricing where available.
- We used data analytic tools to identify revenue related manual journals posted to the general ledger and traced these back to source systems. This included analytical procedures to consider the completeness of journal postings. We obtained and evaluated underlying source documentation to test the completeness and accuracy of the postings, including those journals we considered unusual in nature.

In respect of the IT systems migrations which support the revenue recognition process, we:

- obtained an understanding of the IFRS 15 transformation process in the new IT systems related to the revenue accounting process flow;
- reviewed process documentation under the new IT system and for a sample of transactions confirmed that the transaction flow was consistent with that included in process documentation;
- considered the impact of changes on the IT general control environment and performed testing as required; and
- tested the reconciliation of opening balance between the legacy IT system and the new IT system to assess completeness and accuracy of the data migration.

We also assessed the adequacy of the Group's disclosures in respect to the accounting policies on revenue recognition.

Key observations communicated to the Audit and Risk Committee

Based on the procedures performed, including those in respect of manual adjustments to revenue, we did not identify any evidence of material misstatement in the revenue recognised in the year nor in amounts capitalised or deferred at 31 March 2021.

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Risk

Carrying value of cash generating units, including goodwill

As more fully described in Note 4 to the consolidated financial statements, in accordance with IAS 36 Impairment of Assets, the Group calculates the value in use ('VIU') for cash generating units ('CGU') to determine whether an adjustment to the carrying value of the CGU, and therefore, goodwill, is required. As of 31 March 2021, the Group has recorded €31,731 million of goodwill, primarily in respect of Germany and Italy.

The Group's assessment of the VIU of its CGUs involves estimation about the future performance of the local market businesses. In particular, the determination of the VIUs was sensitive to the significant assumptions of projected adjusted EBITDA growth, long-term growth rates, and discount rates.

Auditing the Group's annual impairment test was complex, given the significant judgment related to assumptions described above and data used in the VIU models and the sensitivity of the VIU models to fluctuations in assumptions. We focussed our procedures on those CGUs with the most significant goodwill balances, history of recent impairments or other factors which resulted in low headroom.

In the current year, determining the quantum of existing goodwill to be allocated to the newly created Vantage Towers CGUs in certain markets involved complex judgements and estimation techniques.

Our response to the risk

The recoverability of the Group's goodwill balances was subject to full scope audit procedures performed by the Primary audit team with support from relevant component audit teams on certain procedures.

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Group's goodwill impairment review process. This included testing management's controls over the significant assumptions, including projected adjusted EBITDA growth, long-term growth rates, and discount rates and, in the current year, controls over the allocation of goodwill to the newly created Vantage Tower CGUs.

To test the determination of the VIU of the Group's goodwill, we performed audit procedures that included, among others, evaluating the CGUs identified and testing the allocation of assets and liabilities to the carrying value of each CGU. For the newly created Vantage Towers CGUs we:

- evaluated the judgement applied in determining the quantum of existing goodwill in certain markets that should be subject to the allocation process based on our assessment of the sources of the goodwill balances and their relevance to the tower assets; and
- with the support of EY Valuation specialists, we tested the methodology and inputs utilised to perform the allocation exercise on a relative basis for consistency with the requirements of IAS 36, Impairment of Assets.

For the annual impairment assessment as at 31 March 2021, we also tested the methodology applied in the VIU models, as compared to the requirements of IAS 36, including the mathematical accuracy of management's model. We performed audit procedures to test and assess the significant assumptions used in the VIU models, including:

- evaluating projected adjusted EBITDA growth, for example by comparing underlying assumptions to external data such as economic and industry forecasts for the relevant markets and for consistency with findings from other areas of our audit;
- comparing long-term growth rates and discount rates to EY independently determined acceptable ranges;
- performing sensitivity analyses on certain assumptions in the model to evaluate the parameters that, should they arise, would cause an impairment of the CGU or indicated additional disclosures were appropriate; and
- for management's assessment of implied recoverable value, we compared CGU EBITDA multiples to market listed peers.

For each CGU, we compared the cash flow projections used in the VIU models to the information approved by the Group's Board of Directors and evaluated the historical accuracy of management's business plans, which underpin the VIU models.

We involved a valuation specialist in our team to assist us with certain of these audit activities.

We also assessed the adequacy of the related disclosures provided in Note 4 of the consolidated financial statements, in particular the sensitivity disclosures in relation to reasonably possible changes in assumptions that could result in impairment.

Key observations communicated to the Audit and Risk Committee

The judgements and methodology applied in allocating goodwill to the newly created Vantage Towers CGUs are reasonable. Furthermore, we agree with management's conclusion that the carrying value of the Group's CGUs are supportable as at 31 March 2021 and that no impairment charge is required to be recognised in the year.

Independent auditor's report to the members of Vodafone Group plc (continued)

Risk

Recognition and recoverability of deferred tax assets on tax losses – Luxembourg

As more fully described in Note 6 to the consolidated financial statements, the Group recognises deferred tax assets in accordance with IAS 12 Income Taxes based on their estimated recoverability and whether management judge that it is probable that there will be sufficient and suitable taxable profits in the relevant legal entity or tax group against which to utilise the assets in the future.

A deferred tax asset in Luxembourg of €17,394 million (FY20: €20,544 million) has been recognised in respect of losses, as management concluded it is probable that the Luxembourg entities will continue to generate taxable profits in the future against which they can utilise these assets. Management estimates that the losses will be utilised over a period of between 59-62 years.

The Luxembourg companies' income is derived from the Group's internal financing and procurement and roaming activities. The forecast future finance income can vary based on forecast interest rates and intercompany debt levels which in turn impacts the timeframe over which the deferred tax asset is forecast to be recovered.

Furthermore, Luxembourg owns direct and indirect interests in the Group's operating activities. The value of these investments is primarily based on the Group's value in use calculations. Changes in the value for the purposes of local Luxembourg statutory financial statements can result in impairment movements which are taxable / tax deductible under local law. In the current year there has been a reversal of historical impairment, which has resulted in the utilisation of brought forward tax losses, thereby reducing the carrying value of the deferred tax asset recognised.

Auditing the Group's recognition and recoverability of deferred tax assets in Luxembourg is significant to the audit because it involves material amounts, and the judgements and estimates in relation to future taxable profits and the period of time over which it is expected to utilise these assets results in increased estimation uncertainty.

Our response to the risk

Audit procedures on the recognition and recoverability of deferred tax assets on tax losses in Luxembourg were performed by the Primary audit team and its tax professionals with support from Luxembourg tax and transfer pricing specialists on certain procedures.

We obtained an understanding, evaluated the design and tested the operating effectiveness of management's controls around the recognition of deferred tax assets in Luxembourg, including the calculation of the gross amount of deferred tax assets recorded, the preparation of the prospective financial information used to determine the Group's future taxable income, the future reversal of any existing taxable temporary differences, and management's identification and use of available commercial strategies.

To test the realisability of the deferred tax assets in Luxembourg, with the support of tax specialists, our audit procedures included, among others;

- validating the existence of available losses including the impact of current year taxable profits resulting from operating and finance income and the reversal of previously recognised impairments within the local statutory financial statements;
- evaluating management's position on the recoverability of the losses with respect to local tax law and tax planning strategies adopted;
- re-performing the calculation of the reversal of previous impairments by agreeing the value in use calculations to our goodwill impairment audit work and confirming the Luxembourg ownership structure. This included agreeing that changes to the ownership structure during the year as a result of Vantage Towers had been appropriately reflected in the calculation;
- corroborating the reasonableness of the forecast procurement and roaming taxable profits with reference to historical actual profits and with knowledge arising from other areas of our audit;
- evaluating the forecast finance income by comparing future interest rates utilised in the forecasts to relevant external benchmarks and the assumed reductions in intergroup debt for consistency with our understanding of relevant guidance in respect of transfer pricing of financial transactions;
- assessing whether contrary evidence exists that is not consistent with either management's stated intention that the financing structures will remain in place or that it is probable that future taxable profits will exist; and
- reviewing the adequacy of the disclosures in respect of the recognition of the deferred tax asset which explain the evidence supporting the recognition, judgements in respect of the utilisation profile including longer term uncertainties and the key drivers of changes in the carrying value of the asset and the utilisation period.

We also considered the adequacy of the Group's disclosures in Note 6 of the Consolidated financial statements as to the basis for recognition of the asset and the forecast utilisation period.

Key observations communicated to the Audit and Risk Committee

We agree with the recognition of the deferred tax assets, and consequently the long recoverability period, on the basis of forecast profits which are considered probable given management's intention to retain current activities in Luxembourg over the long term and the track record of historical profitability in these operations.

We consider that the enhanced disclosures included within Note 6:

- provide greater clarity as to the impact of impairment losses and reversal on both the deferred tax asset balance and utilisation timeframe; and
- acknowledges both the judgement made in respect of the timing and profile of the utilisation of the losses in the short to medium term and the longer term uncertainties in relation to the carrying value of the related deferred tax asset.

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In the prior year, our auditor's report included the following key audit matters, which have not been included as key audit matters for the current year audit:

- Assessment of contingent liabilities – The developments in the current fiscal year in respect of (i) Indian withholding taxes on the acquisition of Hutchison Essar Limited; and (ii) the Group's exposure under a contingent liability mechanism agreed on the formation of Vodafone Idea Limited ('VIL') and the knowledge gained as part of our first year audit in FY20 meant that the effect of these matters on the overall audit strategy, the allocation of resources in the audit and the direction of the wider engagement team was reduced relative to the prior year and accordingly, the assessment of contingent liabilities is not considered a key audit matter for the current year audit.
- Valuation of identifiable assets for the acquisition of European Liberty Global assets – this key audit matter related to the purchase price allocation exercise for this acquisition which was concluded upon during the prior year audit.

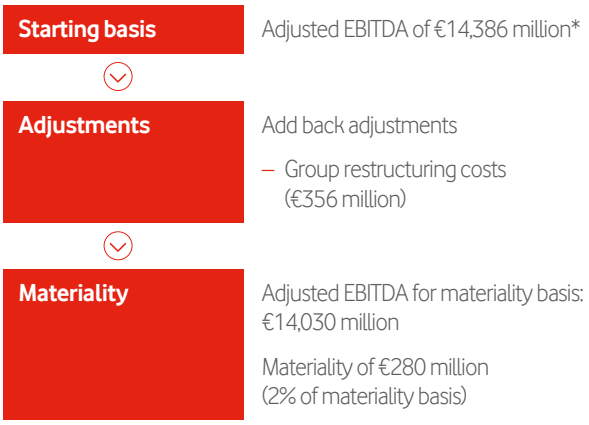
Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be €280 million (2020: €282 million), which is 2% (2020: 2%) of Adjusted EBITDA modified to include the impact of certain restructuring costs and certain elements of 'Other income and expenses' which we have assessed as recurring in nature. We believe that Adjusted EBITDA provides us with the most relevant performance measure on which to determine materiality, given the prominence of this metric throughout the Annual Report and Consolidated financial statements, investor presentations, profit metrics focussed on by analysts and its alignment to the management remuneration metric of adjusted EBIT.



* See Note 2 to the Consolidated financial statements and definition of this Alternative Performance Measure at page 218.

We determined materiality for the Company to be €445 million (2020: €471 million), which is 1% (2020: 1%) of the Company's equity. However, since the Company was a full scope component, for accounts that were relevant for the Group financial statements, a performance materiality of €39 million was applied.

During the course of our audit, we reassessed initial materiality with the only change in the final materiality from our original assessment at planning, being to reflect the actual reported performance during the year.

Independent auditor's report to the members of Vodafone Group plc (continued)

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% (2020: 50%) of our planning materiality, calculated as €140m (2020: €141m). This was based upon a combination of risk factors including:

- the level of corporate activity in the period, and specifically the carve out of the Group's towers infrastructure from the operating companies in certain local markets and the formation and IPO of the Vantage Towers Group;
- the audit findings from the prior year audit; and
- the ongoing uncertainty in relation to the macro economic environment across the Group's markets, in light of the ongoing COVID-19 pandemic.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was €28m to €140m (2020: €15m to €138m).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit and Risk Committee that we would report to them all uncorrected audit differences in excess of €14m (2020: €14m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the Annual Report set out on pages 1 to 109, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the Annual Report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

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Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group and Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 109;
- Directors' explanation as to its assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on page 61;
- Directors' statement on fair, balanced and understandable set out on page 108;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 105;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 79-80; and
- The section describing the work of the Audit and Risk Committee set out on pages 76-81.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on pages 108-109, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are those that relate to the reporting framework (IFRS, FRS 101, the UK Companies Act 2006 and UK Corporate Governance Code), the relevant tax compliance regulations in the jurisdictions in which the Group operates and the EU General Data Protection Regulation (GDPR).
- We understood how the Group is complying with those frameworks by making enquiries of management, internal audit, those responsible for legal and compliance procedures and the company secretary. We corroborated our enquiries through our review of board minutes and papers provided to the Audit and Risk Committee, correspondence received from regulatory bodies and attendance at all meetings of the Audit and Risk Committee, as well as consideration of the results of our audit procedures across the Group.

Independent auditor's report to the members of Vodafone Group plc (continued)

- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by meeting with management from various parts of the business including management and finance teams of the local markets designated as full and specified procedures scope locations, Head Office, the Audit and Risk Committee, the internal audit function, the Group legal function and individuals in the fraud and compliance department to understand where it considered there was susceptibility to fraud; and assessing whistleblowing incidences for those with a potential financial reporting impact. We also considered performance targets and their propensity to influence on efforts made by management to manage earnings or influence the perceptions of analysts. We considered the programmes and controls that the Group has established to address risks identified, or that otherwise prevent, deter and detect fraud, and how senior management monitors those programmes and controls.
- Based on our understanding, at a Group level our procedures involved: enquiries of Group management and those charged with governance, legal counsel, the corporate security team, the fraud investigation team and the whistleblowing and investigation team; journal entry testing, with a focus on manual consolidation journals and journals indicating large or unusual transactions, based on our understanding of the business; and challenging the assumptions and judgements made by management in respect of significant one-off transactions in the financial year and significant accounting estimates as referred to in the key audit matters section above. At a component level, our full and specified procedure scope component audit teams' procedures included enquiries of component management; journal entry testing; and focused testing, including in respect of the key audit matter of revenue recognition. We also leveraged our data analytics capabilities in performing work on the purchase to pay process and property, plant and equipment balances, to assist in identifying higher risk transactions and balances, respectively, for testing.
- Where the risk was considered to be higher, including areas impacting Group key performance indicators or management remuneration, we performed audit procedures to address each identified fraud risk or other risk of material misstatement. These procedures included those on revenue recognition referred to in the key audit matter section above and testing manual journals and were designed to provide reasonable assurance that the financial statements were free from fraud or error.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- Following the recommendation from the Audit and Risk Committee we were appointed by the Company on 23 July 2019 to audit the financial statements for the year ending 31 March 2020 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is two years, covering the years ending 31 March 2020 to 31 March 2021.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company and we remain independent of the Group and the Company in conducting the audit.
- The audit opinion is consistent with the additional report to the audit committee.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Alison Duncan (Senior statutory auditor)
for and on behalf of Ernst & Young LLP,
Statutory Auditor

London

18 May 2021

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Consolidated income statement

for the years ended 31 March

	Note	2021 €m	2020 €m	2019 €m
Revenue	2	**43,809**	**44,974**	**43,666**
Cost of sales		(30,086)	(30,682)	(30,160)
Gross profit		**13,723**	**14,292**	**13,506**
Selling and distribution expenses		(3,522)	(3,814)	(3,891)
Administrative expenses		(5,350)	(5,810)	(5,410)
Net credit losses on financial assets	22	(664)	(660)	(575)
Share of results of equity accounted associates and joint ventures	12	342	(2,505)	(908)
Impairment loss	4	–	(1,685)	(3,525)
Other income/(expense)	3	568	4,281	(148)
Operating profit/(loss)	3	**5,097**	**4,099**	**(951)**
Non-operating expense		–	(3)	(7)
Investment income	5	330	248	433
Financing costs	5	(1,027)	(3,549)	(2,088)
Profit/(loss) before taxation		**4,400**	**795**	**(2,613)**
Income tax expense	6	(3,864)	(1,250)	(1,496)
Profit/(loss) for the financial year from continuing operations		**536**	**(455)**	**(4,109)**
Loss for the financial year from discontinued operations	7	**–**	**–**	**(3,535)**
Profit/(loss) for the financial year		**536**	**(455)**	**(7,644)**
Attributable to:				
– Owners of the parent		112	(920)	(8,020)
– Non-controlling interests		424	465	376
Profit/(loss) for the financial year		**536**	**(455)**	**(7,644)**
Earnings/(loss) per share				
From continuing operations:				
– Basic	8	0.38c	(3.13)c	(16.25)c
– Diluted	8	0.38c	(3.13)c	(16.25)c
Total Group:				
– Basic	8	0.38c	(3.13)c	(29.05)c
– Diluted	8	0.38c	(3.13)c	(29.05)c

Consolidated statement of comprehensive income

for the years ended 31 March

	Note	2021 €m	2020 €m	2019 €m
Profit/(loss) for the financial year:		**536**	**(455)**	**(7,644)**
Other comprehensive income/(expense):				
Items that may be reclassified to the income statement in subsequent years:				
Foreign exchange translation differences, net of tax		133	(982)	(533)
Foreign exchange translation differences transferred to the income statement		(17)	(36)	2,079
Other, net of tax[1]		(3,743)	3,066	243
Total items that may be reclassified to the income statement in subsequent years		**(3,627)**	**2,048**	**1,789**
Items that will not be reclassified to the income statement in subsequent years:				
Net actuarial (losses)/gains on defined benefit pension schemes, net of tax	25	(555)	526	(33)
Total items that will not be reclassified to the income statement in subsequent years		**(555)**	**526**	**(33)**
Other comprehensive (expense)/income		**(4,182)**	**2,574**	**1,756**
Total comprehensive (expense)/income for the financial year		**(3,646)**	**2,119**	**(5,888)**
Attributable to:				
– Owners of the parent		(4,069)	1,696	(6,333)
– Non-controlling interests		423	423	445
		(3,646)	**2,119**	**(5,888)**

Note:

1 Principally includes the impact of the Group's cash flow hedges deferred to other comprehensive income during the year.

Further details on items in the Consolidated statement of comprehensive income can be found in the consolidated statement of changes in equity on page 123.

Consolidated statement of financial position

at 31 March

	Note	31 March 2021 €m	31 March 2020 Re-presented[1] €m
Non-current assets			
Goodwill	10	31,731	31,378
Other intangible assets	10	21,818	22,631
Property, plant and equipment	11	41,243	40,113
Investments in associates and joint ventures	12	4,670	5,831
Other investments	13	925	792
Deferred tax assets	6	21,569	23,606
Post employment benefits	25	60	590
Trade and other receivables	14	4,777	10,393
		126,793	**135,334**
Current assets			
Inventory		676	598
Taxation recoverable		434	278
Trade and other receivables	14	10,923	11,724
Other investments	13	9,159	7,089
Cash and cash equivalents	19	5,821	13,557
		27,013	**33,246**
Assets held for sale	7	1,257	(412)
Total assets		**155,063**	**168,168**
Equity			
Called up share capital	17	4,797	4,797
Additional paid-in capital		150,812	152,629
Treasury shares		(6,172)	(7,802)
Accumulated losses		(121,587)	(120,349)
Accumulated other comprehensive income		27,954	32,135
Total attributable to owners of the parent		**55,804**	**61,410**
Non-controlling interests		2,012	1,215
Total equity		**57,816**	**62,625**
Non-current liabilities			
Borrowings	21	59,272	62,949
Deferred tax liabilities	6	2,095	2,103
Post employment benefits	25	513	438
Provisions	16	1,747	1,479
Trade and other payables	15	4,909	5,189
		68,536	**72,158**
Current liabilities			
Borrowings	21	8,488	11,976
Financial liabilities under put option arrangements	22	492	1,850
Taxation liabilities		769	787
Provisions	16	892	1,053
Trade and other payables	15	18,070	17,719
		28,711	**33,385**
Total equity and liabilities		**155,063**	**168,168**

Note:

1 In the Annual Report for the year ended 31 March 2020, the Group's 55% interest in Vodafone Egypt was presented within assets and liabilities held for sale following the announcement on 29 January 2020 that the Group had signed a memorandum of understanding to sell its interest to Saudi Telecom. On 21 December 2020, the Group announced that its discussions with Saudi Telecom had ended and the memorandum of understanding had been terminated. Consequently, the balances as at 31 March 2020 have been re-presented to reflect that Vodafone Egypt is no longer held for sale. There is no impact on Total assets and Total equity and liabilities, although certain classifications have changed. This is explained in Note 7.

The consolidated financial statements on pages 121 to 208 were approved by the Board of Directors and authorised for issue on 18 May 2021 and were signed on its behalf by:

Nick Read
Chief Executive

Margherita Della Valle
Chief Financial Officer

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Consolidated statement of changes in equity

for the years ended 31 March

	Share capital[1] €m	Additional paid-in capital[2] €m	Treasury shares €m	Accumulated losses €m	Accumulated other comprehensive income: Currency reserve[3] €m	Pensions reserve €m	Revaluation surplus[4] €m	Other[5] €m	Equity attributable to owners €m	Non-controlling interests €m	Total equity €m
1 April 2018	**4,796**	**150,197**	**(8,463)**	**(104,462)**	**27,807**	**(1,172)**	**1,227**	**(30)**	**69,900**	**1,043**	**70,943**
Issue or reissue of shares[6]	–	(1,741)	1,834	(92)	–	–	–	–	1	–	1
Share-based payments	–	199	–	–	–	–	–	–	199	34	233
Issue of mandatory convertible bonds[7]	–	3,848	–	–	–	–	–	–	3,848	–	3,848
Transactions with non-controlling interests ('NCI') in subsidiaries	–	–	–	(129)	–	–	–	–	(129)	307	178
Dividends	–	–	–	(4,022)	–	–	–	–	(4,022)	(602)	(4,624)
Comprehensive (expense)/income	–	–	–	(8,020)	1,477	(33)	–	243	(6,333)	445	(5,888)
(Loss)/profit	–	–	–	(8,020)	–	–	–	–	(8,020)	376	(7,644)
Other comprehensive income ('OCI') - before tax	–	–	–	–	(594)	(33)	–	290	(337)	73	(264)
OCI - taxes	–	–	–	–	(8)	–	–	(47)	(55)	(4)	(59)
Transfer to the income statement	–	–	–	–	2,079	–	–	–	2,079	–	2,079
Purchase of treasury shares[8]	–	–	(1,246)	–	–	–	–	–	(1,246)	–	(1,246)
31 March 2019 as reported	**4,796**	**152,503**	**(7,875)**	**(116,725)**	**29,284**	**(1,205)**	**1,227**	**213**	**62,218**	**1,227**	**63,445**
Adoption of IFRS 16[9]	–	–	–	(261)	–	–	–	–	(261)	4	(257)
1 April 2019 brought forward	**4,796**	**152,503**	**(7,875)**	**(116,986)**	**29,284**	**(1,205)**	**1,227**	**213**	**61,957**	**1,231**	**63,188**
Issue or reissue of shares	1	1	73	(68)	–	–	–	–	7	–	7
Share-based payments	–	125	–	–	–	–	–	–	125	11	136
Transactions with NCI in subsidiaries	–	–	–	(58)	–	–	–	–	(58)	(102)	(160)
Dividends	–	–	–	(2,317)	–	–	–	–	(2,317)	(348)	(2,665)
Comprehensive (expense)/income	–	–	–	(920)	(976)	526	–	3,066	1,696	423	2,119
(Loss)/profit	–	–	–	(920)	–	–	–	–	(920)	465	(455)
OCI - before tax	–	–	–	–	(951)	640	–	3,771	3,460	(46)	3,414
OCI - taxes	–	–	–	–	19	(114)	–	(705)	(800)	(4)	(804)
Transfer to the income statement	–	–	–	–	(44)	–	–	–	(44)	8	(36)
31 March 2020	**4,797**	**152,629**	**(7,802)**	**(120,349)**	**28,308**	**(679)**	**1,227**	**3,279**	**61,410**	**1,215**	**62,625**
Issue or reissue of shares[6]	–	(1,943)	2,033	(87)	–	–	–	–	3	–	3
Share-based payments	–	126	–	–	–	–	–	–	126	10	136
Transactions with NCI in subsidiaries[10]	–	–	–	1,149	–	–	–	–	1,149	748	1,897
Dividends	–	–	–	(2,412)	–	–	–	–	(2,412)	(384)	(2,796)
Comprehensive income/(expense)	–	–	–	112	117	(555)	–	(3,743)	(4,069)	423	(3,646)
Profit	–	–	–	112	–	–	–	–	112	424	536
OCI - before tax	–	–	–	–	124	(686)	–	(4,630)	(5,192)	–	(5,192)
OCI - taxes	–	–	–	–	6	131	–	887	1,024	3	1,027
Transfer to the income statement	–	–	–	–	(13)	–	–	–	(13)	(4)	(17)
Purchase of treasury shares[11]	–	–	(403)	–	–	–	–	–	(403)	–	(403)
31 March 2021	**4,797**	**150,812**	**(6,172)**	**(121,587)**	**28,425**	**(1,234)**	**1,227**	**(464)**	**55,804**	**2,012**	**57,816**

Notes:

1 See note 17 "Called up share capital".

2 Includes share premium, capital reserve, capital redemption reserve, merger reserve and share-based payment reserve. The merger reserve was derived from acquisitions made prior to 31 March 2004 and subsequently allocated to additional paid-in capital on adoption of IFRS.

3 The currency reserve is used to record cumulative translation differences on the assets and liabilities of foreign operations. The cumulative translation differences are recycled to the income statement on disposal of the foreign operation.

4 The revaluation surplus derives from acquisitions of subsidiaries made before the Group's adoption of IFRS 3 (Revised) on 1 April 2010 and comprises the amounts arising from recognising the Group's pre-existing equity interest in the acquired subsidiary at fair value.

5 Principally includes the impact of the Group's cash flow hedges with €5,892 million net loss deferred to other comprehensive income during the year (2020: €4,113 million net gain; 2019: €1,555 million net gain) and €1,226 million net loss (2020: €408 million net gain; 2019: €1,279 million net gain) recycled to the income statement. These hedges primarily relate to foreign exchange exposure on fixed borrowings, with any foreign exchange on nominal balances directly impacting income statement in each period but interest cash flows unwinding to the income statement over the life of the hedges (up to 2059). See note 22 "Capital and financial risk management" for further details.

6 Movements include the re-issue of 799.1 million shares (€1,742 million) in February 2019 to satisfy the second tranche of the Mandatory Convertible Bond issued in February 2016 and the re-issue of 1,426.8 million shares (€1,944 million) in March 2021 to satisfy the first tranche of the Mandatory Convertible Bond issued in March 2019.

7 Includes the equity component of the subordinated mandatory convertible bonds which were compound instruments issued in the year ended 31 March 2019.

8 Represents the irrevocable and non-discretionary share buyback programme announced on 28 January 2019.

9 Impact on adoption of IFRS 16 on 1 April 2019.

10 Principally relates to the IPO of Vantage Towers AG, see note 27 for details.

11 Represents the irrevocable and non-discretionary share buyback programme announced on 19 March 2021.

Consolidated statement of cash flows

for the years ended 31 March

	Note	2021 €m	2020 €m	2019 €m
Inflow from operating activities	18	**17,215**	**17,379**	**12,980**
Cash flows from investing activities				
Purchase of interests in subsidiaries, net of cash acquired	27	(136)	(10,295)	(87)
Purchase of interests in associates and joint ventures	12	(13)	(1,424)	–
Purchase of intangible assets		(3,227)	(2,423)	(3,098)
Purchase of property, plant and equipment		(5,413)	(5,182)	(5,053)
Purchase of investments	13	(3,726)	(1,832)	(3,629)
Disposal of interests in subsidiaries, net of cash disposed	27	157	4,427	(412)
Disposal of interests in associates and joint ventures		420	–	–
Disposal of property, plant and equipment and intangible assets		43	61	45
Disposal of investments		1,704	7,792	2,269
Dividends received from associates and joint ventures		628	417	498
Interest received		301	371	622
Cash flows from discontinued operations		–	–	(372)
Outflow from investing activities		**(9,262)**	**(8,088)**	**(9,217)**
Cash flows from financing activities				
Proceeds from issue of long-term borrowings		4,359	9,933	14,681
Repayment of borrowings		(12,237)	(16,028)	(6,180)
Net movement in short-term borrowings		(2,791)	2,488	(497)
Net movement in derivatives		279	98	(44)
Interest paid[1]		(2,152)	(2,284)	(1,297)
Payments for settlement of written put options[2]		(1,482)	–	–
Purchase of treasury shares		(62)	(821)	(475)
Issue of ordinary share capital and reissue of treasury shares	17	5	7	7
Issue of subordinated mandatory convertible bonds[3]		–	–	3,848
Equity dividends paid	9	(2,427)	(2,296)	(4,064)
Dividends paid to non-controlling shareholders in subsidiaries		(391)	(348)	(584)
Other transactions with non-controlling shareholders in subsidiaries	27	1,663	(160)	(221)
Other movements with associates and joint ventures		40	59	42
Cash flows from discontinued operations		–	–	(779)
(Outflow)/inflow from financing activities		**(15,196)**	**(9,352)**	**4,437**
Net cash (outflow)/inflow		**(7,243)**	**(61)**	**8,200**
Cash and cash equivalents at beginning of the financial year	19	13,288	13,605	5,394
Exchange (loss)/gain on cash and cash equivalents		(255)	(256)	11
Cash and cash equivalents at end of the financial year	19	**5,790**	**13,288**	**13,605**

Notes:

1 Amount for 2021 includes €9 million (2020: €273 million outflow; 2019: €131 million outflow) of cash inflow on derivative financial instruments for the share buyback related to maturing tranches of mandatory convertible bonds.

2 Reflects the settlement of a tender offer made to other shareholders of Kabel Deutschland Holding AG.

3 See note 21 "Borrowings" for further details.

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Notes to the consolidated financial statements

1. Basis of preparation

This section describes the critical accounting judgements and estimates that management has identified as having a potentially material impact on the Group's consolidated financial statements and sets out our significant accounting policies that relate to the financial statements as a whole. Where an accounting policy is generally applicable to a specific note to the financial statements, the policy is described within that note. We have also detailed below the new accounting pronouncements that we will adopt in future years and our current view of the impact they will have on our financial reporting.

The consolidated financial statements are prepared in accordance with International Accounting Standards in conformity with the requirements of the UK companies Act 2006 ('the Act'), International Financial Reporting Standards ("IFRS") adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and IFRS as issued by the International Accounting Standards Board (IASB). The consolidated financial statements are prepared on a going concern basis (see page 109).

Vodafone Group Plc is incorporated and domiciled in England and Wales (registration number 1833679). The registered address of the Company is Vodafone House, The Connection, Newbury, Berkshire, RG14 2FN, England.

IFRS requires the Directors to adopt accounting policies that are the most appropriate to the Group's circumstances. These have been applied consistently to all the years presented, unless otherwise stated. In determining and applying accounting policies, Directors and management are required to make judgements and estimates in respect of items where the choice of specific policy, accounting judgement, estimate or assumption to be followed could materially affect the Group's reported financial position, results or cash flows and disclosure of contingent assets or liabilities during the reporting period; it may later be determined that a different choice may have been more appropriate.

The Group's critical accounting judgements and key sources of estimation uncertainty are detailed below. Actual outcomes could differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period; they are recognised in the period of the revision and future periods if the revision affects both current and future periods.

Management regularly reviews, and revises as necessary, the accounting judgements that significantly impact the amounts recognised in the financial statements and the estimates that are considered to be "critical estimates" due to their potential to give rise to material adjustments in the Group's financial statements in the year to 31 March 2022. As at 31 March 2021, management has identified critical judgements in respect of revenue recognition, lease accounting, valuing assets and liabilities acquired in business combinations, the accounting for tax disputes in India, the classification of joint arrangements and whether to recognise provisions or to disclose contingent liabilities. In addition, management has identified critical accounting estimates in relation to the recovery of deferred tax assets, post employment benefits and impairments; estimates have also been identified that are not considered to be critical in respect of the allocation of revenue to goods and services, the useful economic lives of finite lived intangibles and property, plant and equipment.

The majority of the Group's provisions are either long-term in nature (such as asset retirement obligations) or relate to shorter-term liabilities (such as those relating to restructuring and property) where there is not considered to be a significant risk of material adjustment in the next financial year. Critical judgements exercised in respect of tax disputes in India, include the cases relating to our acquisition of Hutchison Essar Limited (Vodafone India).

These critical accounting judgements, estimates and related disclosures have been discussed with the Group's Audit and Risk Committee.

Critical accounting judgements and key sources of estimation uncertainty

Revenue recognition

Revenue recognition under IFRS 15 necessitates the collation and processing of very large amounts of data and the use of management judgements and estimates to produce financial information. The most significant accounting judgements and source of estimation uncertainty are disclosed below.

Gross versus net presentation

If the Group has control of goods or services when they are delivered to a customer, then the Group is the principal in the sale to the customer; otherwise the Group is acting as an agent. Whether the Group is considered to be the principal or an agent in the transaction depends on analysis by management of both the legal form and substance of the agreement between the Group and its business partners; such judgements impact the amount of reported revenue and operating expenses (see note 2 "Revenue disaggregation and segmental analysis") but do not impact reported assets, liabilities or cash flows. Scenarios requiring judgement to determine whether the Group is a principal or an agent include, for example, those where the Group delivers third-party branded services (such as premium music or TV content) to customers.

Notes to the consolidated financial statements (continued)

1. Basis of preparation (continued)

Allocation of revenue to goods and services provided to customers

Revenue is recognised when goods and services are delivered to customers (see note 2 "Revenue disaggregation and segmental analysis"). Goods and services may be delivered to a customer at different times under the same contract, hence it is necessary to allocate the amount payable by the customer between goods and services on a 'relative standalone selling price basis'; this requires the identification of performance obligations ('obligations') and the determination of standalone selling prices for the identified obligations. The determination of obligations is, for the primary goods and services sold by the Group, not considered to be a critical accounting judgement; the Group's policy on identifying obligations is disclosed in note 2 "Revenue disaggregation and segmental analysis". The determination of standalone selling prices for identified obligations is discussed below.

It is necessary to estimate the standalone price when the Group does not sell equivalent goods or services in similar circumstances on a standalone basis. When estimating the standalone price the Group maximises the use of external inputs; methods for estimating standalone prices include determining the standalone price of similar goods and services sold by the Group, observing the standalone prices for similar goods and services when sold by third parties or using a cost-plus reasonable margin approach (which is sometimes the case for devices and other equipment). Where it is not possible to reliably estimate standalone prices due to a lack of observable standalone sales or highly variable pricing, which is sometimes the case for services, the standalone price of an obligation may be determined as the transaction price less the standalone prices of other obligations in the contract. The standalone price determined for obligations materially impacts the allocation of revenue between obligations and impacts the timing of revenue when obligations are provided to customers at different times – for example, the allocation of revenue between devices, which are usually delivered up-front, and services which are typically delivered over the contract period. However, there is not considered to be a significant risk of material adjustment to the carrying value of contract-related assets or liabilities in the 12 months after the balance sheet date if these estimates were revised.

Lease accounting

Lease accounting under IFRS 16 is complex and necessitates the collation and processing of very large amounts of data and the increased use of management judgements and estimates to produce financial information. The most significant accounting judgements are disclosed below.

Lease identification

Whether the arrangement is considered a lease or a service contract depends on the analysis by management of both the legal form and substance of the arrangement between the Group and the counter-party to determine if control of an identified asset has been passed between the parties; if not, the arrangement is a service arrangement. Control exists if the Group obtains substantially all of the economic benefit from the use of the asset, and has the ability to direct its use, for a period of time. An identified asset exists where an agreement explicitly or implicitly identifies an asset or a physically distinct portion of an asset which the lessor has no substantive right to substitute.

The scenarios requiring the greatest judgement include those where the arrangement is for the use of fibre or other fixed telecommunication lines. Generally, where the Group has exclusive use of a physical line it is determined that the Group can also direct the use of the line and therefore leases will be recognised. Where the Group provides access to fibre or other fixed telecommunication lines to another operator on a wholesale basis the arrangement will generally be identified as a lease, whereas when the Group provides fixed line services to an end-user, generally control over such lines is not passed to the end-user and a lease is not identified.

The impact of determining whether an agreement is a lease or a service depends on whether the Group is a potential lessee or lessor in the arrangement and, where the Group is a lessor, whether the arrangement is classified as an operating or finance lease. The impacts for each scenario are described below where the Group is potentially:

- A lessee. The judgement impacts the nature and timing of both costs and reported assets and liabilities. A lease results in an asset and a liability being reported and depreciation and interest being recognised; the interest charge will decrease over the life of the lease. A service contract results in operating expenses being recognised evenly over the life of the contract and no assets or liabilities being recorded (other than trade payables, prepayments and accruals).
- An operating lessor. The judgement impacts the nature of income recognised. An operating lease results in lease income being recognised whilst a service contract results in service revenue. Both are recognised evenly over the life of the contract.
- A finance lessor. The judgement impacts the nature and timing of both income and reported assets. A finance lease results in the lease income being recognised at commencement of the lease and an asset (the net investment in the lease) being recorded.

Lease term

Where leases include additional optional periods after an initial lease term, significant judgement is required in determining whether these optional periods should be included when determining the lease term. The impact of this judgement is significantly greater where the Group is a lessee. As a lessee, optional periods are included in the lease term if the Group is reasonably certain it will exercise an extension option or will not exercise a termination option; this depends on an analysis by management of all relevant facts and circumstances including the leased asset's nature and purpose, the economic and practical potential for replacing the asset and any plans that the Group has in place for the future use of the asset. Where a leased asset is highly customised (either when initially provided or as a result of leasehold improvements) or it is impractical or uneconomic to replace then the Group is more likely to judge that lease extension options are reasonably certain to be exercised. The value of the right-of-use asset and lease liability will be greater when extension options are included in the lease term. The normal approach adopted for lease term by asset class is described below.

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The lease terms can vary significantly by type and use of asset and geography. In addition, the exact lease term is subject to the non-cancellable period and rights and options in each contract. Generally, lease terms are judged to be the longer of the minimum lease term and:

- Between 5 and 10 years for land and buildings (excluding retail), with terms at the top end of this range if the lease relates to assets that are considered to be difficult to exit sooner for economic, practical or reputational reasons;
- To the next contractual lease break date for retail premises (excluding breaks within the next 12 months);
- Where leases are used to provide internal connectivity the lease term for the connectivity is aligned to the lease term or useful economic life of the assets connected;
- The customer service agreement length for leases of local loop connections or other assets required to provide fixed line services to individual customers; and
- Where there are contractual agreements to provide services using leased assets, the lease term for these assets is generally set in accordance with the above principles or for the lease term required to provide the services for the agreed service period, if longer.

In most instances the Group has options to renew or extend leases for additional periods after the end of the lease term which are assessed using the criteria above.

Lease terms are reassessed if a significant event or change in circumstances occurs relating to the leased assets that is within the control of the Group; such changes usually relate to commercial agreements entered into by the Group, or business decisions made by the Group. Where such changes change the Group's assessment of whether it is reasonably certain to exercise options to extend, or not terminate leases, then the lease term is reassessed and the lease liability is remeasured, which in most cases will increase the lease liability.

Taxation

The Group's tax charge on ordinary activities is the sum of the total current and deferred tax charges. The calculation of the Group's total tax charge involves estimation and judgement in respect of certain matters, being principally:

Recognition of deferred tax assets

Significant items on which the Group has exercised accounting estimation and judgement include the recognition of deferred tax assets in respect of losses in Luxembourg, Germany and Spain as well as capital allowances in the United Kingdom. The recognition of deferred tax assets, particularly in respect of tax losses, is based upon whether management judge that it is probable that there will be sufficient and suitable taxable profits in the relevant legal entity or tax group against which to utilise the assets in the future. The Group assesses the availability of future taxable profits using the same undiscounted five year forecasts for the Group's operations as are used in the Group's value in use calculations (see note 4 "Impairment losses").

Where tax losses are forecast to be recovered beyond the five year period, the availability of taxable profits is assessed using the cash flows and long-term growth rates used for the value in use calculations.

The estimated cash flows inherent in these forecasts include the unsystematic risks of operating in the telecommunications business including the potential impacts of changes in the market structure, trends in customer pricing, the costs associated with the acquisition and retention of customers, future technological evolutions and potential regulatory changes, such as our ability to acquire and/or renew spectrum licences.

Changes in the estimates which underpin the Group's forecasts could have an impact on the amount of future taxable profits and could have a significant impact on the period over which the deferred tax asset would be recovered.

The Group only considers substantively enacted tax laws when assessing the amount and availability of tax losses to offset against the future taxable profits. See note 6 "Taxation" to the consolidated financial statements.

Uncertain tax positions

The tax impact of a transaction or item can be uncertain until a conclusion is reached with the relevant tax authority or through a legal process. The Group uses in-house tax experts when assessing uncertain tax positions and seeks the advice of external professional advisors where appropriate. The most significant judgement in this area relates to the Group's tax disputes in India, including the cases relating to the Group's acquisition of Hutchison Essar Limited (Vodafone India) and the impact of the European Commission's challenge to the UK's Controlled Foreign Company rules. Further details of the tax disputes in India are included in note 29 "Contingent liabilities and legal proceedings" and further information on the European Commission's challenge are include in note 6 "Taxation" to the consolidated financial statements.

Business combinations and goodwill

When the Group completes a business combination, the fair values of the identifiable assets and liabilities acquired, including intangible assets, are recognised. The determination of the fair values of acquired assets and liabilities is based, to a considerable extent, on management's judgement. If the purchase consideration exceeds the fair value of the net assets acquired then the incremental amount paid is recognised as goodwill. If the purchase price consideration is lower than the fair value of the assets acquired then the difference is recorded as a gain in the income statement.

Allocation of the purchase price between finite lived assets (discussed below) and indefinite lived assets such as goodwill affects the subsequent results of the Group as finite lived intangible assets are amortised, whereas indefinite lived intangible assets, including goodwill, are not amortised.

See note 27 "Acquisitions and disposals" to the consolidated financial statements for further details.

Notes to the consolidated financial statements (continued)

1. Basis of preparation (continued)

Joint arrangements

The Group participates in a number of joint arrangements where control of the arrangement is shared with one or more other parties. Judgement is required to classify joint arrangements in a separate legal entity as either a joint operation or as a joint venture, which depends on management's assessment of the legal form and substance of the arrangement taking into account relevant facts and circumstances such as whether the owners have rights to substantially all the economic outputs and, in substance, settle the liabilities of the entity.

The classification can have a material impact on the consolidated financial statements. The Group's share of assets, liabilities, revenue, expenses and cash flows of joint operations are included in the consolidated financial statements on a line-by-line basis, whereas the Group's investment and share of results of joint ventures are shown within single line items in the consolidated statement of financial position and consolidated income statement respectively. See note 12 "Investments in associates and joint arrangements" to the consolidated financial statements.

Finite lived intangible assets

Other intangible assets include amounts spent by the Group acquiring licences and spectrum, customer bases and the costs of purchasing and developing computer software.

Where intangible assets are acquired through business combinations and no active market for the assets exists, the fair value of these assets is determined by discounting estimated future net cash flows generated by the asset. Estimates relating to the future cash flows and discount rates used may have a material effect on the reported amounts of finite lived intangible assets.

Estimation of useful life

The useful life over which intangible assets are amortised depends on management's estimate of the period over which economic benefit will be derived from the asset. Useful lives are periodically reviewed to ensure that they remain appropriate. Management's estimates of useful life have a material impact on the amount of amortisation recorded in the year, but there is not considered to be a significant risk of material adjustment to the carrying values of intangible assets in the year to 31 March 2022 if these estimates were revised. The basis for determining the useful life for the most significant categories of intangible assets are discussed below.

Customer bases

The estimated useful life principally reflects management's view of the average economic life of the customer base and is assessed by reference to customer churn rates. An increase in churn rates may lead to a reduction in the estimated useful life and an increase in the amortisation charge.

Capitalised software

For computer software, the estimated useful life is based on management's view, considering historical experience with similar products as well as anticipation of future events which may impact their life such as changes in technology. The useful life will not exceed the duration of a licence.

Property, plant and equipment

Property, plant and equipment represents 26.6% of the Group's total assets (2020: 23.7%, re-presented from 23.3% to reflect that Vodafone Egypt is no longer held for sale, see note 7 "Discontinued operations and assets and liabilities held for sale"). Estimates and assumptions made may have a material impact on their carrying value and related depreciation charge. See note 11 "Property, plant and equipment" to the consolidated financial statements for further details.

Estimation of useful life

The depreciation charge for an asset is derived using estimates of its expected useful life and expected residual value, which are reviewed annually. Management's estimates of useful life have a material impact on the amount of depreciation recorded in the year, but there is not considered to be a significant risk of material adjustment to the carrying values of property, plant and equipment in the year to 31 March 2022 if these estimates were revised.

Management determines the useful lives and residual values for assets when they are acquired, based on experience with similar assets and taking into account other relevant factors such as any expected changes in technology.

Post employment benefits

Management uses estimates when determining the Group's liabilities and expenses arising for defined benefit pension schemes. Management is required to estimate the future rates of inflation, salary increases, discount rates and longevity of members, each of which may have a material impact on the defined benefit obligations that are recorded. Further details, including a sensitivity analysis, are included in note 25 "Post employment benefits" to the consolidated financial statements.

Contingent liabilities

The Group exercises judgement to determine whether to recognise provisions and the exposures to contingent liabilities related to pending litigations or other outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation, as well as other contingent liabilities (see note 29 "Contingent liabilities and legal proceedings" to the consolidated financial statements). Judgement is necessary to assess the likelihood that a pending claim will succeed, or a liability will arise.

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Impairment reviews

IFRS requires management to perform impairment tests annually for indefinite lived assets, for finite lived assets and for equity accounted investments, if events or changes in circumstances indicate that their carrying amounts may not be recoverable.

Impairment testing requires management to judge whether the carrying value of assets can be supported by the net present value of future cash flows that they generate. Calculating the net present value of the future cash flows requires estimates to be made in respect of highly uncertain matters including management's expectations of:

- growth in adjusted EBITDA, calculated as adjusted operating profit before depreciation and amortisation;
- timing and amount of future capital expenditure, licence and spectrum payments;
- long-term growth rates; and
- appropriate discount rates to reflect the risks involved.

A lack of observable market data on fair values for equivalent assets means that the Group's valuation approach for impairment testing focuses primarily on value in use. For a number of reasons, transaction values agreed as part of any business acquisition or disposal may be higher than the assessed value in use. Where the Group has interests in listed entities, market data, such as share price, is used to assess the fair value of those interests.

Management prepares formal five year forecasts for the Group's operations, which are used to estimate their value in use; a long-term growth rate into perpetuity has been determined as the lower of:

- the nominal GDP growth rates for the country of operation; and
- the long-term compound annual growth rate in adjusted EBITDA in years six to ten, as estimated by management.

Management continues to review the impact of COVID-19 and the impairment review is based on expected cash flows that include management's best estimate of potential COVID-19 impacts.

Changing the assumptions selected by management, in particular the adjusted EBITDA and growth rate assumptions used in the cash flow projections, could significantly affect the Group's impairment evaluation and hence reported assets and profits or losses. Further details, including a sensitivity analysis, are included in note 4 "Impairment losses" to the consolidated financial statements.

For operations that are classified as held for sale, management is required to determine whether the carrying value of the discontinued operation can be supported by the fair value less costs to sell. Where not observable in a quoted market, management has determined fair value less costs to sell by reference to the outcomes from the application of a number of potential valuation techniques, determined from inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.

Significant accounting policies applied in the current reporting period that relate to the financial statements as a whole

Accounting convention

The consolidated financial statements are prepared on a historical cost basis except for certain financial and equity instruments that have been measured at fair value.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company, subsidiaries controlled by the Company (see note 31 "Related undertakings" to the consolidated financial statements), joint operations that are subject to joint control and the results of joint ventures and associates (see note 12 "Investments in associates and joint arrangements" to the consolidated financial statements).

Foreign currencies

The consolidated financial statements are presented in euro, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates. Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

Changes in the fair value of monetary securities denominated in foreign currency are analysed between translation differences and other changes in the carrying amount of the security. Translation differences are recognised in the consolidated income statement and other changes in carrying amount are recognised in the consolidated statement of comprehensive income.

Translation differences on non-monetary financial assets, such as investments in equity securities classified at fair value through other comprehensive income, are reported as part of the fair value gain or loss and are included in the consolidated statement of comprehensive income.

Share capital, share premium and other capital reserves are initially recorded at the functional currency rate prevailing at the date of the transaction and are not retranslated.

For the purpose of presenting consolidated financial statements, the assets and liabilities of entities with a functional currency other than euro are expressed in euro using exchange rates prevailing at the reporting period date.

Notes to the consolidated financial statements (continued)

1. Basis of preparation (continued)

Income and expense items and cash flows are translated at the average exchange rates for each month and exchange differences arising are recognised directly in other comprehensive income. On disposal of a foreign entity, the cumulative amount previously recognised in the consolidated statement of comprehensive income relating to that particular foreign operation is recognised in profit or loss in the consolidated income statement.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated accordingly.

The net foreign exchange loss recognised in the consolidated income statement for the year ended 31 March 2021 is €13 million (31 March 2020: €146 million loss; 2019: €2,277 million loss). The net gains and net losses are recorded within operating profit (2021: €1 million charge; 2020: €24 million credit; 2019: €1 million charge), non-operating expense (2021: €4 million credit; 2020: €37 million credit; 2019: €nil), investment income (2021: €23 million charge 2020: €205 million charge; 2019: €190 million charge), income tax expense (2021: €7 million credit; 2020: €2 million charge; 2019: €7 million charge) and loss for the financial year from discontinued operations (2021: €nil, 2020: €nil, 2019: €2,079 million charge). The foreign exchange gains and losses included within other income and expense and non-operating expense arise on the disposal of subsidiaries, interests in joint ventures, associates and investments from the recycling of foreign exchange gains and losses previously recognised in the consolidated statement of comprehensive income.

Current or non-current classification

Assets are classified as current in the consolidated statement of financial position where recovery is expected within 12 months of the reporting date. All assets where recovery is expected more than 12 months from the reporting date and all deferred tax assets, goodwill and intangible assets, property, plant and equipment and investments in associates and joint ventures are reported as non-current.

Liabilities are classified as current unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. For provisions, where the timing of settlement is uncertain, amounts are classified as non-current where settlement is expected more than 12 months from the reporting date. In addition, deferred tax liabilities and post-employment benefits are reported as non-current.

Inventory

Inventory is stated at the lower of cost and net realisable value. Cost is determined on the basis of weighted average costs and comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

New accounting pronouncements adopted on 1 April 2020

The Group adopted the following new accounting policies on 1 April 2020 to comply with amendments to IFRS. The accounting pronouncements, none of which had a material impact on the Group's financial reporting on adoption, are:

- Amendments to IFRS 3 "Definition of a Business";
- Amendments to IAS 1 and IAS 8 "Definition of Material"; and
- Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform".

New accounting pronouncements to be adopted on or after 1 April 2021

The IASB has issued the following pronouncements for annual periods beginning on or after 1 January 2021.

- Amendments to IFRS 16 "Covid-19-Related Rent Concessions" and "Covid-19-Related Rent Concessions beyond 30 June 2021";
- Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"; and
- Amendments to IFRS 9, IAS 39, IFRS 4, IFRS 7 and IFRS 16 "Interest Rate Benchmark Reform – Phase 2".

These amendments have either been endorsed by the EU before 31 December 2020 or by the UK Endorsement Board thereafter. The Group's financial reporting will be presented in accordance with the above new standards from 1 April 2021. The changes are not expected to have a material impact on the consolidated income statement, consolidated statement of financial position or consolidated cash flow statement.

New accounting pronouncements to be adopted on or after 1 April 2022

The following narrow-scope amendments have been issued by the IASB and are effective for annual periods beginning on or after 1 January 2022; they were not endorsed by the EU at 31 December 2020 and have not yet been endorsed by the UK Endorsement Board.

- Annual improvements to IFRS Standards 2018-2020;
- Amendments to IAS 16 "Property, Plant and Equipment: Proceeds before Intended Use";
- Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"; and
- Amendment to IFRS 3 "Reference to the Conceptual Framework".

The following new standards have also been issued by the IASB and are effective for periods beginning on or after 1 January 2023; they were not endorsed by the EU at 31 December 2020 and have not yet been endorsed by the UK Endorsement Board.

- IFRS 17 "Insurance Contracts" and Amendments to IFRS 17 "Insurance Contracts";
- Amendments to IAS 1 "Classification of Liabilities as Current or Non-Current" (including deferral of its effective date);
- Amendments to IAS 1 "Disclosure of Accounting Policies" and Amendments to IAS 8 "Definition of Accounting Estimates"; and
- Amendment to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction".

The Group is assessing the impact of these new standards and the Group's financial reporting and will be presented in accordance with these standards from 1 April 2022 or 1 April 2023 as applicable.

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2. Revenue disaggregation and segmental analysis

The Group's businesses are managed on a geographical basis. Selected financial data is presented on this basis below.

Accounting policies

Revenue

When the Group enters into an agreement with a customer, goods and services deliverable under the contract are identified as separate performance obligations ('obligations') to the extent that the customer can benefit from the goods or services on their own and that the separate goods and services are considered distinct from other goods and services in the agreement. Where individual goods and services do not meet the criteria to be identified as separate obligations they are aggregated with other goods and/or services in the agreement until a separate obligation is identified. The obligations identified will depend on the nature of individual customer contracts, but might typically be separately identified for mobile handsets, other equipment such as set-top boxes and routers provided to customers and services provided to customers such as mobile and fixed line communication services. Where goods and services have a functional dependency (for example, a fixed line router can only be used with the Group's services) this does not, in isolation, prevent those goods or services from being assessed as separate obligations. Activities relating to connecting customers to the Group's network for the future provision of services are not considered to meet the criteria to be recognised as performance obligations except to the extent that the control of related equipment passes to customers.

The Group determines the transaction price to which it expects to be entitled in return for providing the promised obligations to the customer based on the committed contractual amounts, net of sales taxes and discounts. Where indirect channel dealers, such as retailers, acquire customer contracts on behalf of the Group and receive commission, any commissions that the dealer is compelled to use to fund discounts or other incentives to the customer are treated as payments to the customer when determining the transaction price and consequently are not included in contract acquisition costs.

The transaction price is allocated between the identified obligations according to the relative standalone selling prices of the obligations. The standalone selling price of each obligation deliverable in the contract is determined according to the prices that the Group would achieve by selling the same goods and/or services included in the obligation to a similar customer on a standalone basis; where standalone selling prices are not directly observable, estimation techniques are used maximising the use of external inputs. See "Critical accounting judgements and key sources of estimation uncertainty" in note 1 for details. Revenue is recognised when the respective obligations in the contract are delivered to the customer and cash collection is considered probable. Revenue for the provision of services, such as mobile airtime and fixed line broadband, is recognised when the Group provides the related service during the agreed service period.

Revenue for device sales to end customers is generally recognised when the device is delivered to the end customer. For device sales made to intermediaries such as indirect channel dealers, revenue is recognised if control of the device has transferred to the intermediary and the intermediary has no right to return the device to receive a refund; otherwise revenue recognition is deferred until sale of the device to an end customer by the intermediary or the expiry of any right of return.

Where refunds are issued to customers they are deducted from revenue in the relevant service period.

When the Group has control of goods or services prior to delivery to a customer, then the Group is the principal in the sale to the customer. As a principal, receipts from, and payments to, suppliers are reported on a gross basis in revenue and operating costs. If another party has control of goods or services prior to transfer to a customer, then the Group is acting as an agent for the other party and revenue in respect of the relevant obligations is recognised net of any related payments to the supplier and recognised revenue represents the margin earned by the Group. See "Critical accounting judgements and key sources of estimation uncertainty" in note 1 for details.

Customers typically pay in advance for prepay mobile services and monthly for other communication services. Customers typically pay for handsets and other equipment either up-front at the time of sale or over the term of the related service agreement.

When revenue recognised in respect of a customer contract exceeds amounts received or receivable from a customer at that time a contract asset is recognised; contract assets will typically be recognised for handsets or other equipment provided to customers where payment is recovered by the Group via future service fees. If amounts received or receivable from a customer exceed revenue recognised for a contract, for example if the Group receives an advance payment from a customer, a contract liability is recognised.

When contract assets or liabilities are recognised, a financing component may exist in the contract; this is typically the case when a handset or other equipment is provided to a customer up-front but payment is received over the term of the related service agreement, in which case the customer is deemed to have received financing. If a significant financing component is provided to the customer, the transaction price is reduced and interest revenue is recognised over the customer's payment period using an interest rate reflecting the relevant central bank rates and customer credit risk.

Contract-related costs

When costs directly relating to a specific contract are incurred prior to recognising revenue for a related obligation, and those costs enhance the ability of the Group to deliver an obligation and are expected to be recovered, then those costs are recognised on the statement of financial position as fulfilment costs and are recognised as expenses in line with the recognition of revenue when the related obligation is delivered.

The direct and incremental costs of acquiring a contract including, for example, certain commissions payable to staff or agents for acquiring customers on behalf of the Group, are recognised as contract acquisition cost assets in the statement of financial position when the related payment obligation is recorded. Costs are recognised as an expense in line with the recognition of the related revenue that is expected to be earned by the Group; typically this is over the customer contract period as new commissions are payable on contract renewal. Certain amounts payable to agents are deducted from revenue recognised (see above).

Notes to the consolidated financial statements (continued)

2. Revenue disaggregation and segmental analysis (continued)

Revenue disaggregation

Revenue reported for the year includes revenue from contracts with customers, comprising service and equipment revenue, as well as other revenue items including revenue from leases and interest revenue arising from transactions with a significant financing component. The table below disaggregates the Group's revenue by reporting segment.

31 March 2021	Service revenue €m	Equipment revenue €m	Revenue from contracts with customers €m	Other revenue[1] €m	Interest revenue €m	Total segment revenue €m	Adjusted EBITDA €m
Germany	11,520	1,055	12,575	380	29	12,984	5,634
Italy	4,458	446	4,904	97	13	5,014	1,597
UK	4,848	1,206	6,054	44	53	6,151	1,367
Spain	3,788	292	4,080	64	22	4,166	1,044
Other Europe	4,859	549	5,408	124	17	5,549	1,760
Vodacom	4,083	800	4,883	282	16	5,181	1,873
Other Markets	3,312	441	3,753	12	–	3,765	1,228
Common Functions[2]	470	36	506	862	–	1,368	(117)
Eliminations	(197)	(1)	(198)	(171)	–	(369)	–
Group	**37,141**	**4,824**	**41,965**	**1,694**	**150**	**43,809**	**14,386**

31 March 2020	Service revenue €m	Equipment revenue €m	Revenue from contracts with customers €m	Other revenue[1] €m	Interest revenue €m	Total segment revenue €m	Adjusted EBITDA €m
Germany	10,696	1,055	11,751	300	25	12,076	5,077
Italy	4,833	583	5,416	101	12	5,529	2,068
UK	5,020	1,333	6,353	63	68	6,484	1,500
Spain	3,904	318	4,222	51	23	4,296	1,009
Other Europe	4,890	539	5,429	94	18	5,541	1,738
Vodacom	4,470	864	5,334	190	7	5,531	2,088
Other Markets	3,796	552	4,348	36	2	4,386	1,400
Common Functions[2]	494	53	547	1,020	–	1,567	1
Eliminations	(232)	(2)	(234)	(202)	–	(436)	–
Group	**37,871**	**5,295**	**43,166**	**1,653**	**155**	**44,974**	**14,881**

31 March 2019	Service revenue €m	Equipment revenue €m	Revenue from contracts with customers €m	Other revenue[1] €m	Interest revenue €m	Total segment revenue €m	Adjusted EBITDA €m
Germany	9,145	1,077	10,222	139	29	10,390	4,079
Italy	5,030	722	5,752	97	8	5,857	2,202
UK	4,952	1,207	6,159	56	57	6,272	1,364
Spain	4,203	392	4,595	58	16	4,669	1,038
Other Europe	4,460	529	4,989	61	22	5,072	1,606
Vodacom	4,391	873	5,264	171	8	5,443	2,157
Other Markets	4,011	816	4,827	29	8	4,864	1,404
Common Functions[2]	477	37	514	1,003	–	1,517	68
Eliminations	(211)	(1)	(212)	(206)	–	(418)	–
Group	**36,458**	**5,652**	**42,110**	**1,408**	**148**	**43,666**	**13,918**

Notes:
1 Other revenue includes lease revenue recognised under IFRS 16 "Leases" for the years ended 31 March 2021 and 31 March 2020 and under IAS 17 for the year ended 31 March 2019 (see note 20 "Leases").
2 Comprises central teams and business functions.

The total future revenue from the Group's contracts with customers with performance obligations not satisfied at 31 March 2021 is €21,038 million (2020: €20,336 million; 2019: €18,447 million); of which €14,110 million (2020: €13,456 million; 2019: €12,566 million) is expected to be recognised within the next year and the majority of the remaining amount in the following 12 months.

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Segmental analysis

The Group's operating segments are established on the basis of those components of the Group that are evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The Group has determined the chief operating decision maker to be its Chief Executive Officer. The Group has a single group of similar services and products, being the supply of communications services and related products. Revenue is attributed to a country based on the location of the Group company reporting the revenue. Transactions between operating segments are charged at arm's-length prices.

With the exception of Vodacom, which is a legal entity encompassing South Africa and certain other smaller African markets, segment information is primarily provided on the basis of geographic areas, being the basis on which the Group manages its worldwide interests.

The operating segments for Germany, Italy, UK, Spain, and Vodacom are individually material for the Group and are each reporting segments for which certain financial information is provided. The aggregation of smaller operating segments into the Other Europe and Other Markets reporting segments reflects, in the opinion of management, the similar local market economic characteristics and regulatory environments for each of those operating segments as well as the similar products and services sold and comparable classes of customers. In the case of the Other Europe region this largely reflects membership or a close association with the European Union, while the Other Markets segment largely includes developing economies with less stable economic or regulatory environments. Common Functions is a separate reporting segment and comprises activities which are undertaken primarily in central Group entities that do not meet the criteria for aggregation with other reporting segments.

A reconciliation of adjusted EBITDA, the Group's measure of segment profit, to the Group's profit or loss before taxation for the financial year is shown below.

	2021 €m	2020 €m	2019 €m
Adjusted EBITDA	**14,386**	**14,881**	**13,918**
Restructuring costs	(356)	(695)	(460)
Interest on lease liabilities	374	330	–
Loss on disposal of owned assets	(30)	(54)	(33)
Depreciation and amortisation on owned assets[1]	(10,187)	(10,454)	(9,795)
Share of results in equity accounted associates and joint ventures	342	(2,505)	(908)
Impairment losses	–	(1,685)	(3,525)
Other income/(expense)	568	4,281	(148)
Operating profit/(loss)	**5,097**	**4,099**	**(951)**
Non-operating expense	–	(3)	(7)
Investment income	330	248	433
Finance costs	(1,027)	(3,549)	(2,088)
Profit/(loss) before taxation	**4,400**	**795**	**(2,613)**

Note:
1 Comparative figure for 2019 includes €59 million depreciation on assets held under finance leases under IAS 17, prior to the adoption of IFRS 16 'Leases.'.

Notes to the consolidated financial statements (continued)

2. Revenue disaggregation and segmental analysis (continued)

Segmental assets

	Non-current assets[1] €m	Capital additions[2] €m	Right-of-use asset additions €m	Other additions to intangible assets[3] €m	Depreciation and amortisation €m	Impairment loss €m
31 March 2021						
Germany	47,563	2,772	1,133	1	4,836	–
Italy	10,707	805	758	17	2,025	–
UK	7,968	822	1,138	–	2,202	–
Spain	7,213	772	700	9	1,579	–
Other Europe	10,369	968	1,016	431	1,727	–
Vodacom	5,839	703	174	–	872	–
Other Markets	2,988	512	247	439	666	–
Common Functions	2,145	829	140	–	194	–
Group	**94,792**	**8,183**	**5,306**	**897**	**14,101**	**–**
31 March 2020						
Germany	48,266	2,278	912	1,613	4,805	–
Italy	11,119	697	1,645	24	1,958	–
UK	7,790	753	733	–	2,160	–
Spain	7,229	761	386	–	1,763	(840)
Other Europe	9,138	823	298	29	1,706	(740)
Vodacom	5,400	802	174	55	939	–
Other Markets[4]	2,963	587	290	55	672	–
Common Functions	2,217	821	155	–	171	(105)
Group[4]	**94,122**	**7,522**	**4,593**	**1,776**	**14,174**	**(1,685)**
31 March 2019						
Germany	24,529	1,816	–	2	3,017	–
Italy	11,031	784	–	2,219	1,337	–
UK	7,405	804	–	408	1,612	–
Spain	7,438	813	–	216	1,318	(2,930)
Other Europe	7,093	775	–	42	1,073	(310)
Vodacom	5,503	810	–	91	758	–
Other Markets	3,429	626	–	34	673	(255)
Common Functions	2,009	799	–	–	7	(30)
Group	**68,437**	**7,227**	**–**	**3,012**	**9,795**	**(3,525)**

Notes:
1 Comprises goodwill, other intangible assets and property, plant and equipment.
2 Includes additions to property, plant and equipment (excluding right-of-use assets.), computer software and development costs, reported within Intangible assets.
3 Includes additions to licences and spectrum and customer base acquisitions.
4 Comparative figures for the year ended 31 March 2020 have been re-presented to reflect that Egypt is no longer held for sale. See note 7 'Discontinued operations and assets and liabilities held for sale'.

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3. Operating profit/(loss)

Detailed below are the key amounts recognised in arriving at our operating profit/(loss)

	2021 €m	2020 €m	2019 €m
Amortisation of intangible assets (note 10)	4,421	4,459	3,941
Depreciation of property, plant and equipment (note 11):			
Owned assets	5,766	5,995	5,795
Leased assets	3,914	3,720	59
Impairment of goodwill in subsidiaries, associates and joint arrangements (note 4)	–	1,685	3,525
Staff costs (note 24)	5,157	5,462	5,267
Amounts related to inventory included in cost of sales	5,160	5,699	5,886
Operating lease rentals payable	–	–	3,826
Own costs capitalised attributable to the construction or acquisition of property, plant and equipment	(995)	(902)	(844)
Net gain on formation of TPG Telecom[1] (note 12)	1,043	–	–
Net gain on formation of Indus Towers Limited[1] (note 12)	292	–	–
Pledge arrangements in respect of Indus Towers Limited[1] (note 29)	(429)	–	–
Settlement of tender offer to KDG shareholders[1]	(204)	–	–
Net gain on disposal of Vodafone New Zealand[1] (note 27)	–	(1,078)	–
Net gain on disposal of tower infrastructure in Italy[1] (note 27)	–	(3,356)	–
Net gain on disposal of Vodafone Malta[1] (note 27)	–	(170)	–

Note:
1 Included in Other income and expense in the Consolidated income statement.

The total remuneration of the Group's auditor, Ernst & Young LLP and other member firms of Ernst & Young Global Limited, for services provided to the Group during the year ended 31 March 2021 is analysed below.

Ernst & Young LLP was appointed as the Group's auditor for the year ended 31 March 2020. Accordingly, comparative figures in the table below for the year ended 31 March 2019 are in respect of remuneration paid to the Group's previous auditor, PricewaterhouseCoopers LLP and other member firms of PricewaterhouseCoopers International.

	2021 €m	2020 Re-presented[1] €m	2019 €m
Parent company	3	4	2
Subsidiaries	16	17	14
Subsidiaries - Vantage Towers[2]	1	–	–
Subsidiaries - new accounting standards[3]	–	1	1
Audit fees[4]	**20**	**22**	**17**
Vantage Towers IPO[2]	8	5	–
Audit-related[5]	–	1	2
Corporate finance[6]	–	1	–
Non-audit fees	**8**	**7**	**2**
Total fees	**28**	**29**	**19**

Notes:
1 Audit fees for the year ended 31 March 2020 have increased by €2 million compared to the amount previously reported. This is to include fees agreed during the year ended 31 March 2021 but which related to the year ended 31 March 2020.
2 Fees incurred in preparations for the IPO of Vantage Towers A.G. During the year ended 31 March 2021, fees of €1 million related to financial statement audit services and fees of €8 million related to IPO services and Reporting Accountant procedures.
3 Fees in relation to the implementation of new accounting standards, notably IFRS 15 "Revenue from Contracts with Customers" and IFRS 16 "Leases" which were effective for the first time for the years ended 31 March 2019 and 31 March 2020 respectively.
4 Includes fees in connection with the interim review, preliminary announcement and controls audit required under Section 404 of the Sarbanes Oxley Act. In total this amounted to €1 million in each year for the years ended 31 March 2020 and 31 March 2021.
5 Fees for statutory and regulatory filings during the year. Fees were less than €1 million during the years ended 31 March 2021 and 31 March 2020.
6 At the time of the Board decision to recommend Ernst & Young LLP as the statutory auditor for the year ended 31 March 2020 in February 2019, Ernst & Young LLP were providing a range of services to the Group. All services that were prohibited by the Financial Reporting Council ('FRC') or Securities and Exchange Commission ('SEC') for a statutory auditor to provide ceased by 31 March 2019. All engagements that were not prohibited by the FRC or SEC but were not in accordance with the Group's own internal approval policy for non-audit services, ceased early in the financial year ended 31 March 2020 to enable a smooth transition to alternative suppliers, where required.

Notes to the consolidated financial statements (continued)

4. Impairment losses

Impairment occurs when the carrying value of assets is greater than the present value of the net cash flows they are expected to generate. We review the carrying value of assets for each country in which we operate at least annually. For further details of our impairment review process see "Critical accounting judgements and key sources of estimation uncertainty" in note 1 "Basis of preparation" to the consolidated financial statements.

Accounting policies

Goodwill

Goodwill is not subject to amortisation but is tested for impairment annually or whenever there is an indication that the asset may be impaired.

For the purpose of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows, known as cash-generating units. The determination of the Group's cash-generating units is primarily based on the geographic area where the Group supplies communications services and products. If cash flows from assets within one jurisdiction are largely independent of the cash flows from other assets in that same jurisdiction and management monitors performance separately, multiple cash-generating units are identified within that geographic area.

If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Impairment losses recognised for goodwill are not reversible in subsequent periods.

The recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Management prepares formal five year plans for the Group's cash-generating units, which are the basis for the value in use calculations.

Property, plant and equipment, finite lived intangible assets and equity accounted investments

At each reporting period date, the Group reviews the carrying amounts of its property, plant and equipment, finite lived intangible assets and equity-accounted investments to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount and an impairment loss is recognised immediately in the income statement.

Where there has been a change in the estimates used to determine recoverable amount and an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash-generating unit in prior years and an impairment loss reversal is recognised immediately in the income statement.

Impairment losses

Following our annual impairment review, the impairment charges recognised in the consolidated income statement within operating profit are stated below. Further detail on the events and circumstances that led to the recognition of the impairment charges is included below.

Cash-generating unit	Reportable segment	**2021 €m**	2020 €m	2019 €m
Spain	Spain	–	840	2,930
Ireland	Other Europe	–	630	–
Romania	Other Europe	–	110	310
Vodafone Automotive	Common Functions	–	105	30
Vodafone Idea	Other Markets	–	–	255
		–	**1,685**	**3,525**

For the year ended 31 March 2019, the Group recorded a loss on disposal of Vodafone India of €3,420 million, including a loss on disposal of €1,276 million and a foreign exchange loss of €2,079 million which is included in discontinued operations. See note 27 "Acquisitions and disposals" for further details.

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Goodwill

The remaining carrying value of goodwill at 31 March was as follows:

	2021 €m	2020 Re-presented[1] €m
Vodafone Germany	20,335	22,900
Vantage Towers Germany	2,565	–
Italy	2,481	2,480
	25,381	**25,380**
Other	6,350	5,998
	31,731	**31,378**

Note:
1 Comparative figures for the year ended 31 March 2020 have been re-presented to reflect that Vodafone Egypt is no longer held for sale. See note 7 'Discontinued operations and assets and liabilities held for sale'.

Key assumptions used in the value in use calculations

The key assumptions used in determining the value in use are:

Assumption	How determined
Projected adjusted EBITDA	Projected adjusted EBITDA has been based on past experience adjusted for the following: - In Europe, mobile revenue is expected to benefit from increased usage as customers transition to higher data bundles, and new products and services are introduced. Fixed revenue is expected to continue to grow as penetration is increased and more products and services are sold to customers; - Outside of Europe, revenue is expected to continue to grow as the penetration of faster data-enabled devices rises along with higher data bundle attachment rates, and new products and services are introduced. The Other Markets segment is also expected to benefit from increased usage and penetration of M-Pesa in Africa; and - Margins are expected to be impacted by negative factors such as the cost of acquiring and retaining customers in increasingly competitive markets and by positive factors such as the efficiencies expected from the implementation of Group initiatives.
Projected capital expenditure	The cash flow forecasts for capital expenditure are based on past experience and include the ongoing capital expenditure required to maintain our networks, provide products and services in line with customer expectations, including of higher data volumes and speeds, and to meet the population coverage requirements of certain of the Group's licences. In Europe, capital expenditure is required to roll out capacity-building next generation 5G and gigabit networks. Outside of Europe, capital expenditure will be required for the continued rollout of current and next generation mobile networks in emerging markets. Capital expenditure includes cash outflows for the purchase of property, plant and equipment and computer software.
Projected licence and spectrum payments	To enable the continued provision of products and services, the cash flow forecasts for licence and spectrum payments for each relevant cash-generating unit include amounts for expected renewals and newly available spectrum. Beyond the five year forecast period, a long-run cost of spectrum is assumed.
Long-term growth rate	For the purposes of the Group's value in use calculations, a long-term growth rate into perpetuity is applied immediately at the end of the five year forecast period and is based on the lower of: - the nominal GDP growth rate forecasts for the country of operation; and - the long-term compound annual growth rate in adjusted EBITDA as estimated by management. Long-term compound annual growth rates determined by management may be lower than forecast nominal GDP growth rates due to the following market-specific factors: competitive intensity levels, maturity of business, regulatory environment or sector-specific inflation expectations.
Pre-tax risk adjusted discount rate	The discount rate applied to the cash flows of each of the Group's cash-generating units is generally based on the risk free rate for ten year bonds issued by the government in the respective market. Where government bond rates contain a material component of credit risk, high-quality local corporate bond rates may be used. These rates are adjusted for a risk premium to reflect both the increased risk of investing in equities and the systematic risk of the specific cash-generating unit. In making this adjustment, inputs required are the equity market risk premium (that is the required return over and above a risk free rate by an investor who is investing in the market as a whole) and the risk adjustment, beta, applied to reflect the risk of the specific cash-generating unit relative to the market as a whole. In determining the risk adjusted discount rate, management has applied an adjustment for the systematic risk to each of the Group's cash-generating companies determined using an average of the betas of comparable listed telecommunications companies and, where available and appropriate, across a specific territory. Management has used a forward-looking equity market risk premium that takes into consideration both studies by independent economists, the long-term average equity market risk premium and the market risk premiums typically used by valuations practitioners. The risk adjusted discount rate is also based on typical leverage ratios of telecommunications companies in each cash-generating unit's respective market or region.

Notes to the consolidated financial statements (continued)

4. Impairment losses (continued)

Year ended 31 March 2021

Following the carve-out of Vodafone's tower infrastructure to Vantage Towers A.G. ('Vantage Towers') during the year in Germany, Spain, Portugal, Ireland, Greece, Romania, Czech Republic and Hungary and the acquisitions by Vantage Towers of Vodafone UK's 50% shareholding in Cornerstone Telecommunications Infrastructure Limited ('CTIL') and the remaining shareholding in the Vantage Towers Greece, management considers Vodafone's operating companies and Vantage Tower's operating companies in the affected geographical areas to represent two cash-generating units for the purpose of impairment testing as at 31 March 2021. Vodafone's investment in Infrastructure Wireless Italiane S.p.A. ('INWIT') was also transferred to Vantage Towers during the year.

Goodwill has been allocated on a relative values basis to the Vantage Towers cash-generating units, where applicable, as part of the tower business carve out from Vodafone's operations. The cash-generating units described below relate to Vodafone's mobile and fixed line trading businesses, unless otherwise indicated as being part of Vantage Towers.

Value in use assumptions

The table below shows key assumptions used in the value in use calculations.

	Assumptions used in value in use calculation					
	Germany %	Italy %	Spain %	Ireland %	Romania %	Vantage Towers Germany %
Pre-tax risk adjusted discount rate	7.4	10.5	9.2	7.7	9.9	6.0
Long-term growth rate	0.5	0.5	0.5	0.5	1.0	1.5
Projected adjusted EBITDA[1]	1.2	2.1	4.9	0.5	0.9	8.4
Projected capital expenditure[2]	19.7-21.5	14.4-15.9	15.7-17.6	12.6-15.1	12.3-15.2	39.1-56.2

Sensitivity analysis

The estimated recoverable amounts of the Group's operations in Germany, Italy, Spain, Ireland, Romania and Vantage Towers Germany exceed their carrying values by €7.4 billion, €0.6 billion, €0.3 billion, €0.1 billion, €0.1 billion and €3.5 billion, respectively. If the assumptions used in the impairment review were changed to a greater extent than as presented in the following table, the changes would, in isolation, lead to an impairment loss being recognised for the year ended 31 March 2021.

	Change required for carrying value to equal recoverable amount					
	Germany pps	Italy pps	Spain pps	Ireland pps	Romania pps	Vantage Towers Germany pps
Pre-tax risk adjusted discount rate	1.3	0.7	0.4	0.7	0.7	5.2
Long-term growth rate	(1.3)	(0.8)	(0.5)	(0.7)	(0.9)	(4.9)
Projected adjusted EBITDA[1]	(4.0)	(1.5)	(1.5)	(1.6)	(1.9)	(19.3)
Projected capital expenditure[2]	12.7	3.0	1.6	2.8	1.9	162.6

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Management considered the following reasonably possible changes in key assumptions for projected adjusted EBITDA[1] and long-term growth rate, leaving all other assumptions unchanged. Consistent with the prior year, and due to the uncertainty of future COVID-19 impacts, management's range of reasonably possible changes in projected adjusted EBITDA is plus or minus 5 percentage points (2020: +/- 5 percentage points). The sensitivity analysis presented is prepared on the basis that the reasonably possible change in each key assumption would not have a consequential impact on other assumptions used in the impairment review. The associated impact on the impairment assessment is presented in the table below.

Management believes that no reasonably possible or foreseeable change in the pre-tax adjusted discount rate or projected capital expenditure[2] would cause the difference between the carrying value and recoverable amount for any cash-generating unit to be materially different from the base case disclosed below.

	Recoverable amount less carrying value					
	Germany €bn	Italy €bn	Spain €bn	Ireland €bn	Romania €bn	Vantage Towers Germany €bn
Base case as at 31 March 2021	7.4	0.6	0.3	0.1	0.1	3.5
Change in projected adjusted EBITDA[1]						
Decrease by 5pps	(1.6)	(1.3)	(0.6)	(0.2)	(0.1)	2.4
Increase by 5pps	18.2	2.9	1.4	0.5	0.3	5.0
Change in long-term growth rate						
Decrease by 1pps	1.5	(0.1)	(0.3)	–	–	2.2
Increase by 1pps	16.0	1.6	1.0	0.3	0.2	6.1

The carrying values for Vodafone UK, Portugal, Czech Republic, and Hungary include goodwill arising from acquisitions and/or the purchase of operating licences or spectrum rights. The recoverable amounts for these operating companies are also not materially greater than their carrying values and accordingly are disclosed below.

If the assumptions used in the impairment review were changed to a greater extent than as presented in the following table, the changes would, in isolation, lead to an impairment loss being recognised in the year ended 31 March 2021.

	Change required for carrying value to equal recoverable amount			
	UK pps	Portugal pps	Czech Republic pps	Hungary pps
Pre-tax risk adjusted discount rate	0.8	0.9	1.2	0.3
Long-term growth rate	(0.8)	(1.0)	(1.3)	(0.4)
Projected adjusted EBITDA[1]	(1.7)	(2.2)	(3.0)	(0.7)
Projected capital expenditure[2]	2.5	3.7	7.5	1.5

Notes:
1 Projected adjusted EBITDA is expressed as the compound annual growth rates in the initial five years for all cash-generating units of the plans used for impairment testing. A pro-rata adjustment has been made to true up 31 March 2021 adjusted EBITDA to a full year where the towers business carve-out occurred during the year.
2 Projected capital expenditure, which excludes licences and spectrum, is expressed as capital expenditure as a percentage of revenue in the initial five years for all cash-generating units of the plans used for impairment testing.

Notes to the consolidated financial statements (continued)

4. Impairment losses (continued)

Year ended 31 March 2020

The disclosures below for the year ended 31 March 2020 are as previously disclosed in the 31 March 2020 Annual Report.

For the year ended 31 March 2020, the Group recorded impairment charges of €0.8 billion, €0.6 billion, €0.1 billion and €0.1 billion with respect to the Group's investments in Spain, Ireland, Romania and Vodafone Automotive respectively. The impairment charges relate solely to goodwill and are recognised in the consolidated income statement within operating profit/(loss). The recoverable amounts for Spain, Ireland, Romania and Vodafone Automotive are €5.6 billion, €1.2 billion, €0.9 billion and €0.0 billion respectively, and based on value in use calculations.

The COVID-19 outbreak developed rapidly in early 2020. Many countries have required businesses to limit or suspend operations and implemented travel restrictions and quarantine measures. The measures taken to contain the virus have adversely affected economic activity and disrupted many businesses. As the outbreak continues to progress and evolve, it is extremely challenging to predict the full extent and duration of its impact on Vodafone's businesses and the countries where Vodafone operates. Based on information available as at 31 March 2020, management made additional adjustments to the five year business plans used in the Group's impairment testing in order to reflect the estimated impact. The impairment charges recognised and discussed immediately below, were based on expected cash flows after applying these adjustments.

Challenging trading and economic conditions in Spain materialised in the prior financial year and management recognised an impairment charge following a reduction in projected cash flows. During the year ended 31 March 2020 there was an observable repositioning towards low-cost brands and competitive intensity within the multi-branded market was expected to remain elevated in the medium term. These factors led to management projecting lower cash flows and recognising an impairment charge with respect to the Group's investment in Spain.

The impairment charge recognised with respect to Ireland was attributable to increased competition and the aforementioned increased economic uncertainty. As a consequence, growth and ARPUs were expected to be lower. Management reflected these assumptions in expected cash flows.

The impairment charges recognised with respect to Romania and Vodafone Automotive reflect management's latest assessment of likely trading and economic conditions in the five year business plan. Management's view of the long-term potential in these markets remains unchanged.

The European Liberty Global assets acquired in July 2019 (see note 27 'Acquisitions and disposals') were subsumed within existing cash-generating units in Germany, Czech Republic, Hungary and Romania. The primary reason for acquiring the businesses was to create a converged national provider of digital infrastructure in Germany, together with creating converged communications operators in the Czech Republic, Hungary and Romania. Following the integration of the acquired businesses, management considered the cash flows within these cash-generating units to be largely interdependent and monitors performance on a country-level basis.

On 31 March 2020, the Group merged its passive tower infrastructure in Italy with INWIT (see note 27 'Acquisitions and disposals'). On the date of the merger, management monitored performance of its operations in Italy on a country-wide basis and considered Vodafone Italy, including its passive tower infrastructure, to be one cash-generating unit for the purpose of impairment testing as at 31 March 2020. No impairment in relation to Vodafone Italy would be necessary if impairment testing was performed on a post-merger basis at 31 March 2020.

Value in use assumptions

The table below shows key assumptions used in the value in use calculations.

	Assumptions used in value in use calculation					
	Germany %	Italy %	Spain %	Ireland %	Romania %	Vodafone Automotive %
Pre-tax risk adjusted discount rate	7.5	10.3	9.2	7.6	10.2	9.1
Long-term growth rate	0.5	0.5	0.5	0.5	1.0	1.9
Projected adjusted EBITDA[1]	3.8	0.2	8.2	3.0	8.0	31.3
Projected capital expenditure[2]	20.1-20.7	12.5-13.4	16.2-18.1	10.7-15.2	13.7-18.5	14.1-23.4

Sensitivity analysis

The estimated recoverable amount of the Group's operations in Germany and Italy exceed their carrying values by €6.6 billion and €1.8 billion respectively. If the assumptions used in the impairment review were changed to a greater extent than as presented in the following table, the changes would, in isolation, lead to an impairment loss being recognised for the year ended 31 March 2020.

	Change required for carrying value to equal recoverable amount	
	Germany pps	Italy pps
Pre-tax risk adjusted discount rate	1.1	1.7
Long-term growth rate	(1.0)	(2.0)
Projected adjusted EBITDA[1]	(3.2)	(3.1)
Projected capital expenditure[2]	11.4	7.9

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Management considered the following reasonably possible changes in the key adjusted EBITDA[1] and long-term growth rate assumptions, leaving all other assumptions unchanged. Due to increased uncertainty following the COVID-19 outbreak, management has widened the range of reasonably possible changes in the key adjusted EBITDA growth rate assumption to plus or minus 5 percentage points (2019: 2 percentage points). The sensitivity analysis presented is prepared on the basis that the reasonably possible change in each key assumption would not have a consequential impact on other assumptions used in the impairment review. The associated impact on the impairment assessment is presented in the table below, with the exception of Vodafone Automotive, where no reasonably possible change in the key assumptions would materially change the impairment charge recognised.

Management believes that no reasonably possible or foreseeable change in the pre-tax adjusted discount rate or projected capital expenditure[2] would cause the difference between the carrying value and recoverable amount for any cash-generating unit to be materially different to the base case disclosed below.

	Recoverable amount less carrying value (prior to recognition of impairment charges)				
	Germany €bn	Italy €bn	Spain €bn	Ireland €bn	Romania €bn
Base case as at 31 March 2020	6.6	1.8	(0.8)	(0.6)	(0.1)
Change in projected adjusted EBITDA[1]					
Decrease by 5pps	(3.3)	(1.0)	(2.3)	(1.1)	(0.3)
Increase by 5pps	18.4	5.1	0.9	–	0.1
Change in long-term growth rate					
Decrease by 1pps	0.2	0.8	(1.5)	(0.8)	(0.2)
Increase by 1pps	15.8	3.0	–	(0.4)	–

The carrying values for Vodafone UK, Portugal, Czech Republic and Hungary include goodwill arising from acquisitions and/or the purchase of operating licences or spectrum rights. While the recoverable amounts for these operating companies are not materially greater than their carrying value, each has a lower risk of giving rise to an impairment that would be material to the Group given their relative size or the composition of their carrying value.

If the assumptions used in the impairment review were changed to a greater extent than as presented in the following table, the changes would, in isolation, lead to an impairment loss being recognised in the year ended 31 March 2020.

	Change required for carrying value to equal recoverable amount			
	UK pps	Portugal pps	Czech Republic pps	Hungary pps
Pre-tax risk adjusted discount rate	1.1	1.5	1.7	1.9
Long-term growth rate	(1.3)	(1.6)	(1.8)	(2.2)
Projected adjusted EBITDA[1]	(2.3)	(3.4)	(4.0)	(3.9)
Projected capital expenditure[2]	4.5	7.1	12.5	9.1

Notes:
1 Projected adjusted EBITDA is expressed as the compound annual growth rates in the initial five years for all cash-generating units of the plans used for impairment testing.
2 Projected capital expenditure, which excludes licences and spectrum, is expressed as capital expenditure as a percentage of revenue in the initial five years for all cash-generating units of the plans used for impairment testing.

VodafoneZiggo

The recoverable amount for VodafoneZiggo is not materially greater than its carrying value. If adverse impacts of economic, competitive, regulatory or other factors were to cause significant deterioration in the operations of VodafoneZiggo and the entity's expected future cash flows, this may lead to an impairment loss being recognised.

Notes to the consolidated financial statements (continued)

4. Impairment losses (continued)

Year ended 31 March 2019

The disclosures below for the year ended 31 March 2019 are as previously disclosed in the 31 March 2019 and 31 March 2020 Annual Reports.

For the year ended 31 March 2019, the Group recorded impairment charges of €2.9 billion, €0.3 billion, and €0.3 billion in respect of the Group's investments in Spain, Romania and Vodafone Idea respectively. The impairment charges with respect to Spain and Romania relate solely to goodwill and the impairment charge with respect to Vodafone Idea relates to the joint venture's carrying value. All impairment charges are recognised in the consolidated income statement within operating (loss)/profit. The recoverable amounts for Spain and Romania are €7.1 billion and €0.7 billion respectively and are based on value in use calculations. The recoverable amount for the Group's stake in Vodafone Idea is €1.6 billion and is based on its fair value less costs of disposal.

Following challenging current trading and economic conditions, management reassessed the expected future business performance in Spain. Following this reassessment, projected cash flows are lower and this led to an impairment charge with respect to the Group's investment in Spain. The impairment charge with respect to the Group's investment in Romania was driven by an increase in the yield on Romanian government bonds which increased the discount rate and management's reassessment of the long-term growth rate applied beyond the five year business plan.

Vodafone Idea Limited

The Group's investment in Vodafone Idea was tested for impairment at 31 March 2019 in accordance with applicable IFRS. Impairment testing was considered appropriate as a result of market conditions and declines in the quoted share price of the company during the period.

The market environment in India remained highly challenging with significant pricing pressure, which led to industry consolidation but a significantly lower level of profitability and greater pressure on financing. Management continues to consider it reasonable to assume an overall market and pricing recovery, however the timing and magnitude remains highly uncertain. Accordingly, there are a wide range of potential outcomes in deriving a current view of future business performance, cash flows and debt financing requirements for value in use purposes.

Management concluded that the fair value less costs of disposal based on an observable share price is the appropriate basis to determine the recoverable amount of the Group's investment in Vodafone Idea for the purpose of impairment testing for the year ended 31 March 2019. Where the recoverable amount is less than the investment's carrying amount, the carrying amount is reduced to the recoverable amount and an impairment is recognised.

The investment in Vodafone Idea was also tested for impairment as at 30 September 2018. The share price of INR38.55 implied a recoverable amount of INR152 billion (€1.8 billion) which was lower than the carrying value of the investment at the same date. An impairment charge of €0.3 billion was recognised to reduce the carrying value of the joint venture in the Group's consolidated statement of financial position.

Following the formal announcement of the terms of Vodafone Idea's rights issue on 20 March 2019, the Vodafone Idea share price went 'ex-rights' on 29 March 2019 and closed at INR18.25. Based on information available to management on 31 March 2019, the recoverable amount of the Group's investment in Vodafone Idea was determined based on key assumptions relating to the number of new shares to which management intended to subscribe (8.8 billion) and the associated cost under the terms of the rights issue (INR12.5 per share). After taking into account these key assumptions and the quoted share price, the recoverable amount of the Group's interest in Vodafone Idea was determined to be INR123 billion (€1.6 billion) as at 31 March 2019.

Vodafone Idea's share price is observable in a quoted market and is considered a level 1 input under the IFRS 13 fair value hierarchy. As management also considered the observable and unquoted inputs related to the number and cost of the new shares to be issued under the rights issue, the recoverable amount quoted above is considered to be a level 2 valuation under the IFRS 13 fair value hierarchy.

The recoverable amount is €0.2 billion higher than the carrying value of the investment as at 31 March 2019 and no further changes to the carrying value or impairment charge recognised in September 2018 are required.

The carrying value of Vodafone Idea that was tested for impairment was dependent on a wide range of assumptions, including the level of market pricing and the realisation of anticipated merger-related operating expenses and capital expenditure synergies. Should any of the assumptions not materialise, in whole or in part, these will impact the entity's expected future cash flows and may result in a future impairment. The carrying value is also dependent on the ability of the entity to refinance its liabilities as they fall due. Should this not be achievable, this will impact the liquidity of Vodafone Idea and will result in a future impairment, in whole or in part, of the Group's investment.

Based solely on the closing share price of Vodafone Idea on 13 May 2019, the recoverable amount of the Group's 45.2% interest would be €0.6 billion lower than the recoverable amount as at 31 March 2019. No adjustment was made to the carrying value of the Vodafone Idea joint venture as this was considered a non-adjusting event.

Value in use assumptions

The table below shows key assumptions used in the value in use calculations.

	Assumptions used in value in use calculation			
	Germany %	Italy %	Spain %	Romania %
Pre-tax adjusted discount rate	8.3	10.5	9.3	11.1
Long-term growth rate	0.5	1.0	0.5	1.0
Projected adjusted EBITDA[1]	2.9	(0.1)	9.2	3.8
Projected capital expenditure[2]	16.9–19.9	12.2–12.5	17.1–18.4	12.1–12.7

Notes:
1 Projected adjusted EBITDA is expressed as the compound annual growth rates in the initial five years for all cash-generating units of the plans used for impairment testing.
2 Projected capital expenditure, which excludes licences and spectrum, is expressed as capital expenditure as a percentage of revenue in the initial five years for all cash-generating units of the plans used for impairment testing.

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Sensitivity analysis

The estimated recoverable amount of the Group's operations in Germany, Italy, Spain and Romania exceed their carrying values by €7.4 billion, €2.7 billion, €0.5 billion and €0.1 billion respectively. If the assumptions used in the impairment review were changed to a greater extent than as presented in the following table, the changes would, in isolation, lead to an impairment loss being recognised for the year ended 31 March 2019.

	Change required for carrying value to equal recoverable amount			
	Germany pps	Italy pps	Spain pps	Romania pps
Pre-tax adjusted discount rate	2.1	2.5	0.5	1.2
Long-term growth rate	(2.2)	(2.9)	(0.7)	(1.5)
Projected adjusted EBITDA[1]	(4.9)	(4.6)	(1.3)	(2.0)
Projected capital expenditure[2]	15.4	11.2	2.7	3.3

Notes:
1 Projected adjusted EBITDA is expressed as the compound annual growth rates in the initial five years for all cash-generating units of the plans used for impairment testing.
2 Projected capital expenditure, which excludes licences and spectrum, is expressed as capital expenditure as a percentage of revenue in the initial five years for all cash-generating units of the plans used for impairment testing.

Management considered the following reasonably possible changes in the key EBITDA[1] assumption while leaving all other assumptions unchanged. The associated impact on the impairment assessment is presented in the table below.

Management believes that no reasonably possible or foreseeable change in any of the other assumptions included in the table above would cause the carrying value of any cash-generating unit to materially exceed its recoverable amount.

	Recoverable amount less carrying value		
	Decrease by 2pps €bn	Base case €bn	Increase by 2pps €bn
Germany	4.2	7.4	10.8
Italy	1.5	2.7	4.1
Spain	(0.3)	0.5	1.4
Romania	–	0.1	0.2

Note:
1 Projected adjusted EBITDA is expressed as the compound annual growth rates in the initial five years for all cash-generating units of the plans used for impairment testing.

The carrying values for Vodafone UK, Portugal and Ireland include goodwill arising from their acquisition by the Group and/or the purchase of operating licences or spectrum rights. While the recoverable amounts for these operating companies are not materially greater than their carrying value, each has a lower risk of giving rise to impairment that would be material to the Group given their relative size or the composition of their carrying value.

The changes in the following table to assumptions used in the impairment review would have, in isolation, led to an impairment loss being recognised in the year ended 31 March 2019.

	Change required for carrying value to equal recoverable amount		
	UK pps	Ireland pps	Portugal pps
Pre-tax risk adjusted discount rate	0.7	1.2	0.7
Long-term growth rate	(0.9)	(1.4)	(0.7)
Projected adjusted EBITDA[1]	(1.9)	(2.7)	(1.4)
Projected capital expenditure[2]	3.3	8.4	3.4

Notes:
1 Projected adjusted EBITDA is expressed as the compound annual growth rates in the initial five years for all cash-generating units of the plans used for impairment testing.
2 Projected capital expenditure, which excludes licences and spectrum, is expressed as capital expenditure as a percentage of revenue in the initial five years for all cash-generating units of the plans used for impairment testing.

VodafoneZiggo

Following the merger, the recoverable amount for VodafoneZiggo is not materially greater than its carrying value. If adverse impacts of economic, competitive, regulatory or other factors were to cause significant deterioration in the operations of VodafoneZiggo and the entity's expected future cash flows, this may lead to an impairment loss being recognised.

Notes to the consolidated financial statements (continued)

5. Investment income and financing costs

Investment income comprises interest received from short-term investments and other receivables. Financing costs mainly arise from interest due on bonds and commercial paper issued, bank loans and the results of hedging transactions used to manage foreign exchange and interest rate movements.

	2021 €m	2020 €m	2019 €m
Investment income:			
Financial assets measured at amortised cost	306	157	286
Financial assets measured at fair value through profit and loss	24	91	147
	330	**248**	**433**
Financing costs[1]:			
Financial liabilities measured at amortised cost			
Bonds	1,722	1,580	1,194
Lease liabilities	374	330	–
Bank loans and other liabilities[2]	463	626	419
Interest on derivatives	(485)	(354)	(139)
Mark-to-market on derivatives	(1,070)	1,162	424
Foreign exchange	23	205	190
	1,027	**3,549**	**2,088**
Net financing costs	**697**	**3,301**	**1,655**

Notes:
1 Components of financing costs for 2020 and 2019 have been represented to align with the 2021 presentation, primarily combining interest costs on derivatives that were previously shown as items within hedging relationships and other liabilities. There is no impact on total financing costs.
2 Interest capitalised for the year ended 31 March 2021 was €17 million (2020: €25 million, 2019: €nil)

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6. Taxation

This note explains how our Group tax charge arises. The deferred tax section of the note also provides information on our expected future tax charges and sets out the tax assets held across the Group together with our view on whether or not we expect to be able to make use of these in the future.

Accounting policies

Income tax expense represents the sum of the current and deferred taxes.

Current tax payable or recoverable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because some items of income or expense are taxable or deductible in different years or may never be taxable or deductible. The Group's liability for current tax is calculated using tax rates and laws that have been enacted or substantively enacted by the reporting period date.

The Group recognises provisions for uncertain tax positions when the Group has a present obligation as a result of a past event and management judge that it is probable that there will be a future outflow of economic benefits from the Group to settle the obligation. Uncertain tax positions are assessed and measured on an issue by issue basis within the jurisdictions that we operate either using management's estimate of the most likely outcome where the issues are binary, or the expected value approach where the issues have a range of possible outcomes. The Group recognises interest on late paid taxes as part of financing costs, and any penalties, if applicable, as part of the income tax expense.

Deferred tax is the tax expected to be payable or recoverable in the future arising from temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. It is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that temporary differences or taxable profits will be available against which deductible temporary differences can be utilised.

Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax liabilities are not recognised to the extent they arise from the initial recognition of non-tax deductible goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint arrangements, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting period date and adjusted to reflect changes in the Group's assessment that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised, based on tax rates that have been enacted or substantively enacted by the reporting period date.

Tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they either relate to income taxes levied by the same taxation authority on either the same taxable entity or on different taxable entities which intend to settle the current tax assets and liabilities on a net basis.

Tax is charged or credited to the income statement, except when it relates to items charged or credited to other comprehensive income or directly to equity, in which case the tax is recognised in other comprehensive income or in equity.

Income tax expense	**2021 €m**	2020 €m	2019 €m
United Kingdom corporation tax expense/(credit):			
Current year	24	42	21
Adjustments in respect of prior years	3	(6)	(9)
	27	**36**	**12**
Overseas current tax expense/(credit):			
Current year	872	900	1,098
Adjustments in respect of prior years	(30)	80	(48)
	842	**980**	**1,050**
Total current tax expense	**869**	**1,016**	**1,062**
Deferred tax on origination and reversal of temporary differences:			
United Kingdom deferred tax	(94)	(318)	(232)
Overseas deferred tax	3,089	552	666
Total deferred tax expense	**2,995**	**234**	**434**
Total income tax expense	**3,864**	**1,250**	**1,496**

UK operating profits are more than offset by statutory allowances for capital investment in the UK network and systems plus ongoing interest costs including those arising from the €10.7 billion of spectrum payments to the UK government in 2000, 2013 and 2018.

Notes to the consolidated financial statements (continued)

6. Taxation (continued)

Tax on discontinued operations

	2021 €m	2020 €m	2019 €m
Tax credit on profit from ordinary activities of discontinued operations	**–**	**–**	**(56)**

Tax (credited)/charged directly to other comprehensive income

	2021 €m	2020 €m	2019 €m
Current tax	(17)	(26)	3
Deferred tax	(1,009)	830	56
Total tax (credited)/charged directly to other comprehensive income	**(1,026)**	**804**	**59**

Tax (credited)/charged directly to equity

	2021 €m	2020 €m	2019 €m
Deferred tax	(2)	–	4
Total tax (credited)/charged directly to equity	**(2)**	**–**	**4**

Factors affecting the tax expense for the year

The table below explains the differences between the expected tax expense, being the aggregate of the Group's geographical split of profits multiplied by the relevant local tax rates and the Group's total tax expense for each year.

	2021 €m	2020 €m	2019 €m
Continuing profit/(loss) before tax as shown in the consolidated income statement	**4,400**	**795**	**(2,613)**
Aggregated expected income tax expense/(credit)	1,124	226	(457)
Impairment losses with no tax effect	–	332	807
Disposal of Group investments[1]	(332)	(1,113)	–
Effect of taxation of associates and joint ventures, reported within profit before tax	56	728	262
(Recognition)/derecognition of deferred tax assets for losses in Luxembourg and Spain[2]	–	–	1,186
Deferred tax following revaluation of investments in Luxembourg[2]	2,819	(348)	(488)
Previously unrecognised temporary differences we expect to use in the future	(45)	(14)	–
Current year temporary differences (including losses) that we currently do not expect to use	170	352	78
Adjustments in respect of prior year tax liabilities	(10)	(86)	(94)
Impact of tax credits and irrecoverable taxes	90	52	79
Deferred tax on overseas earnings	–	3	(39)
Effect of current year changes in statutory tax rates on deferred tax balances[3]	(45)	757	(2)
Financing costs not deductible for tax purposes	(62)	174	67
Expenses not deductible for tax purposes	99	187	97
Income tax expense	**3,864**	**1,250**	**1,496**

Notes:

1 2021 includes the tax tax exempt gains relating to the TPG Telecom Limited merger in Australia and Indus Towers Limited in India. 2020 relates to tax exempt disposal gains of New Zealand, Malta and merger of our Italian Towers with INWIT

2 See note below regarding deferred tax asset recognition in Luxembourg and Spain on pages 128 and 129.

3 2020 includes the impact of a lower corporate tax rate in Luxembourg and the impact of the retention of the 19% corporate tax rate in the UK

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Deferred tax

Analysis of movements in the net deferred tax balance during the year:

	€m
1 April 2020[1]	21,502
Foreign exchange movements	18
Charged to the income statement (continuing operations)	(2,995)
Charged directly to OCI	1,009
Charged directly to equity	2
Arising on acquisitions and disposals	(62)
31 March 2021[2]	**19,474**

Deferred tax assets and liabilities, before offset of balances within countries, are as follows:

	Amount credited/ (expensed) in income statement €m	Gross deferred tax asset €m	Gross deferred tax liability €m	Less amounts unrecognised €m	Net recognised deferred tax (liability)/ asset €m
Accelerated tax depreciation	716	2,331	(1,842)	(9)	480
Intangible assets	336	434	(2,169)	13	(1,722)
Tax losses	(3,292)	29,791	–	(9,701)	20,090
Treasury related items	(9)	761	(37)	(392)	332
Temporary differences relating to revenue recognition	(84)	3	(651)	–	(648)
Temporary differences relating to leases	(34)	611	(429)	–	182
Other temporary differences	(627)	1,159	(352)	(47)	760
31 March 2021[2]	**(2,994)**	**35,090**	**(5,480)**	**(10,136)**	**19,474**

Analysed in the balance sheet, after offset of balances within countries, as:

	€m
Deferred tax asset	21,569
Deferred tax liability	(2,095)
31 March 2021[2]	**19,474**

At 31 March 2020, deferred tax assets and liabilities, before offset of balances within countries, were as follows:

	Amount credited/ (expensed) in income statement €m	Gross deferred tax asset €m	Gross deferred tax liability €m	Less amounts unrecognised €m	Net recognised deferred tax (liability)/ asset €m
Accelerated tax depreciation	964	1,581	(1,876)	13	(282)
Intangible assets	(719)	383	(1,965)	14	(1,568)
Tax losses	(926)	32,121	–	(8,725)	23,396
Treasury related items	144	530	(770)	(301)	(541)
Temporary differences relating to revenue recognition	187	4	(559)	–	(555)
Temporary differences relating to leases	205	260	(41)	–	219
Other temporary differences	(89)	1,207	(302)	(71)	834
31 March 2020[1,2]	**(234)**	**36,086**	**(5,513)**	**(9,070)**	**21,503**

At 31 March 2020, analysed in the balance sheet, after offset of balances within countries, as:

	€m
Deferred tax asset	23,606
Deferred tax liability	(2,103)
31 March 2020[1,2]	**21,503**

Notes:
1 Comparatives for the year ended 31 March 2020 have been re-presented to reflect that Vodafone Egypt is no longer held for sale. See note 7 "Discontinued operations and assets and liabilities held for sale".
2 The Group does not discount its deferred tax assets. This is in accordance with the requirements of IAS 12.

Notes to the consolidated financial statements (continued)

6. Taxation (continued)

Factors affecting the tax charge in future years

The Group's future tax charge, and effective tax rate, could be affected by several factors including: tax reform in countries around the world, including any arising from the OECD's or European Commission's work on the taxation of the digital economy and European Commission initiatives such as the proposed tax and financial reporting directive or as a consequence of state aid investigations, future corporate acquisitions and disposals, any restructuring of our businesses and the resolution of open tax issues (see below).

On 25 April 2019, the European Commission published its full decision in relation to its investigation into the 'group financing exemption' (GFE) in the UK's controlled foreign company rules and whether the GFE constituted unlawful State Aid. It concluded the GFE does not constitute unlawful state aid when the managing of the financing activities is outside the UK. As the Group's Luxembourg financing activities are properly established and operate in accordance with EU and local law as well as the OECD's transfer pricing guidelines, we do not anticipate any significant impact as a result of the Commission's findings.

In March 2021, the UK government announced its intention to increase the corporation tax rate from 19% to 25% effective from 1 April 2023. The increased rate is not yet substantively enacted but when it does this will increase the value of our deferred tax assets by approximately €350 million.

The Group is routinely subject to audit by tax authorities in the territories in which it operates. The Group considers each issue on its merits and, where appropriate, holds provisions in respect of the potential tax liability that may arise. As at 31 March 2021, the Group holds provisions for such potential liabilities of €606 million (2020: €638 million). These provisions relate to multiple issues, across the jurisdictions in which the Group operates.

As the tax impact of a transaction can be uncertain until a conclusion is reached with the relevant tax authority or through a legal process, the amount ultimately paid may differ materially from the amount accrued and could therefore affect the Group's overall profitability and cash flows in future periods. See note 29 "Contingent liabilities and legal proceedings" to the consolidated financial statements.

At 31 March 2021, the gross amount and expiry dates of losses available for carry forward are as follows:

	Expiring within 5 years €m	Expiring beyond 6 years €m	Unlimited €m	Total €m
Losses for which a deferred tax asset is recognised	63	222	86,623	86,908
Losses for which no deferred tax is recognised	245	13,217	23,479	36,941
	308	**13,439**	**110,102**	**123,849**

At 31 March 2020, the gross amount and expiry dates of losses available for carry forward were as follows:

	Expiring within 5 years €m	Expiring beyond 6 years €m	Unlimited €m	Total €m
Losses for which a deferred tax asset is recognised	531	143	99,828	100,502
Losses for which no deferred tax is recognised	759	9,404	22,772	32,935
	1,290	**9,547**	**122,600**	**133,437**

Deferred tax assets on losses in Luxembourg

Included in the table above are losses of €69,742 million (2019: €82,372 million) that have arisen in Luxembourg companies. A deferred tax asset of €17,394 million (2020: €20,544 million) has been recognised in respect of these losses, as we conclude it is probable that the Luxembourg entities will continue to generate taxable profits in the future against which we can utilise these losses. These tax losses principally arose from historical impairments, primarily following the acquisition of the Mannesmann Group in 2000. These losses arose prior to the 2017 tax reform in Luxembourg and are available to carry forward indefinitely.

The Luxembourg companies hold investments in the Group's operating companies which are assessed for impairment for local GAAP financial statements using the Group's value in use calculations (see note 4 "Impairment losses"). Impairments and reversals of impairments are recorded in the local GAAP financial statements and therefore carrying values and valuation methodology differs from the goodwill assessment for the Group's consolidated financial statements. This assessment can give rise to tax deductible impairments or taxable reversals of previous impairments.

Following the 2017 tax reform in Luxembourg, tax losses expire after 17 years and are only used after any pre-existing losses. In the years ended 31 March 2019 and 31 March 2020 the Luxembourg companies had tax deductible impairments resulting in additional tax losses. No deferred tax asset is recognised for these losses on the basis that they are not forecast to be used prior to the expiry of their 17 year life. In a period where pre-existing tax losses are not utilised due to impairments arising the forecast utilisation timeframe extends by one year.

The reversal of impairments can result in a significant reduction to our deferred tax assets and the period over which these assets can be utilised. In the year ended 31 March 2021 a reversal of previous impairments of €12 billion has arisen in Luxembourg. This represents taxable income against which the brought forward losses can be used. This is the main driver of the reduction in the losses, and the associated deferred tax asset, compared to the prior period.

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The Luxembourg companies' recurring profits are derived from the Group's internal financing, centralised procurement and international roaming activities. These activities have consistently generated taxable profits of over €1bn per annum throughout their existence. The Group has reviewed the latest 5 year forecasts for the Luxembourg companies, including their ability to continue to generate income beyond this period. The forecasts consider the impact of the current market conditions on the existing financing activities, including the current view of interest rates, levels of intragroup financing, as well as the future profits generated from the procurement and roaming activities. The value in use calculations take into account all information at the balance sheet and the Group does not forecast potential future impairments or reversals of impairments.

This assessment also included a review of the commercial structures supporting the profits generated from these activities and considered the factors, under the Group's control, which could impact the ability of these activities to generate taxable profits. We have assessed that the current structure continues to be sustainable under the tax laws substantively enacted at the balance sheet date and the Group's intentions to keep these activities in Luxembourg remains unchanged.

Based on the current forecasts, €2,881 million of the deferred tax asset is forecast to be used within the next 10 years, and €4,891 million used within 20 years. The losses are projected to be fully utilised over the next 59 to 62 years. The increase in the recovery period over the prior year is principally a result of market conditions, including lower interest rates, driving margins lower on existing financing activities and the impact of a forecast reduction in levels of intercompany debt over the 5 year period as the Group's operating companies align their debt metrics more closely to those of Vodafone Group Plc.

An increase or decrease in the forecast income in Luxembourg in each year of 5%-10% would change the period over which the losses will be fully utilised by 2 to 5 years. The Group uses a change in forecast income to understand the impact that a change in interest rates or level of debt advanced by the Luxembourg companies could have on the recovery period of the losses.

Any future changes in tax law, including those driven by OECD, EU or domestic tax reforms or the structure of the Group could have a significant effect on the use of the Luxembourg losses, including the period over which these losses can be utilised. On the basis that future changes in tax laws are unknown, the profit forecasts assume that existing tax laws continue.

Based on the above factors the Group concludes that it is probable that the Luxembourg companies will continue to generate taxable profits in the future against which it will use these losses.

In addition to the above, €12,975 million (2020: €9,242 million) of the Group's Luxembourg losses expire after 13 to 17 years and no deferred tax asset is recognised as they will expire before we can use these losses. The remaining losses do not expire. We also have €9,136 million (2020: €9,136 million) of Luxembourg losses in a former Cable & Wireless Worldwide Group company, for which no deferred tax asset has been recognised as it is uncertain whether these losses will be utilised.

Deferred tax assets on losses in Germany

The Group has tax losses of €16,296 million (2020: €17,160 million) in Germany arising on the write down of investments in Germany in 2000. The losses are available to use against both German federal and trade tax liabilities and they do not expire.

A deferred tax asset of €2,529 million (2020: €2,662 million) has been recognised in respect of these losses as we conclude it is probable that the German business will continue to generate taxable profits in the future against which we can utilise these losses. The Group has reviewed the latest forecasts for the German business which incorporate the unsystematic risks of operating in the telecommunications business. In the period beyond the 5 year forecast we have reviewed the profits inherent in the terminal period and based on these and our expectations for the German business we believe it is probable the German losses will be fully utilised.

Based on the current forecasts the losses will be fully utilised over the next 8 to 16 years. A 5% -10% change in the forecast profits of the German business would alter the utilisation period by 1 to 2 years.

Deferred tax assets on losses in Spain

The Group has tax losses of €4,334 million (2020: €4,281 million) in Spain which are available to offset against the future profits of the Grupo Corporativo ONO business. The losses do not expire and no deferred tax asset is recognised for these losses due to the trading environment in Spain.

Other tax losses

The Group has losses amounting to €8,285 million (2020: €7,500 million) in respect of UK subsidiaries which are only available for offset against future capital gains and since it is uncertain whether these losses will be utilised, no deferred tax asset has been recognised, in line with the prior year.

The remaining losses relate to a number of other jurisdictions across the Group. There are also €2,092 million (2020: €1,514 million) of unrecognised temporary differences relating to treasury items and other items.

No deferred tax liability has been recognised in respect of a further €7,522 million (2020: €7,130 million) of unremitted earnings of subsidiaries, associates and joint ventures because the Group is in a position to control the timing of the reversal of the temporary difference and it is probable that such differences will not reverse in the foreseeable future. It is not practicable to estimate the amount of unrecognised deferred tax liabilities in respect of these unremitted earnings.

Notes to the consolidated financial statements (continued)

7. Discontinued operations and assets and liabilities held for sale

The Group classifies certain of its assets that it expects to dispose as either discontinued operations or as held for sale.

The Group classifies non-current assets and assets and liabilities within disposal groups ('assets') as held for sale if the assets are available immediately for sale in their present condition, management is committed to a plan to sell the assets under usual terms, it is highly probable that their carrying amounts will be recovered principally through a sale transaction rather than through continuing use and the sale is expected to be completed within one year from the date of the initial classification.

Assets and liabilities classified as held for sale are presented separately as current items in the consolidated statement of financial position and are measured at the lower of their carrying amount and fair value less costs to sell. Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale; this also applies in respect of assets held by equity accounted associates and joint ventures.

Where operations constitute a separately reportable segment (see note 2 "Revenue disaggregation and segmental analysis") and have been disposed of, or are classified as held for sale, the Group classifies such operations as discontinued.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the Group consolidated income statement. Discontinued operations are also excluded from segment reporting. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

Discontinued operations

On 20 March 2017, Vodafone announced the agreement to combine its subsidiary, Vodafone India Limited (excluding its 42% stake in Indus Towers Limited), with Idea Cellular in India. Consequently, Vodafone India Limited has been accounted for as a discontinued operation for the period up to 31 August 2018, the date the transaction completed, the results of which are detailed below.

Income statement and segment analysis of discontinued operations

	2021 €m	2020 €m	2019[1] €m
Revenue	**–**	**–**	**1,561**
Cost of sales	–	–	(1,185)
Gross profit	**–**	**–**	**376**
Selling and distribution expenses	–	–	(92)
Administrative expenses	–	–	(134)
Operating profit	**–**	**–**	**150**
Financing costs	–	–	(321)
Loss before taxation	**–**	**–**	**(171)**
Income tax credit	–	–	56
Loss after tax of discontinued operations	**–**	**–**	**(115)**
Loss on sale of disposal group	**–**	**–**	**(3,420)**
Loss for the financial year from discontinued operations	**–**	**–**	**(3,535)**

Loss per share from discontinued operations

	2021 eurocents	2020 eurocents	2019 eurocents
– Basic	–	–	(12.80)c
– Diluted	–	–	(12.80)c

Total comprehensive expense for the financial year from discontinued operations

	2021 €m	2020 €m	2019 €m
Attributable to owners of the parent	–	**–**	**(3,535)**

Note:
1 Results for the five months ended 31 August 2018 when the transaction completed.

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Assets and liabilities held for sale

Assets and liabilities held for sale at 31 March 2021 comprise the Group's 28.1% interest in Indus Towers. The Group's interest in Indus Towers has been provided as security against both certain bank borrowings (see note 21 "Borrowings") and partly to the pledges provided to the new Indus Towers entity under the terms of the merger between erstwhile Indus Towers and Bharti Infratel (see note 29 "Contingent liabilities and legal proceedings").

Assets and liabilities held for sale at 31 March 2020 comprised a 24.95% interest in Vodafone Hutchison Australia Pty Limited ('VHA') and the Group's 55% interest in Vodafone Egypt. On 26 June 2020, VHA and TPG Telecom Limited completed their merger (see note 12 "Investments in associates and joint arrangements" for further details). On 21 December 2020, the Group announced that its discussions with Saudi Telecom Company had ended. Consequently, the prior year comparatives in the consolidated statement of financial position have been re-presented to reflect that Vodafone Egypt is no longer held for sale. There is no net impact on either Total assets or Total equity and liabilities, although certain line items have been re-presented, as detailed below.

Assets and liabilities held for sale and the impact of the reclassification of Vodafone Egypt

The table below discloses the impacted line items only. The consolidated statement of financial position is on page 122 and has not been reproduced below in its entirety.

	2021 €m	As previously presented 2020 €m	Impact of Egypt reclassification 2020 €m	Re-presented 2020 €m
Non-current assets				
Goodwill	–	107	(107)	–
Other intangible assets	–	379	(379)	–
Property, plant and equipment	–	916	(916)	–
Investments in associates and joint ventures	1,257	(412)	–	(412)
Trade and other receivables	–	15	(15)	–
	1,257	**1,005**	**(1,417)**	**(412)**
Current assets				
Inventory	–	13	(13)	–
Taxation recoverable	–	3	(3)	–
Trade and other receivables	–	313	(313)	–
Cash and cash equivalents	–	273	(273)	–
	–	**602**	**(602)**	**–**
Assets held for sale	**1,257**	**1,607**	**(2,019)**	**(412)**
Non-current liabilities				
Borrowings	–	57	(57)	–
Deferred tax liabilities	–	60	(60)	–
Provisions	–	5	(5)	–
	–	**122**	**(122)**	**–**
Current liabilities				
Borrowings	–	150	(150)	–
Taxation liabilities	–	116	(116)	–
Provisions	–	29	(29)	–
Trade and other payables	–	634	(634)	–
	–	**929**	**(929)**	**–**
Liabilities held for sale	**–**	**1,051**	**(1,051)**	**–**

Notes to the consolidated financial statements (continued)

8. Earnings per share

Basic earnings per share is the amount of profit generated for the financial year attributable to equity shareholders divided by the weighted average number of shares in issue during the year.

	2021 Millions	2020 Millions	2019 Millions
Weighted average number of shares for basic earnings per share	29,592	29,422	27,607
Effect of dilutive potential shares: restricted shares and share options	91	–	–
Weighted average number of shares for diluted earnings per share	**29,683**	**29,422**	**27,607**

	2021 €m	2020 €m	2019 €m
Profit/(loss) for earnings per share from continuing operations	112	(920)	(4,485)
Loss for earnings per share from discontinued operations	–	–	(3,535)
Profit/(loss) for basic and diluted earnings per share	**112**	**(920)**	**(8,020)**

	eurocents	eurocents	eurocents
Basic earnings/(loss) per share from continuing operations	0.38c	(3.13)c	(16.25)c
Loss per share from discontinued operations	–	–	(12.80)c
Basic earnings/(loss) per share	**0.38c**	**(3.13)c**	**(29.05)c**

	eurocents	eurocents	eurocents
Diluted earnings/(loss) per share from continuing operations	0.38c	(3.13)c	(16.25)c
Diluted loss per share from discontinued operations	–	–	(12.80)c
Diluted earnings/(loss) per share	**0.38c**	**(3.13)c**	**(29.05)c**

9. Equity dividends

Dividends are one type of shareholder return, historically paid to our shareholders in February and August.

	2021 €m	2020 €m	2019 €m
Declared during the financial year:			
Final dividend for the year ended 31 March 2020: 4.50 eurocents per share (2019: 4.16 eurocents per share, 2018: 10.23 eurocents per share)	1,205	1,112	2,729
Interim dividend for the year ended 31 March 2021: 4.50 eurocents per share (2020: 4.50 eurocents per share, 2019: 4.84 eurocents per share)	1,207	1,205	1,293
	2,412	**2,317**	**4,022**
Proposed after the end of the year and not recognised as a liability:			
Final dividend for the year ended 31 March 2021: 4.50 eurocents per share (2020: 4.50 eurocents per share, 2019: 4.16 eurocents per share)	**1,260**	**1,205**	**1,112**

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10. Intangible assets

The statement of financial position contains significant intangible assets, mainly in relation to goodwill and licences and spectrum. Goodwill, which arises when we acquire a business and pay a higher amount than the fair value of its net assets primarily due to the synergies we expect to create, is not amortised but is subject to annual impairment reviews. Licences and spectrum are amortised over the life of the licence. For further details see "Critical accounting judgements and key sources of estimation uncertainty" in note 1 to the consolidated financial statements.

Accounting policies

Identifiable intangible assets are recognised when the Group controls the asset, it is probable that future economic benefits attributed to the asset will flow to the Group and the cost of the asset can be reliably measured. Identifiable intangible assets are recognised at fair value when the Group completes a business combination. The determination of the fair values of the separately identified intangibles, is based, to a considerable extent, on management's judgement.

Goodwill

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition.

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is not subject to amortisation but is tested for impairment annually or whenever there is evidence that it may be impaired. Goodwill is denominated in the currency of the acquired entity and revalued to the closing exchange rate at each reporting period date.

Negative goodwill arising on an acquisition is recognised directly in the income statement.

On disposal of a subsidiary or a joint arrangement, the attributable amount of goodwill is included in the determination of the profit or loss recognised in the income statement on disposal.

Finite lived intangible assets

Intangible assets with finite lives are stated at acquisition or development cost, less accumulated amortisation. The amortisation period and method is reviewed at least annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Licence and spectrum fees

Amortisation periods for licence and spectrum fees are determined primarily by reference to the unexpired licence period, the conditions for licence renewal and whether licences are dependent on specific technologies. Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives from the commencement of related network services.

Computer software

Computer software comprises software purchased from third parties as well as the cost of internally developed software. Computer software licences are capitalised on the basis of the costs incurred to acquire and bring into use the specific software. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and are probable of producing future economic benefits, are recognised as intangible assets. Direct costs of software development include employee costs and directly attributable overheads.

Software integral to an item of hardware equipment is classified as property, plant and equipment.

Costs associated with maintaining software programs are recognised as an expense when they are incurred.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful life from the date the software is available for use.

Other intangible assets

Other intangible assets, including brands and customer bases, are recorded at fair value at the date of acquisition. Amortisation is charged to the income statement, over the estimated useful lives of intangible assets from the date they are available for use, on a straight-line basis. The amortisation basis adopted for each class of intangible asset reflects the Group's consumption of the economic benefit from that asset. From 1 April 2019, the Group revised the method of allocating the amortisation of acquired customer base intangibles over their useful economic lives from a sum of digits calculation to a straight-line basis.

Estimated useful lives

The estimated useful lives of finite lived intangible assets are as follows:

– Licence and spectrum fees	3 - 25 years
– Computer software	3 - 5 years
– Brands	1 - 10 years
– Customer bases	2 - 32 years

Notes to the consolidated financial statements (continued)

10. Intangible assets (continued)

	Goodwill €m	Licence and spectrum fees €m	Computer software €m	Customer bases[1] €m	Other[1] €m	Total €m
Cost:						
1 April 2019	**89,563**	**31,606**	**17,209**	**6,716**	**471**	**145,565**
Exchange movements	(563)	(479)	(196)	(271)	(39)	(1,548)
Arising on acquisition	11,752	–	184	5,585	71	17,592
Disposal of subsidiaries	(1,582)	(129)	(409)	(66)	(10)	(2,196)
Additions	–	1,776	2,278	–	7	4,061
Disposals	–	(83)	(2,383)	–	(47)	(2,513)
Other	–	–	85	–	–	85
31 March 2020[2]	**99,170**	**32,691**	**16,768**	**11,964**	**453**	**161,046**
Exchange movements	107	234	43	144	11	539
Arising on acquisition	87	–	–	200	–	287
Additions	–	896	2,462	1	8	3,367
Disposals	–	(293)	(1,651)	(1)	(2)	(1,947)
Other	–	–	211	–	(4)	207
31 March 2021	**99,364**	**33,528**	**17,833**	**12,308**	**466**	**163,499**
Accumulated impairment losses and amortisation:						
1 April 2019	**66,210**	**19,004**	**12,232**	**6,653**	**461**	**104,560**
Exchange movements	(103)	(338)	(119)	(231)	(34)	(825)
Impairments	1,685	–	–	–	–	1,685
Disposal of subsidiaries	–	(69)	(305)	(66)	(10)	(450)
Amortisation charge for the year	–	1,833	2,203	349	74	4,459
Disposals	–	(70)	(2,353)	–	(48)	(2,471)
Other	–	–	79	–	–	79
31 March 2020[2]	**67,792**	**20,360**	**11,737**	**6,705**	**443**	**107,037**
Exchange movements	(159)	255	3	131	11	241
Amortisation charge for the year	–	1,721	2,210	488	2	4,421
Disposals	–	(293)	(1,643)	–	(1)	(1,937)
Other	–	–	189	–	(1)	188
31 March 2021	**67,633**	**22,043**	**12,496**	**7,324**	**454**	**109,950**
Net book value:						
31 March 2020[2]	**31,378**	**12,331**	**5,031**	**5,259**	**10**	**54,009**
31 March 2021	**31,731**	**11,485**	**5,337**	**4,984**	**12**	**53,549**

Notes:
1 Customer bases and Other elements of intangible assets have been presented separately for the current reporting period and the comparative period has been re-presented on the same basis.
2 The comparative balances as at 31 March 2020 have been re-presented to reflect that Vodafone Egypt is no longer held for sale. See note 7 "Discontinued operations and assets and liabilities held for sale". The impact of the re-presentation is to increase the net book value of Goodwill by €107 million, licence and spectrum fees by €324 million, Computer software by €57 million and decrease Other by €2 million compared to amounts previously reported.

For licences and spectrum and other intangible assets, amortisation is included within the cost of sales line within the consolidated income statement.

The net book value and expiry dates of the most significant licences are as follows:

	Expiry dates	**2021 €m**	2020 €m
Germany	2025/2033/2040	3,564	4,208
Italy	2029/2037	3,429	3,683
UK	2022/2023/2033/2038/2041	1,383	1,801

The remaining amortisation period for each of the licences in the table above corresponds to the expiry date of the respective licence. A summary of the Group's most significant spectrum licences can be found on pages 238 and 239.

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11. Property, plant and equipment

The Group makes significant investments in network equipment and infrastructure – the base stations and technology required to operate our networks – that form the majority of our tangible assets. All assets are depreciated over their useful economic lives. For further details on the estimation of useful economic lives, see "Critical accounting judgements and key sources of estimation uncertainty" in note 1 to the consolidated financial statements.

Accounting policies

Land and buildings held for use are stated in the statement of financial position at their cost, less any accumulated depreciation and any accumulated impairment losses.

Amounts for equipment, fixtures and fittings, which includes network infrastructure assets are stated at cost less accumulated depreciation and any accumulated impairment losses.

Assets in the course of construction are carried at cost, less any recognised impairment losses. Depreciation of these assets commences when the assets are ready for their intended use.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation is charged so as to write off the cost of assets, other than land, using the straight-line method, over their estimated useful lives, as follows:

Land and buildings	
– Freehold buildings	25 - 50 years
– Leasehold premises	the term of the lease

Equipment, fixtures and fittings	
– Network infrastructure and other	1 - 35 years

Depreciation is not provided on freehold land.

Right-of-use assets arising from the Group's lease arrangements are depreciated over their reasonably certain lease term, as determined under the Group's leases policy (see note 20 "Leases" and "Critical accounting judgements and key sources of estimation uncertainty" in note 1 for details).

The gain or loss arising on the disposal, retirement or granting of a finance lease on an item of property, plant and equipment is determined as the difference between any proceeds from sale or receivables arising on a lease and the carrying amount of the asset and is recognised in the income statement.

Notes to the consolidated financial statements (continued)

11. Property, plant and equipment (continued)

	Land and buildings €m	Equipment, fixtures and fittings €m	Total €m
Cost:			
1 April 2019	**2,257**	**70,260**	**72,517**
Exchange movements	(58)	(1,000)	(1,058)
Arising on acquisition	49	3,642	3,691
Additions	76	5,161	5,237
Disposals	(51)	(3,218)	(3,269)
Disposals of subsidiaries	(22)	(2,851)	(2,873)
Other	10	311	321
31 March 2020[1]	**2,261**	**72,305**	**74,566**
Exchange movements	25	188	213
Arising on acquisition	74	19	93
Additions	47	5,666	5,713
Disposals	(100)	(2,512)	(2,612)
Other	8	308	316
31 March 2021	**2,315**	**75,974**	**78,289**
Accumulated depreciation and impairment:			
1 April 2019	1,244	44,603	45,847
Exchange movements	(21)	(498)	(519)
Charge for the year	109	5,886	5,995
Disposals	(42)	(3,145)	(3,187)
Disposals of subsidiaries	(17)	(2,017)	(2,034)
Other	(4)	104	100
31 March 2020[1]	**1,269**	**44,933**	**46,202**
Exchange movements	8	114	122
Charge for the year	39	5,727	5,766
Disposals	(97)	(2,448)	(2,545)
Other	(3)	77	74
31 March 2021	**1,216**	**48,403**	**49,619**
Net book value:			
31 March 2020[1]	**992**	**27,372**	**28,364**
31 March 2021	**1,099**	**27,571**	**28,670**

Note:
1 The comparative balances as at 31 March 2020 have been re-presented to reflect that Vodafone Egypt is no longer held for sale. See note 7 "Discontinued operations and assets and liabilities held for sale". The impact of the re-presentation is to increase the net book value of owned assets including Land and buildings by €37 million and Equipment, fixtures and fittings by €818 million, compared to amounts previously reported.

Included in the net book value of land and buildings and equipment, fixtures and fittings are assets in the course of construction, which are not depreciated, with a cost of €15 million (2020: €34 million) and €2,243 million (2020: €1,914 million) respectively. Also included in the book value of equipment, fixtures and fittings are assets leased out by the Group under operating leases, with a cost of €2,930 million (2020: €2,966 million), accumulated depreciation of €1,828 million (2020: €1,678 million) and net book value of €1,102 million (2020: €1,288 million).

Right-of-use assets arising from the Group's lease arrangements are recorded within property, plant and equipment:

	2021 €m	2020 €m
Property, plant and equipment (owned assets)	28,670	28,364
Right-of-use assets[2]	12,573	11,749
31 March	**41,243**	**40,113**

Note:
2 Additions of €5,306 million (2020: €4,593 million) and a depreciation charge of €3,914 million (2020: €3,720 million) were recorded in respect of right-of-use assets during the year to 31 March 2021. The prior year comparatives have been re-presented to reflect that Vodafone Egypt is no longer held for sale. See Note 7 "Discontinued operations and assets and liabilities held for sale". The impact of the re-presentation is to increase the net book value of right-of-use assets by €61 million, compared to amounts previously reported.

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12. Investments in associates and joint arrangements

The Group holds interests in associates in Kenya and in India, where we have significant influence, as well as in a number of joint arrangements in the UK, Italy, the Netherlands, India and Australia, where we share control with one or more third parties. For further details see "Critical accounting judgements and key sources of estimation uncertainty" in note 1 to the consolidated financial statements.

Accounting policies

Interests in joint arrangements

A joint arrangement is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control; that is, when the relevant activities that significantly affect the investee's returns require the unanimous consent of the parties sharing control. Joint arrangements are either joint operations or joint ventures.

Gains or losses resulting from the contribution or sale of a subsidiary as part of the formation of a joint arrangement are recognised in respect of the Group's entire equity holding in the subsidiary.

Joint operations

A joint operation is a joint arrangement whereby the parties that have joint control have the rights to the assets, and obligations for the liabilities, relating to the arrangement or that other facts and circumstances indicate that this is the case. The Group's share of assets, liabilities, revenue, expenses and cash flows are combined with the equivalent items in the financial statements on a line-by-line basis.

Any goodwill arising on the acquisition of the Group's interest in a joint operation is accounted for in accordance with the Group's accounting policy for goodwill arising on the acquisition of a subsidiary.

Joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control have the rights to the net assets of the arrangement.

At the date of acquisition, any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the joint venture is recognised as goodwill. The goodwill is included within the carrying amount of the investment.

The results and assets and liabilities of joint ventures, other than those joint ventures or part thereof that are held for sale (see note 7 "Discontinued operations and assets and liabilities held for sale"), are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in joint ventures are carried in the consolidated statement of financial position at cost adjusted for post-acquisition changes in the Group's share of the net assets of the joint venture, less any impairment in the value of the investment. The Group's share of post-tax profits or losses are recognised in the consolidated income statement. Losses of a joint venture in excess of the Group's interest in that joint venture are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint arrangement.

Significant influence is the power to participate in the financial and operating policy decisions of the investee but where the Group does not have control or joint control over those policies.

At the date of acquisition, any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate is recognised as goodwill. The goodwill is included within the carrying amount of the investment.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the same equity method of accounting used for joint ventures, described above.

Joint operations

The Company's principal joint operation has share capital consisting solely of ordinary shares and is indirectly held, and principally operates in the UK. The financial and operating activities of the operation are jointly controlled by the participating shareholders and are primarily designed for all but an insignificant amount of the output to be consumed by the shareholders.

Name of joint operation	Principal activity	Country of incorporation or registration	Percentage shareholdings[1] 2021	Percentage shareholdings[1] 2020
Cornerstone Telecommunications Infrastructure Limited	Network infrastructure	UK	50.0	50.0

Note:
1 Effective ownership percentages of Vodafone Group Plc rounded to the nearest tenth of one percent.

Notes to the consolidated financial statements (continued)

12. Investments in associates and joint arrangements (continued)

Joint ventures and associates

	2021 €m	2020 €m
Investment in joint ventures	4,249	5,323
Investment in associates	421	508
31 March	**4,670**	**5,831**

Joint ventures

The financial and operating activities of the Group's joint ventures are jointly controlled by the participating shareholders. The participating shareholders have rights to the net assets of the joint ventures through their equity shareholdings. Unless otherwise stated, the Company's principal joint ventures all have share capital consisting solely of ordinary shares and are all indirectly held. The country of incorporation or registration of all joint ventures is also their principal place of operation.

On 26 November 2020, the Group announced the completion of the merger between Indus Towers Limited and Bharti Infratel Limited. (together 'Indus Towers Limited'), an entity listed on the National Stock Exchange of India and the Bombay Stock Exchange. Vodafone holds a 28.1% shareholding in Indus Towers Limited, an associate of the Group and so is included in the associates section of this note. Prior to this transaction, Vodafone held a 42.0% shareholding in Indus Towers Limited, a joint venture of the Group up to the merger date.

Name of joint venture	Principal activity	Country of incorporation or registration	Percentage shareholdings[1] 2021	Percentage shareholdings[1] 2020
Vodafone Idea Limited[2]	Network operator	India	44.4	44.4
VodafoneZiggo Group Holding B.V.	Network operator	Netherlands	50.0	50.0
Infrastructture Wireless Italiane (INWIT) S.p.A.[3]	Network infrastructure	Italy	33.2	37.5
TPG Telecom Limited[4]	Network operator	Australia	25.1	50.0
Indus Towers Limited	Network infrastructure	India	–	42.0

Notes:
1 Effective ownership percentages of Vodafone Group Plc rounded to the nearest tenth of one percent.
2 At 31 March 2021 the fair value of the Group's interest in Vodafone Idea Limited was INR 118 billion (€1,373 million) (2020: INR 40 billion (€476 million)) based on the quoted share price on the National Stock Exchange of India.
3 At 31 March 2021 the fair value of the Group's interest in INWIT S.p.A.was €3,026 million (2020: €3,345 million) based on the quoted share price on the Milan Stock Exchange.
4 On 26 June 2020, Vodafone Hutchison Australia Pty Limited and TPG Telecom Limited completed their merger. The merged entity was admitted to the Australian Securities Exchange ('ASX') on 30 June 2020 and is known as TPG Telecom Limited. At 31 March 2021 the fair value of the Group's interest in TPG Telecom Limited was AUD 2,948 million (€1,911 million), based on the quoted share price on ASX.

Vodafone Idea Limited

The Group's carrying value in Vodafone Idea Limited ('VIL') reduced to €nil at 30 September 2019. The Group's share of VIL's losses not recognised at 31 March 2021 is €3,562 million (31 March 2020: €1,804 million). Significant uncertainties exist in relation to VIL's ability to generate the cash flow it requires to settle or its ability to refinance its liabilities and guarantees as they fall due, including those relating to the AGR judgement (see note 29 "Contingent liabilities and legal proceedings").

The value of the Group's 28.1% shareholding in Indus Towers Limited is, in part, dependent on the income generated by Indus Towers Limited from tower rentals to major customers, including VIL. Any inability of these major customers to pay such amounts in the future may result in an impairment in the carrying value (31 March 2021: €1.3 billion) of the Group's investment in Indus Towers Limited.

TPG Telecom Limited / Vodafone Hutchison Australia Pty Limited

On 26 June 2020, Vodafone Hutchison Australia Pty Limited ('VHA') and TPG Telecom Limited ('TPG') completed their merger to establish a fully integrated telecommunications operator in Australia. The merged entity was admitted to the Australian Securities Exchange ('ASX') on 30 June 2020 and is known as TPG Telecom Limited. Vodafone and Hutchison Telecommunications (Australia) Limited each own an economic interest of 25.05% in the merged unit, with the remaining 49.9% listed as free float on the ASX. The Group recorded a gain of €1,043 million in relation to the merger, which is reported in Other income/(expense) within the Consolidated income statement. The financial information presented in the tables below includes debt held within the structure that holds the Group's interest in TPG.

The following table provides aggregated financial information for the Group's joint ventures as it relates to the amounts recognised in the income statement, statement of comprehensive income and statement of financial position.

	Investment in joint ventures		(Loss)/profit from continuing operations[2]		
	2021 €m	2020 €m	2021 €m	2020 €m	2019 €m
Vodafone Idea Limited	–	–	–	(2,546)	(903)
VodafoneZiggo Group Holding B.V.	1,190	1,630	(232)	(64)	(239)
INWIT S.p.A.	2,920	3,345	3	–	–
TPG Telecom Limited[1]	104	(466)	98	(35)	(23)
Indus Towers Limited	–	766	–	19	55
Other	35	48	(15)	(125)	(14)
Total	**4,249**	**5,323**	**(146)**	**(2,751)**	**(1,124)**

Notes:
1 Amounts presented reflect Vodafone Hutchison Australia Pty Limited results only until the date of the merger with TPG Telecom Limited on 26 June 2020, subsequent of which the combined results are presented.
2 Total Other comprehensive (expense)/income is not materially different to (loss)/profit from continuing operations.

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Summarised financial information

Summarised financial information for each of the Group's material joint ventures on a 100% ownership basis is set out below.

Financial information is presented for Vodafone Idea Limited ('VIL') for the six month period to, and as at 30 September 2020 on the basis that full-year information in relation to VIL has not been released at the date of approval of these financial statements and as such is market sensitive for VIL. Financial information presented for the year to, and as at 31 March 2020, has been updated to reflect the release of full year financial information for by VIL As disclosed above, the Group's investment in VIL was reduced to €nil in the prior financial year and the Group has not recorded any profit or loss in respect of its share of VIL's results since that date.

	INWIT S.p.A.		VodafoneZiggo Group Holding B.V.			TPG Telecom Limited		
	2021 €m	2020 €m	**2021 €m**	2020 €m	2019 €m	**2021 €m**	2020 €m	2019 €m
Income statement								
Revenue	**562**	**–**	**4,010**	**3,948**	**3,868**	**3,010**	**2,108**	**2,290**
Operating expenses	(46)	–	(2,058)	(2,163)	(2,169)	(2,096)	(1,489)	(1,634)
Depreciation and amortisation	(398)	–	(1,658)	(1,528)	(2,012)	(769)	(508)	(494)
Other income	–	–	25	–	–	–	–	–
Operating profit/(loss)	**118**	**–**	**319**	**257**	**(313)**	**145**	**111**	**162**
Interest income	–	–	–	–	–	1	4	3
Interest expense	(101)	–	(658)	(343)	(602)	(201)	(256)	(240)
Profit/(loss) before tax	**17**	**–**	**(339)**	**(86)**	**(915)**	**(55)**	**(141)**	**(75)**
Income tax	(7)	–	(125)	(42)	437	495	–	–
Profit/(loss) from continuing operations[1]	**10**	**–**	**(464)**	**(128)**	**(478)**	**440**	**(141)**	**(75)**

	Vodafone Idea Limited		
	2021 €m	2020 €m	2019 €m
Income statement			
Revenue	**2,515**	**5,704**	**3,379**
Operating expenses	(1,689)	(4,938)	(2,999)
Depreciation and amortisation	(1,255)	(2,426)	(1,364)
Other expense	(1,079)	(6,627)	(253)
Operating loss	**(1,508)**	**(8,287)**	**(1,237)**
Interest income	24	147	56
Interest expense	(870)	(1,740)	(817)
Loss before tax	**(2,354)**	**(9,880)**	**(1,998)**
Income tax	–	–	1
Loss from continuing operations[1]	**(2,354)**	**(9,880)**	**(1,997)**

Note:
1 Total Other comprehensive income/(expense) is not materially different to profit/(loss) from continuing operations.

Notes to the consolidated financial statements (continued)

12. Investments in associates and joint arrangements (continued)

	INWIT S.p.A.		VodafoneZiggo Group Holding B.V.		TPG Telecom Limited	
	2021 €m	2020 €m	**2021 €m**	2020 €m	**2021 €m**	2020 €m
Statement of financial position						
Non-current assets	14,422	14,517	16,978	17,745	10,272	2,965
Current assets	256	288	911	752	679	767
Total assets	14,678	14,805	17,889	18,497	10,951	3,732
Equity shareholders' funds	8,801	8,917	2,380	3,260	3,121	(2,047)
Non-current liabilities	5,536	4,907	13,025	12,974	6,884	5,146
Current liabilities	341	981	2,484	2,263	946	633
Cash and cash equivalents within current assets	120	40	330	116	268	196
Non-current liabilities excluding trade and other payables and provisions	5,314	4,684	12,466	12,550	6,825	5,137
Current liabilities excluding trade and other payables and provisions	185	218	1,154	1,108	83	124

	Vodafone Idea Limited[1]	
	2021 €m	2020 €m
Statement of financial position		
Non-current assets	19,387	21,240
Current assets	2,548	3,235
Total assets	21,935	24,475
Equity shareholders' funds	(5,615)	(3,475)
Non-current liabilities	21,749	15,835
Current liabilities	5,801	12,115
Cash and cash equivalents within current assets	200	320
Non-current liabilities excluding trade and other payables and provisions	14,992	15,790
Current liabilities excluding trade and other payables and provisions	2,917	2,979

Notes:
1 Includes certain amounts subject to an adjustment mechanism agreed as part of the formation of Vodafone Idea Limited. See note 29 "Contingent liabilities and legal proceedings" for more detail.

The Group received dividends in the year ended 31 March 2021 from VodafoneZiggo Group Holding B.V. of €209 million (2020: €148 million, 2019: €200 million) and from INWIT S.p.A of €42 million (2020: €nil).

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Reconciliation of summarised financial information

The reconciliation of summarised financial information presented to the carrying amount of our interest in joint ventures is set out below:

	INWIT S.p.A.		VodafoneZiggo Group Holding B.V.			TPG Telecom Limited		
	2021 €m	2020 €m	**2021 €m**	2020 €m	2019 €m	**2021 €m**	2020 €m	2019 €m
Equity shareholders' funds/(deficit)	**8,801**	**8,917**	**2,380**	**3,260**		**3,121**	**(2,047)**	
Interest in joint ventures[1]	2,920	3,345	1,190	1,630		50	(1,024)	
Impairment	–	–	–	–		–	–	
Goodwill	–	–	–	–		54	94	
Transferred to assets held for sale	–	–	–	–		–	412	
Investment proportion not recognised	–	–	–	–		–	52	
Carrying value	**2,920**	**3,345**	**1,190**	**1,630**		**104**	**(466)**	
Profit/(loss) from continuing operations	10	–	(464)	(128)	(478)	440	(141)	(75)
Share of profit/(loss)[1]	3	–	(232)	(64)	(239)	98	(70)	(38)
Profit/(loss) proportion not recognised	–	–	–	–	–	–	35	15
Share of profit/(loss)	**3**	**–**	**(232)**	**(64)**	**(239)**	**98**	**(35)**	**(23)**

	Vodafone Idea Limited		
	2021 €m	2020 €m	2019 €m
Equity shareholders' funds/(deficit)	**(5,615)**	**(3,475)**	
Interest in joint ventures[1]	(2,493)	(1,543)	
Impairment	(250)	(261)	
Goodwill	–	–	
Transferred to assets held for sale	–	–	
Investment proportion not recognised	2,743	1,804	
Carrying value	**–**	**–**	
(Loss)/profit from continuing operations	(2,354)	(9,880)	(1,997)
Share of (loss)/profit[1]	(1,045)	(4,386)	(903)
(Loss)/profit proportion not recognised	1,045	1,840	–
Share of (loss)/profit	**–**	**(2,546)**	**(903)**

Note:
1 The Group's effective ownership percentages of Vodafone Idea Limited, VodafoneZiggo Group Holding B.V., Inwit S.p.A. and TPG Telecom Limited are 44.4%, 50.0%, 33.2% and 25.1% respectively, rounded to the nearest tenth of one percent.

Associates

Unless otherwise stated, the Company's principal associates all have share capital consisting solely of ordinary shares and are all indirectly held. The country of incorporation or registration of all associates is also their principal place of operation.

Financial information for Indus Towers Limited, including comparative periods previously reported in the Joint Venture section of this note, is disclosed here following the completion of the merger described on page 158.

Name of associate	Principal activity	Country of incorporation or registration	Percentage shareholding[1] 2021	Percentage shareholding[1] 2020
Indus Towers Limited[2]	Network infrastructure	India	28.1	–
Safaricom Limited[3]	Network operator	Kenya	40.0	40.0

Notes:
1 Effective ownership percentages of Vodafone Group Plc rounded to the nearest tenth of one percent.
2 At 31 March 2021, the fair value of the Group's interest in Indus Towers Limited was INR 186 billion (€2,161 million) based on the closing quoted share price on the National Stock Exchange of India.
3 At 31 March 2021, the fair value of the Group's interest in Safaricom Limited was KES 580 billion (€4,513 million) (2020: KES 423 billion (€3,672 million)) based on the closing quoted share price on the Nairobi Stock Exchange. The Group also holds two non-voting shares.

Notes to the consolidated financial statements (continued)

12. Investments in associates and joint arrangements (continued)

The following table provides aggregated financial information for the Group's associates as it relates to the amounts recognised in the income statement, statement of comprehensive income and consolidated statement of financial position.

	Investment in associates		Profit from continuing operations[1]		
	2021 €m	2020 €m	**2021 €m**	2020 €m	2019 €m
Safaricom Limited	421	488	217	247	214
Indus Towers Limited[1]	–	–	274	–	–
Other	–	20	(3)	(1)	2
Total	**421**	**508**	**488**	**246**	**216**

Note:
1 The Group's interest in Indus Towers Limited was classified as held for sale at 31 March 2021. See note 7 "Discontinued operations and assets and liabilities held for sale".

	Safaricom Limited			Indus Towers Limited		
	2021 €m	2020 €m	2019 €m	**2021 €m**	2020 €m	2019 €m
Income statement						
Revenue	**2,083**	**2,310**	**2,140**	**2,421**	**2,365**	**2,227**
Operating expenses	(1,030)	(1,122)	(1,078)	(1,247)	(1,336)	(1,438)
Depreciation and amortisation	(299)	(295)	(301)	(477)	(268)	(305)
Other income/(expense)	–	–	–	412	(592)	–
Operating profit	**754**	**893**	**761**	**1,109**	**169**	**484**
Interest income	12	26	20	61	32	11
Interest expense	(27)	(18)	(1)	(194)	(196)	(79)
Profit before tax	**739**	**901**	**780**	**976**	**5**	**416**
Income tax	(197)	(282)	(245)	(168)	39	(238)
Profit from continuing operations and total comprehensive income	**542**	**619**	**535**	**808**	**44**	**178**
Statement of financial position						
Non-current assets	1,333	1,398		5,271	2,448	
Current assets	438	424		1,198	562	
Total assets	1,771	1,822		6,469	3,010	
Equity shareholders' funds	1,045	1,212		3,083	566	
Non-current liabilities	131	119		1,936	1,327	
Current liabilities	595	491		1,450	1,117	
Cash and cash equivalents within current assets	208	234		230	16	
Non-current liabilities excluding trade and other payables and provisions	93	101		1,656	1,095	
Current liabilities excluding trade and other payables and provisions	149	99		906	658	

The reconciliation of summarised financial information presented to the carrying amount of our interest in the associate is set out below.

Equity shareholders' funds	**1,045**	**1,212**		**3,083**	**566**	
Interest in joint ventures	418	485		867	238	
Impairment	–	–		–	–	
Goodwill	3	3		342	528	
Transferred to assets held for sale	–	–		(1,257)	–	
Investment proportion not recognised	–	–		48	–	
Carrying value	**421**	**488**		**–**	**766**	
Profit from continuing operations	542	619	535	808	44	178
Share of profit	217	247	214	306	19	75
(Loss)/profit proportion not recognised	–	–	–	(32)	–	(20)
Share of (loss)/profit	**217**	**247**	**214**	**274**	**19**	**55**

The Group received a dividend from Indus Towers Limited of €201 million (2020: €nil, 2019: €141 million) in the year ended 31 March 2021 and a dividend from Safaricom Limited of €171m (2020: €261m).

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13. Other investments

The Group holds a number of other listed and unlisted investments, mainly comprising managed funds, deposits and government bonds.

Accounting policies

Other investments comprising debt and equity instruments are recognised and derecognised on a trade date where a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, including transaction costs.

Debt securities that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost using the effective interest method, less any impairment. Debt securities that do not meet the criteria for amortised cost are measured at fair value through profit and loss.

Equity securities are classified and measured at fair value through other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following derecognition of the investment.

	2021 €m	2020 €m
Included within non-current assets:		
Equity securities[1]	128	77
Debt securities[2]	797	715
	925	**792**

Debt securities include €0.8 billion (2020: €0.7 billion) of loan notes issued by VodafoneZiggo Holding B.V.

Current other investments comprise the following:

	2021 €m	2020 €m
Included within current assets:		
Short-term investments:		
Bonds and debt securities[3,4]	1,053	1,681
Managed investment funds[1]	2,954	2,451
	4,007	**4,132**
Collateral assets[4]	3,107	1,115
Other investments[5]	2,045	1,842
	9,159	**7,089**

Notes:
1 Items are measured at fair value and the valuation basis is level 2 classification, which comprises items where fair value is determined from inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.
2 Items are measured at amortised cost and the carrying amount approximates fair value.
3 Items are measured at fair value and the valuation basis is level 1 classification, which comprises financial instruments where fair value is determined by unadjusted quoted prices in active markets for identical assets or liabilities.
4 Collateral assets are measured at amortised cost and were previously presented as part of short-term investments within bonds and debt securities.
5 €1,057 million (2020: €1,017 million) is measured at fair value and the valuation basis is level 1. The remaining items are measured at amortised cost and the carrying amount approximates fair value.

The Group invests surplus cash positions across a portfolio of short-term investments to manage liquidity and credit risk whilst achieving suitable returns. Collateral arrangements on derivative financial instruments result in cash being paid/(held), repayable when the derivatives are settled. These assets do not meet the definition of cash and cash equivalents but are included in the Group's net debt based on their liquidity.

Bonds and debt securities includes €nil (2020: €194 million) of highly liquid Japanese; €499 million (2020: €nil) German and €554 million (2020: €nil) French government securities; €nil (2020: €1,016 million) of German government backed securities and €nil (2020: €471 million) of UK government bonds.

Managed investment funds of €2,954 million (2020: €2,451 million) are in funds with liquidity of up to 90 days.

Collateral assets of €3,107 million (2020: €1,115 million) represents collateral paid on derivative financial instruments.

Other investments are excluded from net debt based on their liquidity and primarily consist of restricted debt securities including amounts held in qualifying assets by Group insurance companies to meet regulatory requirements.

Notes to the consolidated financial statements (continued)

14. Trade and other receivables

Trade and other receivables mainly consist of amounts owed to us by customers and amounts that we pay to our suppliers in advance. Derivative financial instruments with a positive market value are reported within this note as are contract assets, which represent an asset for accrued revenue in respect of goods or services delivered to customers for which a trade receivable does not yet exist, and finance lease receivables recognised where the Group acts as a lessor. See note 20 "Leases" for more information on the Group's leasing activities.

Accounting policies

Trade receivables represent amounts owed by customers where the right to receive payment is conditional only on the passage of time. Trade receivables that are recovered in instalments from customers over an extended period are discounted at market rates and interest revenue is accreted over the expected repayment period. Other trade receivables do not carry any interest and are stated at their nominal value. When the Group establishes a practice of selling portfolios of receivables from time to time these portfolios are recorded at fair value through other comprehensive income; all other trade receivables are recorded at amortised cost.

The carrying value of all trade receivables, contract assets and finance lease receivables recorded at amortised cost is reduced by allowances for lifetime estimated credit losses. Estimated future credit losses are first recorded on the initial recognition of a receivable and are based on the ageing of the receivable balances, historical experience and forward looking considerations. Individual balances are written off when management deems them not to be collectible.

	2021 €m	2020 Re-presented[1] €m
Included within non-current assets:		
Trade receivables	52	68
Trade receivables held at fair value through other comprehensive income	278	261
Net investment in leases	104	118
Contract assets	528	583
Contract-related costs	580	628
Other receivables	76	84
Prepayments	247	227
Derivative financial instruments[2]	2,912	8,424
	4,777	**10,393**
Included within current assets:		
Trade receivables	3,625	3,848
Trade receivables held at fair value through other comprehensive income	466	556
Net investment in leases	36	32
Contract assets	3,038	3,012
Contract-related costs	1,364	1,293
Amounts owed by associates and joint ventures	184	362
Other receivables	889	916
Prepayments	1,082	953
Derivative financial instruments[2]	239	752
	10,923	**11,724**

Notes:
1 The prior year comparatives have been re-presented to reflect that Vodafone Egypt is no longer held for sale. See note 7 "Discontinued operations and assets and liabilities held for sale". The impact of the re-presentation is to increase Trade and other receivables within non-current assets and within current assets by €15 million and €313 million, respectively.
2 Items are measured at fair value and the valuation basis is level 2 classification, which comprises items where fair value is determined from inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.

The Group's trade receivables and contract assets are classified at amortised cost unless stated otherwise and are measured after allowances for future expected credit losses, see note 22 "Capital and financial risk management" for more information on credit risk.

The carrying amounts of trade and other receivables, which are measured at amortised cost, approximate their fair value and are predominantly non-interest bearing.

The Group's contract-related costs comprise €1,883 million (2020: €1,855 million) relating to costs incurred to obtain customer contracts and €61 million (2020: €66 million) relating to costs incurred to fulfil customer contracts; an amortisation and impairment expense of €1,497 million (2020: €1,475 million) was recognised in operating profit during the year.

In February 2020 €357m of trade receivables were reclassified from amortised cost to fair value through other comprehensive income as the balances may now be sold to a third party. The fair values of the derivative financial instruments are calculated by discounting the future cash flows to net present values using appropriate market interest rates and foreign currency rates prevailing at 31 March.

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15. Trade and other payables

Trade and other payables mainly consist of amounts owed to suppliers that have been invoiced or are accrued and contract liabilities relating to consideration received from customers in advance. They also include taxes and social security amounts due in relation to the Group's role as an employer. Derivative financial instruments with a negative market value are reported within this note.

Accounting policies

Trade payables are not interest-bearing and are stated at their nominal value.

	2021 €m	2020 Re-presented[1] €m
Included within non-current liabilities:		
Other payables	424	340
Accruals	47	60
Contract liabilities	519	612
Derivative financial instruments[2]	3,919	4,177
	4,909	**5,189**
Included within current liabilities:		
Trade payables	6,739	6,696
Amounts owed to associates and joint ventures	36	51
Other taxes and social security payable	1,196	1,185
Other payables	2,349	2,040
Accruals[3]	5,688	5,077
Contract liabilities	1,971	2,081
Derivative financial instruments[2]	91	589
	18,070	**17,719**

Notes:
1 The prior year comparatives have been re-presented to reflect that Vodafone Egypt is no longer held for sale. See note 7 "Discontinued operations and assets and liabilities held for sale". The impact of the re-presentation is to increase Trade and other payables included within current liabilities by €634 million compared to the amount previously reported.
2 Items are measured at fair value and the valuation basis is level 2 classification, which comprises items where fair value is determined from inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.
3 Includes €339 million (2020: €nil) payable in relation to the irrevocable and non-discretionary share buyback programme announced in March 2021.

The carrying amounts of trade and other payables approximate their fair value.

Materially all of the €2,081 million recorded as current contract liabilities at 1 April 2020 was recognised as revenue during the year.

Other payables included within non-current liabilities include €383 million (2020: €294 million) in respect of the re-insurance of a third party annuity policy related to the Vodafone and CWW Sections of the Vodafone UK Group Pension Scheme.

The fair values of the derivative financial instruments are calculated by discounting the future cash flows to net present values using appropriate market interest rates and foreign currency rates prevailing at 31 March.

Notes to the consolidated financial statements (continued)

16. Provisions

A provision is a liability recorded in the statement of financial position, where there is uncertainty over the timing or amount that will be paid, and is therefore often estimated. The main provisions we hold are in relation to asset retirement obligations, which include the cost of returning network infrastructure sites to their original condition at the end of the lease and claims for legal and regulatory matters.

Accounting policies

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material. Where the timing of settlement is uncertain amounts are classified as non-current where settlement is expected more than 12 months from the reporting date.

Asset retirement obligations

In the course of the Group's activities, a number of sites and other assets are utilised which are expected to have costs associated with decommissioning. The associated cash outflows are substantially expected to occur at the dates of decommissioning of the assets to which they relate, and are long term in nature.

Legal and regulatory

The Group is involved in a number of legal and other disputes, including where the Group has received notifications of possible claims. The Directors of the Company, after taking legal advice, have established provisions considering the facts of each case. For a discussion of certain legal issues potentially affecting the Group see note 29 "Contingent liabilities and legal proceedings" to the consolidated financial statements.

Other provisions

Other provisions comprise various amounts including those for restructuring costs. The associated cash outflows for restructuring costs are primarily less than one year.

	Asset retirement obligations €m	Legal and regulatory €m	Restructuring €m	Other €m	Total €m
31 March 2019	757	507	434	619	2,317
Exchange movements	(16)	(2)	(2)	5	(15)
Acquisition of subsidiaries	56	18	33	71	178
Disposal of subsidiaries	(69)	–	(4)	(2)	(75)
Amounts capitalised in the year	270	–	–	–	270
Amounts charged to the income statement	–	122	549	163	834
Utilised in the year - payments	(34)	(98)	(452)	(127)	(711)
Amounts released to the income statement	(9)	(45)	(13)	(199)	(266)
31 March 2020[1]	**955**	**502**	**545**	**530**	**2,532**
Exchange movements	6	(11)	4	7	6
Acquisition of subsidiaries	6	–	–	–	6
Amounts capitalised in the year	294	–	–	–	294
Amounts charged to the income statement	–	138	153	167	458
Utilised in the year - payments	(32)	(54)	(243)	(175)	(504)
Amounts released to the income statement	(7)	(47)	(33)	(66)	(153)
31 March 2021	**1,222**	**528**	**426**	**463**	**2,639**

Note:
1 The comparative balances as at 31 March 2020 have been re-presented to reflect that Vodafone Egypt is no longer held for sale. See Note 7 "Discontinued operations and assets and liabilities held for sale". The impact of the re-presentation is to increase non-current provisions by €5 million and current provisions by €29 million, respectively, compared to amounts previously reported.

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Provisions have been analysed between current and non-current as follows:

31 March 2021

	Asset retirement obligations €m	Legal and regulatory €m	Restructuring €m	Other €m	Total €m
Current liabilities	43	273	353	223	892
Non-current liabilities	1,179	255	73	240	1,747
	1,222	**528**	**426**	**463**	**2,639**

31 March 2020

	Asset retirement obligations €m	Legal and regulatory €m	Restructuring €m	Other €m	Total €m
Current liabilities	23	319	415	296	1,053
Non-current liabilities	932	183	130	234	1,479
	955	**502**	**545**	**530**	**2,532**

17. Called up share capital

Called up share capital is the number of shares in issue at their par value. A number of shares were allotted during the year in relation to employee share schemes.

Accounting policies

Equity instruments issued by the Group are recorded at the amount of the proceeds received, net of direct issuance costs.

	2021		2020	
	Number	€m	Number	€m
Ordinary shares of 20 20/21 US cents each allotted, issued and fully paid:[1, 2, 3]				
1 April	28,815,914,978	4,797	28,815,258,178	4,796
Allotted during the year	920,800	–	656,800	1
31 March	**28,816,835,778**	**4,797**	**28,815,914,978**	**4,797**

Notes:

1 At 31 March 2021 there were 50,000 (2020: 50,000) 7% cumulative fixed rate shares of £1 each in issue.

2 At 31 March 2021 the Group held 592,642,309 (2020: 2,043,750,434) treasury shares with a nominal value of €99 million (2020: €340 million). The market value of shares held was €918 million (2020: €2,610 million). During the year, 63,830,400 (2020: 49,629,851) treasury shares were reissued under Group share schemes.

3 On 5 March 2019 the Group announced the placing of subordinated mandatory convertible bonds totalling £1.72 billion with a 2 year maturity date in 2021 and £1.72 billion with a 3 year maturity date due in 2022. During the year, 1,426,788,937 treasury shares were issued in settlement of tranche 1 of the maturing subordinated mandatory convertible bond. The remaining bonds are convertible into a total of 1,426,793,872 ordinary shares with a conversion price of £1.2055 per share. For further details see note 21 "Borrowings".

Notes to the consolidated financial statements (continued)

18. Reconciliation of net cash flow from operating activities

The table below shows how our profit/(loss) for the year from continuing operations translates into cash flows generated from our operating activities.

	Notes	2021 €m	2020 €m	2019 €m
Profit/(loss) for the financial year		**536**	**(455)**	**(7,644)**
Loss for the financial year from discontinued operations	7	–	–	3,535
Profit/(loss) for the financial year from continuing operations		**536**	**(455)**	**(4,109)**
Non-operating expense		–	3	7
Investment income	5	(330)	(248)	(433)
Financing costs	5	1,027	3,549	2,088
Income tax expense	6	3,864	1,250	1,496
Operating profit/(loss)		**5,097**	**4,099**	**(951)**
Adjustments for:				
Share-based payments and other non-cash charges		146	146	147
Depreciation and amortisation	10, 11	14,101	14,174	9,795
Loss on disposal of property, plant and equipment and intangible assets		17	51	33
Share of result of equity accounted associates and joint ventures	12	(342)	2,505	908
Impairment losses	4	–	1,685	3,525
Other (income)/expense		(568)	(4,281)	148
(Increase)/decrease in inventory		(68)	68	(131)
Decrease/(Increase) in trade and other receivables	14	582	(38)	(31)
(Decrease)/increase in trade and other payables	15	(730)	(100)	739
Cash generated by operations		**18,235**	**18,309**	**14,182**
Net tax paid		(1,020)	(930)	(1,131)
Cash flows from discontinued operations		–	–	(71)
Net cash flow from operating activities		**17,215**	**17,379**	**12,980**

19. Cash and cash equivalents

The majority of the Group's cash is held in bank deposits or money market funds which have a maturity of three months or less from acquisition to enable us to meet our short-term liquidity requirements.

Accounting policies

Cash and cash equivalents comprise cash in hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Assets in money market funds, whose contractual cash flows do not represent solely payments of interest and principal, are measured at fair value with gains and losses arising from changes in fair value included in net profit or loss for the period. All other cash and cash equivalents are measured at amortised cost.

	2021 €m	2020 Re-presented[1] €m
Cash at bank and in hand	2,705	2,220
Repurchase agreements and bank deposits	–	2,202
Money market funds[2]	3,116	9,135
Cash and cash equivalents as presented in the statement of financial position[1]	**5,821**	**13,557**
Bank overdrafts	(31)	(269)
Cash and cash equivalents as presented in the statement of cash flows	**5,790**	**13,288**

Notes:
1 The prior year comparatives have been re-presented to reflect that Vodafone Egypt is no longer held for sale. See Note 7 "Discontinued operations and assets and liabilities held for sale". The impact of the re-presentation is to increase cash and cash equivalents as presented in the statement of financial position by €273 million.
2 Items are measured at fair value and the valuation basis is level 1 classification, which comprises financial instruments where fair value is determined by unadjusted quoted prices in active markets.

The carrying amount of balances at amortised cost approximates their fair value.

Cash and cash equivalents of €1,741 million (2020: €1,460 million) are held in countries with restrictions on remittances but where the balances could be used to repay subsidiaries' third party liabilities. In addition, those balances could also be used to repay €879 million (2020: €885 million) of intercompany liabilities as at 31 March 2021.

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20. Leases

The Group leases assets from other parties (the Group is a lessee) and also leases assets to other parties (the Group is a lessor). This note describes how the Group accounts for leases and provides details about its lease arrangements.

Lease accounting policy under IFRS 16

As a lessee

When the Group leases an asset, a 'right-of-use asset' is recognised for the leased item and a lease liability is recognised for any lease payments to be paid over the lease term at the lease commencement date. The right-of-use asset is initially measured at cost, being the present value of the lease payments paid or payable, plus any initial direct costs incurred in entering the lease and less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. The lease term is the non-cancellable period of the lease plus any periods for which the Group is 'reasonably certain' to exercise any extension options (see below). The useful life of the asset is determined in a manner consistent to that for owned property, plant and equipment (as described in note 11). If right-of-use assets are considered to be impaired, the carrying value is reduced accordingly.

Lease liabilities are initially measured at the value of the lease payments over the lease term that are not paid at the commencement date and are usually discounted using the incremental borrowing rates of the applicable Group entity (the rate implicit in the lease is used if it is readily determinable). Lease payments included in the lease liability include both fixed payments and in-substance fixed payments during the term of the lease.

After initial recognition, the lease liability is recorded at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate (e.g. an inflation related increase) or if the Group's assessment of the lease term changes; any changes in the lease liability as a result of these changes also results in a corresponding change in the recorded right-of-use asset.

As a lessor

Where the Group is a lessor, it determines at inception whether the lease is a finance or an operating lease. When a lease transfers substantially all the risks and rewards of ownership of the underlying asset then the lease is a finance lease; otherwise the lease is an operating lease.

Where the Group is an intermediate lessor, the interests in the head lease and the sub-lease are accounted for separately and the lease classification of a sub-lease is determined by reference to the right-of-use asset arising from the head lease.

Income from operating leases is recognised on a straight-line basis over the lease term. Income from finance leases is recognised at lease commencement with interest income recognised over the lease term.

Lease income is recognised as revenue for transactions that are part of the Group's ordinary activities (primarily leases of handsets or other equipment to customers, leases of wholesale access to the Group's fibre and cable networks). The Group uses IFRS 15 principles to allocate the consideration in contracts between any lease and non-lease components.

Accounting policies under IAS 17 and IFRIC 4 for the year ended 31 March 2019

The Group adopted IFRS 16 on 1 April 2019 using the modified retrospective approach and comparative information was not restated. Financial information for the year ended 31 March 2019 is reported in accordance with IAS 17 and IFRIC 4, as described below.

As a lessee

Leases were classified as finance leases whenever the terms of the lease transferred substantially all the risks and rewards of ownership of the asset to the lessee; all other leases were classified as operating leases.

Assets held under finance leases were recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments as determined at the inception of the lease. The corresponding liability to the lessor was included in the statement of financial position as a finance lease obligation. Lease payments were apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Depreciation and finance charges were recognised in the income statement.

Rentals payable under operating leases were charged, and lease incentives received, were credited to the income statement on a straight-line basis over the term of the relevant lease.

As a lessor

Lessor accounting applied for the year ended 31 March 2019 was consistent with that described for IFRS 16 above, except for the lease classification, as a finance or operating lease, of a sub-lease which was determined by reference to the underlying asset.

Notes to the consolidated financial statements (continued)

20. Leases (continued)

The Group's leasing activities

As a lessee

The Group leases buildings for its retail stores, offices and data centres, land on which to construct mobile base stations, space on mobile base stations to place active RAN equipment and network space (primarily rack space or duct space). In addition, the Group leases fibre and other fixed connectivity to provide internal connectivity for the Group's operations and on a wholesale basis from other operators to provide fixed connectivity services to the Group's customers.

The Group's general approach to determining lease term by class of asset is described in note 1 under critical accounting judgements and key sources of estimation uncertainty.

Most of the Group's leases include future price increases through fixed percentage increases, indexation to inflation measures on a periodic basis or rent review clauses. Other than fixed percentage increases the lease liability does not reflect the impact of these future increases unless the measurement date has passed. The Group's leases contain no material variable payments clauses other than those related to the number of operators sharing space on third party mobile base stations.

The Group sub-leases excess retail and office properties under both operating and finance leases; see disclosure on the Group's leasing activities as a lessor below.

Operational lease periods

Where practicable the Group seeks to include extension or break options in leases to provide operational flexibility, therefore many of the Group's lease contracts contain optional periods. The Group's policy on assessing and reassessing whether it is reasonably certain that the optional period will be included in the lease term is described in note 1 under critical accounting judgements and key sources of estimation uncertainty.

After initial recognition of a lease, the Group only reassesses the lease term when there is a significant event or a significant change in circumstances, which was not anticipated at the time of the previous assessment. Significant events or significant changes in circumstances could include merger and acquisition or similar activity, significant expenditure on the leased asset not anticipated in the previous assessment, or detailed management plans indicating a different conclusion on optional periods to the previous assessment. Where a significant event or significant change in circumstances does not occur, the lease term and therefore lease liability and right-of-use asset value, will decline over time.

The Group's cash outflow for leases in the year ended 31 March 2021 was €4,234 million (2020: €3,902 million) and, absent significant future changes in the volume of the Group's activities or strategic changes to use more or fewer owned assets this level of cash outflow from leases would be expected to continue for future periods, subject to contractual price increases. The future cash outflows included within lease liabilities are shown in the maturity analysis below on page 171. The maturity analysis only includes the reasonably certain payments to be made; cash outflows in these future periods will likely exceed these amounts as payments will be made on optional periods not considered reasonably certain at present and on new leases entered into in future periods.

The Group's leases for customer connectivity are normally either under regulated access or network sharing or similar preferential access arrangements and as a result the Group normally has significant flexibility over the term it can lease such connections for; generally the notice period required to cancel the lease is less than the notice period included in the service contract with the end customer. As a result, the Group does not have any significant cash exposure to optional periods on customer connectivity as the Group can cancel the lease when the service agreement ends. In some circumstances the Group is committed to minimum spend amounts for connectivity leases, which are included within reported lease liabilities.

Sale and leaseback

In the year ended 31 March 2020, the Group sold its Italian mobile base station assets to Infrastrutture Wireless Italiane S.p.A. ('INWIT') (see note 27 "Acquisitions and disposals" for additional details), and entered into an agreement to lease back space on these and other INWIT mobile base station towers to locate network equipment for 8 years (see note 30 "Related party transactions"). The Group de-recognised assets related to the mobile base stations with a net book value of €548 million. A total gain on disposal of €4,100 million was realised as a result of the disposal; €744 million of this gain, reflecting the gain on the proportion of sold towers that has been retained through the leaseback, was recorded in the year ended 31 March 2020 as a reduction in the value of the right-of-use asset recognised for the leaseback of tower space and will be realised as a reduction in depreciation over the lease term.

Other sale and leaseback transactions entered into by the Group were not material, individually or in aggregate.

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Amounts recognised in the primary financial statements in relation to lessee transactions

Right-of-use assets

The carrying value of the Group's right-of-use assets, depreciation charge for the year and additions during the year are disclosed in note 11 "Property, plant and equipment".

Lease liabilities

The Group's lease liabilities are disclosed in note 21 "Borrowings". The maturity profile of the Group's lease liabilities is as follows:

	2021 €m	2020 Re-presented[1] €m
Within one year	3,419	3,198
In more than one year but less than two years	2,142	2,018
In more than two years but less than three years	1,661	1,542
In more than three years but less than four years	1,457	1,337
In more than four years but less than five years	1,316	1,128
In more than five years	4,696	4,443
	14,691	**13,666**
Effect of discounting	(1,659)	(1,548)
Lease liability (note 21 "Borrowings")	**13,032**	**12,118**

Note:
1 The prior year comparatives have been re-presented to reflect that Vodafone Egypt is no longer held for sale. See Note 7 "Discontinued operations and assets and liabilities held for sale". The impact of the re-presentation is to increase total undiscounted lease liabilities by €75 million and total discounted lease liabilities by €55 million, respectively, compared to the amount previously reported.

At 31 March 2021 the Group has entered into lease contracts with payment obligations with an undiscounted value of €82 million (2020: €67 million) that had not commenced at 31 March 2021.

Interest expense on lease liabilities for the year is disclosed in note 5 "Investment income and financing costs".

The Group has no material liabilities under residual value guarantees and makes no material payments for variable payments not included in the lease liability. The Group does not apply either the short term or low value expedient options in IFRS 16.

As a lessor

The Group has a wide range of lessor activities with consumer and enterprise customers, other telecommunication companies and other companies. With consumer and enterprise customers, the Group generates lease income from the provision of handsets, routers and other communications equipment. The Group provides wholesale access to the Group's fibre and cable networks and leases out space on the Group's owned mobile base stations to other telecommunication companies. In addition, the Group sub-leases retail stores to franchise partners in certain markets and leases out surplus assets (e.g. vacant offices and retail stores) to other companies.

Lessor transactions are classified as operating or finance leases based on whether the lease transfers substantially all of the risks and rewards incidental to ownership of the asset. Leases are individually assessed, but generally, the Group's lessor transactions are classified as:

- Operating leases where the Group is lessor of space on owned mobile base stations, provides wholesale access to its fibre and cable networks or provides routers or similar equipment to fixed customers; and
- Finance leases where the Group is sub-lessor of handsets or similar items in back-to-back arrangements or where surplus assets are sublet out for all or substantially all of the remaining head lease term.

The Group's income as a lessor in the year is as follows:

	2021 €m	2020 €m
Operating leases		
Lease revenue (note 2 "Revenue disaggregation and segmental analysis")	559	502
Income from leases not recognised as revenue	180	203

The Group's net investments in leases are disclosed in note 14 "Trade and other receivables". The committed amounts to be received from the Group's operating leases are as follows:

	Maturity						
	Within one year €m	In one to two years €m	In two to three years €m	In three to four years €m	In four to five years €m	In more than five years €m	**Total €m**
31 March 2021							
Committed operating lease income due to the Group as a lessor	510	261	175	134	115	395	**1,590**
31 March 2020							
Committed operating lease income due to the Group as a lessor	442	211	114	53	44	223	**1,087**

The Group has no material lease income arising from variable lease payments.

Notes to the consolidated financial statements (continued)

21. Borrowings

The Group's sources of borrowing for funding and liquidity purposes come from a range of committed bank facilities and through short-term and long-term issuances in the capital markets including bond and commercial paper issues and bank loans. Liabilities arising from the Group's lease arrangements are also reported in borrowings; see note 20 "Leases". We manage the basis on which we incur interest on debt between fixed interest rates and floating interest rates depending on market conditions using interest rate derivatives. The Group enters into foreign exchange contracts to mitigate the impact of exchange rate movements on certain monetary items.

Accounting policies

Interest-bearing loans and overdrafts are initially measured at fair value (which is equal to cost at inception), and are subsequently measured at amortised cost, using the effective interest rate method. Where they are identified as a hedged item in a designated fair value hedge relationship, fair value adjustments are recognised in accordance with our policy (see note 22 "Capital and financial risk management"). Any difference between the proceeds net of transaction costs and the amount due on settlement or redemption of borrowings is recognised over the term of the borrowing. Where bonds issued with certain conversion rights are identified as compound instruments they are initially measured at fair value with the nominal amounts recognised as a component in equity and the fair value of future coupons included in borrowings. These are subsequently measured at amortised cost using the effective interest rate method.

Borrowings

	2021 €m	2020 Re-presented[1] €m
Non-current borrowings		
Bonds	(44,634)	(47,500)
Bank loans	(761)	(1,500)
Lease liabilities (note 20)	(9,909)	(9,134)
Bank borrowings secured against Indian assets	(385)	(1,346)
Other borrowings[2]	(3,583)	(3,469)
	(59,272)	**(62,949)**
Current borrowings		
Bonds	(2,251)	(1,912)
Bank loans	(658)	(1,380)
Lease liabilities (note 20)	(3,123)	(2,984)
Collateral liabilities	(962)	(5,292)
Bank borrowings secured against Indian assets	(862)	–
Other borrowings	(632)	(408)
	(8,488)	**(11,976)**
Borrowings	**(67,760)**	**(74,925)**

Notes:
1 The prior year comparatives have been re-presented to reflect that Vodafone Egypt is no longer held for sale. See Note 7 "Discontinued operations and assets and liabilities held for sale". The impact of the re-presentation is to increase current borrowings and non-current borrowings by €150 million and €57 million, respectively, compared to amounts previously reported.
2 Includes €3,312 million (2020: €3,215 million) of spectrum licence payables.

The fair value of the Group's financial assets and financial liabilities held at amortised cost approximate to fair value with the exception of long-term bonds with a carrying value of €44,634 million (2020: €47,500 million) which have a fair value of €48,630 million (2020: €48,216 million). Fair value is based on level 1 of the fair value hierarchy using quoted market prices.

The Group's borrowings include certain bonds which have been designated in hedge relationships, which are carried at €1.4 billion higher than their euro equivalent redemption value. In addition, where bonds are issued in currencies other than euros, the Group has entered into foreign currency swaps to fix the euro cash outflows on redemption. The impact of these swaps are not reflected in borrowings and would decrease the euro equivalent redemption value of the bonds by €0.1 billion.

Commercial paper programmes

We currently have US and euro commercial paper programmes of US$15 billion and €8 billion respectively which are available to be used to meet short-term liquidity requirements. At 31 March 2021 €nil (2020: €nil) was drawn under the euro commercial paper programme. The US commercial paper programme remained undrawn.

The commercial paper facilities were supported by US$4.0 billion (€3.4 billion) and €4.0 billion of syndicated committed bank facilities. No amounts had been drawn under these facilities.

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Bonds

We have a €30 billion euro medium-term note programme and a US shelf programme which are used to meet medium to long-term funding requirements. At 31 March 2021 the total amounts in issue under these programmes split by currency were USD22.9 billion, €18.4 billion, £3 billion, AUD1.2 billion, HKD2.1 billion, NOK2.2 billion, CHF0.7 billion and JPY10 billion.

At 31 March 2021 the Group had bonds outstanding with a nominal value equivalent to €45.4 billion. During the year ended 31 March 2021, bonds with a nominal value of €2 billion were issued under stand-alone documentation and bonds with a nominal value €2.2 billion were issued by Vantage Towers A.G. under their own €5 billion debt issuance programme.

In March 2021, the Group also repurchased its own bonds with a nominal value of €1.5 billion and USD2.1 billion.

Bonds mature between 2021 and 2059 (2020: 2020 and 2059) and have interest rates between 0.0% and 7.875% (2020: 0.0% and 7.875%).

Mandatory convertible bonds

On 12 March 2019 the Group issued £3.4 billion of subordinated mandatory convertible bonds ('MCBs') split into two equal tranches of £1.7 billion, the first tranche matured on 12 March 2021 and the second tranche matures on 12 March 2022 with coupons of 1.2% and 1.5% respectively. These were recognised as compound instruments with nominal values of £3.4 billion (€3.8 billion) recognised as a component of shareholders' funds in equity and the fair value of future coupons £0.1 billion (€0.1billion) recognised as a financial liability in borrowings. At 31 March 2021, the conversion price of the bonds was £1.2055 per share. The Group's strategy is to hedge the equity risk associated with the MCB issuance to any future movement in its share price by an option strategy designed to hedge the economic impact of share price movements during the term of the bonds. Should the Group decide to buy back ordinary shares to mitigate dilution resulting from the conversion the hedging strategy will provide a hedge for the repurchase price.

Treasury shares

The Group held a maximum of 2,043,732,147 (2020: 2,091,894,691) of its own shares during the year which represented 7.1% (2020: 7.3%) of issued share capital at that time.

Notes to the consolidated financial statements (continued)

22. Capital and financial risk management

This note details the treasury management and financial risk management objectives and policies, as well as the exposure and sensitivity of the Group to credit, liquidity, interest and foreign exchange risk, and the policies in place to monitor and manage these risks.

Accounting policies

Financial instruments

Financial assets and financial liabilities, in respect of financial instruments, are recognised on the Group's consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that provides a residual interest in the assets of the Group after deducting all of its liabilities and includes no obligation to deliver cash or other financial assets. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Financial liabilities under put option arrangements

The Group has an obligation to pay a fixed rate of return to minority equity shareholders in the Group's subsidiary Kabel Deutschland AG, under the terms of a court-imposed domination and profit and loss transfer agreement. This agreement also provides the minority shareholders the option to put their shareholding to Vodafone at a fixed price per share. The obligation to purchase the shares has been recognised as a financial liability and no non-controlling interests are recognised in respect of minority shareholders. Interest costs are accrued at the agreed rate of return and recognised in financing costs.

Derivative financial instruments and hedge accounting

The Group's activities expose it to the financial risks of changes in foreign exchange rates and interest rates which it manages using derivative financial instruments. The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles on the use of financial derivatives consistent with the Group's risk management strategy. The Group does not use derivative financial instruments for speculative purposes.

The Group designates certain derivatives as:

– hedges of the change in fair value of recognised assets and liabilities ('fair value hedges');

– hedges of highly probable forecast transactions or hedges of foreign currency or interest rate risks of firm commitments ('cash flow hedges'); or

– hedges of net investments in foreign operations.

Derivative financial instruments are initially measured at fair value on the contract date and are subsequently re-measured to fair value at each reporting date. Changes in values of all derivatives of a financing nature are included within investment income and financing costs in the income statement unless designated in an effective cash flow hedge relationship or a hedge of a net investment in foreign operations when the effective portion of changes in value are deferred to other comprehensive income. Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. For fair value hedges, the carrying value of the hedged item is also adjusted for changes in fair value for the hedged risk, with gains and losses recognised in the income statement for the period.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, exercised or no longer qualifies for hedge accounting. When hedge accounting is discontinued, any gain or loss recognised in other comprehensive income at that time remains in equity and is recognised in the income statement when the hedged transaction is ultimately recognised in the income statement.

For cash flow hedges, when the hedged item is recognised in the income statement, amounts previously recognised in other comprehensive income and accumulated in equity for the hedging instrument are reclassified to the income statement. However, when the hedged transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. If a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in the income statement.

For net investment hedges, gains and losses accumulated in other comprehensive income are included in the income statement when the foreign operation is disposed of.

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Capital management

The following table summarises the capital of the Group at 31 March:

	2021 €m	2020 Re-presented[1] €m
Borrowings (note 21)	67,760	74,925
Cash and cash equivalents (note 19)	(5,821)	(13,557)
Derivative financial instruments included in trade and other receivables (note 14)	(3,151)	(9,176)
Derivative financial instruments included in trade and other payables (note 15)	4,010	4,767
Short-term investments (note 13)	(4,007)	(4,132)
Collateral assets (note 13)	(3,107)	(1,115)
Financial liabilities under put option arrangements	492	1,850
Equity	57,816	62,625
Capital	**113,992**	**116,187**

Note:
1 The prior year comparatives have been re-presented to reflect that Vodafone Egypt is no longer held for sale, as outlined in the notes referenced above.

The Group's policy is to borrow centrally using a mixture of long-term and short-term capital market issues and borrowing facilities to meet anticipated funding requirements. These borrowings, together with cash generated from operations, are loaned internally or contributed as equity to certain subsidiaries.

Dividends from associates and to non-controlling shareholders

Dividends from our associates are generally paid at the discretion of the Board of Directors or shareholders of the individual operating and holding companies, and we have no rights to receive dividends except where specified within certain of the Group's shareholders' agreements. Similarly, other than ongoing dividend obligations to the Kabel Deutschland A.G. minority shareholders, should they continue to hold their minority stake, we do not have existing obligations under shareholders' agreements to pay dividends to non-controlling interest partners of our subsidiaries or joint ventures. The amount of dividends received and paid in the year are disclosed in the consolidated statement of cash flows.

Potential cash outflows from option agreements and similar arrangements

Put options issued as part of the hedging strategy for the MCBs permit the holders to exercise against the Group at maturity of the option if there is a decrease in our share price. Under the terms of the options, settlement must be made in cash which will equate to the reduced value of shares from the initial conversion price, adjusted for dividends declared, on 2,494 million shares.

Sale of trade receivables

During the year, the Group sold certain trade receivables to a number of financial institutions. Whilst there are no repurchase obligations in respect of these receivables, the Group provided credit guarantees which would only become payable if default rates were significantly higher than historical rates. The credit guarantee is not considered substantive and substantially all risks and rewards associated with the receivables passed to the purchaser at the date of sale, therefore the receivables were derecognised. The maximum payable under the guarantees at 31 March 2021 was €1,503 million (2020: €1,283 million). No provision has been made in respect of these guarantees as the likelihood of a cash outflow has been assessed as remote.

Supplier financing arrangements

The Group offers suppliers the opportunity to use supply chain financing ('SCF'). SCF allows suppliers that decide to use it to receive funding earlier than the invoice due date. At 31 March 2021, the financial institutions that run the SCF programmes had purchased €2.3 billion (2020: €2.4 billion) of supplier invoices, principally from larger suppliers. The Group does not provide any financial guarantees to the financial institutions under this programme and continues to cash settle supplier payables in accordance with their contractual terms. As such, the programme does not change the Group's net debt, trade payable balances or cash flows.

The Group evaluates supplier arrangements against a number of indicators to assess if the payable continues to hold the characteristics of a trade payable or should be classified as borrowings; these indicators include whether the payment terms exceed the shorter of customary payment terms in the industry or 180 days. At 31 March 2021, none of the payables subject to supplier financing arrangements met the criteria to be reclassified as borrowings.

Financial risk management

The Group's treasury function centrally manages the Group's funding requirement, net foreign exchange exposure, interest rate management exposures and counterparty risk arising from investments and derivatives. Treasury operations are conducted within a framework of policies and guidelines authorised and reviewed by the Board, most recently in May 2021. A treasury risk committee comprising of the Group's Chief Financial Officer, Group General Counsel and Company Secretary, Group Financial Controller, Group Corporate Finance Director, Group Treasury Director and Group Director of Financial Controlling and Operations meets three times a year to review treasury activities and its members receive management information relating to treasury activities on a quarterly basis. The Group's accounting function, which does not report to the Group Treasury Director, provides regular update reports of treasury activity to the Board. The Group's Internal Auditor reviews the internal control environment regularly.

No bonds issued by the Group or the Revolving Credit Facilities are subject to financial covenant ratios. Approximately €35 billion of issued bonds have a change of control clause. Only €350 million of EIB loans have a financial covenant requirement, which broadly equates to a net debt to EBITDA calculation. As at 31 March 2021, Vodafone was compliant with this financial covenant. The Group uses a number of derivative instruments for currency and interest rate risk management purposes only that are transacted by specialist treasury personnel. The Group mitigates banking sector credit risk by the use of collateral support agreements.

Notes to the consolidated financial statements (continued)

22. Capital and financial risk management (continued)

COVID-19

The Group did not experience any significant issues as a result of disruption to financial markets as a result of COVID in FY21. The ongoing macro economic impact appears to be reducing, but remains uncertain. The Group's financial risk management policies seek to reduce the Group's exposure to any future disruption to financial markets, including any future impacts from COVID.

The Group has combined cash and cash equivalent and short-term investments of €9.8 billion, providing significant headroom over short-term liquidity requirements. Additionally the Group maintains undrawn revolving credit facilities of €7.4 billion euro equivalent. As at 31 March 2021 and after hedging, substantially all the Group's borrowings are held on a fixed interest basis, mitigating exposure to interest rate risk. The Group has no significant currency exposures other than positions in economic hedging relationships. The Group's credit risk under financing activities is spread across a portfolio of highly rated institutions to reduce counterparty exposures and derivative balances are substantially all collateralised. The Group's operating activities result in customer credit risk, for which provisions for expected credit losses are recognised. This customer related credit risk is generally short-term in duration and while COVID impacts on our customers had no material impact on credit loss provisioning at 31 March 2021.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial asset leading to a financial loss for the Group. The Group is exposed to credit risk from its operating activities and from its financing activities, the Group considers its maximum exposure to credit risk at 31 March to be:

	2021 €m	2020 Re-presented[1] €m
Cash at bank and in hand (note 19)	2,705	2,220
Repurchase agreements and bank deposits (note 19)	–	2,202
Money market funds (note 19)	3,116	9,135
Managed investment funds (note 13)	2,954	2,451
Current bonds and debt securities (note 13)	1,053	1,681
Non-current debt securities (note 13)	797	715
Collateral assets (note 13)	3,107	1,115
Other investments (note 13)	2,045	1,842
Derivative financial instruments (note 14)	3,151	9,176
Trade receivables (note 14)[2]	5,924	6,017
Contract assets and other receivables (note 14)	4,531	4,595
Performance bonds and other guarantees (note 29)	2,728	3,322
	32,111	**44,471**

Note:
1 The prior year comparatives have been re-presented to reflect that Vodafone Egypt is no longer held for sale and to include guarantees on trade receivables, performance bonds and other guarantees.
2 Includes amounts guaranteed under sales of trade receivables.

Expected credit loss

The Group has financial assets classified and measured at amortised cost and fair value through other comprehensive income that are subject to the expected credit loss model requirements of IFRS 9. Cash at bank and in hand and certain other investments are both classified and measured at amortised cost and subject to these impairment requirements. However, the identified expected credit loss is considered to be immaterial.

Information about expected credit losses for trade receivables and contract assets can be found under "operating activities" on page 177.

Financing activities

The Group invests in government securities on the basis they generate a fixed rate of return and are amongst the most creditworthy of investments available.

Money market investments are made in accordance with established internal treasury policies which dictate that an investment's long-term credit rating is no lower than mid BBB. Additionally, the Group invests in AAA unsecured money market mutual funds where the investment is limited to 10% of each fund.

The Group has two managed investment funds that hold fixed income euro securities with an average credit quality of AA.

In respect of financial instruments used by the Group's treasury function, the aggregate credit risk the Group may have with one counterparty is limited by (i) reference to the long-term credit ratings assigned for that counterparty by Moody's, Fitch Ratings and Standard & Poor's; (ii) that counterparty's five year credit default swap ('CDS') spread; and (iii) the sovereign credit rating of that counterparty's principal operating jurisdiction. Furthermore, collateral support agreements reduce the Group's exposure to counterparties who must post cash collateral when there is value due to the Group under outstanding derivative contracts that exceeds a contractually agreed threshold amount. When value is due to the counterparty the Group is required to post collateral on identical terms. Such cash collateral is adjusted daily as necessary.

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In the event of any default, ownership of the cash collateral would revert to the respective holder at that point. Detailed below is the value of the cash collateral, which is reported within current borrowings, held by the Group at 31 March:

	2021 €m	2020 €m
Collateral liabilities	962	5,292

As discussed in note 29 "Contingent liabilities and legal proceedings", the Group has covenanted to provide security in favour of the trustee of the Vodafone Group UK Pension Scheme in respect of the funding deficit in the scheme and pledged security in relation to the Indus Towers merger. The Group has also pledged cash as collateral against derivative financial instruments as disclosed in note 13 "Other investments".

Operating activities

Customer credit risk is managed by the Group's business units which each have policies, procedures and controls relating to customer credit risk management. Outstanding trade receivables and contract assets are regularly reviewed to monitor any changes in credit risk with concentrations of credit risk considered to be limited given that the Group's customer base is large and unrelated. The Group applies the simplified approach and records lifetime expected credit losses for trade receivables and contract assets. Expected credit losses are measured using historical cash collection data for periods of at least 24 months wherever possible and grouped into various customer segments based on product or customer type. The historical loss rates are adjusted where macroeconomic factors, for example changes in interest rates or unemployment rates, or other commercial factors are expected to have a significant impact when determining future expected credit loss rates. For trade receivables the expected credit loss provision is calculated using a provision matrix, in which the provision increases as balances age, and for receivables paid in instalments and contract assets a weighted loss rate is calculated to reflect the period over which the amounts become due for payment by the customer. Trade receivables and contract assets are written off when each business unit determines there to be no reasonable expectation of recovery and enforcement activity has ceased.

Movements in the allowance for expected credit losses during the year were as follows:

	Contract assets		Trade receivables held at amortised cost		Trade receivables held at fair value through other comprehensive income	
	2021 €m	2020 €m	2021 €m	2020 €m	2021 €m	2020[1] €m
1 April	**137**	**129**	**1,431**	**1,347**	**51**	**40**
Exchange movements	2	(2)	(47)	(26)	–	–
Amounts charged to credit losses on financial assets	63	73	592	576	9	11
Other[1]	(101)	(63)	(496)	(466)	(3)	–
31 March[2]	**101**	**137**	**1,480**	**1,431**	**57**	**51**

Notes:
1 Primarily utilisation of the provision.
2 The prior year comparatives have been re-presented to reflect that Vodafone Egypt is no longer held for sale. See Note 7 "Discontinued operations and assets and liabilities held for sale". The impact of the re-presentation is to increase the allowance for expected credit losses on trade receivables held at amortised cost by €65 million, compared to amounts previously reported.

Expected credit losses are presented as net impairment losses within operating profit and subsequent recoveries of amounts previously written off are credited against the same line item.

Notes to the consolidated financial statements (continued)

22. Capital and financial risk management (continued)

The majority of the Group's trade receivables are due for maturity within 90 days and largely comprise amounts receivable from consumers and business customers.

The following table presents information on trade receivables past due[1] and their associated expected credit losses:

31 March 2021	Due €m	Trade receivables at amortised cost past due: 30 days or less €m	31–60 days €m	61–180 days €m	180 days+ €m	Total €m
Gross carrying amount	2,568	717	177	405	1,290	5,157
Expected credit loss allowance	(30)	(72)	(62)	(211)	(1,105)	(1,480)
Net carrying amount	2,538	645	115	194	185	3,677

31 March 2020[2]	Due €m	Trade receivables at amortised cost past due: 30 days or less €m	31–60 days €m	61–180 days €m	180 days+ €m	Total €m
Gross carrying amount	2,513	836	236	513	1,249	5,347
Expected credit loss allowance	(64)	(76)	(56)	(215)	(1,020)	(1,431)
Net carrying amount	2,449	760	180	298	229	3,916

Note:
1 Contract assets relate to amounts not yet due from customers. These amounts will be reclassified as trade receivables before they become due. Trade receivables at fair value through other comprehensive income are not materially past due.
2 The prior year comparatives have been re-presented to reflect that Vodafone Egypt is no longer held for sale. See Note 7 "Discontinued operations and assets and liabilities held for sale". The impact of the re-presentation is to increase the gross carrying amount, expected credit loss allowance and net carrying amount of trade receivables held at amortised cost by €207 million, €65 million and €142 million, respectively, compared to amounts previously reported.

Liquidity risk

Liquidity is reviewed daily on at least a 12 month rolling basis and stress tested on the assumption that any commercial paper outstanding matures and is not reissued. The Group maintains substantial cash and cash equivalents which at 31 March 2021 amounted to cash €5.8 billion (2020: €13.6 billion) and undrawn committed facilities of €8.0 billion (2020: €7.7 billion), principally euro and US dollar revolving credit facilities of €4.0 billion and US$4.0 billion (€3.4 billion) which mature in 2025 and 2026 respectively.

The Group manages liquidity risk on non-current borrowings by maintaining a varied maturity profile with a cap on the level of debt maturity in any one calendar year, therefore minimising refinancing risk. Non-current borrowings mature between 1 and 38 years.

The maturity profile of the anticipated future cash flows including interest in relation to the Group's non-derivative financial liabilities on an undiscounted basis which, therefore, differs from both the carrying value and fair value, is as follows:

Maturity profile[1]	Bank loans €m	Bonds €m	Lease liabilities €m	Other[2] €m	Total borrowings €m	Trade payables and other financial liabilities[3] €m	Total €m
Within one year	674	3,774	3,419	2,516	10,383	15,304	25,687
In one to two years	174	3,329	2,142	2,575	8,220	49	8,269
In two to three years	440	5,964	1,661	399	8,464	–	8,464
In three to four years	173	2,784	1,457	166	4,580	–	4,580
In four to five years	2	5,506	1,316	199	7,023	–	7,023
In more than five years	23	45,538	4,696	986	51,243	–	51,243
	1,486	**66,895**	**14,691**	**6,841**	**89,913**	**15,353**	**105,266**
Effect of discount/financing rates	(67)	(20,010)	(1,659)	(417)	(22,153)	(2)	(22,155)
31 March 2021	**1,419**	**46,885**	**13,032**	**6,424**	**67,760**	**15,351**	**83,111**
Within one year	1,500	3,617	3,198	5,750	14,065	15,250	29,315
In one to two years	746	4,682	2,018	316	7,762	67	7,829
In two to three years	279	3,852	1,542	3,270	8,943	–	8,943
In three to four years	369	8,242	1,337	390	10,338	–	10,338
In four to five years	181	2,845	1,128	166	4,320	–	4,320
In more than five years	–	47,947	4,443	1,185	53,575	–	53,575
	3,075	**71,185**	**13,666**	**11,077**	**99,003**	**15,317**	**114,320**
Effect of discount/financing rates	(195)	(21,773)	(1,548)	(562)	(24,078)	(6)	(24,084)
31 March 2020[4]	**2,880**	**49,412**	**12,118**	**10,515**	**74,925**	**15,311**	**90,236**

Notes:
1 Maturities reflect contractual cash flows applicable except in the event of a change of control or event of default, upon which lenders have the right, but not the obligation, to request payment within 30 days. This also applies to undrawn committed facilities. Only €30million (2020: €81 million) of debt in relation to the mandatorily convertible bonds is subject to a material adverse change clause (which would also accelerate conversion of the £1.7 billion (2020: £3.4 billion) principal recognised in equity – see note 21 "Borrowings").
2 Includes spectrum licence payables with maturity profile €381 million (2020: €344 million) within one year, €2,171 million (2020: €227 million) in one to two years, €165 million (2020: €1,905 million) in two to three years, €165 million (2020: €166 million) in three to four years, €199 million (2020: €166 million) in four to five years and €986 million (2020: €1,185 million) in more than five years. Also includes €962 million (2020: €5,292 million) in relation to cash received under collateral support agreements shown within 1 year.
3 Includes financial liabilities under put option arrangements and non-derivative financial liabilities presented within trade and other payables.
4 Prior year comparatives for bank loans and lease liabilities have been re-presented to reflect that Vodafone Egypt is no longer held for sale, see notes 20 and 21.

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The maturity profile of the Group's financial derivatives (which include interest rate swaps, cross-currency interest rate swaps and foreign exchange swaps) using undiscounted cash flows, is as follows:

	2021			2020		
	Payable €m	**Receivable €m**	**Total €m**	Payable €m	Receivable €m	Total €m
Within one year	(16,218)	16,864	646	(20,519)	21,239	720
In one to two years	(3,121)	3,723	602	(4,217)	4,582	365
In two to three years	(5,623)	5,978	355	(3,680)	4,143	463
In three to four years	(2,518)	2,903	385	(3,733)	4,429	696
In four to five years	(3,305)	3,620	315	(2,562)	3,102	540
In more than five years	(33,777)	37,399	3,622	(38,126)	43,933	5,807
	(64,562)	**70,487**	**5,925**	**(72,837)**	**81,428**	**8,591**
Effect of discount/financing rates			(6,784)			(4,182)
Financial derivative net (payable)/receivable			**(859)**			**4,409**

Payables and receivables are stated separately in the table above as cash settlement is on a gross basis.

Market risk

Interest rate management

Under the Group's interest rate management policy, interest rates on long-term monetary assets and liabilities are principally maintained on a fixed rate basis.

At 31 March 2021 and after hedging, substantially all of our outstanding liabilities are held on a fixed interest rate basis in accordance with treasury policy.

For each one hundred basis point rise in market interest rates for all currencies in which the Group had borrowings at 31 March 2021 there would be an increase in profit before tax by €782 million (2020: €695 million) including mark to market revaluations of interest rate and other derivatives and the potential interest on cash and short-term investments. There would be no material impact on equity.

At 31 March 2021, the Group had limited exposure through interest rate derivatives and floating rate bonds referencing LIBOR and other interbank offered rates (IBORs).

Foreign exchange management

As Vodafone's primary listing is on the London Stock Exchange its share price is quoted in sterling. Since the sterling share price represents the value of its future multi-currency cash flows, principally in euro, South African rand and sterling, the Group maintains the currency of debt and interest charges in proportion to its expected future principal cash flows and has a policy to hedge external foreign exchange risks on transactions denominated in other currencies above a certain de minimis level.

At 31 March 2021 13% of net debt was denominated in currencies other than euro (9% sterling, 3% South African rand and 1% other). This allows sterling, South African rand and other debt to be serviced in proportion to expected future cash flows and therefore provides a partial economic hedge against income statement translation exposure, as interest costs will be denominated in foreign currencies.

Under the Group's foreign exchange management policy, foreign exchange transaction exposure in Group companies is generally maintained at the lower of €5 million per currency per month or €15 million per currency over a six month period.

The Group recognises foreign exchange movements in equity for the translation of net investment hedging instruments and balances treated as investments in foreign operations. However, there is no net impact on equity for exchange rate movements on net investment hedging instruments as there would be an offset in the currency translation of the foreign operation. At 31 March 2021 the Group held financial liabilities in a net investment hedge against the Group's South African rand operations. Sensitivity to foreign exchange movements on the hedging liabilities, analysed against a strengthening of the South African rand by 15% (2020: 11%) would result in a decrease in equity of €285 million (2020: €212 million) which would be fully offset by foreign exchange movements on the hedged net assets. In addition, cash flow hedges of principally US dollar borrowings would result in an increase in equity of €469 million (2020: €713 million) against a strengthening of US dollar by 6% (2020: 5%).

The Group profit and loss account is exposed to foreign exchange risk within both operating profit and financing income and expense. The principal reporting segment not generating income in euro is Vodacom, whose functional currency is predominantly South African Rand. Financing income and expense includes foreign currency gains/losses incurred on the translation of balance sheet items not held in functional currency. These are principally on certain borrowings, derivatives, and other investments denominated in sterling and US dollar.

Notes to the consolidated financial statements (continued)

22. Capital and financial risk management (continued)

The following table details the Group's sensitivity to foreign exchange risk. The percentage movement applied to the currency is based on the average movements in the previous three annual reporting periods.

	2021 €m	2020 €m
ZAR 15% change (2020: 11%) - Increase in operating profit	152	126
USD 6% change (2020: 9%) - (Decrease) in profit before taxation	(46)	(64)
GBP 3% change (2020: 2%) - (Decrease)/Increase in profit before taxation	(23)	63

Equity risk

There is no material equity risk relating to the Group's equity investments which are detailed in note 13 "Other investments".

The Group has hedged its exposure under the subordinated mandatory convertible bonds to any future movements in its share price by an option strategy designed to hedge the economic impact of share price movements during the term of the bonds. As at 31 March 2021 the Group's sensitivity to a movement of 7% (2020: 23%) in its share price would result in an increase or decrease in profit before tax of €283 million (2020: €767 million).

Risk management strategy of hedge relationships

The risk strategies of the designated cash flow, fair value, and net investment hedges reflect the above market risk strategies.

The objective of the cash flow hedges is principally to convert foreign currency denominated fixed rate borrowings in US dollar, pound sterling, Australian dollar, Swiss Franc, Hong Kong dollar, Japanese yen, Norwegian krona and euro and US dollar floating rate borrowings into euro fixed rate borrowings and hedge the foreign exchange spot rate and interest rate risk. Derivative financial instruments designated in cash flow hedges are cross-currency interest rate swaps and foreign exchange swaps. The swap maturity dates and liquidity profiles of the nominal cash flows match those of the underlying borrowings.

The objective of the net investment hedges is to hedge foreign exchange risk in foreign operations. Derivative financial instruments designated in net investment hedges are cross-currency interest rate swaps and foreign exchange swaps. The hedging instruments are rolled on an ongoing basis as determined by the nature of the business.

The objective of the fair value hedges is to hedge a proportion of the Group's fixed rate euro denominated borrowing to a euro floating rate borrowing. The swap maturity dates match those of the underlying borrowing and the nominal cash flows are converted to quarterly payments.

Hedge effectiveness is determined at the inception of the hedge relationship and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

For hedges of foreign currency denominated borrowings and investments, the Group uses a combination of cross-currency and foreign exchange swaps to hedge its exposure to foreign exchange risk and interest rate risk and enters into hedge relationships where the critical terms of the hedging instrument match with the terms of the hedged item. Therefore the Group expects a highly effective hedging relationship with the swap contracts and the value of the corresponding hedged items to change systematically in the opposite direction in response to movements in the underlying exchange rates and interest rates. The Group therefore performs a qualitative assessment of effectiveness. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match with the critical terms of the hedging instrument, the Group uses the hypothetical derivative method to assess effectiveness.

Hedge ineffectiveness may occur due to:

a) The fair value of the hedging instrument on the hedge relationship designation date if the fair value is not nil;

b) Changes in the contractual terms or timing of the payments on the hedged item; and

c) A change in the credit risk of the Group or the counterparty with the hedging instrument.

The hedge ratio for each designation will be established by comparing the quantity of the hedging instrument and the quantity of the hedged item to determine their relative weighting; for all of the Group's existing hedge relationships the hedge ratio has been determined as 1:1.

The fair values of the derivative financial instruments are calculated by discounting the future cash flows to net present values using appropriate market rates and foreign currency rates prevailing at 31 March. The valuation basis is level 2. This classification comprises items where fair value is determined from inputs other than quoted prices that are observable for the asset and liability, either directly or indirectly. Derivative financial assets and liabilities are included within trade and other receivables and trade and other payables in the statement of financial position.

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The following table represents the carrying values and nominal amounts of derivatives in a continued hedge relationship as at 31 March.

At 31 March 2021	Nominal amounts €m	Carrying value Assets €m	Carrying value Liabilities €m	Other comprehensive income: Opening balance 1 April 2020 €m	(Gain)/ Loss deferred to OCI €m	Gain/(Loss) recycled to financing costs €m	Closing balance 31 March 2021[1] €m	Weighted average: Maturity year	FX rate	Euro interest rate %
Cash flow hedges - foreign currency risk[2]										
Cross-currency and foreign exchange swaps										
US dollar bonds	18,995	621	1,070	(3,922)	5,900	(1,477)	501	2036	1.18	2.82
Australian dollar bonds	736	38	–	(26)	(102)	104	(24)	2024	1.56	0.92
Swiss franc bonds	624	–	45	28	28	(26)	30	2026	1.08	1.26
Pound sterling bonds	2,585	40	199	94	1	228	323	2047	0.89	2.59
Hong Kong dollar bonds	233	–	13	(4)	34	(17)	13	2028	9.08	1.48
Japanese yen bonds	78	–	12	6	13	(8)	11	2037	128.53	2.47
Norwegian krona bonds	241	–	22	(3)	(23)	29	3	2026	9.15	1.12
Cash flow hedges - foreign currency and interest rate risk[2]										
Cross currency swaps - US dollar bonds	417	–	8	18	52	(62)	8	2023	1.17	1.07
Cash flow hedges - interest rate risk[2]										
Interest rate swaps - Euro loans	568	–	–	7	(11)	3	(1)	2021	–	1.21
Fair value hedges - interest rate risk[3]										
Interest rate swaps - Eurobonds	186	131	–	–	–	–	–	2028	–	–
Net investment hedge - foreign exchange risk[4]										
Cross-currency and foreign exchange swaps - South African rand investment	1,785	–	23	631	328	–	959	2021	17.30	0.31
	26,448	**830**	**1,392**	**(3,171)**	**6,220**	**(1,226)**	**1,823**			

At 31 March 2020	Nominal amounts €m	Carrying value Assets €m	Carrying value Liabilities €m	Other comprehensive income: Opening balance 1 April 2019 €m	(Gain)/ Loss deferred to OCI €m	Gain/(Loss) recycled to financing costs €m	Closing balance 31 March 2020[1] €m	Weighted average: Maturity year	FX rate	Euro interest rate %
Cash flow hedges - foreign currency risk[2]										
Cross-currency and foreign exchange swaps										
US dollar bonds	20,383	5,371	–	(179)	(4,233)	490	(3,922)	2035	1.18	2.67
Australian dollar bonds	736	–	65	(17)	77	(86)	(26)	2024	1.56	0.92
Swiss franc bonds	624	–	17	22	(27)	33	28	2026	1.08	1.26
Pound sterling bonds	3,180	29	186	38	79	(23)	94	2043	0.85	2.04
Hong Kong dollar bonds	233	22	–	13	(25)	8	(4)	2028	9.08	1.48
Japanese yen bonds	78	1	–	2	–	4	6	2037	128.53	2.47
Norwegian krona bonds	241	–	46	1	34	(38)	(3)	2026	9.15	1.12
Cash flow hedges - foreign currency and interest rate risk[2]										
Cross-currency swaps - US dollar bonds	905	46	–	12	(14)	20	18	2023	1.17	1.05
Cash flow hedges - interest rate risk[2]										
Interest rate swaps - Euro loans	668	–	13	11	(4)	–	7	2021	–	1.21
Fair value hedges - interest rate risk[3]										
Interest rate swaps - Eurobonds	186	131	–	–	–	–	–	2028	–	–
Net investment hedge - foreign exchange risk[4]										
Cross-currency and foreign exchange swaps - South African rand investment	2,138	314	–	810	(179)	–	631	2020	16.55	0.17
	29,372	**5,914**	**327**	**713**	**(4,292)**	**408**	**(3,171)**			

Notes:

1 Fair value movement deferred into other comprehensive income includes €1,164 million loss (2020: €1,271 million loss) and €2 million gain (2020: €nil) of foreign currency basis outside the cash flow and net investment hedge relationships respectively.

2 For cash flow hedges, the movement in the hypothetical derivative (hedged item) mirrors that of the hedging instrument. Hedge ineffectiveness of the swaps designated in a cash flow hedge during the period was €nil (2020: €nil).

3 The carrying value of the bond includes €76 million loss (2020: €85 million loss) of cumulative fair value adjustment for the hedged interest rate risk. Net ineffectiveness on the fair value hedges, €8 million gain (2020: €8 million gain) is recognised in the income statement. The carrying value of bonds includes an additional €774 million loss (2020: €889 million loss) in relation to fair value of bonds previously designated in fair value hedge relationships.

4 Hedge ineffectiveness of swaps designated in a net investment hedge during the period was €nil (2020: €nil).

Notes to the consolidated financial statements (continued)

22. Capital and financial risk management (continued)

Changes in assets and liabilities arising from financing activities

	Borrowings €m	Derivative assets and liabilities €m	Financial liabilities under put options €m	Other liabilities €m	Assets and liabilities arising from financing activities €m
1 April 2020	74,925	(4,409)	1,850	170	72,536
Cash movements					
Proceeds from issuance of long-term borrowings	4,359	–	–	–	4,359
Repayment of borrowings	(12,237)	–	–	–	(12,237)
Net movement in short-term borrowings	(2,791)	–	–	–	(2,791)
Net movement in derivatives	–	279	–	–	279
Interest paid	(2,421)	452	(141)	(42)	(2,152)
Purchase of treasury shares	–	–	–	(62)	(62)
Payments for settlements of written put options	–	–	(1,482)	–	(1,482)
Non-cash movements					
Fair value movements	(9)	3,594	–	–	3,585
Foreign exchange	(1,480)	1,428	–	(2)	(54)
Interest costs	2,459	(485)	62	11	2,047
Lease additions	4,578	–	–	–	4,578
Acquisitions of subsidiaries	234	–	–	–	234
Other	143	–	203	416	762
31 March 2021	**67,760**	**859**	**492**	**491**	**69,602**

	Borrowings €m	Derivative assets and liabilities €m	Financial liabilities under put options €m	Other liabilities €m	Assets and liabilities arising from financing activities €m
1 April 2019[1]	52,955	(1,190)	1,844	949	54,558
Cash movements					
Proceeds from issuance of long-term borrowings	9,933	–	–	–	9,933
Repayment of borrowings	(16,028)	–	–	–	(16,028)
Net movement in short-term borrowings	2,488	–	–	–	2,488
Net movement in derivatives	–	98	–	–	98
Interest paid	(2,320)	150	(72)	(42)	(2,284)
Purchase of treasury shares	–	–	–	(821)	(821)
Non-cash movements					
Fair value movements	6	(2,543)	–	–	(2,537)
Foreign exchange	(31)	(424)	(1)	(4)	(460)
Interest costs	2,425	(354)	79	88	2,238
Lease additions[2]	15,187	–	–	–	15,187
Acquisitions and disposals of subsidairies	9,040	(146)	–	–	8,894
Other[3]	1,270	–	–	–	1,270
31 March 2020[1]	**74,925**	**(4,409)**	**1,850**	**170**	**72,536**

Notes:
1 Amounts for the year ended 31 March 2020 have been re-presented to provide further disaggregation and to additionally include €170 million (1 April 2019: €949 million) of other financial liabilities. The prior year comparatives for borrowings have also been re-presented for Vodafone Egypt (see note 21).
2 Includes €10,040 million recognised on transition to IFRS 16 on 1 April 2019.
3 Primarily includes the recognition of spectrum licence payables.

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Fair value and carrying value information

The carrying value and valuation basis of the Group's financial assets are set out in notes 13 "Other investments", 14 "Trade and other receivables" and 19 "Cash and cash equivalents". For all financial assets held at amortised cost the carrying values approximate fair value.

The carrying value and valuation basis of the Group's financial liabilities are set out in notes 15 "Trade and other payables" and 21 "Borrowings". The carrying values approximate fair value for the Group's trade payables and other payables categories. For other financial liabilities a comparison of fair value and carrying value is disclosed in note 21 "Borrowings".

Net financial instruments

The table below shows the Group's financial assets and liabilities that are subject to offset in the balance sheet and the impact of enforceable master netting or similar agreements.

At 31 March 2021	Gross amount €m	Amount set off €m	Amounts presented in balance sheet €m	Related amounts not set off in the balance sheet: Right of set off with derivative counterparties €m	Collateral assets/liabilities[1] €m	Net amount €m
Derivative financial assets	3,151	–	3,151	(1,989)	(962)	200
Derivative financial liabilities	(4,010)	–	(4,010)	1,989	2,194	173
Total	**(859)**	**–**	**(859)**	**–**	**1,232**	**373**

At 31 March 2020	Gross amount €m	Amount set off €m	Amounts presented in balance sheet €m	Related amounts not set off in the balance sheet: Right of set off with derivative counterparties €m	Collateral assets/liabilities[1] €m	Net amount €m
Derivative financial assets	9,176	–	9,176	(3,556)	(5,292)	328
Derivative financial liabilities	(4,767)	–	(4,767)	3,556	1,115	(96)
Total	**4,409**	**–**	**4,409**	**–**	**(4,177)**	**232**

Note:
1 Excludes collateral of €913 million (2020: €nil) pledged as initial margin that does not offset against existing mark to market balances as at 31 March.

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Derivative financial instruments that do not meet the criteria for offset could be settled net in certain circumstances under ISDA ('International Swaps and Derivatives Association') agreements where each party has the option to settle amounts on a net basis in the event of default from the other. Collateral may be offset and net settled against derivative financial instruments in the event of default by either party. The aforementioned collateral balances are recorded in "other investments" or "current borrowings" respectively.

23. Directors and key management compensation

This note details the total amounts earned by the Company's Directors and members of the Executive Committee.

Directors

Aggregate emoluments of the Directors of the Company were as follows:

	2021 €m	2020 €m	2019 €m
Salaries and fees	4	4	4
Incentive schemes[1]	3	2	2
Other benefits[2]	–	1	–
	7	**7**	**6**

Notes:
1 Excludes gains from long-term incentive plans.
2 Includes the value of the cash allowance taken by some individuals in lieu of pension contributions.

No Directors serving during the year exercised share options in the year ended 31 March 2021 (2020: None; 2019: None).

Key management compensation

Aggregate compensation for key management, being the Directors and members of the Executive Committee, was as follows:

	2021 €m	2020 €m	2019 €m
Short-term employee benefits	28	27	23
Share-based payments	23	30	35
	51	**57**	**58**

Notes to the consolidated financial statements (continued)

24. Employees

This note shows the average number of people employed by the Group during the year, in which areas of our business our employees work and where they are based. It also shows total employment costs.

	2021 Employees	2020 Employees	2019 Employees
By activity:			
Operations	14,893	14,616	15,872
Selling and distribution	26,874	28,133	30,596
Customer care and administration	54,739	52,470	52,528
	96,506	**95,219**	**98,996**
By segment:			
Germany	15,798	15,199	13,414
Italy	5,818	5,980	6,536
Spain	4,257	4,316	5,140
UK	9,584	10,295	11,525
Other Europe	15,460	14,646	12,413
India (Discontinued operations)	–	–	4,554
Vodacom	7,810	7,773	7,695
Other Markets	9,498	10,515	12,837
Common Functions	28,281	26,495	24,882
Total	**96,506**	**95,219**	**98,996**

The cost incurred in respect of these employees (including Directors) was:

	2021 €m	2020 €m	2019 €m
Wages and salaries	4,238	4,571	4,333
Social security costs	549	531	579
Other pension costs (note 25)	235	226	223
Share-based payments (note 26)	135	134	132
	5,157	**5,462**	**5,267**
India (Discontinued operations)	–	–	84
Total	**5,157**	**5,462**	**5,351**

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25. Post employment benefits

The Group operates a number of Defined Benefit and Defined Contribution retirement plans for our employees. The Group's largest defined benefit plan is in the UK. For further details see "Critical accounting judgements and key sources of estimation uncertainty" in note 1 "Basis of preparation".

Accounting policies

For defined benefit retirement plans, the difference between the fair value of the plan assets and the present value of the plan liabilities is recognised as an asset or liability on the statement of financial position. Defined benefit plan liabilities are assessed using the projected unit funding method and applying the principal actuarial assumptions at the reporting period date. Assets are valued at market value.

Actuarial gains and losses are taken to the statement of comprehensive income as incurred. For this purpose, actuarial gains and losses comprise both the effects of changes in actuarial assumptions and experience adjustments arising from differences between the previous actuarial assumptions and what has actually occurred. The return on plan assets, in excess of interest income, and costs incurred for the management of plan assets are also taken to other comprehensive income.

Other movements in the net surplus or deficit are recognised in the income statement, including the current service cost, any past service cost and the effect of any settlements. The interest cost less the expected interest income on assets is also charged to the income statement. The amount charged to the income statement in respect of these plans is included within operating costs or in the Group's share of the results of equity accounted operations, as appropriate.

The Group's contributions to defined contribution pension plans are charged to the income statement as they fall due.

Background

At 31 March 2021 the Group operated a number of retirement plans for the benefit of its employees throughout the world, with varying rights and obligations depending on the conditions and practices in the countries concerned. The Group's philosophy is to provide access to defined contribution retirement plans where feasible and to manage legacy defined benefit retirement arrangements. Defined benefit plans provide benefits based on the employees' length of pensionable service and their final pensionable salary or other criteria. Defined contribution plans offer employees individual funds that are converted into benefits at the time of retirement.

The Group operates defined benefit plans in Germany, India, Ireland, Italy, the UK, the United States and the Group operates defined benefit indemnity plans in Greece and Turkey. Defined contribution plans are currently provided in Egypt, Germany, Greece, Hungary, India, Ireland, Italy, Portugal, South Africa, Spain and the UK.

Income statement expense

	2021 €m	2020 €m	2019 €m
Defined contribution plans	204	180	166
Defined benefit plans	31	46	57
Total amount charged to income statement (note 24)	**235**	**226**	**223**

Defined benefit plans

The Group's retirement policy is to provide competitive pension provision, in each operating country, in line with the market median for that location. The Group's preferred retirement provision is focused on Defined Contribution ('DC') arrangements and/or State provision for future service.

The Group's main defined benefit funding liability is the Vodafone UK Group Pension Scheme ('Vodafone UK plan'). Since June 2014 the Vodafone UK plan has consisted of two segregated sections: the Vodafone Section and the Cable & Wireless Section ('CWW Section'). Both sections are closed to new entrants and to future accrual. The Group also operates smaller funded and unfunded plans in the UK, funded and unfunded plans in Germany and funded plans in Ireland. Defined benefit pension provision exposes the Group to actuarial risks such as longer than expected longevity of participants, lower than expected return on investments and higher than expected inflation, which may increase the liabilities or reduce the value of assets of the plans.

The main defined benefit plans are administered by trustee boards which are legally separate from the Group and consist of representatives who are employees, former employees or are independent from the Group. The trustee boards of the pension plans are required by legislation to act in the best interest of the participants, set the investment strategy and contribution rates and are subject to statutory funding regimes.

The Vodafone UK plan is registered as an occupational pension plan with HM Revenue and Customs ('HMRC') and is subject to UK legislation and operates within the framework outlined by the Pensions Regulator. UK legislation requires that pension plans are funded prudently and that valuations are undertaken at least every three years. Separate valuations are required for the Vodafone Section and CWW Section.

The trustees obtain regular actuarial valuations to check whether the statutory funding objective is met and whether a recovery plan is required to restore funding to the level of the agreed technical provisions. The 31 March 2019 triennial actuarial valuation for the Vodafone Section and CWW Section of the Vodafone UK plan showed a net deficit of £78 million (€90 million) on the funding basis, comprising of a £173 million (€200 million) deficit for the Vodafone Section and a £95 million (€110 million) surplus for the CWW Section.

Notes to the consolidated financial statements (continued)

25. Post employment benefits (continued)

These plan-specific actuarial valuations will differ to the IAS 19 accounting basis, which is used to measure pension assets and liabilities presented in the Group's consolidated statement of financial position.

Following the 2019 triennial valuation, the Group and trustees of the Vodafone UK plan agreed a funding plan to address the valuation deficit in the Vodafone Section over the period to 31 March 2025 and made a cash contribution on 4 September 2020 of £80 million (€90 million) into the Vodafone Section. This cash payment was invested into an annuity policy issued by a third party insurance company which in turn entered into a reinsurance policy covering these risks with the Group's captive insurance company, see note 15 "Trade and other payables". No further contributions are due in respect of the deficit revealed at the 2019 valuation.

Funding plans are individually agreed for each of the Group's other defined benefit plans with the respective trustees or governing board, taking into account local regulatory requirements. It is expected that ordinary contributions of €78 million will be paid into the Group's defined benefit plans during the year ending 31 March 2022. The Group has also provided certain guarantees in respect of the Vodafone UK plan; further details are provided in note 29 "Contingent liabilities and legal proceedings" to the consolidated financial statements.

The investment strategy for the UK plans is controlled by the trustees in consultation with the Group and the plans have no direct investments in the Group's equity securities or in property or other assets currently used by the Group. The allocation of assets between different classes of investment is reviewed regularly and is a key factor in the trustee investment policy. The trustees aim to achieve the plan's investment objectives through investing partly in a diversified mix of growth assets which, over the long term, are expected to grow in value by more than the low risk assets. The low risk assets include cash and gilts, inflation and interest rate hedging and in substance insured pensioner annuity policies in both the Vodafone Section and CWW Sections of the Vodafone UK plan. A number of investment managers are appointed to promote diversification by assets, organisation and investment style and current market conditions and trends are regularly assessed, which may lead to adjustments in the asset allocation.

Actuarial assumptions

The Group's plan liabilities are measured using the projected unit credit method using the principal actuarial assumptions set out below:

	2021 %	2020 %	2019 %
Weighted average actuarial assumptions used at 31 March[1]:			
Rate of inflation[2]	2.9	2.2	2.9
Rate of increase in salaries	2.7	2.5	2.7
Discount rate	1.8	2.0	2.3

Notes:
1 Figures shown represent a weighted average assumption of the individual plans.
2 The rate of increase in pensions in payment and deferred revaluation are dependent on the rate of inflation.

Mortality assumptions used are based on recommendations from the individual local actuaries which include adjustments for the experience of the Group where appropriate. The Group's largest plan is the Vodafone UK plan. Further life expectancies assumed for the UK plans are 23.4/25.4 years (2020: 23.2/25.2 years) for a male/female pensioner currently aged 65 years and 25.4/27.4 (2020: 25.1/27.2 years) from age 65 for a male/female non-pensioner member currently aged 40.

Charges made to the consolidated income statement and consolidated statement of comprehensive income ('SOCI') on the basis of the assumptions stated above are:

	2021 €m	2020 €m	2019 €m
Current service cost	37	37	31
Past service costs[1, 2]	2	–	16
Net interest (income)/charge	(8)	9	10
Total included within staff costs	**31**	**46**	**57**
Actuarial (losses)/gains recognised in the SOCI	(686)	640	(33)

Notes:
1 Following a High Court judgement on 21 October 2018 which concluded that affected defined benefit plans should equalise pension benefits for men and women in relation to guaranteed minimum pension ('GMP') benefits the Group has recorded a pre-tax past service cost of €16 million (£14 million) in the year ended 31 March 2019.
2 Following a further judgement on 20 November 2020 which concluded that effected defined benefit plans should also equalise transfer value payments for men and women in relation to guaranteed minimum pension ('GMP') benefits the Group has recorded a pre-tax past service cost of €2 million (£2 million) in the year ended 31 March 2021.

Duration of the benefit obligations

The weighted average duration of the defined benefit obligation at 31 March 2021 is 21 years (2020: 21 years).

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Fair value of the assets and present value of the liabilities of the plans

The amount included in the statement of financial position arising from the Group's obligations in respect of its Defined benefit plans is as follows:

	Assets €m	Liabilities €m	Net deficit €m
1April 2019	**6,974**	**(7,431)**	**(457)**
Service cost	–	(37)	(37)
Interest income/(cost)	154	(163)	(9)
Return on plan assets excluding interest income	108	–	108
Actuarial gains arising from changes in demographic assumptions	–	252	252
Actuarial gains arising from changes in financial assumptions	–	383	383
Actuarial losses arising from experience adjustments	–	(103)	(103)
Employer cash contributions	42	–	42
Member cash contributions	10	(10)	–
Benefits paid	(237)	237	–
Exchange rate movements	(143)	156	13
Other movements	(2)	(38)	(40)
31 March 2020	**6,906**	**(6,754)**	**152**
Service cost	–	(39)	(39)
Interest income/(cost)	137	(129)	8
Return on plan assets excluding interest income	466	–	466
Actuarial losses arising from changes in financial assumptions	–	(1,118)	(1,118)
Actuarial losses arising from experience adjustments	–	(34)	(34)
Employer cash contributions	125	–	125
Member cash contributions	10	(10)	–
Benefits paid	(243)	243	–
Exchange rate movements	244	(249)	(5)
Other movements	(13)	5	(8)
31 March 2021	**7,632**	**(8,085)**	**(453)**

An analysis of the net (deficit)/surplus is provided below for the Group as a whole.

	2021 €m	2020 €m
Analysis of net (deficit)/surplus:		
Total fair value of plan assets	7,632	6,906
Present value of funded plan liabilities	(7,968)	(6,641)
Net (deficit)/surplus for funded plans	**(336)**	**265**
Present value of unfunded plan liabilities	(117)	(113)
Net (deficit)/surplus	**(453)**	**152**
Net (deficit)/surplus is analysed as:		
Assets[1]	60	590
Liabilities	(513)	(438)

Note:

1 Pension assets are deemed to be recoverable and there are no adjustments in respect of minimum funding requirements as economic benefits are available to the Group either in the form of future refunds or, for plans still open to benefit accrual, in the form of possible reductions in future contributions.

Notes to the consolidated financial statements (continued)

25. Post employment benefits (continued)

An analysis of net surplus/(deficit) is provided below for the Vodafone UK plan, which is a funded plan. As part of the merger of the Vodafone UK plan and the Cable and Wireless Worldwide Retirement Plan ('CWWRP') plan on 6 June 2014 the assets and liabilities of the CWW Section are segregated from the Vodafone Section and hence are reported separately below.

	CWW Section		Vodafone Section	
	2021 €m	2020 €m	**2021 €m**	2020 €m
Analysis of net surplus/(deficit):				
Total fair value of plan assets	2,912	2,842	3,298	2,873
Present value of plan liabilities	(2,852)	(2,393)	(3,457)	(2,731)
Net surplus/(deficit)	**60**	**449**	**(159)**	**142**
Net surplus/(deficit) are analysed as:				
Assets	60	449	–	142
Liabilities	–	–	(159)	–

Fair value of plan assets

	2021 €m	2020 €m
Cash and cash equivalents	247	96
Equity investments:		
With quoted prices in an active market	1,376	1,018
Without quoted prices in an active market	294	197
Debt instruments:		
With quoted prices in an active market	4,589	4,446
Without quoted prices in an active market	559	513
Property:		
With quoted prices in an active market	26	18
Without quoted prices in an active market	494	391
Derivatives:[1]		
Without quoted prices in an active market	(1,557)	(1,110)
Investment fund	604	533
Annuity policies		
With quoted prices in an active market	4	3
Without quoted prices	996	801
Total	**7,632**	**6,906**

Note:
1 Derivatives include collateral held in the form of cash. Assets are valued using 'level 2' inputs under IFRS 13 "Fair Value Measurement" principles and classified as unquoted accordingly.

The fair value of plan assets, which have been measured in accordance with IFRS 13 "Fair Value Measurement", are analysed by asset category above and are subdivided by assets that have a quoted market price in an active market and those that do not, such as investment funds. Where available, the fair values are quoted prices (e.g. listed equity, sovereign debt and corporate bonds). Unlisted investments without quoted prices in an active market (e.g. private equity) are included at values provided by the fund manager in accordance with relevant guidance. Other significant assets are valued based on observable inputs such as yield curves. The Vodafone UK plan annuity policies fully match the pension obligations of those pensioners insured and therefore are set equal to the present value of the related obligations. Investment funds of €604 million at 31 March 2021 include investments in diversified alternative beta funds held in the Vodafone Section of the Vodafone UK plan.

The actual return on plan assets over the year to 31 March 2021 was a gain of €603 million (2020: €262 million gain).

Sensitivity analysis

Measurement of the Group's defined benefit retirement obligation is sensitive to changes in certain key assumptions. The sensitivity analysis below shows how a reasonably possible increase or decrease in a particular assumption would, in isolation, result in an increase or decrease in the present value of the defined benefit obligation as at 31 March 2021.

	Rate of inflation		Rate of increase in salaries		Discount rate		Life expectancy	
	Decrease by 0.5% €m	Increase by 0.5% €m	Decrease by 0.5% €m	Increase by 0.5% €m	Decrease by 0.5% €m	Increase by 0.5% €m	Decrease by 1 year €m	Increase by 1 year €m
(Decrease)/increase in present value of defined benefit obligation[1]	(572)	641	(4)	4	854	(738)	(278)	275

Note:
1 The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another. In presenting this sensitivity analysis, the change in the present value of the defined benefit obligation has been calculated on the same basis as prior years using the projected unit credit method at the end of the year, which is the same as that applied in calculating the defined benefit obligation liability recognised in the statement of financial position. The rate of inflation assumption sensitivity factors in the impact of changes to all assumptions relating to inflation including the rate of increase in salaries, pension increases and deferred revaluations.

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26. Share-based payments

The Group has a number of share plans used to award shares to Executive Directors and employees as part of their remuneration package. A charge is recognised over the vesting period in the consolidated income statement to record the cost of these, based on the fair value of the award on the grant date.

Accounting policies

The Group issues equity-settled share-based awards to certain employees. Equity-settled share-based awards are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based award is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions. A corresponding increase in additional paid-in capital is also recognised.

Some share awards have an attached market condition, based on total shareholder return ('TSR'), which is taken into account when calculating the fair value of the share awards. The valuation for the TSR is based on Vodafone's ranking within the same group of companies, where possible, over the past five years.

The fair value of awards of non-vested shares is an average calculation of the closing price of the Group's shares on the days prior to the grant date, adjusted for the present value of the delay in receiving dividends where appropriate.

The maximum aggregate number of ordinary shares which may be issued in respect of share options or share plans will not (without shareholder approval) exceed:

- 10% of the ordinary share capital of the Company in issue immediately prior to the date of grant, when aggregated with the total number of ordinary shares which have been allocated in the preceding ten year period under all plans; and
- 5% of the ordinary share capital of the Company in issue immediately prior to the date of grant, when aggregated with the total number of ordinary shares which have been allocated in the preceding ten year period under all plans, other than any plans which are operated on an all-employee basis.

Share options

Vodafone Group executive plans

No share options have been granted to any Directors or employees under the Company's discretionary share option plans in the year ended 31 March 2021 (2020: nil).

Vodafone Sharesave Plan

Under the Vodafone Sharesave Plan UK staff may acquire shares in the Company through monthly savings of up to £375 over a three and/or five year period, at the end of which they may also receive a tax-free bonus. The savings and bonus may then be used to purchase shares at the option price, which is set at the beginning of the invitation period and usually at a discount of 20% to the then prevailing market price of the Company's shares.

Share plans

Vodafone Group executive plans

Under the Vodafone Global Incentive Plan awards of shares are granted to Directors and certain employees. The release of these shares is conditional upon continued employment and for some awards achievement of certain performance targets measured over a three year period.

Vodafone Share Incentive Plan

Following a review of the UK all-employee plans it was decided that with effect from 1 April 2017 employees would no longer be able to contribute to the Share Incentive Plan and would therefore no longer receive matching shares. Individuals who hold shares in the plan will continue to receive dividend shares.

Notes to the consolidated financial statements (continued)

26. Share-based payments (continued)

Movements in outstanding ordinary share options

	Ordinary share options		
	2021 Millions	2020 Millions	2019 Millions
1 April	53	46	40
Granted during the year	35	39	33
Forfeited during the year	(1)	(1)	(2)
Exercised during the year	–	–	(2)
Expired during the year	(25)	(31)	(23)
31 March	**62**	**53**	**46**
Weighted average exercise price:			
1 April	£1.19	£1.40	£1.64
Granted during the year	£1.03	£1.06	£1.30
Forfeited during the year	£1.16	£1.36	£1.52
Exercised during the year	£1.23	£1.50	£1.67
Expired during the year	£1.27	£1.34	£1.64
31 March	**£1.07**	**£1.19**	**£1.40**

Summary of options outstanding

	31 March 2021			31 March 2020		
	Outstanding shares Millions	**Weighted average exercise price**	**Weighted remaining average contractual life Months**	Outstanding shares Millions	Weighted average exercise price	Weighted remaining average contractual life Months
Vodafone Group savings related and Sharesave Plan:						
£0.98 – £1.89	62	£1.07	30	53	£1.19	30

Share awards

Movements in non-vested shares are as follows:

	2021		2020		2019	
	Millions	**Weighted average fair value at grant date**	Millions	Weighted average fair value at grant date	Millions	Weighted average fair value at grant date
1 April	245	£1.41	200	£1.92	182	£2.04
Granted	108	£0.99	135	£1.00	88	£1.82
Vested	(56)	£1.56	(44)	£2.10	(39)	£2.21
Forfeited	(30)	£1.10	(46)	£1.76	(31)	£1.97
31 March	**267**	**£1.20**	**245**	**£1.41**	**200**	**£1.92**

Other information

The total fair value of shares vested during the year ended 31 March 2021 was £108 million (2020: £92 million; 2019: £86 million).

The compensation cost included in the consolidated income statement in respect of share options and share plans was €135 million (2020: €134 million; 2019: €132 million) which is comprised principally of equity-settled transactions.

The average share price for the year ended 31 March 2021 was 120.8 pence (2020: 135.9 pence; 2019: 168.3 pence).

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27. Acquisitions and disposals

The note below provides details of acquisition and disposal transactions for the current year as well as those completed in the prior year. For further details see "Critical accounting judgements and key sources of estimation uncertainty" in note 1 "Basis of preparation" to the consolidated financial statements.

Accounting policies

Business combinations

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values at the date of exchange of assets given, liabilities incurred or assumed and equity instruments issued by the Group. Acquisition-related costs are recognised in the income statement as incurred. The acquiree's identifiable assets and liabilities are recognised at their fair values at the acquisition date, which is the date on which control is transferred to the Group. Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the Group's previously held equity interest in the acquiree, if any, over the net amounts of identifiable assets acquired and liabilities assumed at the acquisition date. The interest of the non-controlling shareholders in the acquiree may initially be measured either at fair value or at the non-controlling shareholders' proportion of the net fair value of the identifiable assets acquired, liabilities and contingent liabilities assumed. The choice of measurement basis is made on an acquisition-by-acquisition basis.

Acquisition of interests from non-controlling shareholders

In transactions with non-controlling parties that do not result in a change in control, the difference between the fair value of the consideration paid or received and the amount by which the non-controlling interest is adjusted is recognised in equity.

Aggregate cash consideration

The aggregate cash consideration in respect of purchases of subsidiaries, net of cash acquired, is as follows:

	2021 €m	2020 €m
Cash consideration paid		
European Liberty Global Assets	–	10,313
Other acquisitions during the year	138	108
Net cash acquired	(2)	(126)
	136	**10,295**

Acquisition of European Liberty Global assets

In the comparative period, on 31 July 2019, the Group completed the acquisition of a 100% interest in Unitymedia GmbH ('Unitymedia') and Liberty Global's operations (excluding its 'Direct Home' business) in the Czech Republic ('UPC Czech'), Hungary ('UPC Hungary') and Romania ('UPC Romania') for an aggregate net cash consideration of €10,313 million. The primary reason for acquiring the businesses was to create a converged national provider of digital infrastructure in Germany, together with creating converged communications operators in the Czech Republic, Hungary and Romania.

The purchase price allocation is set out in the table below.

	Fair value €m
Net assets acquired	
Identifiable intangible assets[1]	5,818
Property, plant and equipment[2]	4,737
Inventory	2
Trade and other receivables	856
Other investments	2
Cash and cash equivalents	109
Current and deferred taxation	(1,904)
Short and long-term borrowings	(9,527)
Trade and other payables	(1,066)
Post employment benefits	(40)
Provisions	(178)
Net identifiable liabilities acquired	**(1,191)**
Goodwill[3]	11,504
Total consideration[4]	**10,313**

Notes:
1 Identifiable intangible assets of €5,818 million consisted of customer relationships of €5,569 million, brand of €71 million and software of €178 million.
2 Includes Right-of-use assets.
3 The goodwill is attributable to future profits expected to be generated from new customers and the synergies expected to arise after the Group's acquisition of the businesses.
4 Transaction costs of €46 million were charged to Other income and expense in the consolidated income statement in the year ended 31 March 2020.

Notes to the consolidated financial statements (continued)

27. Acquisitions and disposals (continued)

From the date of acquisition to 31 March 2020, the acquired entities contributed €1,993 million of revenue and a loss of €247 million towards the profit before tax of the Group. If the acquisition had taken place at the beginning of the prior financial year, revenue would have been €45,975 million and the profit before tax would have been €822 million.

Other acquisitions

During the year ended 31 March 2021, the Group completed certain acquisitions for an aggregate consideration of €178 million, of which €nil has been paid in cash. The aggregate provisional fair values acquired of goodwill, identifiable assets, liabilities and non-controlling interests recognised on acquisition were €92 million, €445 million, €306 million and €53 million, respectively. In addition, the Group paid €138 million in respect of acquisitions completed in prior periods.

During the year ended 31 March 2020 the Group completed certain acquisitions for an aggregate consideration of €276 million, of which €108 million was paid in that year. The aggregate provisional fair values of goodwill, identifiable assets and liabilities of the acquired operations were €248 million, €113 million and €85 million, respectively.

Disposals

The difference between the carrying value of the net assets disposed of and the fair value of consideration received is recorded as a gain or loss on disposal. Foreign exchange translation gains or losses relating to subsidiaries, joint arrangements and associates that the Group has disposed of, and that have previously recorded in other comprehensive income or expense, are also recognised as part of the gain or loss on disposal.

Aggregate cash consideration

The aggregate cash consideration in respect of the disposal of subsidiaries, net of cash disposed, is as follows:

	2021 €m	2020 €m
Cash consideration received		
Vodafone New Zealand	(37)	2,023
Tower infrastructure in Italy	192	2,140
Vodafone Malta	–	242
Other disposals during the period	3	35
Net cash disposed	(1)	(13)
	157	**4,427**

Vodafone New Zealand

In the comparative period, on 31 July 2019, the Group sold its 100% interest in Vodafone New Zealand Limited ('Vodafone New Zealand') for consideration of NZD $3.4 billion (€2.0 billion). The table below summarises the net assets disposed and the resulting net gain on disposal of €1.1 billion.

	€m
Goodwill	(243)
Other intangible assets	(155)
Property, plant and equipment[1]	(783)
Inventory	(29)
Trade and other receivables	(244)
Investments in associates and joint ventures	(4)
Current and deferred taxation	(11)
Short and long-term borrowings	215
Trade and other payables	261
Provisions	35
Net assets disposed	**(958)**
Net cash proceeds arising from the transaction	2,023
Other effects[2]	13
Net gain on transaction[3]	**1,078**

Notes:
1 Includes Right-of-use assets.
2 Includes €59 million of recycled foreign exchange losses.
3 Recorded within Other income and expense in the consolidated income statement.

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Tower infrastructure in Italy

In the comparative period, on 31 March 2020, the Group merged its passive tower infrastructure in Italy with Infrastrutture Wireless Italiane S.p.A. ('INWIT'), (the 'combination'). As part of the combination, Vodafone received proceeds of €2,140 million and a 37.5% shareholding in the combined entity. As a result of the transaction, we no longer consolidate the tower assets and account for our interest as a joint venture using the equity method. We have also entered into an agreement to lease back space on the mobile base stations to locate network equipment (see note 20 "Leases"). The Group recognised a net gain on the combination of €3,356 million.

	€m
Goodwill	(1,320)
Property, plant and equipment[1]	(548)
Trade and other receivables	(164)
Current and deferred taxation	44
Short and long-term borrowings	270
Trade and other payables	79
Provisions	40
Net assets contributed into INWIT	**(1,599)**
Fair value of investment in INWIT[2]	3,559
Net cash proceeds arising from the transaction	2,140
Restriction of gain (note 20)	(744)
Net gain on formation[3]	**3,356**

Notes:
1 Includes Right-of-use assets.
2 The fair value of €3,559 million comprises an investment of €3,345 million recorded within Investments in associates and joint arrangements (note 12) and a dividend receivable of €214 million, recorded within Other receivables (note 14).
3 Recorded within Other income and expense in the consolidated income statement.

Vodafone Malta

In the comparative period, on 31 March 2020, the Group sold its 100% interest in Vodafone Malta Limited ('Vodafone Malta') for consideration of €242 million. A net gain on disposal of €170 million has been recorded within Other income and expense in the consolidated income statement.

Other transactions with non-controlling shareholders in subsidiaries

	2021 €m	2020 €m
Cash consideration received/(paid)		
Vantage Towers IPO	2,000	–
Vantage Towers Greece	(288)	–
Other	(49)	(160)
	1,663	**(160)**

Vantage Towers IPO

During the period, the Group completed an initial public offering of Vantage Towers AG, with the first day of trading on the Regulated Market of the Frankfurt Stock Exchange being 18 March 2021. The offer consisted solely of a secondary sell-down of existing shares held by Vodafone GmbH. Cash consideration of €2,000 million was received in the period. A further €217m was received in April 2021, following completion of the market stabilisation period described in the Vantage Towers prospectus.

Vantage Towers Greece

On 25 March 2021, the Group exercised its option to purchase the remaining 38% of Vantage Towers Greece for cash consideration of €288 million, taking its shareholding to 100%.

Notes to the consolidated financial statements (continued)

28. Commitments

A commitment is a contractual obligation to make a payment in the future, mainly in relation to agreements to buy assets such as mobile devices, network infrastructure and IT systems and leases that have not commenced. These amounts are not recorded in the consolidated statement of financial position since we have not yet received the goods or services from the supplier. The amounts below are the minimum amounts that we are committed to pay.

Capital commitments

	Company and subsidiaries		Share of joint operations		Group	
	2021 €m	2020 €m	**2021 €m**	2020 €m	**2021 €m**	2020 €m
Contracts placed for future capital expenditure not provided in the financial statements[1]	3,993	3,046	133	103	4,126	3,149

Note:
1 Commitment includes contracts placed for property, plant and equipment and intangible assets.

Leases entered into by the Group but not commenced at 31 March 2021 are disclosed in note 20.

29. Contingent liabilities and legal proceedings

Contingent liabilities are potential future cash outflows, where the likelihood of payment is considered more than remote, but is not considered probable or cannot be measured reliably.

	2021 €m	2020 €m
Performance bonds[1]	381	414
Other guarantees[2]	2,347	2,908

Notes:
1 Performance bonds require the Group to make payments to third parties in the event that the Group does not perform what is expected of it under the terms of any related contracts or commercial arrangements.
2 Other guarantees principally comprise Vodafone Group Plc's guarantee of the Group's 50% share of a US$3.5 billion loan facility (2020: AUD1.7 billion and US$3.5 billion loan facilities), which forms part of the Group's overall joint venture investment in TPG Telecom Ltd (2020: Vodafone Hutchison Australia Pty Limited). The Group's share of these loan balances is included in the net investment in joint venture (see note 12 "Investments in associates and joint arrangements"). Other guarantees also includes INR42.5 billion (2020: nil) in relation to the secondary pledge over shares owned by Vodafone Group in Indus Towers (see "Indus Tower merger" paragraph on page 195).

UK pension schemes

The Group's main defined benefit plan is the Vodafone UK Group Pension Scheme ('Vodafone UK Plan') which has two segregated sections, the Vodafone Section and the CWW Section, as detailed in note 25 "Post employment benefits".

The Group has covenanted to provide security in favour of both the Vodafone Section and CWW Section whilst a deficit remains. The deficit is measured on a prescribed basis agreed between the Group and trustee. The Group provides surety bonds as the security.

The level of the security has varied since inception in line with the movement in the Vodafone UK Plan deficit. At 31 March 2021 the Vodafone UK Plan retains security over €822 million (notional value) for the Vodafone Section and €176 million (notional value) for the CWW Section. The security may be substituted either on a voluntary or mandatory basis. The Company has also provided two guarantees to the Vodafone Section of the Vodafone UK Plan for a combined value up to €1.47 billion to provide security over the deficit under certain defined circumstances, including insolvency of the employers. The Company has also agreed a similar guarantee of up to €1.47 billion for the CWW Section.

An additional smaller UK defined benefit plan, the THUS Plc Group Scheme, has a guarantee from the Company for up to €117 million.

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Vodafone Idea

As part of the agreement to merge Vodafone India and Idea Cellular in 2017, the parties agreed a mechanism for payments between the Group and Vodafone Idea Limited ('VIL') pursuant to the difference between the crystallisation of certain identified contingent liabilities in relation to legal, regulatory, tax and other matters, and refunds relating to Vodafone India and Idea Cellular. Cash payments or cash receipts relating to these matters must have been made or received by VIL before any amount becomes due from or owed to the Group. Any future payments by the Group to VIL as a result of this agreement would only be made after satisfaction of this and other contractual conditions.

The Group's potential exposure under this mechanism is now capped at INR 64 billion (€747 million) following payments made under this mechanism from Vodafone to VIL totalling INR 19 billion (€235 million). The matters covered by the mechanism include the Adjusted Group Revenue ('AGR') judgement debt levied on VIL for an amount materially in excess of the cap. There are significant uncertainties in relation to VIL's ability to settle all liabilities relating to the AGR judgement and no further cash payments are considered probable at 31 March 2021.

The carrying value of the Group's investment in VIL is €nil and the Group is recording no further share of losses in respect of VIL (see note 12). The Group's potential exposure to liabilities within VIL is capped by the mechanism described above. As a consequence, contingent liabilities arising from litigation in India concerning operations of Vodafone India are no longer reported below.

Indus Towers merger

The merger of Indus and Bharti Infratel completed on 19 November 2020 and the combined entity was renamed Indus Towers Ltd ("Indus Towers"). Under the terms of the merger a security package was agreed for the benefit of Indus Towers which can be invoked in the event that VIL is unable to satisfy certain payment obligations under its Master Services Agreements with Indus Towers (the 'MSAs'). The security package includes:

- A prepayment in cash of INR 24 billion (€279 million) by VIL to Indus Towers in respect of its payment obligations that are undisputed, due and payable under the MSAs after the merger closing;
- A primary pledge over 190.7 million shares owned by Vodafone Group in Indus Towers having a value of INR 47 billion (€544 million) as at 31 March 2021; and
- A secondary pledge over shares owned by Vodafone Group in Indus Towers (ranking behind Vodafone's existing lenders for the remaining €1.2 billion bank borrowings secured against Indian assets (see note 21) utilised to fund Vodafone's contribution to the VIL rights issue in 2019) ("the Bank Borrowings") with a maximum liability cap of INR 42.5 billion (€495 million).

In the event of non-payment of relevant MSA obligations by VIL, Indus Towers will have recourse to the primary pledge shares and, after repayment of the Bank Borrowings in full, any secondary pledged shares, up to the value of the liability cap. VIL's ability to make MSA payments to Indus Towers is uncertain and depends on a number of factors including its ability to raise additional funding.

Legal Proceedings

The Group is currently involved in a number of legal proceedings, including inquiries from, or discussions with, government authorities that are incidental to their operations.

Legal proceedings where the Group considers that the likelihood of material future outflows of cash or other resources is more than remote are disclosed below. Where the Group assesses that it is probable that the outcome of legal proceedings will result in a financial outflow, and a reliable estimate can be made of the amount of that obligation, a provision is recognised for these amounts.

In all cases, determining the probability of successfully defending a claim against the Group involves the application of judgement as the outcome is inherently uncertain. The determination of the value of any future outflows of cash or other resources, and the timing of such outflows, involves the use of estimates. The costs incurred in complex legal proceedings, regardless of outcome, can be significant.

The Group is not involved in any material proceedings in which any of the Group's Directors, members of senior management or affiliates are either a party adverse to the Group or have a material interest adverse to the Group.

Indian tax cases

In January 2012, the Supreme Court of India found against the Indian tax authority and in favour of Vodafone International Holdings BV ('VIHBV') in proceedings brought after the Indian tax authority alleged potential liability under the Income Tax Act 1961 for the failure by VIHBV to deduct withholding tax from consideration paid to the Hutchison Telecommunications International Limited group ('HTIL') in connection with its 2007 disposal to VIHBV of its interests in a wholly-owned Cayman Island incorporated subsidiary that indirectly held interests in Vodafone India Limited ('Vodafone India').

Notes to the consolidated financial statements (continued)

29. Contingent liabilities and legal proceedings (continued)

The Finance Act 2012 of India, which amended various provisions of the Income Tax Act 1961 with retrospective effect, contained provisions intended to tax any gain on transfer of shares in a non-Indian company, which derives substantial value from underlying Indian assets, such as VIHBV's transaction with HTIL in 2007. Further, it sought to subject a purchaser, such as VIHBV, to a retrospective obligation to withhold tax. On 3 January 2013, VIHBV received a letter from the Indian tax authority reminding it of the tax demand raised prior to the Supreme Court of India's judgement and updating the interest element of that demand to a total amount of INR142 billion, which included principal and interest as calculated by the Indian tax authority but did not include penalties. On 12 February 2016, VIHBV received a notice dated 4 February 2016 of an outstanding tax demand of INR221 billion (plus interest) along with a statement that enforcement action, including against VIHBV's indirectly held assets in India, would be taken if the demand was not satisfied. On 29 September 2017, VIHBV received an electronically generated demand in respect of alleged principal, interest and penalties in the amount of INR190.7 billion. This demand does not appear to have included any element for alleged accrued interest liability.

In response to the 2013 letter, VIHBV initiated arbitration proceedings under the Netherlands-India Bilateral Investment Treaty ('Dutch BIT'). The arbitration hearing took place in February 2019. In September 2020, the arbitration tribunal issued its award unanimously ruling in VIHBV's favour. The Indian Government applied in Singapore to set aside the award primarily on jurisdictional grounds. The proceedings have been transferred to a senior court, with a hearing date set for September 2021.

Separately, on 24 January 2017, Vodafone Group Plc and Vodafone Consolidated Holdings Limited formally commenced arbitration with the Indian Government under the United Kingdom-India Bilateral Investment Treaty ('UK BIT') in respect of retrospective tax claims under the Income Tax Act 1961 (as amended by the Finance Act 2012). Although relating to the same underlying facts as the claim under the Dutch BIT, the claim brought by Vodafone Group Plc and Vodafone Consolidated Holdings Limited is a separate and distinct claim under a different treaty. After the Delhi High Court first upheld, and subsequently dismissed, the Indian Government's application for an injunction preventing Vodafone from progressing the UK BIT arbitration as an abuse of process, the Indian Government appealed the dismissal. Hearings took place from 2018 to 2020 with frequent adjournments. Following the award in the Dutch BIT, the Delhi High Court dismissed the injunction appeal proceedings. Vodafone has undertaken to take no steps advancing the UK BIT arbitration proceedings pending the outcome of the Indian Government's application to set aside the Dutch BIT award in Singapore. The Delhi High Court also permitted the formation of the UK BIT tribunal.

VIHBV and Vodafone Group Plc will continue to defend vigorously any allegation that VIHBV or Vodafone India is liable to pay tax in connection with the transaction with HTIL and will continue to exercise all rights to seek redress including pursuant to the Dutch BIT and the UK BIT. Based on the facts and circumstances of this matter, including the outcome of legal proceedings to date, the Group considers that it is more likely than not that no present obligation exists at 31 March 2021.

VISPL tax claims

Vodafone India Services Private Limited ('VISPL') is involved in a number of tax cases. The total value of the claims is approximately €500 million plus interest, and penalties of up to 300% of the principal.

Of the individual tax claims, the most significant is in the amount of approximately €249 million (plus interest of €554 million), which VISPL has been assessed as owing in respect of (i) a transfer pricing margin charged for the international call centre of HTIL prior to the 2007 transaction with Vodafone for HTIL assets in India; (ii) the sale of the international call centre by VISPL to HTIL; and (iii) the acquisition of and/or the alleged transfer of options held by VISPL in Vodafone India. The first two of the three heads of tax are subject to an indemnity by HTIL. The larger part of the potential claim is not subject to an indemnity. A stay of the tax demand on a deposit of £20 million and a corporate guarantee by VIHBV for the balance of tax assessed are in place. On 8 October 2015, the Bombay High Court ruled in favour of Vodafone in relation to the options and the call centre sale. The Indian Tax Authority has appealed to the Supreme Court of India. The appeal hearing has been adjourned indefinitely.

While there is some uncertainty as to the outcome of the tax cases involving VISPL, the Group believes it has valid defences and does not consider it probable that a financial outflow will be required to settle these cases.

Other cases in the Group

UK : IPCom v Vodafone Group Plc and Vodafone UK

On 22 February 2019, IPCom sued Vodafone Group Plc and Vodafone Limited for alleged infringement of two patents claimed to be essential to UMTS and LTE network standards. If IPCom could have established that one or more of its patents was valid and infringed, it could have sought an injunction against the UK network if a global licence for the patents was not agreed. The Court ordered expedited trials on the infringement and validity issues. The trial on the first patent was in November 2019 and removed the risk of an injunction so IPCom withdrew the second patent trial listed for May 2020. Both IPCom and Vodafone appealed certain aspects of the judgement from the first trial at a hearing in January 2021. The Court of Appeal found in favour of both IPCom and Vodafone on different issues. Vodafone is seeking permission to appeal a discrete issue from the Supreme Court of the United Kingdom. The validity of the first patent will be considered by the Board of Appeal of the European Patent Office at a hearing in July 2021. Although the outcome of this hearing is unknown, we believe that there is a high probability that the first patent will be found to be invalid and as a result Vodafone has no liability for patent infringement which would mean that the Group has no present obligation. IPCom has indicated that it wishes to pursue a damages assessment for the limited infringement found by the trial court. However, IPCom has suggested that these proceedings be deferred until the outcome of the Board of Appeal of the European Patent Office. In any event, were the patent found to be valid the Group believes that the resulting damages would be minimal.

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Spain and UK: TOT v Vodafone Group Plc, VGSL, and Vodafone UK

Vodafone Group Plc has been sued in Spain by TOT Power Control ('TOT'), an affiliate of Top Optimized Technologies. The claim makes a number of allegations including patent infringement, with TOT initially seeking over €500 million in damages from Vodafone Group Plc as well as an injunction against using the technology in question. Huawei has also been sued by TOT in the same action.

In a decision dated 30 October 2017, the Commercial Court of Madrid ruled that while it did have jurisdiction to hear the infringement case relating to the Spanish patent, it was not competent to hear TOT's contractual and competition law claims against Vodafone. The trial took place in September 2018 and in January 2020 judgement was handed down in Vodafone and Huawei's favour. TOT appealed but limited its claims against Vodafone to seek approximately €4 million in damages and injunctive relief. The appeal judgement was issued on 23 April 2021 and TOT's claims for damages and injunctive relief against both Vodafone and Huawei were rejected, therefore the Group does not believe that any present obligation exists.

In December 2019 TOT brought a similar claim in the English High Court against Vodafone Group and Vodafone UK alleging breach of confidentiality and patent infringement. The value of the claim is not pleaded. Proceedings have been stayed until 30 September 2021 pending the outcome of the appeal in Spain. Vodafone has issued an application seeking to strike out certain aspects of TOT's case which will be heard once the stay has been lifted. It remains unclear how much of the claim will remain after the strike out application. Vodafone has not yet filed its defence. At this stage of proceedings, we are not able reliably to evaluate the likelihood of, or amount of, any financial outflow.

Germany: Kabel Deutschland takeover - class actions

The German courts have been determining the adequacy of the mandatory cash offer made to minority shareholders in Vodafone's takeover of Kabel Deutschland. Hearings took place in May 2019 and a decision was delivered in November 2019 in Vodafone's favour, rejecting all claims by minority shareholders. A number of shareholders appealed. The appeal process is ongoing. While the outcome is uncertain, the Group believes it has valid defences and that the outcome of the appeal will be favourable to Vodafone.

Italy: Iliad v Vodafone Italy

In July 2019, Iliad filed a claim for €500 million against Vodafone Italy in the Civil Court of Milan. The claim alleges anti-competitive behaviour in relation to portability and certain advertising campaigns by Vodafone Italy. Preliminary hearings have taken place, including one at which the Court rejected Iliad's application for a cease and desist order against alleged misleading advertising by Vodafone. The main hearing on the merits of the claim is scheduled for 8 June 2021.

The Group is currently unable to estimate any possible loss in this claim in the event of an adverse judgement but while the outcome is uncertain, the Group believes it has valid defences and that it is probable that no present obligation exists.

Greece: Papistas Holdings SA, Mobile Trade Stores (formerly Papistas SA) and Athanasios and Loukia Papistas v Vodafone Greece

In October 2019, Mr. and Mrs. Papistas, and companies owned or controlled by them, filed several new claims against Vodafone Greece with a total value of approximately €330 million for purported damage caused by the alleged abuse of dominance and wrongful termination of a franchise arrangement with a Papistas company. Lawsuits which the Papistas claimants had previously brought against Vodafone Group Plc and certain Directors and officers of Vodafone were withdrawn. Vodafone Greece filed a counter claim and all claims were heard in February 2020. All of the Papistas claims were rejected by the Greek Court because the stamp duty payments required to have the merits of the case considered had not been made. Vodafone Greece's counter claim was also rejected. The Papistas claimants and Vodafone Greece have each filed appeals and, subject to the Papistas claimants paying the requisite stamp duty, the hearing on the merits of these appeals will take place in late 2021 and early 2022.

The amount claimed in these lawsuits is substantial and, if the claimants are successful, the total potential liability could be material. However, we are continuing vigorously to defend the claims and based on the progress of the litigation so far the Group believes that it is highly unlikely that there will be an adverse ruling for the Group. On this basis, the Group does not expect the outcome of these claims to have a material financial impact.

UK: Phones 4U in Administration v Vodafone Limited and Vodafone Group Plc and Others

In December 2018, the administrators of former UK indirect seller, Phones 4U, sued the three main UK mobile network operators ('MNOs'), including Vodafone, and their parent companies. The administrators allege a conspiracy between the MNOs to pull their business from Phones 4U thereby causing its collapse. Vodafone and the other defendants filed their defences in April 2019 and the Administrators filed their replies in October 2019. Disclosure has taken place and witness statements are due to be filed by the end of July 2021. The judge has also ordered that there should be a split trial between liability and damages. The first trial will start in May 2022.

Taking into account all available evidence, the Group assesses it to be more likely than not that a present obligation does not exist and that the allegations of collusion are completely without merit; the Group is vigorously defending the claim. The value of the claim is not pleaded but we understand it to be the total value of the business, possibly equivalent to approximately £1 billion. Vodafone's alleged share of the liability is also not pleaded. The Group is not able to estimate any possible loss in the event of an adverse judgement.

Notes to the consolidated financial statements (continued)

30. Related party transactions

The Group has a number of related parties including joint arrangements and associates, pension schemes and Directors and Executive Committee members (see note 12 "Investments in associates and joint arrangements", note 25 "Post employment benefits" and note 23 "Directors and key management compensation").

Transactions with joint arrangements and associates

Related party transactions with the Group's joint arrangements and associates primarily comprise fees for the use of products and services including network airtime and access charges, fees for the provision of network infrastructure and cash pooling arrangements. No related party transactions have been entered into during the year which might reasonably affect any decisions made by the users of these consolidated financial statements except as disclosed below.

	2021 €m	2020 €m	2019 €m
Sales of goods and services to associates	14	32	27
Purchase of goods and services from associates	5	4	3
Sales of goods and services to joint arrangements	203	305	242
Purchase of goods and services from joint arrangements	109	97	192
Net interest income receivable from joint arrangements[1]	65	71	96
Net interest expense payable to joint arrangements[1,2]	56	–	–
Trade balances owed:			
by associates	3	4	1
to associates	5	4	3
by joint arrangements	88	157	193
to joint arrangements	31	37	25
Other balances owed by associates	56	–	–
Other balances owed by joint arrangements[1]	955	1,083	997
Other balances owed to joint arrangements[2]	1,575	2,017	169

Notes:
1 Amounts arise primarily through VodafoneZiggo, TPG Telecom Limited and INWIT S.p.A. Interest is paid in line with market rates.
2 Amounts for years ended 31 March 2021 and 2020 are primarily in relation to leases of tower space from INWIT S.p.A.

Dividends received from associates and joint ventures are disclosed in the consolidated statement of cash flows.

Transactions with Directors other than compensation

During the three years ended 31 March 2021 and as of 18 May 2021, no Director nor any other executive officer, nor any associate of any Director or any other executive officer, was indebted to the Company. During the three years ended 31 March 2021 and as of 18 May 2021, the Company has not been a party to any other material transaction, or proposed transactions, in which any member of the key management personnel (including Directors, any other executive officer, senior manager, any spouse or relative of any of the foregoing or any relative of such spouse) had or was to have a direct or indirect material interest.

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31. Related undertakings

A full list of all of our subsidiaries, joint arrangements and associated undertakings is detailed below.

A full list of subsidiaries, joint arrangements and associated undertakings (as defined in the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008) as at 31 March 2021 is detailed below. No subsidiaries are excluded from the Group consolidation. Unless otherwise stated the Company's subsidiaries all have share capital consisting solely of ordinary shares and are indirectly held. The percentage held by Group companies reflect both the proportion of nominal capital and voting rights unless otherwise stated.

Subsidiaries

Accounting policies

A subsidiary is an entity directly or indirectly controlled by the Company. Control is achieved where the Company has existing rights that give it the current ability to direct the activities that affect the Company's returns and exposure or rights to variable returns from the entity. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation. Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholder's share of changes in equity since the date of the combination. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Company name	% of share class held by Group Companies	Share class
Albania		
Rruga "Ibrahim Rugova", Sky Tower, Kati i 5, Hyrja 2, Tiranë, Shqipëri. Albania		
_VOIS Albania ShpK.	100.00	Ordinary shares
Autostrada Tirane-Durres, Rruga: "Pavaresia", Nr 61, Kashar, Tirana, Albania		
Vodafone Albania Sh.A	99.94	Ordinary shares
Argentina		
Cerrito 348, 5 to B, C1010AAH, Buenos Aires, Argentina		
CWGNL S.A. (in process of dissolution)	100.00	Ordinary shares
Australia		
Mills Oakley, Level 7, 151 Clarence Street, Sydney NSW 2000, Australia		
Vodafone Enterprise Australia Pty Limited	100.00	Ordinary shares
Austria		
c/o Stolitzka & Partner Rechtsanwälte OG, Kärntner Ring 12, 3. Stock, 1010, Wien, Austria		
Vodafone Enterprise Austria GmbH	100.00	Ordinary shares
Bahrain		
RSM Bahrain, 3rd floor Falcon Tower, Diplomatic Area, Manama, PO BOX 11816, Bahrain		
Vodafone Enterprise Bahrain W.L.L.	100.00	Ordinary shares
Belgium		
Malta House, rue Archimède 25, 1000 Bruxelles, Belgium		
Vodafone Belgium SA/NV	100.00	Ordinary shares
Brazil		
Avenida Cidade Jardim, 400, 7th and 20th Floors, Jardim Paulistano, São Paulo, Brazil, 01454-000		
Vodafone Serviços Empresariais Brasil Ltda.	100.00	Ordinary shares
Av José Rocha Bonfim, 214, Cond Praça Capital – Edifício Toronto, sls 228/229 13080-900 Jardim Santa Genebra – Campinas, São Paulo, Brazil		
Cobra do Brasil Serviços de Telemàtica ltda. (in process of dissolution)	70.00	Ordinary shares
Av Paulista 74-4 andar, Sala 427, Bela Vista, CEP, 01311 – 902, São Paulo, Brazil		
Vodafone Empresa Brasil Telecomunicações Ltda	100.00	Ordinary shares
Bulgaria		
10 Tsar Osvoboditel Blvd., 3rd Floor, Spredets Region, Sofia, 1000, Bulgaria		
Vodafone Enterprise Bulgaria EOOD	100.00	Ordinary shares
Canada		
3280 Bloor Street West, Suite 1140, 11 Floor, Centre Tower, Toronto ON M8X 2X3, Canada		
Vodafone Canada Inc.	100.00	Common shares
Cayman Islands		
One Nexus Way, Camana Bay, Grand Cayman, KY1-9005, Cayman Islands		
CGP Investments (Holdings) Limited	100.00	Ordinary shares
Chile		
222 Miraflores, P.28, Santiago, Metrop, 97-763, Chile		
Vodafone Enterprise Chile S.A.	100.00	Ordinary shares
China		
Building 21, 11, Kangding St., BDA, Beijing, 100176 – China, China		
Vodafone Automotive Technologies (Beijing) Co, Ltd	100.00	Ordinary shares
Level 9, Tower 2, China Central Place, Room 940, No.79 Jianguo Road, Chaoyang District, Beijing, 100025, China		
Vodafone China Limited (China) (in process of dissolution)	100.00	Equity interest shares
Level 9, Tower 2, China Central Place, Room 941, No.79 Jianguo Road, Chaoyang District, Beijing, 100025, China		
Vodafone Enterprise Communications Technical Service (Shanghai) Co., Ltd. Beijing Branch[2]	100.00	Branch
Room 1603, 16th Floor, 1200 Pudong Avenue, China (S, 1200 Pudong Avenue, Free Trade Zone, Shanghai, China		
Vodafone Enterprise Communications Technical Service (Shanghai) Co., Ltd.	100.00	Ordinary shares
Congo, The Democratic Republic of the		
292 Avenue de La Justice, Commune de la Gombe, Kinshasa, Congo		
Vodacom Congo (RDC) SA[5]	30.85	Ordinary shares
Building Comimmo II Ground Floor Right, 3157 Boulevard du 30 Juin, Commune de la Gombe, Kinshasa, DRC Congo, The Democratic Republic of the		
Vodacash S.A.[5]	30.85	Ordinary shares
Cyprus		
Ali Rıza Efendi Caddesi No:33/A Ortaköy, Lefkoşa, Cyprus		
Vodafone Mobile Operations Limited	100.00	Ordinary shares

Notes to the consolidated financial statements (continued)

31. Related undertakings (continued)

Czech Republic

náměstí Junkových 2, Prague 5, Czech Republic, 155 00, Czech Republic		
Oskar Mobil S.R.O.	100.00	Ordinary shares
Nadace Vodafone Česká Republika	100.00	Trustee
Vodafone Czech Republic A.S.	100.00	Ordinary shares
Vodafone Enterprise Europe (UK) Limited - Czech Branch[2]	100.00	Branch
Prana 4, Nusle, Závišova 502/5, 14000, Czech Republic		
Vantage Towers s.r.o.[4]	81.05	Ordinary shares
Vantage Towers 2 s.r.o.	100.00	Ordinary shares
Závišova Real Estate, s.r.o.	100.00	Ordinary shares

Denmark

Tuborg Boulevard 12, 2900, Hellerup, Denmark		
Vodafone Enterprise Denmark A/S	100.00	Ordinary (DKK) shares

Egypt

17 Port Said Street, Maadi El Sarayat, Cairo, Egypt		
Vodafone For Trading	54.95	Ordinary shares
37 Kaser El Nil St, 4th. Floor, Cairo, Egypt		
Starnet	55.00	Ordinary shares
54 El Batal Ahmed Abed El Aziz, Mohandseen, Giza, Egypt		
Sarmady Communications	55.00	Ordinary shares
Building no. 2109 "VHUB1", Smart Village, Cairo Alexandria, Egypt		
Vodafone International Services LLC	100.00	Ordinary shares
Site No 15/3C, Central Axis, 6th October City, Egypt		
Vodafone Egypt Telecommunications S.A.E.	55.00	Ordinary shares
Smart Village C3 Vodafone Building, Egypt		
Vodafone Data	55.00	Ordinary shares

Finland

c/o Eversheds Asianajotoimisto Oy, Fabianinkatu 29 B, Helsinki, 00100, Finland		
Vodafone Enterprise Finland OY	100.00	Ordinary shares

France

1300 route de Cretes, Le WTC, Bat I1, 06560, Valbonne Soph, France		
Vodafone Automotive Telematics Development S.A.S	100.00	Ordinary shares
EuroPlaza Tour, 20 Avenue Andre Prothin, La Défense Cedex-France (149153), 92400, Courbevoie, France		
Vodafone Automotive France S.A.S	100.00	Ordinary shares
Vodafone Enterprise France SAS	100.00	New euro shares
Rue Champollion, 22300, Lannion, France		
Apollo Submarine Cable System Ltd – French Branch[2]	100.00	Branch

Germany

Aachener Str. 746-750, 50933, Köln, Germany		
Arena Sport Rechte Marketing GmbH i.L (in liquidation)	100.00	Ordinary shares
Vodafone Administration GmbH	100.00	Ordinary shares
Vodafone BW GmbH	100.00	Ordinary shares
Vodafone Hessen GmbH & Co. KG	100.00	Ordinary shares
Vodafone Management GmbH	100.00	Ordinary shares
Vodafone NRW GmbH	100.00	Ordinary shares
Vodafone West GmbH	100.00	Ordinary shares
Altes Forsthaus 2, 67661, Kaiserslautern, Germany		
TKS Telepost Kabel-Service Kaiserslautern GmbH[3]	93.84	Ordinary shares
Betastraße 6-8, 85774 Unterföhring, Germany		
Kabel Deutschland Holding AG[3]	93.84	Ordinary shares
Vodafone Deutschland GmbH	93.84	Ordinary shares
Vodafone Customer Care GmbH[3]	93.84	Ordinary shares
Buschurweg 4, 76870, Kandel, Germany		
Vodafone Automotive Deutschland GmbH	100.00	Ordinary shares
Ferdinand-Braun-Platz 1, 40549, Duesseldorf, Germany		
Vodafone Enterprise Germany GmbH	100.00	Ordinary shares
Vodafone GmbH	100.00	Ordinary A shares, Ordinary B shares
Vodafone Group Services GmbH	100.00	Ordinary shares
Vodafone Institut für Gesellschaft und Kommunikation GmbH	100.00	Ordinary shares
Vodafone Stiftung Deutschland Gemeinnutzige GmbH	100.00	Ordinary shares
Vodafone Vierte Verwaltungs AG	100.00	Ordinary shares
Friedrich-Wilhelm-Strasse 2, 38100, Braunschweig, Germany		
KABELCOM Braunschweig Gesellschaft Fur Breitbandkabel-Kommunikation Mit Beschrankter Haftung[3]	93.84	Ordinary shares
Helmholtzstaße. 2-9, Gerbäude F10587, Berlin, Germany		
Vodafone Service GmbH	100.00	Ordinary shares
Holzmarkt 1, 50676, Köln, North Rhine-Westphalia, Germany		
Grandcentrix GmbH	100.00	Ordinary shares
Nobelstrasse 55, 18059, Rostock, Germany		
"Urbana Teleunion" Rostock GmbH & Co.KG[3]	65.69	Ordinary shares
Prinzenallee 11-13, 40549, Düsseldorf, Germany		
Vantage Towers AG	81.05	Ordinary shares
Seilerstrasse 18, 38440, Wolfsburg, Germany		
KABELCOM Wolfsburg Gesellschaft Fur Breitbandkabel-Kommunikation Mit Beschrankter Haftung[3]	93.84	Ordinary shares

Ghana

Manet Tower A, South Liberation Link, Accra, Ghana		
Vodacom Business (Ghana) Limited	70.00	Ordinary shares, Preference shares
Telecom House, Nsawam Road, Accra-North, Greater Accra Region, PMB 221, Ghana		
Ghana Telecommunications Company Limited	70.00	Ordinary shares, Preference shares
National Communications Backbone Company Limited	70.00	Ordinary shares
Vodafone Ghana Mobile Financial Services Limited	70.00	Ordinary shares

Greece

1-3 Tzavella str, 152 31 Halandri, Athens, Greece		
Vantage Towers Single Member Societe Anonyme (previously Vantage Towers Societe Anonyme, 16 April 2021)[4]	81.05	Ordinary shares
Vodafone-Panafon Hellenic Telecommunications Company S.A.	99.87	Ordinary shares
Vodafone Greece Towers Societe Anonyme[4]	81.05	Ordinary shares
2 Adrianeiou str, Athens, 11525, Greece		
Crystal Almond Towers Single Member S.A.[4]	81.05	Ordinary shares
12,5 km National Road Athens – Lamia, Metamorfosi / Athens, 14452, Greece		
Vodafone Innovus S.A.	99.87	Ordinary shares
Pireos 163 & Ehelidon, Athens, 11854, Greece		
360 Connect S.A.	99.87	Ordinary shares

Guernsey

Martello Court, Admiral Park, St. Peter Port, GY1 3HB, Guernsey		
FB Holdings Limited	100.00	Ordinary shares
Le Bunt Holdings Limited	100.00	Ordinary shares
Silver Stream Investments Limited	100.00	Ordinary shares
Roseneath, The Grange, St Peter Port, GY1 2QJ, Guernsey		
VBA Holdings Limited[5]	60.50	Ordinary shares and non-voting, irredeemable, non-cumulative preference shares
VBA International Limited[5]	60.50	Ordinary shares, and non-voting, irredeemable, non-convertible, non-cumulative preference shares

Hong Kong

Level 24, Dorset House, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong		
Vodafone Enterprise Hong Kong Ltd	100.00	Ordinary shares

Hungary

40-44 Hungaria Krt., Budapest, H-1087, Hungary		
VSSB Vodafone Szolgáltató Központ Budapest Zártkörűen Működő Részvénytársaság	100.00	Registered ordinary shares
6 Lechner Ödön fasor, Budapest, 1096, Hungary		
Vantage Towers Zártkörűen Működő Részvénytársaság[4]	81.05	Ordinary shares
Vodafone Magyarország Távközlési Zártkörűen Működő Részvénytársaság	100.00	Series A Registered common shares

Financials

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India

10th Floor, Tower A&B, Global Technology Park, (Maple Tree Building), Marathahalli Outer Ring Road, Devarabeesanahalli Village, Varthur Hobli, Bengaluru, Karnataka, 560103, India		
Cable and Wireless (India) Limited – Branch[2]	100.00	Branch
Cable and Wireless Global (India) Private Limited	100.00	Equity shares
Cable & Wireless Networks India Private Limited	100.00	Equity shares
201 - 206, Shiv Smriti Chambers, 49/A, Dr. Annie Besant Road, Worli, Mumbai, Maharashtra, 400018, India		
Omega Telecom Holdings Private Limited	100.00	Equity shares
Vodafone India Services Private Ltd	100.00	Equity shares
Business @ Mantri, Tower A, 3rd Floor, S No.197, Wing A1 & A2, Near Hotel Four Points, Lohegaon, Pune, Maharashtra, 411014, India		
Vodafone Global Services Private Ltd	100.00	Equity shares
E-47, Bankra Super Market, Bankra, Howrah, West Bengal, 711403, India		
Usha Martin Telematics Limited	100.00	Equity shares

Ireland

2nd Floor, Palmerston House, Fenian Street, Dublin 2, Ireland		
Vodafone International Financing Designated Activity Company	100.00	Ordinary shares
Mountainview, Leopardstown, Dublin 18, Ireland		
Vantage Towers Limited[4]	81.05	Ordinary shares
VF Ireland Property Holdings Limited	100.00	Ordinary euro shares
Vodafone Enterprise Global Limited	100.00	Ordinary shares
Vodafone Global Network Limited	100.00	Ordinary shares
Vodafone Group Services Ireland Limited	100.00	Ordinary shares
Vodafone Ireland Distribution Limited	100.00	Ordinary shares
Vodafone Ireland Limited	100.00	Ordinary shares
Vodafone Ireland Marketing Limited	100.00	Ordinary shares
Vodafone Ireland Retail Limited	100.00	Ordinary shares

Italy

Piazzale Luigi Cadorna, 4, 20123, Milano, Italy		
Vodafone Global Enterprise (Italy) S.R.L.	100.00	Ordinary shares
SS 33 del Sempione KM 35, 212, 21052 Busto Arsizio (VA), Italy		
Vodafone Automotive Italia S.p.A	100.00	Ordinary shares
Via Astico 41, 21100 Varese, Italy		
Vodafone Automotive Electronic Systems S.r.L	100.00	Ordinary shares
Vodafone Automotive SpA	100.00	Ordinary shares
Vodafone Automotive Telematics Srl	100.00	Ordinary shares
Via Jervis 13, 10015, Ivrea, Tourin, Italy		
VEI S.r.L	100.00	Partnership interest shares
Vodafone Italia S.p.A.	100.00	Ordinary shares
Via Lorenteggio 240, 20147, Milan, Italy		
Vodafone Enterprise Italy S.r.L.	100.00	Euro shares
Vodafone Gestioni S.p.A.	100.00	Ordinary shares
Vodafone Servizi E Tecnologie S.R.L.	100.00	Equity shares
Via per Carpi 26/B, 42015, Correggio (RE), Italy		
VND S.p.A	100.00	Ordinary shares

Japan

KAKiYa building, 9F, 2-7-17 Shin-Yokohama, Kohoku-ku, Yokoha- City, Kanagawa, 222-0033, Japan		
Vodafone Automotive Japan KK	100.00	Ordinary shares
Marunouchi Trust Tower North 15F, 8-1, Marunouchi 1-chome, Level 15, Chiyoda-ku, Tokyo, Japan		
Vodafone Enterprise U.K. – Japanese Branch[2]	100.00	Branch
Vodafone Global Enterprise (Japan) K.K.	100.00	Ordinary shares

Jersey

44 Esplanade, St Helier, JE4 9WG, Jersey		
Aztec Limited	100.00	Ordinary shares
Globe Limited	100.00	Ordinary shares
Plex Limited	100.00	Ordinary shares
Vizzavi Finance Limited	99.99	Ordinary shares
Vodafone International 2 Limited	100.00	Ordinary shares
Vodafone Jersey Dollar Holdings Limited	100.00	Limited Liability shares
Vodafone Jersey Finance	100.00	Ordinary shares, B shares, C shares, D shares, F shares, G shares
Vodafone Jersey Yen Holdings Unlimited	100.00	Limited liability shares

Kenya

6th Floor, ABC Towers, ABC Place, Waiyaki Way, Nairobi, 00100, Kenya		
M-PESA Holding Co. Limited	100.00	Equity shares
Vodafone Kenya Limited[5]	65.43	Ordinary voting shares
The Riverfront, 4th floor, Prof. David Wasawo Drive, Off Riverside Drive, Nairobi, Kenya		
Vodacom Business (Kenya) Limited[5]	48.40	Ordinary shares, Ordinary B shares

Korea, Republic of

ASEM Tower Level 37, 517 Yeongdong-daero, Gangnam-gu, Seoul, 135-798, Korea, Republic of		
Vodafone Enterprise Korea Limited	100.00	Ordinary shares

Lesotho

585 Mabile Road, Vodacom Park, Maseru, Lesotho		
Vodacom Lesotho (Pty) Limited[5]	48.40	Ordinary shares

Luxembourg

15 rue Edward Steichen, Luxembourg, 2540, Luxembourg		
Tomorrow Street GP S.à r.L.	100.00	Ordinary shares
Vodafone Asset Management Services S.à r.L.	100.00	Ordinary shares
Vodafone Enterprise Global Businesses S.à r.L.	100.00	Ordinary shares
Vodafone Enterprise Luxembourg S.A.	100.00	Ordinary euro shares
Vodafone International 1 S.à r.L.	100.00	Ordinary shares
Vodafone International M S.à r.L.	100.00	Ordinary shares
Vodafone Investments Luxembourg S.à r.L.	100.00	Ordinary shares
Vodafone Luxembourg 5 S.à r.L.	100.00	Ordinary shares
Vodafone Luxembourg S.à r.L.	100.00	Ordinary shares
Vodafone Procurement Company S.à r.L.	100.00	Ordinary shares
Vodafone Roaming Services S.à r.L.	100.00	Ordinary shares
Vodafone Services Company S.à r.L.	100.00	Ordinary shares

Malaysia

Suite 13.03, 13th Floor, Menara Tan & Tan, 207 Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia		
Vodafone Global Enterprise (Malaysia) Sdn Bhd	100.00	Ordinary shares

Malta

Portomaso Business Tower, Level 15B, St Julians, STJ 4011, Malta		
Vodafone Holdings Limited	100.00	'A' ordinary shares, 'B' ordinary shares
Vodafone Insurance Limited	100.00	'A' ordinary shares, 'B' ordinary shares

Mauritius

10th Floor, Standard Chartered Towers, 19 Cybercity, Ebene, Mauritius		
Mobile Wallet VM1[5]	60.50	Ordinary shares
Mobile Wallet VM2[5]	60.50	Ordinary shares
VBA (Mauritius) Limited[5]	60.50	Ordinary shares, Redeemable preference shares
Vodacom International Limited[5]	60.50	Ordinary shares, Non-cumulative preference shares
Fifth Floor, Ebene Esplanade, 24 Cybercity, Ebene, Mauritius		
Al-Amin Investments Limited	100.00	Ordinary shares
Array Holdings Limited	100.00	Ordinary shares
Asian Telecommunication Investments (Mauritius) Limited	100.00	Ordinary shares
CCII (Mauritius), Inc.	100.00	Ordinary shares
CGP India Investments Ltd.	100.00	Ordinary shares
Euro Pacific Securities Ltd.	100.00	Ordinary shares
Mobilvest	100.00	Ordinary shares
Prime Metals Ltd.	100.00	Ordinary shares
Trans Crystal Ltd.	100.00	Ordinary shares
Vodafone Mauritius Ltd.	100.00	Ordinary shares
Vodafone Tele-Services (India) Holdings Limited	100.00	Ordinary shares
Vodafone Telecommunications (India) Limited	100.00	Ordinary shares

Notes to the consolidated financial statements (continued)

31. Related undertakings (continued)

Mexico

Avenida Insurgentes Sur No. 1647, Piso 12, despacho 1202, Colonia San José Insurgentes, Alcaldía Benito Juárez, C.P. 03900, Ciudad de México, Mexico		
Vodafone Empresa México S.de R.L. de C.V.	100.00	Corporate certificate series A shares, Corporate certificate series B shares

Mozambique

Rua dos Desportistas, Numero 649, Cidade de Maputo, Mozambique		
VM, SA[5]	51.42	Ordinary shares
Vodafone M-Pesa, S.A[5]	51.42	Ordinary shares

Netherlands

Rivium Quadrant 173, 15th Floor, 2909 LC, Capelle aan den IJssel, Netherlands		
Vodafone Enterprise Netherlands B.V.	100.00	Ordinary shares
Vodafone Europe B.V.	100.00	Ordinary shares
Vodafone International Holdings B.V.	100.00	Ordinary shares
Vodafone Panafon International Holdings B.V.	99.87	Ordinary shares
Rivium Quadrant 175, 6th Floor, 2909 LC, Capelle aan den IJssel, Netherlands		
Central Tower Holding Company B.V.[4]	81.05	Ordinary shares and special shares
Zuid-hollanden 7, Rode Olifant, Spaces, 2596AL, den Haag, Netherlands		
IoT.nxt USA BV[5]	30.87	Ordinary shares
IOT.NXT BV.[5]	30.87	Ordinary shares
IoT.nxt Europe BV[5]	30.87	Ordinary shares

New Zealand

74 Taharoto Road, Takapuna, Auckland, 0622, New Zealand		
Vodafone Enterprise Hong Kong Limited - New Zealand Branch[2]	100.00	Branch

Norway

c/o EconPartner AS, Dronning Mauds gate 15, Oslo, 0250, Norway		
Vodafone Enterprise Norway AS	100.00	Ordinary shares
Vodafone House, The Connection, Newbury, Berkshire, RG14 2FN, United Kingdom		
Vodafone Limited – Norway Branch[2]	100.00	Branch

Oman

Knowledge Oasis Muscat, Al-seeb, Muscat, Governorate P.O Box 104 135, Oman		
Vodafone Services LLC	100.00	Shares

Poland

Ul. Złota 59, 00-120, Warszawa, Poland		
Vodafone Business Poland sp. z o.o.	100.00	Ordinary shares

Portugal

Av. D. João II, nº 36 – 8º Piso, 1998 – 017, Parque das Nações, Lisboa, Portugal		
Oni Way - Infocomunicacoes, S.A	100.00	Ordinary shares
Vodafone Portugal - Comunicacoes Pessoais, S.A.	100.00	Ordinary shares
Vodafone Enterprise Spain, S.L.U. - Portugal Branch[2]	100.00	Branch
Vodafone Towers Portugal, S.A.[4]	81.05	Ordinary shares

Romania

1 A Constantin Ghercu Street, Floors 8 – 10, 6th District, Bucharest, Romania		
UPC Services S.R.L.	100.00	Ordinary shares
201 Barbu Vacarescu, 5th Floor, 2nd District, Bucharest, Romania		
Vodafone External Services S.R.L.	100.00	Ordinary shares
201 Barbu Vacarescu, 8th Floor, 2nd District, Bucharest, Romania		
Vodafone Romania S.A	100.00	Ordinary shares
201 Barbu Vacarescu Street, Mezzanine, District 2, Bucharest, Romania		
Vodafone Foundation	100.00	Sole member
201 Barbu Vacarescu Street, Mezzanine, Room 1, District 2, Bucharest, Romania		
Vantage Towers S.R.L.[4]	81.05	Ordinary shares
62D Nordului Street, District 1, Bucharest, Romania		
UPC Foundation	100.00	Sole member
Sectorul 2, Strada Barbu Văcărescu, Nr. 201, Etaj 1, București, Romania		
Vodafone România M - Payments SRL	100.00	Ordinary shares
Sectorul 2, Strada Barbu Văcărescu, Nr. 201, Etaj 3, București, Romania		
Vodafone România Technologies SRL	99.55	Ordinary shares
Sectorul 4, Strada Oltenitei, Nr. 2, Etaj 3, București, Romania		
Vodafone Shared Services Romania SRL	90.48	Ordinary shares
Șoseaua Vestului no. 1A, West Mall Ploiești, First Floor, Ploiești, Romania		
Evotracking SRL	100.00	Ordinary shares

Russian Federation

Build. 2, 14/10, Chayanova str., 125047, Moscow, Russian Federation		
Cable & Wireless CIS Svyaz LLC	100.00	Charter capital shares

Serbia

Vladimira Popovića 38-40, New Belgrade, 11070, Serbia		
Vodafone Enterprise Equipment Limited Ogranak u Beogradu - Serbia Branch[2]	100.00	Branch

Singapore

Asia Square Tower 2, 12 Marina View, #17-01, Singapore, 018961, Singapore		
Vodafone Enterprise Singapore Pte.Ltd	100.00	Ordinary shares

Slovakia

Prievozská 6, Bratislava, 821 09, Slovakia		
Vodafone Czech Republic A.S. – Slovakia Branch[2]	100.00	Branch
Suché mýto 1, Bratislava, 811 03, Slovakia		
Vodafone Global Network Limited – Slovakia Branch[2]	100.00	Branch

South Africa

319 Frere Road, Glenwood, 4001, South Africa		
Cable and Wireless Worldwide South Africa (Pty) Ltd	100.00	Ordinary shares
9 Kinross Street, Germiston South, 1401, South Africa		
Vodafone Holdings (SA) Proprietary Limited	100.00	Ordinary shares
Vodafone Investments (SA) Proprietary Limited	100.00	Ordinary A shares, "B" ordinary no par value shares
Bylsbridge Office Park, Building 14m Block C, 1st Floor, Alexandra Road, Centurion, Highveld Ext 73, 0046, South Africa		
10T Holdings (Proprietary) Limited[5]	30.87	Ordinary shares
IoT.nxt (Pty) Limited[5]	30.87	Ordinary shares
IOT.nxt Development (Pty) Limited[5]	30.87	Ordinary shares
Vodacom Corporate Park, 082 Vodacom Boulevard, Midrand, 1685, South Africa		
GS Telecom (Pty) Limited[5]	60.50	Ordinary shares
Jupicol (Proprietary) Limited[5]	42.35	Ordinary shares
Mezzanine Ware Proprietary Limited (RF)[5]	54.45	Ordinary shares
Motifprops 1 (Proprietary) Limited[5]	60.50	Ordinary shares
Scarlet Ibis Investments 23 (Pty) Limited[5]	60.50	Ordinary shares
Storage Technology Services (Pty) Limited[5]	30.85	Ordinary shares
Vodacom (Pty) Limited[5]	60.50	Ordinary shares, Ordinary A shares
Vodacom Business Africa Group (Pty) Limited[5]	60.50	Ordinary shares
Vodacom Financial Services (Proprietary) Limited[5]	60.50	Ordinary shares
Vodacom Group Limited	60.50	Ordinary shares
Vodacom Insurance Administration Company (Proprietary) Limited[5]	60.50	Ordinary shares
Vodacom Insurance Company (RF) Limited[5]	60.50	Ordinary shares
Vodacom International Holdings (Pty) Limited[5]	60.50	Ordinary shares
Vodacom Life Assurance Company (RF) Limited[5]	60.50	Ordinary shares
Vodacom Payment Services (Proprietary) Limited[5]	60.50	Ordinary shares
Vodacom Properties No 1 (Proprietary) Limited[5]	60.50	Ordinary shares
Vodacom Properties No.2 (Pty) Limited[5]	60.50	Ordinary shares
Wheatfields Investments 276 (Proprietary) Limited[5]	60.50	Ordinary shares
XLink Communications (Proprietary) Limited[5]	60.50	Ordinary A Shares

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Spain

Antracita, 7 – 28045, Madrid CIF B-91204453, Spain		
Vodafone Automotive Iberia S.L.	100.00	Ordinary shares
Avenida de América 115, 28042, Madrid, Spain		
Vodafone Enabler España, S.L.	100.00	Ordinary shares
Vodafone Enterprise Spain SLU	100.00	Ordinary shares, Ordinary euro shares
Vodafone Espana S.A.U.	100.00	Ordinary shares
Vodafone Holdings Europe S.L.U.	100.00	Ordinary shares
Vodafone ONO, S.A.U.	100.00	Ordinary shares
Vodafone Servicios S.L.U.	100.00	Ordinary shares
Vantage Towers, S.L.U.[4]	81.05	Ordinary shares

Sweden

c/o Hellström advokatbyrå, Box 7305, 103 90, Stockholm, Sweden		
Vodafone Enterprise Sweden AB	100.00	Ordinary shares, Shareholder's contribution shares

Switzerland

Schiffbaustrasse 2, 8005, Zurich, Switzerland		
Vodafone Enterprise Switzerland AG	100.00	Ordinary shares

Taiwan

22F., No.100, Songren Road., Xinyi District, Taipei City, 11070, Taiwan		
Vodafone Global Enterprise Taiwan Limited	100.00	Ordinary shares

Tanzania, United Republic of

15 Floor, Vodacom Tower, Ursino Estate, Plot No. 23, Bagamoyo Road, Dar es Salaam, Tanzania, United Republic of		
Shared Networks Tanzania Limited[5]	45.37	Ordinary shares
Vodacom Tanzania Public Limited Company[5]	45.37	Ordinary shares
3rd Floor, Maktaba (Library), ComplexBibi, Titi Mohaned Road, Dar es Salaam, Tanzania, United Republic of		
Gateway Communications Tanzania Limited (in liquidation)[5]	59.89	Ordinary shares
Plot No. 23, Ursino Estate, Bagamoyo Road, Dar es Salaam, Tanzania, United Republic of		
M-Pesa Limited[5]	45.37	Ordinary A shares, Ordinary B shares
Vodacom Tanzania Limited Zanzibar[5]	45.37	Ordinary shares

Turkey

Büyükdere Caddesi, No: 251, Maslak, Şişli / İstanbul, Turkey, 34398, Turkey		
Vodafone Bilgi Ve Iletisim Hizmetleri AS	100.00	Registered shares
Vodafone Dagitim, Servis ve Icerik Hizmetleri A.S.	100.00	Ordinary shares
Vodafone Dijital Yayincilik Hizmetleri A.S.	100.00	Ordinary shares
Vodafone Holding A.S.	100.00	Registered shares
Vodafone Kule ve Altyapi Hizmetleri A.S.	100.00	Ordinary shares
Vodafone Medya Icerik Hizmetleri A.S.	100.00	Ordinary shares
Vodafone Net İletişim Hizmetleri A.S.	100.00	Ordinary shares
Vodafone Telekomunikasyon A.S.	100.00	Registered shares
İTÜ Ayazağa Kampüsü, Koru Yolu, Arı Teknokent Arı 3 Binası, Maslak, İstanbul, 586553, Turkey		
Vodafone Teknoloji Hizmetleri A.S.	100.00	Registered shares
Maslak Mah. AOS 55 Sk. 42 Maslak Sit. B Blok Apt. No: 4/663, Sarıyer Istanbul, Turkey		
Vodafone Sigorta Aracilik Hismetleri A.S.	100.00	Ordinary shares
Vodafone Elektronik Para Ve Ödeme Hizmetleri A.S.	100.00	Registered shares

Ukraine

Bohdana Khmelnytskogo Str. 19-21, Kyiv, Ukraine		
LLC Vodafone Enterprise Ukraine	100.00	Ordinary shares

United Arab Emirates

Office 101, 1st Floor, DIC Building 1, Dubai Internet City, Dubai, United Arab Emirates		
Vodafone Enterprise Europe (UK) Limited – Dubai Branch[2]	100.00	Branch

United Kingdom

1-2 Berkeley Square, 99 Berkeley Street, Glasgow, G3 7HR, Scotland		
Thus Group Holdings Limited	100.00	Ordinary shares
Thus Group Limited	100.00	Ordinary shares
Thus Profit Sharing Trustees Limited	100.00	Ordinary shares
784 Upper Newtownards Road, Belfast, BT16 1UD, United Kingdom		
Vodafone (NI) Limited	100.00	Ordinary shares
Edinburgh House, 4 North St. Andrew Street, Edinburgh, EH2 1HJ, United Kingdom		
Pinnacle Cellular Group Limited	100.00	Ordinary shares
Pinnacle Cellular Limited	100.00	Ordinary shares
Vodafone (Scotland) Limited	100.00	Ordinary shares
Woodend Group Limited (in process of dissolution)	100.00	Ordinary shares
Quarry Corner, Dundonald, Belfast, BT16 1UD, Northern Ireland		
Energis (Ireland) Limited	100.00	A Ordinary shares, B Ordinary shares, C Ordinary shares, D Ordinary
Staple Court, 11 Staple Inn Building, London, WC1V 7QH, United Kingdom		
Vodacom Business Africa Group Services Limited[5]	60.50	Ordinary shares, Preference shares
Vodacom UK Limited[5]	60.50	Ordinary shares, Non-redeemable ordinary A shares, Ordinary B shares, Non-redeemable preference shares
Vodafone House, The Connection, Newbury, Berkshire, RG14 2FN, United Kingdom		
AAA (Euro) Limited (in process of dissolution)	100.00	Ordinary shares
Apollo Submarine Cable System Limited	100.00	Ordinary shares
Aspective Limited (in process of dissolution)	100.00	Ordinary shares
Astec Communications Limited (in process of dissolution)	100.00	Ordinary shares
Bluefish Communications Limited	100.00	Ordinary A shares, Ordinary B shares, Ordinary C shares, Ordinary D shares
Cable & Wireless Aspac Holdings Limited	100.00	Ordinary shares
Cable & Wireless CIS Services Limited	100.00	Ordinary shares
Cable & Wireless Communications Data Network Services Limited	100.00	'A' ordinary shares, 'B' ordinary shares
Cable & Wireless Europe Holdings Limited	100.00	Ordinary shares
Cable & Wireless Global Business Services Limited	100.00	Ordinary shares
Cable & Wireless Global Holding Limited	100.00	Ordinary shares
Cable & Wireless Global Telecommunication Services Limited	100.00	Ordinary shares
Cable & Wireless UK Holdings Limited	100.00	Ordinary shares
Cable & Wireless Worldwide Limited	100.00	Ordinary shares, Redeemable preference shares
Cable & Wireless Worldwide Voice Messaging Limited	100.00	Ordinary shares
Cable and Wireless (India) Limited	100.00	Ordinary shares
Cable and Wireless Nominee Limited	100.00	Ordinary shares
Cellops Limited (in process of dissolution)	100.00	Ordinary shares
Central Communications Group Limited	100.00	Ordinary shares, Ordinary A shares
Energis Communications Limited	100.00	Ordinary shares
Energis Squared Limited	100.00	Ordinary shares
General Mobile Corporation Limited	100.00	Ordinary shares
London Hydraulic Power Company	100.00	Ordinary shares, 5% Non-Cumulative preference shares
MetroHoldings Limited	100.00	Ordinary shares
ML Integration Group Limited	100.00	Ordinary shares, Redeemable preference shares
Navtrak Limited	100.00	Ordinary shares
Project Telecom Holdings Limited[1]	100.00	Ordinary shares
Rian Mobile Limited	100.00	Ordinary shares
Singlepoint (4U) Limited (in process of dissolution)	100.00	Ordinary shares
Talkland International Limited	100.00	Ordinary shares
Talkmobile Limited	100.00	Ordinary shares
Talkmobile U.K. Limited (in process of dissolution)	100.00	Ordinary shares
The Eastern Leasing Company Limited	100.00	Ordinary shares
Thus Limited	100.00	Ordinary shares
Vizzavi Limited	100.00	Ordinary shares
Voda Limited	100.00	Ordinary shares, Zero coupon redeemable preference shares
Vodafone (New Zealand) Hedging Limited	100.00	Ordinary shares
Vodafone 2.	100.00	Ordinary shares
Vodafone 4 UK	100.00	Ordinary shares
Vodafone 5 Limited	100.00	Ordinary shares
Vodafone 5 UK	100.00	Ordinary shares
Vodafone 6 UK	100.00	Ordinary shares
Vodafone Americas 4	100.00	Ordinary shares

Notes to the consolidated financial statements (continued)

31. Related undertakings (continued)

Vodafone Automotive UK Limited	100.00	Ordinary shares
Vodafone Benelux Limited	100.00	Ordinary shares, Preference shares
Vodafone Business Solutions Limited (in process of dissolution)	100.00	Ordinary shares
Vodafone Cellular Limited[1]	100.00	Ordinary shares
Vodafone Connect Limited (in process of dissolution)	100.00	Ordinary shares
Vodafone Consolidated Holdings Limited	100.00	Ordinary shares
Vodafone Corporate Limited	100.00	Ordinary shares
Vodafone Corporate Secretaries Limited[1]	100.00	Ordinary shares
Vodafone DC Pension Trustee Company Limited[1]	100.00	Ordinary shares
Vodafone Distribution Holdings Limited	100.00	Ordinary shares
Vodafone Enterprise Corporate Secretaries Limited	100.00	Ordinary shares
Vodafone Enterprise Equipment Limited	100.00	Ordinary shares
Vodafone Enterprise Europe (UK) Limited	100.00	Ordinary shares
Vodafone Enterprise U.K.	100.00	Ordinary shares
Vodafone Euro Hedging Limited	100.00	Ordinary shares
Vodafone Euro Hedging Two	100.00	Ordinary shares
Vodafone Europe UK	100.00	Ordinary shares
Vodafone European Investments[1]	100.00	Ordinary shares
Vodafone European Portal Limited[1]	100.00	Ordinary shares
Vodafone Finance Limited [1]	100.00	Ordinary shares
Vodafone Finance Luxembourg Limited	100.00	Ordinary shares
Vodafone Finance Sweden	100.00	Ordinary shares, Ordinary deferred
Vodafone Finance UK Limited	100.00	Ordinary shares
Vodafone Financial Operations	100.00	Ordinary shares
Vodafone Global Content Services Limited	100.00	Ordinary shares, 5% fixed rate non-voting preference shares
Vodafone Global Enterprise Limited	100.00	Ordinary shares, Deferred shares, B deferred shares
Vodafone Group (Directors) Trustee Limited[1]	100.00	Ordinary shares
Vodafone Group Pension Trustee Limited[1]	100.00	Ordinary shares
Vodafone Group Services Limited	100.00	Ordinary shares, Deferred shares
Vodafone Group Services No.2 Limited[1]	100.00	Ordinary shares
Vodafone Group Share Trustee Limited[1]	100.00	Ordinary shares
Vodafone Hire Limited (in process of dissolution)	100.00	Ordinary shares
Vodafone Holdings Luxembourg Limited	100.00	Ordinary shares
Vodafone Intermediate Enterprises Limited	100.00	Ordinary shares
Vodafone International 2 Limited – UK Branch[2]	100.00	Branch
Vodafone International Holdings Limited	100.00	Ordinary shares
Vodafone International Operations Limited	100.00	Ordinary shares
Vodafone Investment UK	100.00	Ordinary shares
Vodafone Investments Australia Limited	100.00	Ordinary shares
Vodafone Investments Limited[1]	100.00	Ordinary shares, Zero coupon redeemable preference shares
Vodafone IP Licensing Limited[1]	100.00	Ordinary shares
Vodafone Limited	100.00	Ordinary shares
Vodafone Marketing UK	100.00	Ordinary shares
Vodafone Mobile Communications Limited	100.00	Ordinary shares
Vodafone Mobile Enterprises Limited	100.00	A-ordinary shares, Ordinary one pound shares
Vodafone Mobile Network Limited	100.00	A-ordinary shares, Ordinary one pound shares
Vodafone Nominees Limited[1]	100.00	Ordinary shares
Vodafone Oceania Limited	100.00	Ordinary shares
Vodafone Old Show Ground Site Management Limited	100.00	Ordinary shares
Vodafone Overseas Finance Limited	100.00	Ordinary shares
Vodafone Overseas Holdings Limited	100.00	Ordinary shares
Vodafone Panafon UK	99.87	Ordinary shares
Vodafone Partner Services Limited	100.00	Ordinary shares, Redeemable preference shares
Vodafone Property Investments Limited	100.00	Ordinary shares
Vodafone Retail (Holdings) Limited	100.00	Ordinary shares
Vodafone Retail Limited (in process of dissolution)	100.00	Ordinary shares
Vodafone Sales & Services Limited	100.00	Ordinary shares
Vodafone UK Foundation	100.00	Sole member
Vodafone UK Limited[1]	100.00	Ordinary shares
Vodafone Ventures Limited[1]	100.00	Ordinary shares
Vodafone Worldwide Holdings Limited	100.00	Ordinary shares; Cumulative preference
Vodafone Yen Finance Limited	100.00	Ordinary shares
Vodafone-Central Limited	100.00	Ordinary shares
Vodaphone Limited	100.00	Ordinary shares
Vodata Limited	100.00	Ordinary shares
Your Communications Group Limited	100.00	B ordinary shares, Redeemable preference shares

United States

145 West 45th St., 8th Floor, New York NY 10036, United States		
Cable & Wireless Americas Systems, Inc.	100.00	Common stock shares
Vodafone Americas Virginia Inc.	100.00	Common stock shares
Vodafone US Inc.	100.00	Common stock shares
1209 Orange, Orange Street, Wilmington, New Castle DE 19801, United States		
IoT nxt USA Inc[5]	30.87	Common stock
2711 Centerville Road, Suite 400, Wilmington, Delaware 19808, United States		
Unitymedia Finance LLC	100.00	Sole member
1615 Platte Street, Suite 02-115, Denver CO 80202, United States		
Vodafone Americas Foundation	100.00	Trustee

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Associated undertakings and joint arrangements

Australia

Level 1, 177 Pacific Highway, North Sydney NSW 2060, Australia		
AAPT Limited	25.05	Ordinary shares
ACN 088 889 230 Pty Ltd	25.05	Ordinary shares
ACN 139 798 404 Pty Ltd	25.05	Ordinary shares
Adam Internet Holdings Pty Ltd	25.05	Ordinary shares
Adam Internet Pty Ltd	25.05	A shares, B shares, Ordinary shares
Agile Pty Ltd	25.05	Ordinary shares
Alchemyit Pty Ltd	25.05	Ordinary shares
Blue Call Pty Ltd	25.05	Ordinary shares
Cable Licence Holdings Pty Ltd	25.05	A shares, B shares
Chariot Pty Ltd	25.05	Ordinary shares
Chime Communications Pty Ltd	25.05	Ordinary shares
Connect Internet Solutions Pty Limited	25.05	Ordinary shares
Connect West Pty Ltd	25.05	No 1 Ordinary shares
Destra Communications Pty Ltd	25.05	Ordinary shares
Digiplus Contracts Pty Ltd	25.05	Ordinary shares
Digiplus Holdings Pty Ltd	25.05	Ordinary shares
Digiplus Investments Pty Ltd	25.05	Ordinary shares
Digiplus Pty Ltd	25.05	Ordinary shares
FTTB Wholesale Pty Ltd	25.05	Ordinary shares
H3GA Properties (No.3) Pty Limited	25.05	Ordinary shares
Hosteddesktop.com Pty Ltd	25.05	Ordinary shares
iHug Pty Ltd	25.05	No 1 Ordinary shares
iiNet (Ozemail) Pty Ltd	25.05	Ordinary shares
iiNet Labs Pty Ltd	25.05	Ordinary shares
iiNet Limited	25.05	Ordinary shares
Internode Pty Ltd	25.05	B shares, Ordinary shares
IntraPower Pty Limited	25.05	Ordinary shares
Intrapower Terrestrial Pty Ltd	25.05	Ordinary shares
IP Group Pty Ltd	25.05	Ordinary shares
IPN Services Xchange Pty Ltd	25.05	A shares, B shares
Jiva Pty Ltd	25.05	Ordinary shares
Kooee Comms Pty Ltd	25.05	Ordinary shares
Kooee Mobile Pty Ltd	25.05	Ordinary shares
Kooee Pty Ltd	25.05	A shares, B shares
Mercury Connect Pty Ltd	25.05	E shares, Ordinary shares
Mobile JV Pty Limited	25.05	Ordinary shares
Mobileworld Communications Pty Limited	25.05	Ordinary shares
Mobileworld Operating Pty Ltd	25.05	Ordinary shares
Netspace Online Systems Pty Ltd	25.05	Ordinary shares
Numillar IPS Pty Ltd	25.05	Ordinary shares
Orchid Human Resources Pty Ltd	25.05	Ordinary shares
PIPE International (Australia) Pty Ltd	25.05	Ordinary shares
PIPE Networks Pty Limited	25.05	Ordinary shares
PIPE Transmission Pty Limited	25.05	Ordinary shares
PowerTel Limited	25.05	Ordinary shares
Request Broadband Pty Ltd	25.05	Ordinary shares
Soul Communications Pty Ltd	25.05	Ordinary shares
Soul Contracts Pty Ltd	25.05	Ordinary shares
Soul Pattinson Telecommunications Pty Ltd	25.05	Ordinary shares
SPT Telecommunications Pty Ltd	25.05	Ordinary shares
SPTCom Pty Ltd	25.05	Ordinary shares
Telecom Enterprises Australia Pty Limited	25.05	Ordinary shares
Telecom New Zealand Australia Pty Ltd	25.05	Ordinary shares, Redeemable preference shares
TPG Corporation Limited	25.05	Ordinary shares
TPG Energy Pty Ltd	25.05	Ordinary shares
TPG Holdings Pty Ltd	25.05	Ordinary shares
TPG Internet Pty Ltd	25.05	Ordinary shares
TPG JV Company Pty Ltd	25.05	Ordinary shares
TPG Network Pty Ltd	25.05	Ordinary shares
TPG Telecom Limited	25.05	Ordinary shares
TransACT Broadcasting Pty Ltd	25.05	Ordinary shares
TransACT Capital Communications Pty Ltd	25.05	Ordinary shares
TransACT Communications Pty Ltd	25.05	Ordinary shares
TransACT Victoria Communications Pty Ltd	25.05	Ordinary shares
TransACT Victoria Holdings Pty Ltd	25.05	Ordinary shares
Transflicks Pty Ltd	25.05	Ordinary shares
Trusted Cloud Pty Ltd	25.05	Ordinary shares
Trusted Cloud Solutions Pty Ltd	25.05	Ordinary shares
Value Added Network Pty Ltd	25.05	Ordinary shares
Virtual Desktop Pty Ltd	25.05	Ordinary shares
Vodafone Australia Pty Limited	25.05	Ordinary shares, Class B shares, Redeemable preference shares
Vodafone Foundation Australia Pty Limited	25.05	Ordinary shares
Vodafone Hutchison Finance Pty Limited (in process of dissolution)	50.00	Ordinary shares
Vodafone Hutchison Receivables Pty Limited	25.05	Ordinary shares
Vodafone Hutchison Spectrum Pty Limited	25.05	Ordinary shares
Vodafone Network Pty Limited	25.05	Ordinary shares
Vodafone Pty Limited	25.05	Ordinary shares
VtalkVoip Pty Ltd	25.05	Ordinary shares
Westnet Pty Ltd	25.05	Ordinary shares

Bermuda

Clarendon House, 2 Church St, Hamilton, HM11, Bermuda		
PPC 1 Limited	25.05	Ordinary shares

Czech Republic

U Rajské zahrady 1912/3, Praha 3, 130 00, Czech Republic		
COOP Mobil s.r.o.	33.33	Ordinary shares

Egypt

23 Kasr El Nil St, Cairo, Egypt, 11211, Egypt		
Wataneya Telecommunications S.A.E	50.00	Ordinary shares

Germany

38 Berliner Allee, 40212, Düsseldorf, Germany		
MNP Deutschland Gesellschaft bürgerlichen Rechts	33.33	Partnership share
Nobelstrasse 55, 18059, Rostock, Germany		
Verwaltung "Urbana Teleunion" Rostock GmbH[5]	38.38	Ordinary shares

Greece

43-45 Valtetsiou Str., Athens, Greece		
Safenet N.P.A.	24.97	Ordinary shares
56 Kifisias Avenue & Delfwn, Marousi, 151 25		
Tilegnous IKE	33.29	Ordinary shares
Marathonos Ave 18 km & Pylou, Pallini, Attica, Pallini, Attica, 15351, Greece		
Victus Networks S.A.	49.94	Ordinary shares

India

10th Floor, Birla Centurion, Century Mills Compound, Pandurang Budhkar Marg, Worli, Mumbai, Maharashtra, 400030, India		
Vodafone Foundation[7]	43.72	Equity shares
Vodafone Idea Technology Solutions Limited[7]	44.39	Equity shares
Vodafone Idea Communications Systems Limited[7]	44.39	Equity shares
Vodafone Idea Shared Services Limited[7]	44.39	Equity shares
Vodafone m-pesa Limited[7]	44.39	Equity shares
You Broadband India Limited[7]	44.39	Equity shares, Ordinary shares
901 Park Centra, Sector – 30, NH – 8, Gurugram, Haryana, 122001, India		
Indus Towers Limited	28.12	Ordinary shares
A-19, Mohan Co-operative Industrial Estate, Mathura Road, New Delhi, New Delhi, Delhi, 110044, India		
FireFly Networks Limited[7]	21.79	Equity shares
A4, Aditya Birla Centre, S.K. Ahire Marg, Worli, Mumbai, Maharashtra, 400059, India		
Aditya Birla Idea Payments Bank Limited (in liquidation)[7]	21.75	Equity shares

Notes to the consolidated financial statements (continued)

31. Related undertakings (continued)

Skyline Ikon, 1st Floor, 86/92, Andheri Kurla Road, Marol Naka, Andheri East, Mumbai, Maharashtra, 400059, India		
Connect (India) Mobile Technologies Private Limited[7]	44.39	Equity shares
Suman Tower Plot No. 18, Sector No. 11, Gandhinagar, 382011, Gujarat, India		
Vodafone Idea Manpower Services Limited[7]	43.86	Equity shares
Vodafone Idea Limited	44.39	Equity shares
Vodafone House, Corporate Road, Prahladnagar, Off S. G. Highway, Ahmedabad, Gujarat, 380051, India		
Vodafone Idea Business Services Limited[7]	44.39	Equity shares
Vodafone Idea Telecom Infrastructure Limited[7]	44.39	Equity shares

Ireland

Two Gateway, East Wall Road, Dublin 3, Ireland		
Siro Limited	50.00	Ordinary shares

Italy

Via Gaetana Negri 1, 20123, Milano, Italy		
Infrastrutture Wireless Italiane S.p.A[4]	26.89	Ordinary shares

Kenya

LR No. 13263, Safaricom House, Waiyaki Way, PO Box 66827-00800, Nairobi, Kenya		
Safaricom PLC[6]	26.13	Ordinary shares
Safaricom House, Waiyaki Way Westlands, Nairobi, Kenya, 0000, Kenya		
M-PESA Africa Limited[5]	43.31	Ordinary shares

Luxembourg

15 rue Edward Steichen, Luxembourg, 2540, Luxembourg		
Tomorrow Street SCA	50.00	Ordinary A shares, Ordinary B shares, Ordinary C shares

Netherlands

Assendorperdijk 2, 8012 EH Zwolle, The Netherlands		
Zoranet Connectivity Services B.V.	50.00	Ordinary shares
Avenue Ceramique 300, 6221 Kx, Maastricht, Netherlands		
Vodafone Libertel B.V.	50.00	Ordinary shares
Boven Vredenburgpassage 128, 3511 WR, Utrecht, Netherlands		
Amsterdamse Beheer- en Consultingmaatschappij B.V.	50.00	Ordinary shares
Esprit Telecom B.V.	50.00	Ordinary shares
FinCo Partner 1 B.V.	50.00	Ordinary shares
LGE HoldCo V B.V.	50.00	Ordinary shares
LGE HoldCo VI B.V.	50.00	Ordinary shares
LGE Holdco VII B.V.	50.00	Ordinary shares
LGE HoldCo VIII B.V.	50.00	Ordinary shares
Vodafone Financial Services B.V.	50.00	Ordinary shares
Vodafone Nederland Holding I B.V.	50.00	Ordinary shares
Vodafone Nederland Holding II B.V.	50.00	Ordinary shares
VodafoneZiggo Employment B.V.	50.00	Ordinary shares
VodafoneZiggo Group B.V.	50.00	Ordinary shares
VodafoneZiggo Group Holding B.V.	50.00	Ordinary shares
VZ Financing I B.V.	50.00	Ordinary shares
VZ Financing II B.V.	50.00	Ordinary shares
VZ FinCo B.V.	50.00	Ordinary shares
VZ PropCo B.V.	50.00	Ordinary shares
XB Facilities B.V.	50.00	Ordinary shares
Ziggo B.V.	50.00	Ordinary shares
Ziggo Deelnemingen B.V.	50.00	Ordinary shares
Ziggo Finance 2 B.V.	50.00	Ordinary shares
Ziggo Netwerk II B.V.	50.00	Ordinary shares
Ziggo Real Estate B.V.	50.00	Ordinary shares
Ziggo Services B.V.	50.00	Ordinary shares
Ziggo Services Employment B.V.	50.00	Ordinary shares
Ziggo Services Netwerk 2 B.V.	50.00	Ordinary shares
Ziggo Zakelijk Services B.V.	50.00	Ordinary shares
ZUM B.V.	50.00	Ordinary shares
Media Parkboulevard 2, 1217 WE Hilversum, Netherlands		
Liberty Global Content Netherlands B.V.	50.00	Ordinary shares
Winschoterdiep 60, 9723 AB Groningen, Netherlands		
Zesko B.V.	50.00	Ordinary shares
Ziggo Bond Company B.V.	50.00	Ordinary shares
Ziggo Netwerk B.V.	50.00	Ordinary shares

New Zealand

Tompkins Wake, Level 11, 41 Shortland Street, Auckland 1010, New Zealand		
iiNet (New Zealand) AKL Limited	25.05	Ordinary shares
Unit 17, 24 Allright Place, Mt Wellington, Auckland, New Zealand		
TPG (NZ) Pty Ltd	25.05	Ordinary shares

Philippines

22F Robinson Equitable Tower, ADB Ave, Corner Povega St, Ortigas Center, Pasig City, Philippines		
Orchid Cybertech Services Inc	25.05	Ordinary shares

Portugal

Rua Actor António Silva, nº 9, Campo Grande, 1600-404, Lisboa, Portugal		
Dualgrid – Gestão de Redes Partilhadas, S.A.	50.00	Ordinary shares
Rua Pedro e Inês, Lote 2.08.01, 1990-075, Parque das Nações, Lisboa, Portugal		
Sport TV Portugal, S.A.	25.00	Nominative shares

Romania

Floor 3, Module 2, Connected Buildings III, Nr. 10A, Dimitrie Pompei Boulevard, Bucharest, Sector 2, Romania		
Netgrid Telecom SRL	50.00	Ordinary shares

Russian Federation

Building 3, 11, Promyshlennaya Street, Moscow 115 516		
Autoconnex Limited	35.00	Ordinary shares

South Africa

76 Maude Street, Sandton, Johannesberg, 2196, South Africa		
Waterberg Lodge (Proprietary) Limited[5]	30.25	Ordinary shares
Vodacom Corporate Park, 082 Vodacom Boulevard, Midrand, 1685, South Africa		
K2019102008 (South Africa) (Proprietary) Limited[5]	43.31	Ordinary shares

Tanzania, United Republic of

Plot No. 23, Ursino Estate, Bagamoyo Road, Dar es Salaam, Tanzania, United Republic of		
Vodacom Trust Limited (in liquidation)[5]	45.37	Ordinary A shares, Ordinary B shares

United Kingdom

24/25 The Shard, 32 London Bridge Street, London, SE1 9SG, United Kingdom		
Digital Mobile Spectrum Limited	25.00	Ordinary shares
Griffin House, 161 Hammersmith Road, London, W6 8BS, United Kingdom		
Cable & Wireless Trade Mark Management Limited	50.00	Ordinary A shares, Ordinary B shares
Hive 2, 1530 Arlington Business Park, Theale, Reading, Berkshire, RG7 4SA, United Kingdom		
Cornerstone Telecommunications Infrastructure Limited[4]	40.53	Ordinary shares
Vodafone House, The Connection, Newbury, Berkshire, RG14 2FN, United Kingdom		
Vodafone Hutchison (Australia) Holdings Limited	50.00	Ordinary shares

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United States		
2711 Centerville Road, Suite 400, Wilmington, DE 19808 Delaware		
LG Financing Partnership	50.00	Partnership interest
PPC 1 (US) Inc.	25.05	Ordinary shares
Ziggo Financing Partnership	50.00	Partnership interest

Notes:
1 Directly held by Vodafone Group Plc.
2 Branches.
3 Shareholding is indirect through Vodafone Deutschland GmbH.
4 Shareholding is indirect through Vantage Towers AG.
5 Shareholding is indirect through Vodacom Group Limited. The indirect shareholding is calculated using the 60.50% ownership interest in Vodacom Group Limited.
6 At 31 March 2021 the fair value of Safaricom Plc was KES 1,450 billion (€11,282 million) based on the closing quoted share price on the Nairobi Stock Exchange.
7 Includes the indirect interest held through Vodafone Idea Limited.

Selected financial information

The table below shows selected financial information in respect of subsidiaries that have non-controlling interests that are material to the Group[1].

	Vodacom Group Limited		Vodafone Egypt Telecommunications S.A.E	
	2021	2020	**2021**	2020
	€m	€m	**€m**	€m
Summary comprehensive income information				
Revenue	5,181	5,531	1,537	1,454
Profit for the financial year	891	980	271	287
Other comprehensive (expense)/income	(17)	9	–	–
Total comprehensive income	874	989	271	287
Other financial information				
Profit for the financial year allocated to non-controlling interests	310	353	122	129
Dividends paid to non-controlling interests	307	322	84	26
Summary financial position information				
Non-current assets	6,592	6,155	1,765	1,417
Current assets	2,671	2,444	640	602
Total assets	**9,263**	**8,599**	**2,405**	**2,019**
Non-current liabilities	(2,617)	(2,807)	(198)	(122)
Current liabilities	(2,406)	(1,866)	(1,217)	(929)
Total assets less total liabilities	**4,240**	**3,926**	**990**	**968**
Equity shareholders' funds	3,332	3,056	587	577
Non-controlling interests	908	870	403	391
Total equity	**4,240**	**3,926**	**990**	**968**
Statement of cash flows				
Net cash inflow from operating activities	1,711	1,992	523	477
Net cash outflow from investing activities	(424)	(555)	(418)	(239)
Net cash outflow from financing activities	(1,251)	(1,214)	(7)	(192)
Net cash inflow	**36**	**223**	**98**	**46**
Cash and cash equivalents brought forward	826	684	273	226
Exchange gain/(loss) on cash and cash equivalents	14	(81)	(23)	1
Cash and cash equivalents	**876**	**826**	**348**	**273**

Note:
1 Vantage Towers A.G. was listed on the Frankfurt Stock exchange on 18 March 2021, resulting in the recognition of non-controlling interests of €1,019 million in the Group's consolidated Statement of financial position. Non-current assets, current assets, non-current liabilities and current liabilities for Vantage Towers A.G. were €10,899 million, €490 million, €4,976 million and €958 million respectively.

Notes to the consolidated financial statements (continued)

32. Subsidiaries exempt from audit

The following UK subsidiaries will take advantage of the audit exemption set out within section 479A of the Companies Act 2006 for the year ended 31 March 2021.

Name	Registration number
Bluefish Communications Limited	5142610
Cable & Wireless Aspac Holdings Limited	4705342
Cable & Wireless CIS Services Limited	2964774
Cable & Wireless Europe Holdings Limited	4659719
Cable & Wireless Global Business Services Limited	3537591
Cable & Wireless Global Holding Limited	3740694
Cable & Wireless UK Holdings Limited	3840888
Cable & Wireless Worldwide Limited	7029206
Cable & Wireless Worldwide Voice Messaging Limited	1981417
Cable & Wireless Nominee Limited	3249884
Central Communications Group Limited	4625248
Energis (Ireland) Limited	NI035793
Energis Communications Limited	2630471
Energis Squared Limited	3037442
General Mobile Corporation Limited	2585763
London Hydraulic Power Company (The)	ZC000055
MetroHoldings Limited	3511122
ML Integration Group Limited	3252903
Project Telecom Holdings Limited	3891879
The Eastern Leasing Company Limited	1672832
Thus Group Holdings Limited	SC192666
Thus Group Limited	SC226738
Voda Limited	1847509
Vodafone (New Zealand) Hedging Limited	4158469
Vodafone (Scotland) Limited	SC170238
Vodafone 2.	4083193
Vodafone 4 UK	6357658
Vodafone 5 Limited	6688527
Vodafone 5 UK	2960479
Vodafone 6 UK	8809444
Vodafone Americas 4	6389457
Vodafone Benelux Limited	4200960
Vodafone Cellular Limited	896318
Vodafone-Central Limited	1913537
Vodafone Consolidated Holdings Limited	5754561
Vodafone Corporate Limited	1786055
Vodafone Corporate Secretaries Limited	2357692
Vodafone Distribution Holdings Limited	3357115

Name	Registration number
Vodafone Enterprise Corporate Secretaries Limited	2303594
Vodafone Enterprise Equipment Limited	1648524
Vodafone Enterprise Europe (UK) Limited	3137479
Vodafone Euro Hedging Limited	3954207
Vodafone Euro Hedging Two	4055111
Vodafone Europe UK	5798451
Vodafone European Investments	3961908
Vodafone European Portal Limited	3973442
Vodafone Finance Luxembourg Limited	5754479
Vodafone Finance Sweden	2139168
Vodafone Finance UK Limited	3922620
Vodafone Financial Operations	4016558
Vodafone Global Content Services Limited	4064873
Vodafone Holdings Luxembourg Limited	4200970
Vodafone Intermediate Enterprises Limited	3869137
Vodafone International Holdings Limited	2797426
Vodafone International Operations Limited	2797438
Vodafone Investment UK	5798385
Vodafone Investments Limited	1530514
Vodafone IP Licensing Limited	6846238
Vodafone Marketing UK	6858585
Vodafone Mobile Communications Limited	3942221
Vodafone Mobile Enterprises Limited	3961390
Vodafone Mobile Network Limited	3961482
Vodafone Nominees Limited	1172051
Vodafone Oceania Limited	3973427
Vodafone Overseas Finance Limited	4171115
Vodafone Overseas Holdings Limited	2809758
Vodafone Panafon UK	6326918
Vodafone Property Investments Limited	3903420
Vodafone Retail (Holdings) Limited	3381659
Vodafone UK Limited	2227940
Vodafone Worldwide Holdings Limited	3294074
Vodafone Yen Finance Limited	4373166
Vodaphone Limited	2373469
Vodata Limited	2502373
Your Communications Group Limited	4171876

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Company statement of financial position of Vodafone Group Plc

at 31 March

	Note	2021 €m	2020 €m
Fixed assets			
Shares in Group undertakings	2	83,385	83,466
Current assets			
Debtors: amounts falling due after more than one year	3	3,128	8,424
Debtors: amounts falling due within one year	3	164,149	225,819
Other investments	4	3,107	1,115
Cash at bank and in hand		586	188
		170,970	**235,546**
Creditors: amounts falling due within one year	5	(162,761)	(217,322)
Net current assets		**8,209**	**18,224**
Total assets less current liabilities		**91,594**	**101,690**
Creditors: amounts falling due after more than one year	5	(47,122)	(54,628)
		44,472	**47,062**
Capital and reserves			
Called up share capital	6	4,797	4,797
Share premium account		20,383	20,382
Capital redemption reserve		111	111
Other reserves		2,970	4,865
Own shares held		(6,307)	(7,937)
Profit and loss account[1]		22,518	24,844
Total equity shareholders' funds		**44,472**	**47,062**

Note:
1 The profit for the financial year dealt with in the financial statements of the Company is €3,863 million (2020: €476 million).

The Company financial statements on pages 209 to 216 were approved by the Board of Directors and authorised for issue on 18 May 2021 and were signed on its behalf by:

Nick Read
Chief Executive

Margherita Della Valle
Chief Financial Officer

The accompanying notes are an integral part of these financial statements.

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Company statement of changes in equity of Vodafone Group Plc

For the years ended 31 March

	Called up share capital €m	Share premium account[1] €m	Capital redemption reserve[1] €m	Other reserves[1] €m	Reserve for own shares[2] €m	Profit and loss account[3] €m	Total equity shareholders' funds €m
1 April 2019	4,796	20,381	111	4,797	(8,010)	23,686	45,761
Issue or re-issue of shares	1	1	–	–	73	–	75
Profit for the financial year	–	–	–	–	–	476	476
Dividends	–	–	–	–	–	(2,317)	(2,317)
Capital contribution given relating to share-based payments[4]	–	–	–	136	–	–	136
Contribution received relating to share-based payments	–	–	–	(68)	–	–	(68)
Other movements[5]	–	–	–	–	–	2,999	2,999
31 March 2020	**4,797**	**20,382**	**111**	**4,865**	**(7,937)**	**24,844**	**47,062**
Issue or re-issue of shares[6]	–	1	–	(1,944)	2,033	–	90
Profit for the financial year	–	–	–	–	–	3,863	3,863
Dividends	–	–	–	–	–	(2,412)	(2,412)
Capital contribution given relating to share-based payments[4]	–	–	–	136	–	–	136
Contribution received relating to share-based payments	–	–	–	(87)	–	–	(87)
Repurchase of treasury shares[7]	–	–	–	–	(403)	–	(403)
Other movements[5]	–	–	–	–	–	(3,777)	(3,777)
31 March 2021	**4,797**	**20,383**	**111**	**2,970**	**(6,307)**	**22,518**	**44,472**

Notes:

1 These reserves are not distributable.

2 Own shares relate to treasury shares which are purchased out of distributable profits and therefore reduce reserves available for distribution.

3 The Company has determined what amounts within this reserve are distributable and non-distributable in accordance with the guidance provided by ICAEW TECH 02/17BL and the requirements of UK law. In accordance with UK Companies Act 2006 s831(2), a public company may make a distribution only if, after giving effect to such distribution, the amount of its net assets is not less than the aggregate of its called up share capital and non-distributable reserves.

4 Includes €1 million tax credit (2020: €nil).

5 Includes the impact of the Company's cash flow hedges with €5,892 million net loss deferred to other comprehensive income during the year (2020: €4,113 million net gain); €1,226 million net loss (2020: €408 million net gain) recycled to the income statement; and €887 million credited (2020: €705 million charged) on related tax movements. These hedges primarily relate to foreign exchange exposure on fixed borrowings, with any foreign exchange on nominal balances directly impacting income statement in each period but interest cash flows unwinding to the income statement over the life of the hedges (up to 2059). See note 22 "Capital and financial risk management" in the consolidated financial statements for further details.

6 Includes the reissue of 1,426.8 million (€1,944 million) in March 2021 in order to satisfy the first tranche of the mandatory convertible bond issued in March 2019.

7 These represent the irrevocable and non-discretionary share buyback programme announced on 19 March 2021.

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Notes to the Company financial statements

1. Basis of preparation

The separate financial statements of the Company are drawn up in accordance with the Companies Act 2006 and Financial Reporting Standard 101 "Reduced disclosure framework", ('FRS 101'). The Company will continue to prepare its financial statements in accordance with FRS 101 on an ongoing basis until such time as it notifies shareholders of any change to its chosen accounting framework.

The Company financial statements have been prepared using the historical cost convention, as modified by the revaluation of certain financial assets and financial liabilities and in accordance with the UK Companies Act 2006. The financial statements have been prepared on a going concern basis.

The following exemptions available under FRS 101 have been applied:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, "Shared-based payment" (details of the number and weighted-average exercise prices of share options, and how the fair value of goods or services received was determined);
- IFRS 7 "Financial Instruments: Disclosures";
- Paragraph 91 to 99 of IFRS 13, "Fair value measurement" (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities);
- Paragraph 38 of IAS 1 "Presentation of financial statements" comparative information requirements in respect of paragraph 79(a)(iv) of IAS 1;
- The following paragraphs of IAS 1 "Presentation of financial statements":
  - 10(d) (statement of cash flows);
  - 16 (statement of compliance with all IFRS);
  - 38A (requirement for minimum of two primary statements, including cash flow statements);
  - 38B-D (additional comparative information);
  - 40A-D (requirements for a third statement of financial position);
  - 111 (cash flow statement information); and
  - 134-136 (capital management disclosures).
- IAS 7 "Statement of cash flows";
- Paragraph 30 and 31 of IAS 8 "Accounting policies, changes in accounting estimates and errors" (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);
- The requirements in IAS 24 "Related party disclosures" to disclose related party transactions entered into between two or more members of a group;
- The requirements in IAS 36 to disclose valuation technique and assumptions used in determining recoverable amount.

As permitted by section 408(3) of the Companies Act 2006, the income statement of the Company is not presented in this Annual Report. These separate financial statements are not intended to give a true and fair view of the profit or loss or cash flows of the Company. The Company has not published its individual cash flow statement as its liquidity, solvency and financial adaptability are dependent on the Group rather than its own cash flows.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of Company financial statements in conformity with FRS 101 requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Company financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Management regularly reviews the accounting judgements that significantly impact the amounts recognised in the financial statements and the estimates that are considered to be "critical estimates" due to their potential to give rise to material adjustments in the Company's financial statements in the year ending 31 March 2021.

A source of estimation uncertainty for the Company relates to the review for impairment of investment carrying values and the estimates used when determining the recoverable value of the investment. However, there is not considered to be a significant risk of material adjustment from revisions to these assumptions within the next financial year (see note 2).

Significant accounting policies applied in the current reporting period that relate to the financial statements as a whole

Foreign currencies

Transactions in foreign currencies are initially recorded at the functional rate of currency prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the Company's functional currency at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates. Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the income statement for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the income statement for the period.

Borrowing costs

All borrowing costs are recognised in the income statement in the period in which they are incurred.

Notes to the Company financial statements (continued)

1. Basis of preparation (continued)

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the reporting period date.

Deferred tax is provided in full on temporary differences that exist at the reporting period date and that result in an obligation to pay more tax, or a right to pay less tax in the future. The deferred tax is measured at the rate expected to apply in the periods in which the temporary differences are expected to reverse, based on the tax rates and laws that are enacted or substantively enacted at the reporting period date. Temporary differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the Company financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Financial instruments

Financial assets and financial liabilities, in respect of financial instruments, are recognised on the Company statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities and includes no obligation to deliver cash or other financial assets. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Derivative financial instruments and hedge accounting

The Company's activities expose it to the financial risks of changes in foreign exchange rates and interest rates which it manages using derivative financial instruments.

The use of derivative financial instruments is governed by the Group's policies approved by the Board of Directors, which provide written principles on the use of derivative financial instruments consistent with the Group's risk management strategy. Changes in values of all derivative financial instruments are included within the income statement unless designated in an effective cash flow hedge relationship when changes in value are deferred to other comprehensive income or equity respectively. The Company does not use derivative financial instruments for speculative purposes.

Derivative financial instruments are initially measured at fair value on the contract date and are subsequently remeasured to fair value at each reporting date. The Company designates certain derivatives as hedges of the change of fair value of recognised assets and liabilities ('fair value hedges') or hedges of highly probable forecast transactions or hedges of foreign currency or interest rate risks of firm commitments ('cash flow hedges'). Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, exercised or no longer qualifies for hedge accounting.

Fair value hedges

The Company's policy is to use derivative financial instruments (primarily interest rate swaps) to convert a proportion of its fixed rate debt to floating rates in order to hedge the interest rate risk arising, principally, from capital market borrowings. The Company designates these as fair value hedges of interest rate risk with changes in fair value of the hedging instrument recognised in the income statement for the period together with the changes in the fair value of the hedged item due to the hedged risk, to the extent the hedge is effective. Gains and losses relating to any ineffective portion are recognised immediately in the income statement.

Cash flow hedges

Cash flow hedging is used by the Company to hedge certain exposures to variability in future cash flows. The portion of gains or losses relating to changes in the fair value of derivatives that are designated and qualify as effective cash flow hedges is recognised in other comprehensive income; gains or losses relating to any ineffective portion are recognised immediately in the income statement. However, when the hedged transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. When the hedged item is recognised in the income statement, amounts previously recognised in other comprehensive income and accumulated in equity for the hedging instrument are reclassified to the income statement. When hedge accounting is discontinued, any gain or loss recognised in other comprehensive income at that time remains in equity and is recognised in the income statement when the hedged transaction is ultimately recognised in the income statement. If a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in the income statement.

Pensions

The Company is the sponsoring employer of the Vodafone Group UK Pension Scheme, a defined benefit pension scheme. There is insufficient information available to enable the scheme to be accounted for as a defined benefit scheme because the Company is unable to identify its share of the underlying assets and liabilities on a consistent and reasonable basis. Therefore, the Company has applied the guidance within IAS 19 to account for defined benefit schemes as if they were defined contribution schemes and recognise only the contribution payable each year. The Company had no contributions payable for the year ended 31 March 2021 (2020: €nil). The defined benefit scheme is recognised in the financial statements of the participating employers, Vodafone UK Limited and Vodafone Group Services Limited.

New accounting pronouncements

To the extent applicable the Company will adopt new accounting policies as set out in note 1 "Basis of preparation" in the consolidated financial statements.

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2. Fixed assets

Accounting policies

Shares in Group undertakings are stated at cost less any provision for impairment and capital related to share-based payments. Contributions in respect of share-based payments are recognised in line with the policy set out in note 7 "Share-based payments".

The Company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable. If any such indication of impairment exists, the Company makes an estimate of the recoverable amount. If the recoverable amount of the cash-generating unit is less than the value of the investment, the investment is considered to be impaired and is written down to its recoverable amount. An impairment loss is recognised immediately in the income statement.

Where there has been a change in the estimates used to determine recoverable amount and an impairment loss subsequently reverses, the carrying amount of the cash-generating unit is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined had no impairment loss been recognised for the cash-generating unit in prior years and an impairment loss reversal is recognised immediately in the income statement.

The Company applies the same methodology and assumptions used by the Group for goodwill impairment testing purposes, as set out in note 4 "Impairment losses" to the consolidated financial statements. For the purposes of the Company's own impairment assessment, the Group's operations are considered to be a single cash generating unit ('CGU') held within the Company's principal subsidiary, Vodafone European Investments. The pooling of the Company's interests within a single CGU significantly reduces the risk that movements in individual assumptions used during the goodwill impairment testing will impact the result of the investment impairment assessment. Whilst the underlying assumptions used are a source of estimation uncertainty, they do not give rise to a significant risk of adjustment within the next financial year, including the additional assumption for the current uncertainty surrounding the economic impact of the COVID-19 pandemic.

Shares in Group undertakings

	2021 €m	2020 €m
Cost:		
1 April	84,264	84,812
Disposals	–	(616)
Capital contributions arising from share-based payments	136	136
Contributions received in relation to share-based payments	(87)	(68)
31 March	**84,313**	**84,264**
Amounts provided for:		
1 April	798	1,039
Eliminated on disposals	–	(144)
Impairment losses[1]	130	15
Impairment reversals	–	(112)
31 March	**928**	**798**
Net book value:		
31 March	**83,385**	**83,466**

Note:
1 During March 2021, the Company received a dividend from one of its subsidiary investments. The dividend income is partially offset by an impairment loss of €130 million recognised as a result of the decrease in the investment's carrying value.

At 31 March 2021 the Company had the following principal subsidiary:

Name	Principal activity	Country of incorporation	Percentage shareholding
Vodafone European Investments	Holding Company	England	100

Details of direct and indirect related undertakings are set out in note 31 "Related undertakings" to the consolidated financial statements.

Notes to the Company financial statements (continued)

3. Debtors

Accounting policies

Amounts owed by subsidiaries are classified and recorded at amortised cost and reduced by allowances for expected credit losses. Estimated future credit losses are first recorded on initial recognition of a receivable and are based on estimated probability of default. Individual balances are written off when management deems them not to be collectible. Derivative financial instruments are measured at fair value through profit and loss.

	2021 €m	2020 €m
Amounts falling due within one year:		
Amounts owed by subsidiaries[1]	163,667	224,799
Taxation recoverable	194	268
Other debtors	14	71
Derivative financial instruments	274	681
	164,149	**225,819**
Amounts falling due after more than one year:		
Deferred tax	164	–
Derivative financial instruments	2,964	8,424
	3,128	**8,424**

Note:
1 Amounts owed by subsidiaries are unsecured, have no fixed date of repayment and are repayable on demand with sufficient liquidity in the group to flow funds if required. Therefore expected credit losses are considered to be immaterial.

4. Other Investments

Accounting policies

Investments are classified and measured at amortised cost using the effective interest rate method, less any impairment.

	2021 €m	2020 €m
Collateral	**3,107**	**1,115**

5. Creditors

Accounting policies

Capital market and bank borrowings

Interest-bearing loans and overdrafts are initially measured at fair value (which is equal to cost at inception) and are subsequently measured at amortised cost using the effective interest rate method, except where they are identified as a hedged item in a designated fair value hedge relationship. Any difference between the proceeds net of transaction costs and the amount due on settlement or redemption of borrowings is recognised over the term of the borrowing.

	2021 €m	2020[1] €m
Amounts falling due within one year:		
Bonds	2,251	2,259
Bank loans	–	708
Collateral liabilities	962	5,292
Other borrowings	36	56
Bank borrowings secured against Indian assets	862	–
Amounts owed to subsidiaries[2]	158,017	208,258
Derivative financial instruments	109	559
Other creditors	92	101
Accruals and deferred income[3]	432	89
	162,761	**217,322**
Amounts falling due after more than one year:		
Deferred tax	–	722
Bonds	42,447	47,432
Bank loans	350	1,346
Bank borrowings secured against Indian assets	385	951
Derivative financial instruments	3,940	4,177
	47,122	**54,628**

Notes:
1 Components for 2020 have been represented to align with the 2021 presentation, separating borrowings that were previously shown together as bonds and other loans. There is no impact on total amounts falling due within one year or total amounts falling due after more than one year.
2 Amounts owed to subsidiaries are unsecured, have no fixed date of repayment and are repayable on demand.
3 Includes €339 million (2020: €nil) payable in relation to the irrevocable and non-discretionary share buyback programme announced in March 2021.

Included in amounts falling due after more than one year are bonds of €30,337 million which are due in more than five years from 1 April 2021 and are payable otherwise than by instalments. Interest payable on these bonds ranges from 0.0% to 7.875%.

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6. Called up share capital

Accounting policies

Equity instruments issued by the Company are recorded at the amount of the proceeds received, net of direct issuance costs.

	2021 Number	€m	2020 Number	€m
Ordinary shares of 20 $^{29}/_{21}$ US cents each allotted, issued and fully paid:[1,2,3]				
1 April	28,815,914,978	4,797	28,815,258,178	4,796
Allotted during the year	920,800	–	656,800	1
31 March	**28,816,835,778**	**4,797**	**28,815,914,978**	**4,797**

Notes:
1 At 31 March 2021 there were 50,000 (2020: 50,000) 7% cumulative fixed rate shares of £1 each in issue.
2 At 31 March 2021 the Company held 592,642,309 (2020: 2,043,750,434) treasury shares with a nominal value of €99 million (2020: €340 million). The market value of shares held was €918 million (2020: €2,610 million). During the year, 63,830,400 (2020: 49,629,851) treasury shares were reissued under Group share schemes.
3 On 5 March 2019 the Company announced the placing of subordinated mandatory convertible bonds totalling £1.72 billion with a 2 year maturity date in 2021 and £1.72 billion with a 3 year maturity date due in 2022. During the year, 1,426,788,937 treasury shares were issued in settlement of tranche 1 of the maturing subordinated mandatory convertible bond. The remaining bonds are convertible into a total of 1,426,793,872 ordinary shares with a conversion price of £1.2055 per share. For further details see note 21 "Borrowings" in the consolidated financial statements.

7. Share-based payments

Accounting policies

The Group operates a number of equity-settled share-based payment plans for the employees of subsidiaries using the Company's equity instruments. The fair value of the compensation given in respect of these share-based payment plans is recognised as a capital contribution to the Company's subsidiaries over the vesting period. The capital contribution is reduced by any payments received from subsidiaries in respect of these share-based payments.

The Company currently uses a number of equity-settled share plans to grant options and shares to the Directors and employees of its subsidiaries.

At 31 March 2021, the Company had 62 million ordinary share options outstanding (2020: 53 million).

The Company has made capital contributions to its subsidiaries in relation to share-based payments. At 31 March 2021, the cumulative capital contribution net of payments received from subsidiaries was €218 million (2020: €169 million). During the year ended 31 March 2021, the total capital contribution arising from share-based payments was €136 million (2020: €136 million), with payments of €87 million (2020: €68 million) received from subsidiaries.

Full details of share-based payments, share option schemes and share plans are disclosed in note 26 "Share-based payments" to the consolidated financial statements.

8. Reserves

The Board is responsible for the Group's capital management including the approval of dividends. This includes an assessment of both the level of reserves legally available for distribution and consideration as to whether the Company would be solvent and retain sufficient liquidity following any proposed distribution.

As Vodafone Group Plc is a Group holding company with no direct operations, its ability to make shareholder distributions is dependent on its ability to receive funds for such purposes from its subsidiaries in a manner which creates profits available for distribution for the Company. The major factors that impact the ability of the Company to access profits held in subsidiary companies at an appropriate level to fulfil its needs for distributable reserves on an ongoing basis include:

– the absolute size of the profit pools either currently available for distribution or capable of realisation into distributable reserves in the relevant entities;

– the location of these entities in the Group's corporate structure;

– profit and cash flow generation in those entities; and

– the risk of adverse changes in business valuations giving rise to investment impairment charges, reducing profits available for distribution.

The Group's consolidated reserves set out on page 123 do not reflect the profits available for distribution in the Group.

Notes to the Company financial statements (continued)

9. Equity dividends

Accounting policies

Dividends paid and received are included in the Company financial statements in the period in which the related dividends are actually paid or received or, in respect of the Company's final dividend for the year, approved by shareholders.

	2021 €m	2020 €m
Declared during the financial year:		
Final dividend for the year ended 31 March 2020: 4.50 eurocents per share (2019: 4.16 eurocents per share)	1,205	1,112
Interim dividend for the year ended 31 March 2021: 4.50 eurocents per share (2020: 4.50 eurocents per share)	1,207	1,205
	2,412	**2,317**
Proposed after the balance sheet date and not recognised as a liability:		
Final dividend for the year ended 31 March 2021: 4.50 eurocents per share (2020: 4.50 eurocents per share)	1,260	1,205

10. Contingent liabilities and legal proceedings

	2021 €m	2020 €m
Other guarantees	**3,340**	**3,979**

Other guarantees and contingent liabilities

Other guarantees principally comprise the Company's guarantee of the Group's 50% share of a US$3.5 billion loan facility (2020: AUD1.7 billion and US$3.5 billion loan facilities), which forms part of the Group's overall joint venture investment in TPG Telecom Ltd (2020: Vodafone Hutchison Australia Pty Limited), and the guarantee of €1.8 billion (2020: €1.9 billion) of subsidiary spectrum payments.

The Company will guarantee the debts and liabilities of certain of its UK subsidiaries at the balance sheet date in accordance with section 479C of the Companies Act 2006. The Company has assessed the probability of loss under these guarantees as remote.

As detailed in note 25 "Post employment benefits" to the consolidated financial statements, the Company is the sponsor of the Group's main defined benefit scheme in the UK, being the Vodafone Group UK Pension Scheme ('Vodafone UK plan'). The results, assets and liabilities associated with the Vodafone UK plan are recognised in the financial statements of Vodafone UK Limited and Vodafone Group Services Limited.

As detailed in note 29 "Contingent liabilities and legal proceedings" to the consolidated financial statements, the Company has covenanted to provide security on the Group's performance bonds and also in favour of the trustee of the Vodafone Group UK Pension Scheme and the Trustees of THUS Plc Group Scheme.

Legal proceedings

Details regarding certain legal actions which involve the Company are set out in note 29 "Contingent liabilities and legal proceedings" to the consolidated financial statements.

11. Other matters

The auditor's remuneration for the current year in respect of audit and audit-related services was €3 million (2020: €4 million) and for non-audit services was €nil (2020: €1 million).

The Directors are remunerated by the Company for their services to the Group as a whole. No remuneration was paid to them specifically in respect of their services to Vodafone Group Plc for either year. Full details of the Directors' remuneration are disclosed in the "Annual Report on Remuneration" on pages 82 to 103.

The Company had two (2020: two) employees throughout the year.

Vodafone Group Plc is incorporated and domiciled in England and Wales (registration number 1833679). The registered address of the Company is Vodafone House, The Connection, Newbury, Berkshire, RG14 2FN, England.

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Non-GAAP measures

Unaudited information

Introduction

In the discussion of the Group's reported operating results, non-GAAP measures are presented to provide readers with additional financial information that is regularly reviewed by management. However, this additional information presented is not uniformly defined by all companies including those in the Group's industry. Accordingly, it may not be comparable with similarly titled measures and disclosures by other companies. Additionally, certain information presented is derived from amounts calculated in accordance with IFRS but is not itself a measure defined under GAAP. Such measures should not be viewed in isolation or as an alternative to the equivalent GAAP measure.

The non-GAAP measures discussed in this document are listed below, together with the location of the definition and the reconciliation between the non-GAAP measure and the closest equivalent GAAP measure.

Non-GAAP measure	Defined on page	Closest equivalent GAAP measure	Reconciled on page
Performance metrics			
Adjusted EBITDA	Page 218	Operating profit	Page 23
Organic adjusted EBITDA growth	Page 218	Not applicable	Not applicable
Organic percentage point change in adjusted EBITDA margin	Page 218	Not applicable	Not applicable
Organic revenue growth	Page 218	Reported revenue growth	Page 219
Organic service revenue growth	Page 218	Reported service revenue growth	Pages 219 to 220
Organic mobile service revenue growth	Page 218	Reported mobile service revenue growth	Pages 219 to 220
Organic fixed service revenue growth	Page 218	Reported fixed service revenue growth	Pages 219 to 220
Organic retail revenue growth	Page 218	Reported retail revenue growth	Pages 219 to 220
Other metrics			
Adjusted profit attributable to owners of the parent	Page 221	Profit attributable to owners of the parent	Page 221
Adjusted basic earnings per share	Page 221	Basic earnings per share	Page 221
Cash flow, funding and capital allocation metrics			
Free cash flow (pre spectrum, restructuring and integration costs)	Page 222	Inflow from operating activities	Page 222
Free cash flow	Page 222	Inflow from operating activities	Pages 30 and 222
Gross debt	Page 222	Borrowings	Page 222
Net debt	Page 222	Borrowings less cash and cash equivalents	Page 222
Return on Capital Employed ('ROCE')	Page 223	ROCE calculated on a GAAP basis	Pages 223 to 224
Financing and Taxation metrics			
Adjusted net financing costs	Page 225	Net financing costs	Page 29
Adjusted profit before taxation	Page 225	Profit before taxation	Page 225
Adjusted income tax expense	Page 225	Income tax expense	Page 225
Adjusted effective tax rate	Page 225	Effective tax rate	Page 225
Share of adjusted results in equity accounted associates and joint ventures	Page 225	Share of results in equity accounted associates and joint ventures	Page 226

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Non-GAAP measures (continued)

Unaudited information

Performance metrics

Adjusted EBITDA and Adjusted EBITDA margin

Adjusted EBITDA is our segment performance measure. Adjusted EBITDA margin is adjusted EBITDA divided by Revenue.

To simplify our reporting, the Group no longer discloses adjusted operating profit and EBIT. These metrics were non-GAAP measures disclosed in the year ended 31 March 2020.

Non-GAAP measure	Purpose	Definition
Adjusted EBITDA	It is used for internal performance reporting. It is used in conjunction with financial measures such as operating profit to assess our operating performance and profitability. It is a key external metric used by the investor community to assess performance of our operations.	Adjusted EBITDA is operating profit after depreciation on lease-related right of use assets and interest on leases but excluding depreciation, amortisation and gains/losses on disposal of owned fixed assets and excluding share of results in associates and joint ventures, impairment losses, restructuring costs arising from discrete restructuring plans, other income and expense and significant items that are not considered by management to be reflective of the underlying performance of the Group.

Organic growth

All amounts in this document marked with an "*" represent organic growth. This measure presents performance on a comparable basis, including merger and acquisition activity and movements in foreign exchange rates.

Organic growth is calculated for revenue and profitability metrics, as follows:

- Service revenue;
- Mobile service revenue;
- Fixed service revenue;
- Retail revenue;
- Adjusted EBITDA; and
- Percentage point change in adjusted EBITDA margin.

Whilst organic growth is not intended to be a substitute for reported growth, nor is it superior to reported growth, we believe that the measure provides useful and necessary information to investors and other interested parties for the following reasons:

- It provides additional information on underlying growth of the business without the effect of certain factors unrelated to its operating performance;
- It is used for internal performance analysis; and
- It facilitates comparability of underlying growth with other companies (although the term "organic" is not a defined term under GAAP and may not, therefore, be comparable with similarly titled measures reported by other companies).

We have not provided a comparative in respect of organic growth rates as the current rates describe the change between the beginning and end of the current period, with such changes being explained by the commentary in this document. If comparatives were provided, significant sections of the commentary for prior periods would also need to be included, reducing the usefulness and transparency of this document.

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	FY21 €m	FY20 €m	Reported growth %	Other activity (incl. M&A) pps	Foreign exchange pps	Organic growth* %
Year ended 31 March 2021						
Service revenue						
Germany	11,520	10,696	7.7	(7.2)	-	0.5
Mobile service revenue	5,056	5,084	(0.6)	(0.1)	-	(0.7)
Fixed service revenue	6,464	5,612	15.2	(13.8)	-	1.4
Italy	4,458	4,833	(7.8)	0.3	-	(7.5)
Mobile service revenue	3,244	3,625	(10.5)	-	-	(10.5)
Fixed service revenue	1,214	1,208	0.5	0.9	-	1.4
UK	4,848	5,020	(3.4)	0.7	1.9	(0.8)
Mobile service revenue	3,428	3,618	(5.3)	-	2.0	(3.3)
Fixed service revenue	1,420	1,402	1.3	2.3	2.0	5.6
Spain	3,788	3,904	(3.0)	0.2	-	(2.8)
Other Europe	4,859	4,890	(0.6)	(2.1)	1.3	(1.4)
Vodacom	4,083	4,470	(8.7)	0.1	12.5	3.9
Other Markets	3,312	3,796	(12.8)	10.2	13.4	10.8
Common Functions	470	494				
Eliminations	(197)	(232)				
Total service revenue	**37,141**	**37,871**	**(1.9)**	**(1.4)**	**3.2**	**(0.1)**
Other revenue	6,668	7,103	(6.1)	-	4.1	(2.0)
Revenue	**43,809**	**44,974**	**(2.6)**	**(1.2)**	**3.4**	**(0.4)**
Other growth metrics						
Germany - Business fixed service revenue	893	813	9.8	-	-	9.8
Italy - Business fixed service revenue	490	453	8.2	(0.2)	-	8.0
Germany - Retail revenue	11,201	10,315	8.6	(7.5)	-	1.1
Adjusted EBITDA						
Germany	5,634	5,077	11.0	(9.2)	-	1.8
Italy	1,597	2,068	(22.8)	10.1	-	(12.7)
UK	1,367	1,500	(8.9)	-	1.6	(7.3)
Spain	1,044	1,009	3.5	(0.1)	-	3.4
Other Europe	1,760	1,738	1.3	(3.3)	1.5	(0.5)
Vodacom	1,873	2,088	(10.3)	-	13.2	2.9
Other Markets	1,228	1,400	(12.3)	9.0	11.8	8.5
Common Functions	(117)	1				
Group	**14,386**	**14,881**	**(3.3)**	**(1.1)**	**3.2**	**(1.2)**
Percentage point change in adjusted EBITDA margin						
Germany	43.4%	42.0%	1.4	(1.0)	-	0.4
Italy	31.9%	37.4%	(5.5)	4.2	-	(1.3)
UK	22.2%	23.1%	(0.9)	(0.1)	(0.1)	(1.1)
Spain	25.1%	23.5%	1.6	(0.1)	-	1.5
Other Europe	31.7%	31.4%	0.3	(0.2)	0.1	0.2
Vodacom	36.2%	37.8%	(1.6)	-	0.3	(1.3)
Other Markets	32.6%	31.9%	0.7	(0.6)	(0.8)	(0.7)
Group	**32.8%**	**33.1%**	**(0.3)**	**0.1**	**-**	**(0.2)**

Non-GAAP measures (continued)

Unaudited information

	Q4 FY21 €m	Q4 FY20 €m	Reported growth %	Other activity (incl. M&A) pps	Foreign exchange pps	Organic growth* %
Quarter ended 31 March 2021						
Service revenue						
Germany	2,885	2,852	1.2	–	–	1.2
Mobile service revenue	1,274	1,262	1.0	(0.1)	–	0.9
Fixed service revenue	1,611	1,590	1.3	0.1	–	1.4
Italy	1,084	1,189	(8.8)	1.0	–	(7.8)
Mobile service revenue	788	870	(9.4)	0.1	–	(9.3)
Fixed service revenue	296	319	(7.2)	3.4	–	(3.8)
UK	1,231	1,287	(4.4)	2.4	1.4	(0.6)
Mobile service revenue	880	909	(3.2)	–	1.4	(1.8)
Fixed service revenue	351	378	(7.1)	8.3	1.0	2.2
Spain	951	972	(2.2)	0.9	-	(1.3)
Other Europe	1,233	1,233	-	(1.1)	0.9	(0.2)
Vodacom	1,078	1,091	(1.2)	0.1	8.4	7.3
Other Markets	827	881	(6.1)	0.2	19.0	13.1
Common Functions	136	137				
Eliminations	(59)	(48)				
Total service revenue	**9,366**	**9,594**	**(2.4)**	**0.4**	**2.8**	**0.8**
Other revenue	1,815	1,691	7.3	(0.8)	3.6	10.1
Revenue	**11,181**	**11,285**	**(0.9)**	**0.2**	**2.9**	**2.2**
Other growth metrics						
Germany - Retail revenue	2,812	2,762	1.8	-	-	1.8

	Q3 FY21 €m	Q3 FY20 €m	Reported growth %	Other activity (incl. M&A) pps	Foreign exchange pps	Organic growth* %
Quarter ended 31 December 2020						
Service revenue						
Germany	2,912	2,883	1.0	–	–	1.0
Mobile service revenue	1,279	1,273	0.5	–	–	0.5
Fixed service revenue	1,633	1,610	1.4	–	–	1.4
Italy	1,125	1,220	(7.8)	–	–	(7.8)
Mobile service revenue	818	916	(10.7)	–	–	(10.7)
Fixed service revenue	307	304	1.0	0.1	–	1.1
UK	1,216	1,282	(5.1)	–	4.7	(0.4)
Mobile service revenue	848	924	(8.2)	–	4.6	(3.6)
Fixed service revenue	368	358	2.8	–	5.1	7.9
Spain	957	966	(0.9)	(0.2)	–	(1.1)
Other Europe	1,215	1,265	(4.0)	1.5	1.8	(0.7)
Vodacom	1,056	1,162	(9.1)	–	12.4	3.3
Other Markets	806	891	(9.5)	–	21.8	12.3
Common Functions	115	117				
Eliminations	(45)	(53)				
Total service revenue	**9,357**	**9,733**	**(3.9)**	**0.2**	**4.1**	**0.4**
Other revenue	1,844	2,017	(8.6)	–	4.8	(3.8)
Revenue	**11,201**	**11,750**	**(4.7)**	**0.2**	**4.2**	**(0.3)**
Other growth metrics						
Germany - Retail revenue	2,832	2,791	1.5	–	–	1.5

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Other metrics

Non-GAAP measure	Purpose	Definition
Adjusted profit attributable to owners of the parent	This metric is used in the calculation of adjusted basic earnings per share.	Adjusted profit attributable to owners of the parent excludes restructuring costs arising from discrete restructuring plans, amortisation of customer bases and brand intangible assets, impairment losses, other income and expense and mark-to-market and foreign exchange movements, together with related tax effects.
Adjusted basic earnings per share	This performance measure is used in discussions with the investor community.	Adjusted basic earnings per share is Adjusted profit attributable to owners of the parent divided by the weighted average number of shares outstanding. This is the same denominator used when calculating basic earnings / (loss) per share.

Adjusted profit attributable to owners of the parent

The reconciliation of adjusted profit attributable to owners of the parent to the closest equivalent GAAP measure, profit attributable to owners of the parent, is provided below.

	FY21			FY20		
	Reported €m	Adjustments €m	Adjusted €m	Reported €m	Adjustments €m	Adjusted €m
Adjusted EBITDA	**14,386**	**–**	**14,386**	**14,881**	**–**	**14,881**
Restructuring costs	(356)	356	–	(695)	695	–
Interest on lease liabilities	374	–	374	330	–	330
Depreciation and amortisation[1]	(10,217)	488	(9,729)	(10,508)	423	(10,085)
Share of results of equity accounted associates and joint ventures[2]	342	90	432	(2,505)	2,264	(241)
Impairment losses	–	–	–	(1,685)	1,685	–
Other income and expense	568	(568)	–	4,281	(4,281)	–
Operating profit	**5,097**	**366**	**5,463**	**4,099**	**786**	**4,885**
Non-operating expense	–	–	–	(3)	3	–
Investment income	330	–	330	248	–	248
Financing costs	(1,027)	(1,068)	(2,095)	(3,549)	1,333	(2,216)
Profit/(loss) before taxation	**4,400**	**(702)**	**3,698**	**795**	**2,122**	**2,917**
Income tax expense	(3,864)	2,985	(879)	(1,250)	451	(799)
Profit/(loss) for the financial year	**536**	**2,283**	**2,819**	**(455)**	**2,573**	**2,118**
Profit attributable to:						
- Owners of the parent	112	2,278	2,390	(920)	2,567	1,647
- Non-controlled interests	424	5	429	465	6	471
Profit/(loss) for the financial year	**536**	**2,283**	**2,819**	**(455)**	**2,573**	**2,118**

Note:
1. Reported depreciation and amortisation excludes depreciation on leased assets and loss on disposal of Right-of-use assets. Refer to Additional Information on page 226 for an analysis of depreciation and amortisation. The adjustments of €488 million (FY20: €423 million) relate to amortisation of customer bases and brand intangible assets.
2. Refer to page 226 for an analysis of the adjustments to share of results of equity accounted associates and joint ventures.

Adjusted basic earnings per share

The reconciliation of adjusted basic earnings per share to the closest equivalent GAAP measure, basic loss per share, is provided below.

	FY21 €m	FY20 €m
Profit attributable to owners of the parent	112	(920)
Adjusted profit attributable to owners of the parent	2,390	1,647
	Million	Million
Weighted average number of shares outstanding - Basic	29,592	29,422
	eurocents	eurocents
Basic earnings/(loss) per share	**0.38c**	**(3.13)c**
Adjusted basic earnings per share	**8.08c**	**5.60c**

Non-GAAP measures (continued)

Unaudited information

Cash flow, funding and capital allocation metrics

Cash flow and funding

Non-GAAP measure	Purpose	Definition
Free cash flow (pre spectrum, restructuring and integration costs)	Internal performance reporting. External metric used by investor community. Setting director and management remuneration. Key external metric used to evaluate liquidity and the cash generated by our operations.	Free cash flow (pre spectrum, restructuring and integration costs) is Adjusted EBITDA after cash flows in relation to cash capital additions, working capital, disposal of property, plant and equipment, interest received and paid, dividends received from associates and investments, dividends paid to non-controlling shareholders in subsidiaries and payments in respect of lease liabilities but before restructuring costs arising from discrete restructuring plans, licence and spectrum payments and integration costs.
Free cash flow	Internal performance reporting. External metric used by investor community. Assists comparability with other companies, although our metric may not be directly comparable to similarly titled measures used by other companies.	Free cash flow is Free cash flow (pre spectrum, restructuring and integration costs) adjusted for licence and spectrum payments, restructuring and integration payments and integration capital expenditure.
Gross debt	Prominent metric used by debt rating agencies and the investor community.	Non-current borrowings and current borrowings, excluding lease liabilities, collateral liabilities and borrowings specifically secured against Indian assets.
Net debt	Prominent metric used by debt rating agencies and the investor community.	Gross debt less short-term investments, collateral assets, mark-to-market adjustments and cash and cash equivalents.

The tables below present: (i) the reconciliation between Inflow from operating activities and Free cash flow (pre spectrum, restructuring and integration costs) and (ii) the reconciliation between Borrowings, Gross debt and Net debt.

	FY21 €m	FY20 €m
Inflow from operating activities	**17,215**	**17,379**
Net tax paid	1,020	930
Cash generated by operations	**18,235**	**18,309**
Capital additions	(7,854)	(7,411)
Working capital movement in respect of capital additions	410	(11)
Disposal of property, plant and equipment	42	41
Interest received and paid	(1,860)	(1,465)
Taxation	(1,020)	(930)
Dividends received from associates and investments	628	417
Dividends paid to non-controlling shareholders in subsidiaries	(391)	(348)
Payments in respect of lease liabilities	(3,897)	(3,552)
Restructuring and integration payments	421	570
Other	305	80
Free cash flow (pre spectrum, restructuring and integration costs)	**5,019**	**5,700**

Borrowings	**(67,760)**	**(74,925)**
Adjustments:		
- Lease liabilities	13,032	12,118
- Bank borrowings secured against Indian assets	1,247	1,346
- Collateral liabilities	962	5,292
Gross debt	**(52,519)**	**(56,169)**
Collateral liabilities	(962)	(5,292)
Cash and cash equivalents	5,821	13,557
Short-term investments	4,007	4,132
Collateral assets	3,107	1,115
Derivative financial instruments	(859)	4,409
Mark-to-market gains deferred in hedge reserves	862	(3,799)
Net debt[1]	**(40,543)**	**(42,047)**

Note:
1 Net debt as at 31 March 2020 has been aligned to the FY21 presentation, increasing by €3,799 million to exclude derivative movements in cash flow hedging reserves and decreasing by €121 million to reflect that Vodafone Egypt is no longer held for sale.

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Return on Capital Employed

Non-GAAP measure	Purpose	Definition
Return on Capital Employed ('ROCE')	ROCE is a metric used by the investor community and reflects how efficiently we are generating profit with the capital we deploy.	We calculate ROCE by dividing Operating profit by the average of capital employed as reported in the consolidated statement of financial position. Capital employed includes total borrowings, cash and cash equivalents, derivative financial instruments included in trade and other receivables/payables, short term investments, collateral assets, financial liabilities under put option arrangements and equity.
Pre-tax ROCE for controlled operations. Post-tax ROCE (including Associates and Joint Ventures)	As above.	We calculate pre-tax ROCE (controlled operations) by dividing Operating profit excluding impairment losses, amortisation of customer bases and brand intangible assets, restructuring costs arising from discrete restructuring plans, lease-related interest and other income and expense and excluding the share of results in associates and joint ventures. On a post-tax basis, the measure includes our share of results from associates and joint ventures and a notional tax charge. Capital is equivalent to net operating assets and is calculated as the average of opening and closing balances of: property, plant and equipment (including Right-of-Use assets and liabilities), intangible assets (including goodwill), operating working capital (including held for sale assets and excluding derivative balances) and provisions. Other assets that do not directly contribute to returns are excluded from this measure and include: other investments, current and deferred tax balances and post employment benefits. On a post-tax basis, ROCE also includes our investments in associates and joint ventures

Return on Capital Employed ('ROCE')

The table below presents the calculation of ROCE using GAAP measures as reported in the consolidated income statement and consolidated statement of financial position.

	FY21 €m	FY20 €m
Operating profit	**5,097**	**4,099**
Total borrowings	67,760	74,925
Cash and cash equivalents	(5,821)	(13,557)
Derivative financial instruments included in trade and other receivables	(3,151)	(9,176)
Derivative financial instruments included in trade and other payables	4,010	4,767
Short term investments	(4,007)	(4,132)
Collateral assets	(3,107)	(1,115)
Financial liabilities under put option arrangements	492	1,850
Equity	57,816	62,625
Capital employed at end of the year	**113,992**	**116,187**
Average capital employed for the year[1]	**115,090**	**104,255**
ROCE	**4.4%**	**3.9%**

Note:
1 Average capital employed for FY20 is calculated with reference to the Group's published results for FY19, which were prepared in accordance with IAS 17.

Non-GAAP measures (continued)

Unaudited information

Return on Capital Employed ('ROCE'): Non-GAAP basis

The table below presents the calculation of ROCE using non-GAAP measures and reconciling to the closest equivalent GAAP measure.

	FY21 €m	FY20 Re-presented[1] €m
Operating profit	**5,097**	**4,099**
Interest on lease liabilities	(374)	(330)
Restructuring costs	356	695
Impairment loss	–	1,685
Other income	(568)	(4,281)
Share of results in equity accounted associates and joint ventures	(342)	2,505
Adjusted operating profit for calculating pre-tax ROCE (controlled)	**4,169**	**4,373**
Share of adjusted results in equity accounted associates and joint ventures (excluding amortisation of acquired customer base and brand intangible assets)[2]	203	(456)
Notional tax at adjusted effective tax rate	(1,176)	(991)
Adjusted operating profit for calculating post-tax ROCE (controlled and associates/joint ventures)	**3,196**	**2,926**
Capital employed for calculating ROCE on a GAAP basis	**113,992**	**116,187**
Adjustments:		
- Leases	(13,032)	(12,118)
- Deferred tax assets	(21,569)	(23,606)
- Deferred tax liabilities	2,095	2,103
- Taxation recoverable	(434)	(278)
- Taxation payable	769	787
- Other investments	(1,514)	(1,397)
- Excluding associates and joint ventures	(5,927)	(5,419)
- Pension assets and liabilities	453	(152)
Adjusted capital employed for calculating pre-tax ROCE (controlled)	**74,833**	**76,107**
Associates and joint ventures	5,927	5,419
Adjusted capital employed for calculating post-tax ROCE (controlled and associates/joint ventures)	**80,760**	**81,526**
Average capital employed for calculating pre-tax ROCE (controlled)	**75,470**	**69,743**
Average capital employed for calculating post-tax ROCE (controlled and associates/joint ventures)	**81,143**	**74,308**
Pre-tax ROCE (controlled)	**5.5%**	**6.3%**
Post-tax ROCE (controlled and associates/joint ventures)	**3.9%**	**3.9%**

Notes:

1 The presentation of FY20 ROCE has been aligned to the FY21 presentation. As a result, the FY20 ROCE has been amended to exclude the amortisation of acquired customer base and brand intangible assets of €215 million from Adjusted operating profit for calculating pre-tax ROCE (controlled) and from the Share of adjusted results in equity accounted associates and joint ventures. Furthermore, Other investments now excludes amounts owed to M-Pesa account holders of €1,237 million for FY20 and €1,048 million for FY19.

2 Share of adjusted results in equity accounted associates and joint ventures is a Non-GAAP measure. See 217 for more information.

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Financing and Taxation metrics

Non-GAAP measure	Purpose	Definition
Adjusted net financing costs	This metric is used by both management and the investor community. This metric is used in the calculation of adjusted basic earnings per share.	Adjusted net financing costs exclude mark-to-market and foreign exchange gains/losses.
Adjusted profit before taxation	This metric is used in the calculation of the adjusted effective tax rate (see below).	Adjusted profit before taxation excludes the tax effects of items excluded from adjusted basic earnings per share, including: impairment losses, amortisation of customer bases and brand intangible assets, restructuring costs arising from discrete restructuring plans, other income and expense and mark to market and foreign exchange movements.
Adjusted income tax expense	This metric is used in the calculation of the adjusted effective tax rate (see below).	Adjusted income tax expense excludes the tax effects of items excluded from adjusted basic earnings per share, including: impairment losses, amortisation of customer bases and brand intangible assets, restructuring costs arising from discrete restructuring plans, other income and expense and mark to market and foreign exchange movements. It also excludes deferred tax movements relating to tax losses in Luxembourg as well as other significant one-off items.
Adjusted effective tax rate	This metric is used by both management and the investor community.	Adjusted income tax expense (see above) divided by Adjusted profit before taxation (see above).
Share of adjusted results in equity accounted associates and joint ventures	This metric is used in the calculation of adjusted effective tax rate and ROCE.	Share of results in equity accounted associates and joint ventures excluding restructuring costs, amortisation of acquired customer base and brand intangible assets and other income and expense.

Adjusted tax metrics

The table below reconciles profit before taxation and income tax expense to adjusted profit before taxation, adjusted income tax expense and adjusted effective tax rate.

	FY21 €m	FY20 €m
Profit before taxation	**4,400**	**795**
Adjustments to derive adjusted profit before tax	(702)	2,122
Adjusted profit before taxation	**3,698**	**2,917**
Share of adjusted results in associates and joint ventures	(432)	241
Adjusted profit before tax for calculating adjusted effective tax rate	**3,266**	**3,158**
Income tax expense	**(3,864)**	**(1,250)**
Tax on adjustments to derive adjusted profit before tax	(162)	(432)
Adjustments		
- Deferred tax following revaluation of investments in Luxembourg	2,827	(346)
- Reduction in deferred tax following rate change in Luxembourg	-	881
- Deferred tax on use of Luxembourg losses in the year	320	348
Adjusted income tax expense for calculating adjusted tax rate	**(879)**	**(799)**
Adjusted effective tax rate	**26.9%**	**25.3%**

Non-GAAP measures (continued)

Unaudited information

Share of adjusted results in equity accounted associates and joint ventures

The table below reconciles share of adjusted results in equity accounted associates and joint ventures to the closest GAAP equivalent, share of results in equity accounted associates and joint ventures.

	FY21 €m	FY20 €m
Share of results in equity accounted associates and joint ventures	342	**(2,505)**
Restructuring costs	3	25
Amortisation of acquired customer base and brand intangible assets	229	215
Other income and expense	(142)	2,024
Share of adjusted results in equity accounted associates and joint ventures	**432**	**(241)**

Additional information

Analysis of depreciation and amortisation

The table below presents an analysis of the difference components of depreciation and amortisation discussed in the document, reconciled to the GAAP amounts in the consolidated income statement.

	FY21 €m	FY20 €m
Depreciation on leased assets	3,914	3,720
Depreciation on owned assets	5,766	5,995
Amortisation of intangible assets	4,421	4,459
Total depreciation and amortisation	**14,101**	**14,174**
Loss on disposal of owned fixed assets	30	54
Loss on disposal of Right-of-Use assets	(13)	(3)
Total depreciation, amortisation and loss on disposal of fixed assets - as recognised in the consolidated income statement	**14,118**	**14,225**

Analysis of tangible and intangible additions

The table below presents an analysis of the difference components of tangible and intangible additions discussed in the document.

	FY21 €m	FY20 €m
Capital additions	7,854	7,411
Integration related capital additions	329	111
Licence additions	896	1,776
Additions to customer bases	1	-
Additions	**9,080**	**9,298**
Intangible assets - additions	3,367	4,061
Property, plant and equipment (owned) - additions	5,713	5,237
Total additions	**9,080**	**9,298**

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Shareholder information

2020/21 Financial calendar key dates

Ex-dividend date for final dividend	24 June 2021
Record date for final dividend	25 June 2021
AGM	27 July 2021
Final dividend payment	6 August 2021

Useful contacts

The Registrar

Equiniti
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA
Telephone: +44 (0) 371 384 2532

See **help.shareview.co.uk** for more information about this service

ADS holders

AST
Operations Center
6201 15th Avenue
Brooklyn, NY 11219
United States of America
Telephone: +1 800 233 5601 (toll free) or, for calls outside the United States: +1 201 806 4103
Email: db@astfinancial.com

See **astfinancial.com** for more information about this service

Shareholder information

Managing your shares via Shareview

Our share Registrar, Equiniti operates a portfolio service, Shareview, for investors in ordinary shares. This provides our shareholders with online access to information about their investments as well as a facility to help manage their holdings online, such as being able to:

- update your details online including your address and dividend payment instructions;
- buy and sell shares easily;
- receive certain shareholder communications electronically;
- send your general meeting voting instructions in advance of shareholder meetings;
- view information about and join the Vodafone Group plc Dividend Reinvestment Plan ('DRIP'); and
- access your online statements.

Equiniti also offers an internet and telephone share dealing service to existing shareholders. The service can be obtained at www.shareview.co.uk.

Shareholders with any queries regarding their holding should contact Equiniti on the contact details above.

Shareholders may also find the investors section of our corporate website, vodafone.com/investor, useful for general queries and information about the Company.

AGM

Our thirty-seventh AGM will be held at The Pavilion, Vodafone House, Newbury RG14 2FN on 27 July 2021 at 10.00 am.

Shareholder communications

We are taking significant steps to reduce our impact on our planet. The use of electronic communications, rather than printed paper documents, means information about the Company can be accessed through emails or the Company's website, thus reducing our impact on the environment.

A growing number of our shareholders have opted to receive communications from us electronically. Shareholders who have done so will be sent an email alert containing a link to the relevant documents.

We encourage all our shareholders to sign up for this service. You can register for this service at www.shareview.co.uk or by contacting Equiniti by the telephone number provided on the left of this page.

See **vodafone.com/investor** for further information about this service

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Shareholder information (continued)

ShareGift
We support ShareGift, the charity share donation scheme (registered charity number 1052686). Through ShareGift, shareholders who have only a very small number of shares, which might be considered uneconomic to sell, are able to donate them to charity. Donated shares are aggregated and sold by ShareGift with the proceeds being passed on to a wide range of UK charities.

See sharegift.org or call +44 (0)20 7930 3737 for further details.

Landmark Financial Asset Search
We participate in an online service which provides a search facility for solicitors and probate professionals to quickly and easily trace UK shareholdings relating to deceased estates.

Visit www.landmarkfas.co.uk or call +44 (0)844 844 9967 for further information.

Warning to shareholders ("boiler room" scams)
Over recent years we have become aware of investors who have received unsolicited calls or correspondence, in some cases purporting to have been issued by us, concerning investment matters. These callers typically make claims of highly profitable investment opportunities which turn out to be worthless or simply do not exist. These approaches are usually made by unauthorised companies and individuals and are commonly known as "boiler room" scams. Investors are advised to be wary of any unsolicited advice or offers to buy shares. If it sounds too good to be true, it often is.

See the FCA website at fca.org.uk/scamsmart for more detailed information about this or similar activities.

Dividends
See pages 23 and 152 for details on dividend amount per share.

Euro dividends
Dividends are declared in euros and paid in euros and pounds sterling according to where the shareholder is resident. Cash dividends to ADS holders are paid by the ADS depositary bank in US dollars. This aligns the Group's shareholder returns with the primary currency in which we generate free cash flow. The foreign exchange rates at which dividends declared in euros are converted into pounds sterling and US dollars are calculated based on the average exchange rate of the five business days during the week prior to the payment of the dividend.

Payment of dividends by direct credit
We pay cash dividends directly to shareholders' bank or building society accounts. This ensures secure delivery and means dividend payments are credited to shareholders' designated accounts on the same day as payment. A dividend confirmation covering both the interim and final dividends paid during the financial year is sent to shareholders at the time of the interim dividend in February. ADS holders may choose to have their cash dividends paid by cheque from our ADS depository bank, Deutsche Bank.

Dividend reinvestment plan
We offer a dividend reinvestment plan which allows holders of ordinary shares who choose to participate to use their cash dividends to acquire additional shares in the Company. These are purchased on their behalf by the plan administrator, Equiniti, through a low-cost dealing arrangement. For ADS holders, Deutsche Bank, through its transfer agent, American Stock Transfer & Trust Company, LLC ('AST'), maintains the DB Global Direct Investor Services Program which is a direct purchase and sale plan for depositary receipts with a dividend reinvestment facility. See vodafone.com/dividends for further information about dividend payments or, alternatively, please contact our registrar, Equiniti or AST for ADS holders as applicable.

Contact information for Equiniti and AST can be found on page 227

Taxation of dividends
See page 231 for details on dividend taxation.

Shareholders as at 31 March 2021

Number of ordinary	Number of accounts	% of total of issued shares
1-1,000	297,155	0.21
1,001-5,000	39,967	0.30
5,001-50,000	11,002	0.46
50,001-100,000	452	0.11
100,001-500,000	637	0.52
More than 500,000	1,098	98.40

Major shareholders
As at 17 May 2021, Deutsche Bank, as custodian of our ADR programme, held approximately 13.68% of our ordinary shares of 20 20/21 US cents each as nominee.

At this date, the total number of ADRs outstanding was 383,236,963 and 1,442 holders of ordinary shares had registered addresses in the United States and held a total of approximately 0.008% of the ordinary shares of the Company.

At 31 March 2021, the following percentage interests in the ordinary share capital of the Company, disclosable under the Disclosure Guidance and Transparency Rules, ('DTR 5'), have been notified to the Directors.

Shareholder	Shareholding[1]
BlackRock, Inc.[2]	6.90%
Norges Bank	3.0004%

Notes:
1. The percentage of voting rights detailed above was calculated at the time of the relevant disclosures made in accordance with Rule 5 of the Disclosure Guidance and Transparency Rules.
2. On 1 February 2021, BlackRock, Inc. disclosed by way of a Schedule 13G filed with the SEC, beneficial ownership of 2,333,163,274 ordinary shares of the Company as of 31 December 2020, representing 8.7% of that class of shares at that date.

The Company is not aware of any changes in the interests disclosed under DTR 5 between 31 March 2021 and 17 May 2021.

As far as the Company is aware, between 1 April 2016 and 17 May 2021, no shareholder, other than described above, held 3% or more of the voting rights attributable to the ordinary shares of the Company other than (i) Deutsche Bank, as custodian of our ADR programme, (ii) Blackrock, Inc and Norges Bank (as described above) and (iii) Morgan Stanley, which owned 3.6% of the Company's ordinary shares at 13 February 2018.

The rights attaching to the ordinary shares of the Company held by these shareholders are identical in all respects to the rights attaching to all the ordinary shares of the Company. As at 17 May 2021 the Directors are not aware of any other interest of 3% or more in the ordinary share capital of the Company. The Company is not directly or indirectly owned or controlled by any foreign government or any other legal entity. There are no arrangements known to the Company that could result in a change of control of the Company.

Other information

Articles of Association and applicable English law
The following description summarises certain provisions of the Company's Articles of Association and applicable English law. This summary is qualified in its entirety by reference to the Companies Act 2006 and the Company's Articles of Association. The Company is a public limited company under the laws of England and Wales. The Company is registered in England and Wales under the name Vodafone Group Public Limited Company with the registration number 1833679.

Full details on where copies of the Articles of Association can be obtained are detailed on page 230 under "Documents on display"

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All of the Company's ordinary shares are fully paid. Accordingly, no further contribution of capital may be required by the Company from the holders of such shares.

English law specifies that any alteration to the Articles of Association must be approved by a special resolution of the Company's shareholders.

Articles of Association

The Company's Articles of Association do not specifically restrict the objects of the Company.

Directors

The Directors are empowered under the Articles of Association to exercise all the powers of the Company subject to any restrictions in the Articles of Association, the Companies Act 2006 (as defined in the Articles of Association) and any special resolution.

Under the Company's Articles of Association a Director cannot vote in respect of any proposal in which the Director, or any person connected with the Director, has a material interest other than by virtue of the Director's interest in the Company's shares or other securities. However, this restriction on voting does not apply in certain circumstances as set out in the Articles of Association.

The Directors are empowered to exercise all the powers of the Company to borrow money, subject to the limitation that the aggregate amount of all liabilities and obligations of the Group outstanding at any time shall not exceed an amount equal to 1.5 times the aggregate of the Group's share capital and reserves calculated in the manner prescribed in the Articles of Association unless sanctioned by an ordinary resolution of the Company's shareholders.

The Company can make market purchases of its own shares or agree to do so in the future provided it is duly authorised by its members in a general meeting and subject to and in accordance with section 701 of the Companies Act 2006. Such authority was given at the 2020 AGM. On 19 March 2021, the Company announced the commencement of an irrevocable and non-discretionary share buy-back programme as a result of the maturing of the second tranche of the mandatory convertible bond ('MCB') on 12 March 2021. In order to satisfy the conversion of the first tranche of the MCB, 1,426,710,898 shares were issued from existing shares held in treasury. Under this programme the Company is expected to purchase up to the number of ordinary shares of 20 20/21 US cents each announced for the programme on 19 March 2021. The number of shares expected to be purchased is below the number permitted to be purchased by the Company pursuant to the authority granted by the shareholders at the 2020 AGM.

Further details of the programme can be found on page 31

At each AGM all Directors shall offer themselves for re-election in accordance with the Company's Articles of Association and in the interests of good corporate governance.

Directors are not required under the Company's Articles of Association to hold any shares of the Company as a qualification to act as a Director, although the Executive Directors are required to under the Company's Remuneration Policy.

Full details of the Remuneration Policy can be found on pages 84 to 89

Rights attaching to the Company's shares

At 31 March 2021, the issued share capital of the Company was comprised of 50,000 7% cumulative fixed rate shares of £1.00 each and 28,224,193,469 ordinary shares (excluding treasury shares) of 20 20/21 US cents each. As at 31 March 2021, 592,642,309 ordinary shares were held in Treasury.

Dividend rights

Holders of 7% cumulative fixed rate shares are entitled to be paid in respect of each financial year, or other accounting period of the Company, a fixed cumulative preferential dividend of 7% p.a. on the nominal value of the fixed rate shares. A fixed cumulative preferential dividend may only be paid out of available distributable profits which the Directors have resolved should be distributed.

The fixed rate shares do not have any other right to share in the Company's profits.

Holders of the Company's ordinary shares may, by ordinary resolution, declare dividends but may not declare dividends in excess of the amount recommended by the Directors. The Board of Directors may also pay interim dividends. No dividend may be paid other than out of profits available for distribution.

Dividends on ordinary shares can be paid to shareholders in whatever currency the Directors decide, using an appropriate exchange rate for any currency conversions which are required.

If a dividend has not been claimed for one year after the date of the resolution passed at a general meeting declaring that dividend or the resolution of the Directors providing for payment of that dividend, the Directors may invest the dividend or use it in some other way for the benefit of the Company until the dividend is claimed. If the dividend remains unclaimed for 12 years after the relevant resolution either declaring that dividend or providing for payment of that dividend, it will be forfeited and belong to the Company.

Voting rights

At a general meeting of the Company, when voting on substantive resolutions (i.e. any resolution which is not a procedural resolution) each shareholder who is entitled to vote and is present in person or by proxy has one vote for every share held (a poll vote). Procedural resolutions (such as a resolution to adjourn a general meeting or a resolution on the choice of Chairman of a general meeting) shall be decided on a show of hands, where each shareholder who is present at the meeting has one vote regardless of the number of shares held, unless a poll is demanded.

Shareholders entitled to vote at general meetings may appoint proxies who are entitled to vote, attend and speak at general meetings. Two shareholders present in person or by proxy constitute a quorum for purposes of a general meeting of the Company.

Under English law, shareholders of a public company such as the Company are not permitted to pass resolutions by written consent. Record holders of the Company's ADSs are entitled to attend, speak and vote on a poll or a show of hands at any general meeting of the Company's shareholders by the depositary's appointment of them as corporate representatives or proxies with respect to the underlying ordinary shares represented by their ADSs. Alternatively, holders of ADSs are entitled to vote by supplying their voting instructions to the depositary or its nominee who will vote the ordinary shares underlying their ADSs in accordance with their instructions.

Holders of the Company's ADSs are entitled to receive notices of shareholders' meetings under the terms of the deposit agreement relating to the ADSs.

Employees who hold shares in a vested nominee share account are able to vote through the respective plan's trustees. Note there is now a vested share account with Computershare (in respect of shares arising from a SAYE exercise) and Equatex (MyShareBank).

Holders of the Company's 7% cumulative fixed rate shares are only entitled to vote on any resolution to vary or abrogate the rights attached to the fixed rate shares. Holders have one vote for every fully paid 7% cumulative fixed rate share.

Shareholder information (continued)

Liquidation rights

In the event of the liquidation of the Company, after payment of all liabilities and deductions in accordance with English law, the holders of the Company's 7% cumulative fixed rate shares would be entitled to a sum equal to the capital paid up on such shares, together with certain dividend payments, in priority to holders of the Company's ordinary shares. The holders of the fixed rate shares do not have any other right to share in the Company's surplus assets.

Pre-emptive rights and new issues of shares

Under section 549 of the Companies Act 2006 Directors are, with certain exceptions, unable to allot the Company's ordinary shares or securities convertible into the Company's ordinary shares without the authority of the shareholders in a general meeting. In addition, section 561 of the Companies Act 2006 imposes further restrictions on the issue of equity securities (as defined in the Companies Act 2006 which include the Company's ordinary shares and securities convertible into ordinary shares) which are, or are to be, paid up wholly in cash and not first offered to existing shareholders. The Company's Articles of Association allow shareholders to authorise Directors for a period specified in the relevant resolution to allot (i) relevant securities generally up to an amount fixed by the shareholders; and (ii) equity securities for cash other than in connection with a pre-emptive offer up to an amount specified by the shareholders and free of the pre-emption restriction in section 561. At the 2020 AGM the amount of relevant securities fixed by shareholders under (i) above and the amount of equity securities specified by shareholders under (ii) above were in line with the Pre-Emption Group's Statement of Principles.

Further details of such proposals are provided in the 2021 Notice of AGM.

Disclosure of interests in the Company's shares

There are no provisions in the Articles of Association whereby persons acquiring, holding or disposing of a certain percentage of the Company's shares are required to make disclosure of their ownership percentage although such requirements exist under the Disclosure Guidance and Transparency Rules.

General meetings and notices

Subject to the Articles of Association, AGMs are held at such times and place as determined by the Directors of the Company. The Directors may also, when they think fit, convene other general meetings of the Company. General meetings may also be convened on requisition as provided by the Companies Act 2006.

An AGM is required to be called on not less than 21 days' notice in writing. Subject to obtaining shareholder approval on an annual basis, the Company may call other general meetings on 14 days' notice. The Directors may determine that persons entitled to receive notices of meetings are those persons entered on the register at the close of business on a day determined by the Directors but not later than 21 days before the date the relevant notice is sent. The notice may also specify the record date, the time of which shall be determined in accordance with the Articles of Association and the Companies Act 2006.

Under section 336 of the Companies Act 2006 the AGM must be held each calendar year and within six months of the Company's year end.

Variation of rights

If at any time the Company's share capital is divided into different classes of shares, the rights attached to any class may be varied, subject to the provisions of the Companies Act 2006, either with the consent in writing of the holders of three quarters in nominal value of the shares of that class or at a separate meeting of the holders of the shares of that class.

At every such separate meeting all of the provisions of the Articles of Association relating to proceedings at a general meeting apply, except that (i) the quorum is to be the number of persons (which must be at least two) who hold or represent by proxy not less than one third in nominal value of the issued shares of the class or, if such quorum is not present on an adjourned meeting, one person who holds shares of the class regardless of the number of shares he holds; (ii) any person present in person or by proxy may demand a poll; and (iii) each shareholder will have one vote per share held in that particular class in the event a poll is taken. Class rights are deemed not to have been varied by the creation or issue of new shares ranking equally with or subsequent to that class of shares in sharing in profits or assets of the Company or by a redemption or repurchase of the shares by the Company.

Limitations on transfer, voting and shareholding

As far as the Company is aware there are no limitations imposed on the transfer, holding or voting of the Company's ordinary shares other than those limitations that would generally apply to all of the shareholders, those that apply by law (e.g. due to insider dealing rules) or those that apply as a result of failure to comply with a notice under section 793 of the Companies Act 2006.

No shareholder has any securities carrying special rights with regard to control of the Company. The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities.

Documents on display

The Company is subject to the information requirements of the Exchange Act applicable to foreign private issuers. In accordance with these requirements the Company files its Annual Report on Form 20-F and other related documents with the SEC. These documents may be inspected at the SEC's public reference rooms located at 100 F Street, NE Washington, DC 20549. Information on the operation of the public reference room can be obtained in the United States by calling the SEC on +1-800-SEC-0330. In addition, some of the Company's SEC filings, including all those filed on or after 4 November 2002, are available on the SEC's website at sec.gov. Shareholders can also obtain copies of the Company's Articles of Association from our website at vodafone.com/governance or from the Company's registered office.

Material contracts

At the date of this Annual Report the Group is not party to any contracts that are considered material to its results or operations except for:

- its €3,860,000,000 and US$ 3,935,000,000 revolving credit facilities which are discussed in note 21 "Borrowings" to the consolidated statements;
- Contribution and Transfer Agreement dated 31 December 2016, as amended, relating to the contribution and/or transfer of shares in Ziggo Group Holding B.V. and Vodafone Libertel B.V. to Lynx Global Europe II B.V. and the formation of the Netherlands joint venture;
- the Implementation Agreement dated 20 March 2017, as amended, relating to the combination of the Indian mobile telecommunications businesses of Vodafone Group and Idea Group as detailed in note 27 "Acquisitions and disposals" to the consolidated financial statements;
- the Implementation Agreement dated 25 April 2018 relating to the combination of the businesses of Indus Towers and Bharti Infratel;
- the Sale and Purchase Agreement dated 9 May 2018 relating to the purchase of Liberty Global plc's businesses in Germany, Romania, Hungary and the Czech Republic;
- the Transitional Services Agreement dated 31 July 2019 relating to services and cooperation relating to the sale of Liberty Global plc's businesses in Germany, Romania, Hungary and the Czech Republic;
- the Sale and Purchase Agreement dated 31 July 2019 relating to the sale of Vodafone New Zealand; and
- the Deed of Merger dated 31 March 2020 relating to the combination of Vodafone Italy's towers with INWIT's passive network infrastructure.

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Exchange controls

There are no UK Government laws, decrees or regulations that restrict or affect the export or import of capital including, but not limited to, foreign exchange controls on remittance of dividends on the ordinary shares or on the conduct of the Group's operations.

Taxation

As this is a complex area investors should consult their own tax adviser regarding the US federal, state and local, the UK and other tax consequences of owning and disposing of shares and ADSs in their particular circumstances.

This section describes, primarily for a US holder (as defined below), in general terms, the principal US federal income tax and UK tax consequences of owning or disposing of shares or ADSs in the Company held as capital assets (for US and UK tax purposes). This section does not, however, cover the tax consequences for members of certain classes of holders subject to special rules including, for example, US expatriates and former long-term residents of the United States; officers and employees of the Company; holders that, directly, indirectly or by attribution, hold 5% or more of the Company's stock (by vote or value); financial institutions; insurance companies; individual retirement accounts and other tax-deferred accounts; tax-exempt organisations; dealers in securities or currencies; investors that will hold shares or ADSs as part of straddles, hedging transactions or conversion transactions for US federal income tax purposes; investors holding shares or ADSs in connection with a trade or business conducted outside of the US; or US holders whose functional currency is not the US dollar.

A US holder is a beneficial owner of shares or ADSs that is for US federal income tax purposes:

- an individual citizen or resident of the United States;
- US domestic corporation;
- an estate, the income of which is subject to US federal income tax regardless of its source; or
- a trust, if a US court can exercise primary supervision over the trust's administration and one or more US persons are authorised to control all substantial decisions of the trust, or the trust has validly elected to be treated as a domestic trust for US federal income tax purposes.

If an entity or arrangement treated as a partnership for US federal income tax purposes holds the shares or ADSs, the US federal income tax treatment of a partner will generally depend on the status of the partner and the tax treatment of the partnership. Holders that are entities or arrangements treated as partnerships for US federal income tax purposes should consult their tax advisers concerning the US federal income tax consequences to them and their partners of the ownership and disposition of shares or ADSs by the partnership.

This section is based on the US Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, and on the tax laws of the UK, the Double Taxation Convention between the United States and the UK (the 'treaty') and current HM Revenue and Customs ('HMRC') published practice, all as of the date hereof. These laws and such practice are subject to change, possibly on a retroactive basis.

This section is further based in part upon the representations of the depositary and assumes that each obligation in the deposit agreement and any related agreement will be performed in accordance with its terms.

For the purposes of the treaty and the US-UK double taxation convention relating to estate and gift taxes (the 'Estate Tax Convention'), and for US federal income tax and UK tax purposes, this section is based on the assumption that a holder of ADRs evidencing ADSs will generally be treated as the owner of the shares in the Company represented by those ADRs. Investors should note that a ruling by the first-tier tax tribunal in the UK has cast doubt on this view, but HMRC have stated that they will continue to apply their long-standing practice of regarding the holder of such ADRs as holding the beneficial interest in the underlying shares. Similarly, the US Treasury has expressed concern that US holders of depositary receipts (such as holders of ADRs representing our ADSs) may be claiming foreign tax credits in situations where an intermediary in the chain of ownership between such holders and the issuer of the security underlying the depositary receipts, or a party to whom depositary receipts or deposited shares are delivered by the depositary prior to the receipt by the depositary of the corresponding securities, has taken actions inconsistent with the ownership of the underlying security by the person claiming the credit, such as a disposition of such security. Such actions may also be inconsistent with the claiming of the reduced tax rates that may be applicable to certain dividends received by certain non-corporate holders, as described below. Accordingly, (i) the creditability of any UK taxes and (ii) the availability of the reduced tax rates for any dividends received by certain non-corporate US holders, each as described below, could be affected by actions taken by such parties or intermediaries. Generally exchanges of shares for ADRs and ADRs for shares will not be subject to US federal income tax or to UK tax other than stamp duty or stamp duty reserve tax (see the section on these taxes on page 219).

Taxation of dividends

UK taxation

Under current UK law, there is no requirement to withhold tax from the dividends that we pay. Shareholders who are within the charge to UK corporation tax will be subject to corporation tax on the dividends we pay unless the dividends fall within an exempt class and certain other conditions are met. It is expected that the dividends we pay would generally be exempt.

Individual shareholders in the Company who are resident in the UK will be subject to the income tax on the dividends we pay. Dividends will be taxable in the UK at the dividend rates applicable where the income received is above the dividend allowance (currently £2,000 per tax year) which is taxed at a nil rate. Dividend income is treated as the highest part of an individual shareholder's income and the dividend allowance will count towards the basic or higher rate limits (as applicable) which may affect the rate of tax due on any dividend income in excess of the allowance.

US federal income taxation

Subject to the passive foreign investment company ('PFIC') rules described below, a US holder is subject to US federal income taxation on the gross amount of any dividend we pay out of our current or accumulated earnings and profits (as determined for US federal income tax purposes). Distributions in excess of current and accumulated earnings and profits will be treated as a non-taxable return of capital to the extent of the US holder's basis in the shares or ADSs and thereafter as capital gain.

However, the Company does not maintain calculations of its earnings and profits in accordance with US federal income tax accounting principles. US holders should therefore assume that any distribution by the Company with respect to shares will be reported as ordinary dividend income. Dividends paid to a non-corporate US holder will be taxable to the holder at the reduced rate normally applicable to long-term capital gains provided that certain requirements are met.

Dividends must be included in income when the US holder, in the case of shares, or the depositary, in the case of ADSs, actually or constructively receives the dividend and will not be eligible for the dividends-received deduction generally allowed to US corporations in respect of dividends received from other US corporations.

The amount of the dividend distribution to be included in income will be the US dollar value of the pound sterling or euro payments made determined at the spot pound sterling/US dollar rate or the spot euro/US dollar rate, as applicable, on the date the dividends are received

Shareholder information (continued)

by the US holder, in the case of shares, or the depositary, in the case of ADSs, regardless of whether the payment is in fact converted into US dollars at that time. If dividends received in pounds sterling or euros are converted into US dollars on the day they are received, the US holder generally will not be required to recognise any foreign currency gain or loss in respect of the dividend income.

Where UK tax is payable on any dividends received, a US holder may be entitled, subject to certain limitations, to a foreign tax credit in respect of such taxes.

Taxation of capital gains

UK taxation

A US holder that is not resident in the UK will generally not be liable for UK tax in respect of any capital gain realised on a disposal of our shares or ADSs.

However, a US holder may be liable for both UK and US tax in respect of a gain on the disposal of our shares or ADSs if the US holder:

- is a citizen of the United States and is resident in the UK;
- is an individual who realises such a gain during a period of "temporary non-residence" (broadly, where the individual becomes resident in the UK, having ceased to be so resident for a period of five years or less, and was resident in the UK for at least four out of the seven tax years immediately preceding the year of departure from the UK);
- is a US domestic corporation resident in the UK by reason of being centrally managed and controlled in the UK; or
- is a citizen or a resident of the United States, or a US domestic corporation, that has used, held or acquired the shares or ADSs in connection with a branch, agency or permanent establishment in the UK through which it carries on a trade, profession or vocation in the UK.

In such circumstances, relief from double taxation may be available under the treaty. Holders who may fall within one of the above categories should consult their professional advisers.

US federal income taxation

Subject to the PFIC rules described below, a US holder that sells or otherwise disposes of our shares or ADSs generally will recognise a capital gain or loss for US federal income tax purposes equal to the difference, if any, between the US dollar value of the amount realised and the holder's adjusted tax basis, determined in US dollars, in the shares or ADSs. This capital gain or loss will be a long-term capital gain or loss if the US holder's holding period in the shares or ADSs exceeds one year.

The gain or loss will generally be income or loss from sources within the US for foreign tax credit limitation purposes. The deductibility of losses is subject to limitations.

Additional tax considerations

UK inheritance tax

An individual who is domiciled in the United States (for the purposes of the Estate Tax Convention) and is not a UK national will not be subject to UK inheritance tax in respect of our shares or ADSs on the individual's death or on a transfer of the shares or ADSs during the individual's lifetime, provided that any applicable US federal gift or estate tax is paid, unless the shares or ADSs are part of the business property of a UK permanent establishment or pertain to a UK fixed base used for the performance of independent personal services. Where the shares or ADSs have been placed in trust by a settlor they may be subject to UK inheritance tax unless, when the trust was created, the settlor was domiciled in the United States and was not a UK national. Where the shares or ADSs are subject to both UK inheritance tax and to US federal gift or estate tax, the estate tax convention generally provides a credit against US federal tax liabilities for UK inheritance tax paid.

UK stamp duty and stamp duty reserve tax

Stamp duty will, subject to certain exceptions, be payable on any instrument transferring our shares to the custodian of the depositary at the rate of 1.5% on the amount or value of the consideration if on sale or on the value of such shares if not on sale. Stamp duty reserve tax ('SDRT'), at the rate of 1.5% of the amount or value of the consideration or the value of the shares, could also be payable in these circumstances but no SDRT will be payable if stamp duty equal to such SDRT liability is paid.

Following rulings of the European Court of Justice and the first-tier tax tribunal in the UK, HMRC have confirmed that the 1.5% SDRT charge will not be levied on an issue of shares to a depositary receipt system on the basis that such a charge is contrary to EU law.

No stamp duty should in practice be required to be paid on any transfer of our ADSs provided that the ADSs and any separate instrument of transfer are executed and retained at all times outside the UK.

A transfer of our shares in registered form will attract ad valorem stamp duty generally at the rate of 0.5% of the purchase price of the shares. There is no charge to ad valorem stamp duty on gifts.

SDRT is generally payable on an unconditional agreement to transfer our shares in registered form at 0.5% of the amount or value of the consideration for the transfer, but if, within six years of the date of the agreement, an instrument transferring the shares is executed and stamped, any SDRT which has been paid would be repayable or, if the SDRT has not been paid, the liability to pay the tax (but not necessarily interest and penalties) would be cancelled. However, an agreement to transfer our ADSs will not give rise to SDRT.

PFIC rules

We do not believe that our shares or ADSs will be stock of a PFIC for US federal income tax purposes for our current taxable year or the foreseeable future. This conclusion is a factual determination that is made annually and thus is subject to change. If we are a PFIC, US holders of shares would be required (i) to pay a special US addition to tax on certain distributions and (ii) any gain realised on the sale or other disposition of the shares or ADSs would in general not be treated as a capital gain unless a US holder elects to be taxed annually on a mark-to-market basis with respect to the shares or ADSs.

Otherwise a US holder would be treated as if he or she has realised such gain and certain "excess distributions" rateably over the holding period for the shares or ADSs and would be taxed at the highest tax rate in effect for each such year to which the gain was allocated. An interest charge in respect of the tax attributable to each such preceding year beginning with the first such year in which our shares or ADSs were treated as stock in a PFIC would also apply. In addition, dividends received from us would not be eligible for the reduced rate of tax described above under "Taxation of dividends – US federal income taxation".

Back-up withholding and information reporting

Payments of dividends and other proceeds to a US holder with respect to shares or ADSs, by a US paying agent or other US intermediary will be reported to the Internal Revenue Service and to the US holder as may be required under applicable regulations. Back-up withholding may apply to these payments if the US holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to comply with applicable certification requirements.

Certain US holders are not subject to back-up withholding. US holders should consult their tax advisers about these rules and any other reporting obligations that may apply to the ownership or disposition of shares or ADSs, including requirements related to the holding of certain foreign financial assets.

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History and development

The Company was incorporated under English law in 1984 as Racal Strategic Radio Limited (registered number 1833679). After various name changes, 20% of Racal Telecom Plc share capital was offered to the public in October 1988. The Company was fully demerged from Racal Electronics Plc and became an independent company in September 1991 at which time it changed its name to Vodafone Group Plc.

Since then we have entered into various transactions which impacted on the development of the Group. The most significant in the year ended 31 March 2021 are summarised below.

- On 13 July 2020, the Group announced that Vodafone Hutchison Australia Pty Limited ('VHA') and TPG Telecom Limited ('TPG') had completed their merger. The merged entity was admitted to the Australian Securities Exchange ('ASX') on 30 June 2020 and is known as TPG Telecom Limited. Vodafone and Hutchison Telecommunications (Australia) Limited each own an economic interest of 25.05% in the merged unit, with the remaining 49.9% listed as free float on the ASX.
- On 26 November 2020, the Group announced that the merger of Indus Towers Limited and Bharti Infratel Limited had completed. The combined company is listed on the National Stock Exchange of India and the Bombay Stock Exchange and was renamed Indus Towers Limited following the merger. Vodafone holds a 28.1% shareholding in the combined company.
- On 21 December 2020, the Group announced that it had completed the combination of the tower infrastructure assets of Vodafone Greece with those of Wind Hellas Telecommunications SA. The combined entity ('Vantage Towers Greece') is the largest tower infrastructure company in Greece.
- On 11 January 2021, Vodafone Limited ('Vodafone UK') and Telefonica UK Limited announced the commercialisation of Cornerstone Telecommunications Infrastructure Limited ('Cornerstone'), the 50:50 joint venture company that owns and manages their passive tower infrastructure in the UK. Vodafone subsequently transferred its 50% shareholding to Vantage Towers A.G on 14 January 2020.
- Vantage Towers A.G. completed an initial public offering and the first day of trading on the Regulated Market of the Frankfurt Stock Exchange was 18 March 2021. The offer consisted solely of a secondary sell-down of existing shares held by Vodafone GmbH.

Regulation

Introduction

Our operating companies are generally subject to regulation governing the operation of their business activities. Such regulation typically takes the form of industry specific law and regulation covering telecommunications services and general competition (antitrust) law applicable to all activities. The following section describes the regulatory frameworks and the key regulatory developments at national and regional level and in the European Union ('EU'), in which we had significant interests during the year ended 31 March 2021. Many of the regulatory developments reported in the following section involve ongoing proceedings or consideration of potential proceedings that have not reached a conclusion. Accordingly, we are unable to attach a specific level of financial risk to our performance from such matters.

European Union ('EU')

The new European Electronic Communications Code ('Code') has updated the telecoms regulatory framework in Europe. The Code was required to be implemented by Member States in Europe by December 2020. In February 2021, the European Commission ('EC') started infringement procedures against the 24 Member States that did not meet the deadline including Czech Republic, Germany, Ireland, Italy, Netherlands, Portugal, Romania, and Spain. The Code has been transposed and is in force in Hungary and Greece.

In November 2020, the EC tabled the first legislative initiative under the EU Data Strategy and the Data Governance Act, which intended to facilitate sharing and reuse of public sector data by increasing trust, reducing barriers to data sharing and increasing citizen control. In December 2020, the EC published the Digital Services Act package, comprising a Digital Services Act and Digital Markets Act, intended to reshape the regulatory environment for digital services in Europe regarding security, fairness and competition.

In December 2020, the EC published two legal acts mandated under the European Electronic Communications Code: (1) EC's Recommendation on relevant markets to identify those product and service markets in which ex ante regulation may be justified; (2) the Delegated Act setting a single maximum Union-wide mobile voice termination rate and a single maximum Union-wide fixed voice termination rate applicable to any provider of fixed and mobile termination services across the Union in the next five years.

In February 2021, the EC proposed the prolongation of the Roaming Regulation for 10 years in order to ensure the continuation of Roam-Like-at-Home. The EC proposes to reduce the wholesale caps for all services (data, voice and SMS) and bring new measures on transparency, quality of service and access to emergency communications.

In March 2021, the EC published a "Connectivity Toolbox", which is a joint deliverable of Member States and the EC containing best practices on network cost reduction, spectrum authorisation for 5G, the environmental footprint and environmental impact assessment of networks as well as Electronic Magnetic Fields. The objective of this toolbox is to reduce the cost of broadband deployment in Europe for Network Operators while the EC is in the process of revising the Broadband Cost Reduction Directive.

In March 2021, the EC presented the 2030 Digital Decade Compass, setting the EU's digital ambitions for the next decade, including two overarching targets for all European households to have gigabit connectivity by 2030, and for all populated areas to be covered by 5G. The EC proposes to publish a new Annual European Digital Decade report which will include 'traffic lights' on the EU's and Member States' progress towards the 2030 digital ambition.

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Addressing the challenges posed by the COVID-19 pandemic, the Next Generation EU package is the Union's means to support the recovery processes in EU Member States. The bulk of the proposed recovery measures will be powered by a new temporary recovery instrument worth €750 billion. A significant amount will be allocated towards digital and green initiatives, with a proposed minimum of 20% of the Recovery and Resilience Facility to be allocated to digital and 37% to green initiatives.

Europe region

Germany

In May 2017, the national regulatory authority ('BNetzA') initiated the market review process for wholesale access at fixed locations in the markets for access to unbundled local loop ('ULL') and for virtual unbundled local access ('VULA') as well as for access to bitstream wholesale products. However, mainly due to the delay of the new German telecoms law implementing the Code, BNetzA has not yet published a draft regulatory order on possible remedies and the future of fibre access regulation. It is expected that BNetzA will publish the draft shortly after adoption of the telecoms law.

In September 2019, BNetzA published a draft decision regarding the fixed access market review that indicated that Deutsche Telekom has significant market power across all speeds, technologies and regions. Cable operators are not defined as being dominant.

As part of the process of implementing the Code, the German Parliament approved an abolishment of the right to bill TV services via ancillary costs in Multi Dwelling Units with a transition period for the existing footprint until June 2024. The law is expected to enter into force on December 2021.

Italy

In March 2017, the national regulatory authority ('AGCOM') imposed a minimum billing period of one month for fixed and convergent offers, effective by the end of June 2017. The operators appealed AGCOM's resolution before the Administrative Court and the appeal was rejected in February 2018. Vodafone Italy filed an appeal before the Council of State and after the public hearing held in July 2020, the Council of State issued a Preliminary referral to the Court of Justice in order to assess if the NRA has the power to impose minimum and binding billing periods under EU law.

In January 2020, the national competition authority ('AGCM') ruled that Vodafone, TIM, Fastweb and WindTre would have coordinated their commercial strategies relating to the transition from four-week billing (28 days) to monthly billing, with the maintenance of a 8.6% price increase, in violation of art.101 of TFEU. Vodafone's appeal on the Authority's decision is pending before the Administrative Tribunal. The hearing will take place in May 2021.

The frequencies in the 2.1 GHz band are being renewed until 2029. The cost has already been defined and is different for the single advance payment or with annual instalments. For renewal, Vodafone Italy will have to pay €240m (single payment) by April 2021 or the first of eight annual instalments of €36m for a total amount of €276m. In the event of non-payment, the frequencies will expire in December 2021.

In April 2021, AGCOM started a public consultation on the co-investment commitments presented by TIM in January 2021 to verify the applicability of art. 76 of the Code.

United Kingdom

The national regulatory authority ('Ofcom') issued its Fixed Wholesale Telecoms Market statement setting regulation for consumer and business connectivity services until 2026. Ofcom are keen to encourage wider investment in fibre, with wholesale pricing anticipated to rise to fund this. While basic services will be subject to +CPI price caps, most other services will not be directly price-regulated, however equivalence and supply obligations will be retained in most UK areas.

In March 2021, Vodafone acquired 40MHz of 3.6GHz spectrum expiring in 2041 for £176 million. Vodafone's total holdings in 3.4-3.6 GHz are 90 MHz. The assignment stage, which will determine the final location of the spectrum, is currently taking place and is expected to be completed in April.

Spain

Vodafone Spain has requested a three-year extension and modification of the commitments which ended in April 2020 in relation to the Movistar–DTS merger in 2015. Following Vodafone Spain's extension request in February 2020, the national regulatory authority ('CNMC') rendered public its Resolution extending the term of most of the initial commitments for an additional period of three years, ensuring access to Movistar Estrenos and Movistar Series channels. The Resolution has eliminated the commitment that limited the terms in which Telefónica could acquire SVOD content, which has been appealed by Vodafone.

In May 2019, the Ministry of Economy and Enterprise launched a 5G public consultation on 700MHz, 1.5GHz and 26GHz spectrum bands. In December 2019, the Ministry launched a public consultation to modify the Spanish National Frequencies Plan relative to the 700MHz auction. The Ministry approved the final cap that will apply for the 700 MHz band, expected to be auctioned in Q1 FY2021. In December 2020 there was a public consultation on 700 MHz auction rules, which included stringent obligations related to price, coverage and wholesale access.

The Spanish Government approved a strategic digitalisation plan 'España Digital 2025'. The plan contains 10 strategic pillars, including a €2.3 billion Connectivity Plan and a €2 billion 5G Boosting Plan for 2021-2025.

In November 2020, a public consultation on the new Audiovisual Act, intended to transpose the Audio-Visual Services Directive into national legislation, launched for comments and is expected to be approved in 2021.

In November 2020, CNMC published a public consultation on Market 3a and 3b review which is expected to be approved in Q1 FY2021. The proposal implies an increase in the number of deregulated municipalities and would reduce the period for closure of copper exchanges from five to two years.

In December 2020, the government approved a Royal Decree modifying the current Consumers Law, in which companies providing telephony customer care services must offer an alternative number (mobile or landline) where the cost of a call must be equal to or less than the cost of a call to a standard geographic or mobile number.

Ireland

In April 2019, the national regulatory authority ('ComReg') published its final decision on Universal Service funding applications by eircom Ltd ('eir') for 2010 to 2015. ComReg found that the net cost of the USO did not represent an unfair burden on eir. Subsequently, eir have challenged this decision. The proceedings are ongoing, and Vodafone Ireland is a notice party to these proceedings.

In May 2019, ComReg initiated a review of the regulated Weighted Average Cost of Capital (WACC). In its draft decision notified to the EC in June 2020, ComReg proposed the regulated fixed WACC should fall from 8.18% to 5.61%. In line with the decrease of the WACC, the EC urged ComReg to update relevant fixed pricing decisions as soon as possible, to ensure that prices in the Irish wholesale markets reflect current market conditions. ComReg issued its decision on the WACC in October 2020 and decided to update WACC as part of an overall review of the Access Network Model. The final decision is expected in the second half of 2021.

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In December 2020, ComReg published its decision on the Multi-Band Spectrum Auction. In late January 2021, Three Ireland (Hutchison) Ltd and Three Ireland Services (Hutchison) Ltd (collectively 'Three') lodged an appeal to the decision. The proceedings were given a hearing for June 2021.

ComReg and the Irish government have continued to extend the Temporary Spectrum Measures. The measures have extended for two further three-month periods until October 2021. As part of these measures the 2.1GHz licenses have been liberalised and there is a facility to apply for 2.6GHz spectrum for specific hotspots as required.

Portugal

In June 2019, Vodafone Portugal launched a court action against the national regulatory authority ('ANACOM') seeking the revocation of Dense Air's spectrum licence under the 'use it or lose it' principle. In March 2020, Vodafone Portugal launched another court action against an ANACOM December 2019 decision which amends – instead of revoking – Dense Air's spectrum license. On November 2020, Vodafone Portugal brought a precautionary proceeding against ANACOM regarding the restrictive impact in the 5G auction of maintaining Dense Air's spectrum licence. Legal proceedings are ongoing.

In February 2020, the Portuguese Government put forward a Resolution setting out its 5G Strategy. Following this, ANACOM launched a public consultation on the 5G Auction Regulation and in November 2020 ANACOM published its final decision. Vodafone submitted a court action against ANACOM in relation to discriminatory measures between new entrants and current MNOs, which is pending decision. In the meantime, the auction, which began in December 2020, is ongoing.

In July 2020, the national competition authority ('AdC') sent Vodafone Portugal and three other national operators a statement of objections ('SO') alleging that operators may have formed a cartel to limit competition in telecoms services advertising via the Google search engine. In October 2020, Vodafone Portugal responded to the SO and proceedings are ongoing. Vodafone has also filed motions and appeals with different authorities regarding procedural irregularities and invalidity of evidence collected during the December 2018 raid at Vodafone Portugal´s premises. In December 2020, a Court decision declared email evidence collected at Vodafone Portugal´s premises to be inadmissible.

Vodafone Portugal continues to challenge payment notices totalling €34.8 million issued by ANACOM regarding 2012-2014 extraordinary compensation of Universal Service net costs.

In March 2021, ANACOM decided on the annual review of prices applicable to circuits connecting the mainland and the autonomous regions of Azores and Madeira (CAM circuits) and the various islands in Azores (inter-island circuits) which are managed by the operator with significant market power and subject to cost-orientation. Prices applicable to traditional/non-Ethernet circuits and inter-islands circuits were maintained, whereas prices applicable to CAM Ethernet circuits were lowered by 10%. New prices apply retroactively as of October 2020.

Romania

In August 2020, the Government initiated the 5G Security Draft Law following the administrative approval process; however, the final parliamentary process has not yet been finalised. The 5G spectrum auction is delayed until the second of half of 2021.

In October 2020, following a review of the wholesale markets for fixed access, the national regulatory authority ('ANCOM') decided to maintain its previous decision regarding market competitiveness, therefore markets 3a and 3b continue to be free of significant market power-based remedies.

In November 2020, fixed termination rates decreased by 30% to €0.098 cents/min.

Greece

Forthnet has filed a complaint with the Administrative Court requesting the annulment of the Vectoring/FTTH allocation decisions. The hearing date has been postponed to November 2021.

In December 2020, Vodafone Greece acquired 2x10 MHz of 700 MHz, 2x20 MHz of 2.1GHz, 140 MHz of 3.5 GHz, and 400 MHz of 26 GHz in the recent auction for €130m. The spectrum acquired has a 15-year duration to 2035, with the option of a further five-year extension.

Following the publication of the 5G Auction Tender document, a petition by Greek residents for its annulment, as well as for any future administrative acts, was filed before the Council of the State on the grounds it infringed environmental protection provisions. The hearing date is set for May 2021.

The national regulatory authority's ('EETT') decision in relation to Wind's complaint against Vodafone Greece and Cosmote alleging abuse of dominance in relation to calls to mobile networks in Albania is pending.

Vodafone Greece appealed EETT's decision on the MVNO access dispute resolution between Vodafone and Forthnet. The hearing of the case is pending.

In June 2020, the BU-LRIC + model for access services to the local loop/sub-loop, virtual products including FTTC/H and related services took effect.

The development of a margin squeeze test model based on non-discrimination obligation for OTE's retail plans is currently in progress. The public consultation for the model's main principles and methodology was completed in November 2019 and the public consultation was completed in March 2021. Vodafone Greece has requested a second short-term consultation before the final decision is notified to EC.

Czech Republic

Following statement of objections sent by EC in August 2019 to O2 Czech Republic, CETIN and T-Mobile Czech Republic for their network sharing agreement, the Commission's investigation continued in 2020.

In April 2020, the 900MHz band was reshuffled to provide one contiguous block to each 900MHz holder.

In August 2020 and September 2020, Vodafone appealed against the terms of the 5G spectrum auction to both the CTU Council and the administrative court respectively; and both were dismissed. In March 2021, the Supreme Administrative Court dismissed Vodafone's appeal. Vodafone filed a complaint to the EC after the auction was completed, arguing that the auction terms set by the CTU infringed EU law. The case is pending.

In November 2020, the CTU ruled to uphold the mobile termination rate at CZK 0.248/0.95 eurocent set by November 2020.

In January 2021, Vodafone acquired 2x10MHz of 700MHz and 20 MHz (TDD) of 3.4-3.6 GHz for CZK 1.568bn. Refarming of 3.4-3.8GHz spectrum should take place in Q1 FY2021-22 to provide contiguous spectrum to each spectrum holder in this band.

Hungary

In January 2021, the national regulatory authority ('NMHH') published its market analysis decision for wholesale voice call termination on individual mobile networks. Each mobile network operator and mobile virtual network operator in Hungary is found to have significant market power. Magyar Telekom requested a review of the decision in court which is ongoing.

In March 2020, Vodafone Hungary acquired 2x10 MHz of 700MHz spectrum and 2x5 MHz of 2.1GHz spectrum and 1x50MHz of 3.6GHz spectrum for €108.02 million. In January 2021, Vodafone Hungary acquired 2x9 MHz of 900 MHz and 2x20 MHz of 1800 MHz for €131.8 million. The spectrum has a 15-year duration to 2037, with the option of a further five-year extension.

Regulation (continued)

The Economic Competition Office investigation into the network and spectrum sharing and possible collusion in the previous spectrum tender by Magyar Telekom and Telenor is ongoing.

Albania

In April 2020, the national regulatory authority ('AKEP') issued its final decision on the market analysis of the wholesale mobile market for access and origination, whereby it states that the three criteria test is not met and therefore no operator has significant market power and consequently no regulatory obligations are imposed.

In June 2020, AKEP issued its final decision on national and international mobile termination rates ('MTRs'). The National MTRs will remain unchanged at 1.11 ALL/min. In November 2020, AKEP issued a public consultation on its intention to develop its own cost model to ensure that MTRs reflect Albanian market conditions and characteristics accurately, and to set an appropriate glide path for the application of the target rates.

In July 2020, Vodafone Albania implemented the new regulated roaming tariffs for Western Balkan six. The new tariffs declined as per the glide path set by the national regulatory authority ('AKEP'), following the April 2019 agreement between the governments of Serbia, Montenegro, North Macedonia, Bosnia & Herzegovina, Albania & Kosovo to abolish roaming charges between their countries.

In December 2020, Vodafone Albania's acquisition of Abcom sh.p.k was approved by AKEP and the National Competition Authority.

The 5G auction for the 3.5 GHz band has been pushed back to the second half of 2021. The 700MHz band is currently allocated to Digital Terrestrial TV and planned to be released in 2022.

Africa, Middle East and Asia-Pacific region

Vodacom: South Africa

In March 2021, the national regulatory authority ('ICASA') published a findings document on its market inquiry into mobile broadband services. ICASA found insufficient competition and designated Vodacom as a significant market power in several relevant markets at wholesale (site access, national roaming) and retail levels, proposing remedies primarily at the wholesale level. ICASA also published the Draft Regulations for comment and public hearings.

In October 2020, ICASA issued an Invitation to Apply ('ITA') notice on the licensing process for international mobile telecommunications in respect of the provision of mobile broadband wireless access services for urban and rural areas. Using the complimentary bands, IMT700, IMT800, IMT2600 and IMT3500 with applications closing in December 2020. ICASA also issued a composite ITA for an individual electronic communications network service license and radio frequency spectrum license for the wireless open access network with a closing date of March 2021.

In March 2021, an interdict following applications by Telkom and MTN was granted against the ITA process pending the finalisation of the review proceedings set for July 2021 relating to the ITA.

As part of the COVID-19 response measures, Vodacom received a temporary assignment of 160MHz spectrum until May 2021.

On 31 March 2021, ICASA published Final Equity Ownership Regulations, which promotes equity ownership by historically disadvantaged groups (HDGs) and B-BBEE. Key requirements include licensees being required to have a minimum of 30% of its ownership equity held by black people (determined using "the flow though" principle of the ICT Sector Code) and must have a minimum B-BBEE contributor status of Level 4. Licensees will be required to provide a compliance report to ICASA annually.

In December 2019, the Competition Commission published the Final Report on the Data Services Market Inquiry. Following this, Vodacom and the Competition Commission concluded a consent agreement in March 2020, implemented during this financial year, on mutually accepted solutions aimed at addressing the concerns raised in the Final Report.

Vodacom: Democratic Republic of the Congo

In August 2018, the Customs Authority issued a draft infringement report assessing that there were unpaid duties for alleged smuggled devices bought by Vodacom DRC amounted to US $44 million, to which Vodacom DRC objected. In May 2019, Vodacom DRC filed an administrative appeal at the Council of State, which is yet to be heard.

The national regulatory authority ('ARPTC') assigned temporary spectrum (2x2 MHz of 900 MHz and 2x5 MHz 2.1 GHz) until August 2020. This temporary licence was extended until February 2021 and has been returned on this date. The Central Bank issued temporary measures on free person to person ('P2P') mobile money transaction fees until December 2020, which have since lapsed.

In April 2020, a new decree introduced a Central Equipment Register System ('CEIR') and handset certification fees. In November 2020, Vodacom DRC was fined US $2.5 million by way of a Ministerial Decree for alleged shortcomings in its cooperation and implementation of charging mechanisms related to the CEIR system. Assessment of the Ministerial Decree indicated that its issuance was not in accordance with applicable laws and procedures and Vodacom appealed the fine and sought interim suspension of the decree. A decision on the petition for interim suspension and its respective implementation measure was to be issued by December 2020; however, this has been delayed to date due to COVID-19.

In January 2021, Vodacom DRC received notice by the Minister of Communications, stating that a December 2020 investigation found non-compliant SIM cards without providing further details. Vodacom DRC sent a letter requesting further information on the details of the investigation. While awaiting a response to its letter in February 2021, Vodacom DRC was fined US $3.65 million by way of a Ministerial Decree for alleged non-compliance. Vodacom DRC initiated legal action and appealed for a stay of the execution of the fine for the duration of the appeal, which was granted.

Vodacom: Tanzania

In February 2020, the national regulatory authority ('TCRA') issued new SIM Card Registration Regulations to formalise the 'biometric only' SIM registration requirement and restrict ownership of the number of SIMs by customers. Vodacom Tanzania is participating in TCRA's process on intended barring of non-compliant SIMs, whereby a final deadline is still to be set.

In February 2021, TCRA issued a letter stating that Vodacom Tanzania has been found non-compliant with QoS regulations and imposed a fine of US $3.5 million. However, instead of payment of this fine, Vodacom Tanzania entered a binding commitment to invest the equivalent value into its network.

In February 2021, TCRA issued new Rules on Bundle Tariffs, Promotions and Special Offers and a Directive on a minimum data price floor to be implemented by April 2021. Vodacom and all operators complied with the request.

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Vodacom: Mozambique

The Communications Regulator assigned temporary spectrum (2x5 MHz of 800 band), which remains in force whilst the "State of Calamity" related to Covid-19 continues.

Vodacom: Lesotho

In December 2019, the Lesotho Communications Authority ('LCA') issued a notice of enforcement against Vodacom Lesotho premised on its view that the company's statutory external auditors were not independent, as required by the Companies Act. In September 2020, the LCA issued a penalty of M 134 million against Vodacom Lesotho. Despite Vodacom Lesotho reserving its rights for appeal within the statuary timeframe, in October 2020, the LCA issued a notice of revocation of the operating licence of Vodacom Lesotho for failure to pay a penalty of R134 million. Thirty percent of this fine was determined by the LCA to be payable in October 2020 and the balance was suspended for a period of five years, on the condition that Vodacom Lesotho is not found guilty for breach of any of its regulatory obligations in the future. Vodacom Lesotho has launched an application in the Lesotho High Court to have both determinations of the LCA imposing the fine and revoking its operating licence, respectively, reviewed and set aside. The Lesotho High Court has, in the meantime, issued an order interdicting the LCA from, inter alia, enforcing the payment of the said fine and revoking Vodacom Lesotho's operating licence. The Lesotho High Court heard the matter in December 2020, and Vodacom Lesotho is awaiting judgement.

Turkey

In December 2019, the national regulatory authority ('ICTA') approved and published its Fixed Broadband Wholesale Market Analysis, stating that Vodafone Turkey will have access to Türk Telekom fibre at different network levels based on regulated terms and fees and retail tariffs will be subject to an ex-ante margin squeeze test. In February 2021, ICTA published the rules and procedures for this test.

ICTA's proposed action to broaden the scope of the 3G coverage to include new metropolitan areas was suspended by the Council of State motion, as Vodafone Turkey appealed to the administrative court. In April 2019, the Council of State accepted the case and annulled the ICTA decision. As of March 2021, Plenary Session of Administrative Law Divisions rejected ICTA's requests and finalised the judgment in favour of Vodafone Turkey.

In August 2019, Vodafone Turkey received the payment order for the administrative penalty of TL 138 million due to the breach of pre-information obligations as per the District Sales Regulation & Consumer Law on Value Added Services. In September 2019, the Administrative Court annulled the penalty, with the procedure of appeal pending. At the appellate phase, the State Council reversed the judgment against the competition. Engagement with the Ministry is ongoing, and a legislative proposal has been drafted for the Ministry's previous and upcoming penalties to ensure a healthy investment environment.

Egypt

In September 2020, Vodafone Egypt submitted its proposal to acquire 40 MHz in response to the national regulatory authority ('NTRA') issuance of a bid for spectrum acquisition in the 2600 MHz band. In December 2020, Vodafone Egypt's technical and financial proposal was accepted, and a new License Annex was signed between NTRA and Vodafone after payment of US $270 million and the remaining 50% to be paid over two years in two equal instalments.

In January 2020, Vodafone Group Plc ('Vodafone') concluded a MoU with Saudi Telecom Company ('STC') for the sale of Vodafone's 55% shareholding in Vodafone Egypt to STC. In December 2020, Vodafone ended talks with STC.

Ghana

In January 2018, Vodafone Ghana paid 30% of the judgment debt into court (€4.8 million) in line with a Conditional Stay of Execution in relation to a High Court decision, affirmed by a panel of the Court of Appeal, on a parcel of land located at Afransi in the Central Region of Ghana. In May 2019, the Court of Appeal affirmed the High Court's decision. An appeal is pending before the Supreme Court and another application which seeks to stop the plaintiff from enforcing the judgment was expected in April 2020. In July 2020, the Supreme Court granted Vodafone Ghana's application to produce this new evidence as part of the documents to be relied on. The Plaintiff in December 2020 also filed for leave to produce new evidence at the trial. The Supreme Court heard this application in January 2021 and a date will be given by the Court for a mini trial of the matter to be conducted at the Supreme Court after which the Court will deliver its judgment.

In June 2020, the national regulatory authority ('NRA') declared MTN Ghana as a significant market power in Ghana. With immediate effect, several corrective market interventions were announced as follows: Asymmetric MTR Pricing, National Roaming, Price Floor/Ceiling as well as Technology Neutrality in the 1800MHz frequency band. While asymmetric pricing was implemented in October 2020 for a two-year period, national roaming and the other market interventions are still under discussion with a view to implementation in the first half of 2021.

In January 2020, Vodafone Ghana successfully renewed its 900MHz and 1800MHz licenses for 10 years, until 2029, pending payment of US $25 million. Vodafone Ghana entered negotiations with the Ministry of Communications and Ministry of Finance to amend the terms of renewal in relation to increasing duration of license, payment terms, re-farming rights, and additional 800MHz spectrum, which continue.

The NRA assigned 2x5MHz of 800MHz frequency band on a temporary basis until June 2021 as part of Covid-19 measures.

The NRA has requested customer information from licensees as part of the Government's tracking and tracing programme, which following an application was found by the High Court in June 2020 to be compliant with the emergency order. Information is still being provided to the government for this purpose.

Regulation (continued)

Overview of spectrum licences at 31 March 2021

	700MHz	800Mhz	900Mhz	1400/1500Mhz	1800MHz	2.1GHz	2.6GHz	3.5GHz
	Quantity[1] (Expiry Date)	Quantity[1] (Expiry Date)	Quantity[1] (Expiry Date)	Quantity[1] (Expiry Date)	Quantity[1] (Expiry Date)	Quantity[1] (Expiry Date)	Quantity[1] (Expiry Date)	Quantity[1] (Expiry Date)
Germany	**2x10** (2033)	**2x10** (2025)	**2x10** (2033)	**20** (2033)	**2x25** (2033)	**2x15**[2] (2040)	**2x20+25** (2025)	**90** (2040)
						2x5[2] (2025)[3]		
Italy	**2x10** (2037)	**2x10** (2029)	**2x10** (2029)	**20** (2029)	**2x15** (2029)	**2x15+5** (2029)	**2x15** (2029)[4]	**80** (2037)
					2x5[3] (2029)			
UK[5]	**n/a**	**2x10** (2033)	**2x17.4**	**20** (2023)	**2x5.8**	**2x14.8** (2022)	**2x20+25** (2033)	**50** (2038)
								40 (2041)
Spain	**n/a**	**2x10** (2031)	**2x10** (2028)	**n/a**	**2x20** (2030)	**2x15+5** (2030)	**2x20+20** (2030)	**90** (2038)
Ireland	**n/a**	**2x10** (2030)	**2x10** (2030)	**n/a**	**2x25** (2030)	**2x15** (2022)	**n/a**	**105**[6] (2032)
Portugal	**n/a**	**2x10** (2027)	**2x5** (2021)	**n/a**	**2x6** (2021)	**2x20** (2033)	**2x20+25** (2027)	**n/a**
			2x5[3] (2027)		**2x14**[3] (2027)			
Romania	**n/a**	**2x10** (2029)	**2x10** (2029)	**n/a**	**2x30** (2029)	**2x15** (2031)	**15** (2029)	**40** (2025)
Greece	**2x10** (2036)	**2x10** (2030)	**2x15** (2027)	**n/a**	**2x10** (2027)	**2x20** (2036)	**2x20+20** (2030)	**140** (2035)
					2x15[3] (2035)			
Czech Republic	**2x10** (2036)	**2x10** (2029)	**2x10** (2029)	**n/a**	**2x27** (2029)	**2x20** (2025)	**2x20** (2029)	**60** (2032)
Hungary	**2x10** (2035)[7]	**2x10** (2029)	**2x10** (2022)	**n/a**	**2x15** (2022)	**2x15** (2027)	**2x20+25** (2029)	**60** (2034)
			2x1[3] (2029)		**2x20**[3] (2037)[7]	**2x5**[3] (2035)[7]		**50**[3] (2035)[7]
			2x9[3] (2037)[7]					
Albania	**n/a**	**2x10** (2034)	**2x8** (2031)	**n/a**	**2x9** (2031)	**2x15+5** (2025)	**2x20+20** (2030)	**n/a**
			2x2[3] (2030)		**2x14**[3] (2030)	**2x5**[3] (2029)		
			2x4[3] (2024)[8]		**2x5**[3] (2024)[8]	**2x5**[3] (2021)[8]		

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	700MHz	800Mhz	900Mhz	1400/1500Mhz	1800MHz	2.1GHz	2.6GHz	3.5GHz
	Quantity[1] (Expiry Date)	Quantity[1] (Expiry Date)	Quantity[1] (Expiry Date)	Quantity[1] (Expiry Date)	Quantity[1] (Expiry Date)	Quantity[1] (Expiry Date)	Quantity[1] (Expiry Date)	Quantity[1] (Expiry Date)
Vodacom South Africa[9]	**2x10**	**2x10**	**2x11**	**n/a**	**2x12**	**2x15+5**	**n/a**	**n/a**
Vodacom: Democratic Republic of Congo	**n/a**	**2x10** (2038)	**2x6** (2038)	**n/a**	**2x18** (2038)	**2x10+15** (2032)	**n/a**	**2x15** (2026)
Lesotho	**n/a**	**2x20[10]**	**2x22[10]**	**n/a**	**2x30[10]**	**2x20[10]**	**n/a**	**21[10]**
								100 (Trial)
Mozambique	**n/a**	**2x10** (2039)	**2x8** (2039)	**n/a**	**2x20** (2039)	**2x15+5** (2039)	**n/a**	**60[11]** (2022)
						2x5[3] (2022)		
Tanzania	**2x10** (2033)	**n/a**	**2x12.5** (2031)	**n/a**	**2x10** (2031)	**2x15** (2031)	**n/a**	**2x7+2x14** (2031)
Turkey	**n/a**	**2x10** (2029)	**2x11** (2023)	**n/a**	**2x10** (2029)	**2x15+5** (2029)	**2x15+10** (2029)	**n/a**
			2x1.4[3] (2029)					
Egypt	**n/a**	**n/a**	**2x12.5** (2031)	**n/a**	**2x10** (2031)	**2x20** (2031)	**n/a[12]**	**n/a**
					2x15[3] (2030)			
Ghana	**n/a**	**2x15** (2034)[13]	**2x8** (2034)[13]	**n/a**	**2x10** (2034)[13]	**2x15** (2023)[14]	**n/a**	**n/a**

Notes:

1. Single (or unpaired) blocks of spectrum are used for asymmetric data (non-voice) use; block quantity has been rounded to the nearest whole number.
2. Germany – The allocation of 2.1GHz will change to the following: in January 2021 will have 2x15 MHz (2040) and 2x5 (2025); in January 2026 will have 2x20 MHz (2040).
3. Blocks within the same spectrum band but with different licence expiry dates are separately identified.
4. Italy – The frequencies in the 2.1 GHz band are being renewed until 2029. The cost has already been defined and is different for the single advance payment or with annual installments, in the event of non-payment, the frequencies will expire on 31 December 2021.
5. UK – all UK spectrum licences are perpetual so any dates given are the ones from which licence fees become payable, and where no date is given this means that licence fees already apply.
6. Ireland – 105MHz in cities, 85MHz in regions.
7. Hungary – 700MHz, 2.1GHz and 3.5GHz-conditional options of a further five-year extension to 2040; 900MHz, 1.8GHz – the 15-year right of use begins in 2022; conditional options of a further five-year extension to 2042.
8. Albania – spectrum acquired from PLUS' exit from market.
9. Vodacom South Africa – spectrum licences are renewed annually. As part of the migration to a new licensing regime the national regulator has issued Vodacom a service licence and a network licence which will permit Vodacom to offer mobile and fixed services. The service and network licences have a 20 year duration and will expire in 2029. Temporary COVID assignment:
   - 700 MHz & 800 MHz assignment expiring 31 May 2021, unless extended further by the authority. Includes temporary spectrum allocation of 1x20MHz in the 2.3GHz band.
10. Vodacom Lesotho – spectrum licences are renewed annually. 1x100MHz of 3.5GHz has been licensed on a temporary basis and is pending renewal.
11. Mozambique – 3.7GHz spectrum for 5G trial, which was launched during December 2019. 2x5 of 2.1GHz has been acquired on a 3 year lease expiring in November 2022.
12. Egypt – The 40MHz of newly acquired is planned to be availed on two phases, 1st 20 MHz available by January 2022 and 2nd 20MHz planned to be available by January 2023.
13. Ghana – Vodafone Ghana has established an agreement with the MoF to renew its license for 15 years along with the permanent assignment of an additional 2x5 800MHz. The agreement is pending written finalisation.
14. Ghana – NCA submitted a provisional licence for comments, to which Vodafone Ghana submitted feedback and final licence is pending.

Regulation (continued)

MTR Rates

Country by Region	2019[1]	2020[1]	2021[1]	01/04/2021[2]
Europe				
Germany (€ cents)	0.95	0.90	0.78	0.70
Italy (€ cents)	0.90	0.76	0.67	0.55
UK (GB£ pence)	0.489	0.479	0.468	0.379
Spain (€ cents)	0.67	0.64	0.64	
Ireland (€ cents)	0.79	0.55	0.43	
Portugal (€ cents)	0.39	0.39	0.36	
Romania (€ cents)	0.96	0.76	0.76	0.70
Greece (€ cents)	0.946	0.622	0.622	
Czech Republic (CZK)	0.248	0.248	0.248	
Hungary (HUF)	1.71	1.71	1.71	
Albania (ALL)	1.22	1.11	1.11	
Africa, Middle East and Asia Pacific				
Vodacom: South Africa (ZAR)	0.12	0.10	0.10	
Vodacom: Democratic Republic of Congo (USD)	0.02	0.02	0.02	
Lesotho (LSL/ZAR)	0.15	0.12	0.09	
Mozambique[3] (MZN)	0.39	0.37	0.37	
Tanzania (TSH)	10.40	5.20	2.60	
Turkey (lira)	0.03	0.03	0.03	
Egypt (PTS/Piastres)	11.00	11.00	11.00	
Ghana[4] (peswas)	4.00	2.80	2.80	

Notes:
1. All MTRs are based on end of financial year values.
2. MTR changes already announced to be implemented after 1 April 2021 are included at the current rate or where a glide-path or a final decision has been determined by the national regulatory authority.
3. Mozambique – NRA is conducting a cost model at this time. The intention is to retroactively introduce the newly calculated rate with effect from 1 Jan 2021. We expect the rate to decrease.
4. Ghana – since the declaration of MTN as Significant Market Power, the regulator has introduced asymmetrical MTRs.

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Form 20-F cross reference guide

The information in this document that is referenced in the following table will be included in our Annual Report on Form 20-F for 2021 filed with the SEC (the '2021 Form 20-F'). The information in this document will be updated and supplemented at the time of filing with the SEC or later amended if necessary. No other information in this document is included in the 2021 Form 20-F or incorporated by reference into any filings by us under the Securities Act. Please see "Documents on display" on page 230 for information on how to access the 2021 Form 20-F as filed with the SEC. The 2021 Form 20-F has not been approved or disapproved by the SEC nor has the SEC passed judgement upon the adequacy or accuracy of the 2021 Form 20-F.

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Note:
1. The parent company financial statements together with the associated notes and the audit report relating thereto, on pages 209 to 216 and pages 110 to 120, respectively, should not be considered to form part of the Company's Annual Report on Form 20-F.

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Note:
1. The parent company financial statements together with the associated notes and the audit report relating thereto, on pages 209 to 216 and pages 110 to 120, respectively, should not be considered to form part of the Company's Annual Report on Form 20-F.

Forward-looking statements

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This document contains "forward-looking statements" within the meaning of the US Private Securities Litigation Reform Act of 1995 with respect to the Group's financial condition, results of operations and businesses, and certain of the Group's plans and objectives. In particular, such forward-looking statements include statements with respect to:

- the Group's expectations and guidance regarding its financial and operating performance, the performance of associates and joint ventures, other investments and newly acquired businesses, preparation for 5G and expectations regarding customers;
- intentions and expectations regarding the development of products, services and initiatives introduced by, or together with, Vodafone or by third parties;
- expectations regarding the global economy and the Group's operating environment and market position, including future market conditions, growth in the number of worldwide mobile phone users and other trends;
- revenue and growth expected from Vodafone Business' and total communications strategy;
- mobile penetration and coverage rates, MTR cuts, the Group's ability to acquire spectrum and licences, including 5G licences, expected growth prospects in the Europe and Rest of the World regions and growth in customers and usage generally;
- anticipated benefits to the Group from cost-efficiency programmes, including their impact on the absolute indirect cost base;
- possible future acquisitions, including increases in ownership in existing investments, the timely completion of pending acquisition transactions and pending offers for investments;
- expectations and assumptions regarding the Group's future revenue, operating profit, adjusted EBITDA, adjusted EBITDA margin, free cash flow, depreciation and amortisation charges, foreign exchange rates, tax rates and capital expenditure;
- expectations regarding the Group's access to adequate funding for its working capital requirements and share buyback programmes, and the Group's future dividends or its existing investments; and
- the impact of regulatory and legal proceedings involving the Group and of scheduled or potential regulatory changes.

Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as "will", "anticipates", "aims", "could", "may", "should", "expects", "believes", "intends", "plans" or "targets". By their nature, forward-looking statements are inherently predictive, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to, the following:

- general economic and political conditions in the jurisdictions in which the Group operates and changes to the associated legal, regulatory and tax environments;
- increased competition;
- levels of investment in network capacity and the Group's ability to deploy new technologies, products and services;
- rapid changes to existing products and services and the inability of new products and services to perform in accordance with expectations;
- the ability of the Group to integrate new technologies, products and services with existing networks, technologies, products and services;
- the Group's ability to generate and grow revenue;
- a lower than expected impact of new or existing products, services or technologies on the Group's future revenue, cost structure and capital expenditure outlays;
- slower than expected customer growth, reduced customer retention, reductions or changes in customer spending and increased pricing pressure;
- the Group's ability to extend and expand its spectrum resources, to support ongoing growth in customer demand for mobile data services;
- the Group's ability to secure the timely delivery of high-quality products from suppliers;
- loss of suppliers, disruption of supply chains and greater than anticipated prices of new mobile handsets;
- changes in the costs to the Group of, or the rates the Group may charge for, terminations and roaming minutes;
- the impact of a failure or significant interruption to the Group's telecommunications, networks, IT systems or data protection systems;
- the Group's ability to realise expected benefits from acquisitions, partnerships, joint ventures, franchises, brand licences, platform sharing or other arrangements with third parties;
- acquisitions and divestments of Group businesses and assets and the pursuit of new, unexpected strategic opportunities;
- the Group's ability to integrate acquired business or assets;
- the extent of any future write-downs or impairment charges on the Group's assets, or restructuring charges incurred as a result of an acquisition or disposition;
- developments in the Group's financial condition, earnings and distributable funds and other factors that the Board takes into account in determining the level of dividends;
- the Group's ability to satisfy working capital requirements;
- changes in foreign exchange rates;
- changes in the regulatory framework in which the Group operates;
- the impact of legal or other proceedings against the Group or other companies in the communications industry;
- changes in statutory tax rates and profit mix; and
- changes resulting directly or indirectly from the COVID-19 pandemic.

A review of the reasons why actual results and developments may differ materially from the expectations disclosed or implied within forward-looking statements can be found under "Risk management" on pages 53 to 61 of this document. All subsequent written or oral forward-looking statements attributable to the Company or any member of the Group or any persons acting on their behalf are expressly qualified in their entirety by the factors referred to above. No assurances can be given that the forward-looking statements in this document will be realised. Subject to compliance with applicable law and regulations, Vodafone does not intend to update these forward-looking statements and does not undertake any obligation to do so.

References in this document to information on websites (and/or social media sites) are included as an aid to their location and such information is not incorporated in, and does not form part of, the 2021 Annual Report on Form 20-F.

Definition of terms

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The definitions of Non-GAAP measures are included in the "Non-GAAP measures" section on pages 217 to 226.

3G	A cellular technology based on wide band code division multiple access delivering voice and faster data services.
4G	4G or long-term evolution ('LTE') technology offers even faster data transfer speeds than 3G/HSPA.
5G	5G is the fifth-generation wireless broadband technology which provides better speeds and coverage than the current 4G.
ADR	American depositary receipts is a mechanism designed to facilitate trading in shares of non-US companies in the US stock markets. The main purpose is to create an instrument which can easily be settled through US stock market clearing systems.
ADS	American depositary shares are shares evidenced by American depositary receipts. ADSs are issued by a depositary bank and represent one or more shares of a non-US issuer held by the depositary bank. The main purpose of ADSs is to facilitate trading in shares of non-US companies in the US markets and, accordingly, ADRs which evidence ADSs are in a form suitable for holding in US clearing systems.
AGM	Annual General Meeting.
Applications ('apps')	Apps are software applications usually designed to run on a smartphone or tablet device and provide a convenient means for the user to perform certain tasks. They cover a wide range of activities including banking, ticket purchasing, travel arrangements, social networking and games. For example, the MyVodafone app lets customers check their bill totals on their smartphone and see the minutes, texts and data allowance remaining.
ARPU	Average revenue per user, defined as customer revenue and incoming revenue divided by average customers.
B2C	Business-to-Consumer refers to the process of selling products and services directly between a business and consumers who are the end-users.
Capital additions	Comprises the purchase of property, plant and equipment and intangible assets, other than licence and spectrum payments and integration capital expenditure.
Churn	Total gross customer disconnections in the period divided by the average total customers in the period.
Cloud services	This means the customer has little or no equipment, data and software at their premises. The capability associated with the service is run from the Vodafone network and data centres instead. This removes the need for customers to make capital investments and instead they have an operating cost model with a recurring monthly fee.
Common Functions	Comprises central teams and business functions.
Converged customer	A customer who receives fixed and mobile services (also known as unified communications) on a single bill or who receives a discount across both bills.
Customer costs	Includes acquisition costs, retention costs and other direct costs of providing services.
Depreciation and amortisation	The accounting charge that allocates the cost of a tangible or intangible asset to the income statement over its useful life. This measure includes the profit or loss on disposal of property, plant and equipment and computer software. Includes right-of-use assets.
Direct costs	Direct costs include interconnect costs and other direct costs of providing services.
Europe	Comprises the Group's operations in Europe.
FCA	Financial Conduct Authority.
Fixed service revenue	Service revenue relating to the provision of fixed line and carrier services.
FTTC	Fibre-to-the-Cabinet involves running fibre optic cables from the telephone exchange or distribution point to the street cabinets which then connect to a standard phone line to provide broadband.
FTTH	Fibre-to-the-Home provides an end-to-end fibre optic connection the full distance from the exchange to the customer's premises.
GAAP	Generally Accepted Accounting Principles.
GSMA	Global System for Mobile Communications Association
IAS 17	International Accounting Standard 17 "Leases". The previous lease accounting standard that applied to the Group's statutory results for all reporting periods up to and including the quarter ended 31 March 2019.
ICT	Information and communications technology.
IFRS	International Financial Reporting Standards.
IFRS 15	International Financial Reporting Standard 15 "Revenue from Contracts with Customers". The accounting policy adopted by the Group on 1 April 2018.
IFRS 16	International Financial Reporting Standard 16 "Leases". The accounting policy adopted by the Group on 1 April 2019.
Integration capital expenditure	Capital expenditure incurred in relation to significant changes in the operating model, such as the integration of recently acquired subsidiaries.
Internet of Things ('IoT')	The network of physical objects embedded with electronics, software, sensors, and network connectivity, including built-in mobile SIM cards, that enables these objects to collect data and exchange communications with one another or a database.

Definitions of terms (continued)

Mark-to-market	Mark-to-market or fair value accounting refers to accounting for the value of an asset or liability based on the current market price of the asset or liability.
Mbps	Megabits (millions) of bits per second.
Mobile broadband	Mobile broadband allows internet access through a browser or a native application using any portable or mobile device such as smartphone, tablet or laptop connected to a cellular network.
Mobile service revenue	Service revenue relating to the provision of mobile services.
Mobile termination rate ('MTR')	A per minute charge paid by a telecommunications network operator when a customer makes a call to another mobile or fixed network operator.
MVNO	Mobile virtual network operators, companies that provide mobile phone services under wholesale contracts with a mobile network operator, but do not have their own licence or spectrum or the infrastructure required to operate a network.
Next-generation networks ('NGN')	Fibre or cable networks typically providing high-speed broadband over 30Mbps.
Net Promoter Score ('NPS')	Net Promoter Score is a customer loyalty metric used to monitor customer satisfaction.
Operating expenses ('Opex')	Comprise primarily sales and distribution costs, network and IT related expenditure and business support costs.
Other Europe	Other Europe markets include Portugal, Ireland, Greece, Romania, Czech Republic, Hungary and Albania.
Other Markets	Other Markets comprise Turkey, Egypt and Ghana.
Other revenue	Other revenue includes connection fees, equipment revenue, interest income and lease revenue.
Partner markets	Markets in which the Group has entered into a partner agreement with a local mobile operator enabling a range of Vodafone's global products and services to be marketed in that operator's territory and extending Vodafone's reach into such markets.
Penetration	Number of SIMs in a country as a percentage of the country's population. Penetration can be in excess of 100% due to customers owning more than one SIM.
Petabyte	A petabyte is a measure of data usage. One petabyte is a million gigabytes.
Pps	Percentage points.
RAN	Radio access network is the part of a mobile telecommunications system which provides cellular coverage to mobile phones via a radio interface, managed by thousands of base stations installed on towers and rooftops across the coverage area, and linked to the core nodes through a backhaul infrastructure which can be owned, leased or a mix of both.
Regulation	Impact of industry specific law and regulations covering telecommunication services. The impact of regulation on service revenue in European markets comprises the effect of changes in European mobile termination rates and changes in out-of-bundle roaming revenue less the increase in visitor revenue.
Reported growth	Reported growth is based on amounts reported in euros and determined under IFRS.
Restructuring costs	Costs incurred by the Group following the implementation of discrete restructuring plans to improve overall efficiency.
Retail revenue	Retail revenue comprises Service revenue excluding Mobile Virtual Network Operator ('MVNO') and Fixed Virtual Network Operator ('FVNO') wholesale revenue.
Roaming	Allows customers to make calls, send and receive texts and data on other operators' mobile networks, usually while travelling abroad.
Smartphone penetration	The number of smartphone devices divided by the number of registered SIMs (excluding data only SIMs) and telemetric applications.
Service revenue	Service revenue is all revenue related to the provision of ongoing services including, but not limited to,: monthly access charges, airtime usage, roaming, incoming and outgoing network usage by non-Vodafone customers and interconnect charges for incoming calls.
SME	Small and medium-sized enterprises.
SOHO	Small-Office-Home-Office customers.
Spectrum	The radio frequency bands and channels assigned for telecommunication services.
Vodafone Business	Vodafone Business is part of the Group and partners with businesses of every size to provide a range of business-related services.
VZW	Verizon Wireless, the Group's former associate in the United States.

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Notes

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Notes (continued)

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