

EASYJET AUDIT COMMITTEE GOVERNANCE POLICIES

PART A: NON-AUDIT SERVICES POLICY

The purpose of this policy is to ensure that the provision of non-audit services by the external auditor of easyJet plc (the **external auditor**) does not impair, and is not perceived to impair, the external auditor's independence or objectivity. The policy provides guidance on the types of work that it is acceptable for the external auditor to undertake, and to provide clarity on the process to be followed for approval. The policy seeks to define services that the auditor may not undertake under any circumstances, and also defines audit-related services which are likely to be less contentious.

The external auditor, or any related company with whom the auditor is associated, should not therefore carry out work that does not relate directly to the discharge of audit functions, if it would impair the auditor's independence, or might give rise to a reasonable perception that their independence could be impaired.

In any case, fees for permissible non-audit services are limited to no more than 70% of the average of the audit fees billed by easyJet plc's statutory auditor in the last three financial years for easyJet plc and its subsidiaries. No service provided by the external auditor should be the subject of a contingent fee. The FY16 audit fees were £400,000 p.a.

This policy, including the restrictions and the fee cap, applies to all the easyJet group companies, including easyJet Switzerland SA.

AUDIT COMMITTEE CONSIDERATIONS IN APPROVING NON-AUDIT SERVICES

The Audit Committee is responsible for approving non-audit services not prohibited by law. In approving such non-audit services, the Committee will assess the following:

- threats to independence and objectivity resulting from the provision of such services and any safeguards in place to eliminate or reduce these threats to a level where they would not compromise the auditor's independence and objectivity;
- the nature of the non-audit services;
- whether the skills and experience of the auditor make it the most suitable supplier of the non-audit service;
- the fees incurred, or to be incurred, for non-audit services both for individual services and in aggregate, relative to the audit fee, including special terms and conditions;
- the criteria which govern the compensation of the individuals performing the audit;
- whether the non-audit services have a direct or material effect on the audited financial statements; and
- how the Committee will assess and explain the estimation of the effect on the financial statements.

The external auditor may not be engaged to provide a non-audit service when the objectives of the service would be regarded by a reasonable and informed third party as conflicting with the objectives of the audit. This would be the case in particular when the outcome of the service would have a material effect on the preparation or presentation of the financial statements.

A proposal to engage the auditor to provide a non-audit service that could give rise to a threat of any significance to the auditor's objectivity and independence must be approved by the Committee regardless of the proposed fee. The external auditor will also be required to confirm to the Committee that they can provide the service without threat to their independence, in accordance with the FRC's Revised Ethical Standard, before proceeding.

SAFEGUARDS

In order to provide safeguards to auditor independence (particularly the self-interest threat) in the provision of non-audit services the following requirements are in place:

Responsibility of external auditor re provision of services, fees and reporting: The external auditor will be responsible for:

- maintaining detailed records of all non-audit services undertaken and for ensuring they do not undertake any of the prohibited non-audit work prescribed below;
- advising the CFO if a request for them to undertake non-audit work will result in the limits set by the Audit Committee being exceeded;
- providing the Audit Committee with a report relating to all non-audit services at each Committee meeting as a standing agenda item. The report should include the engagements entered into thus far during the year, the category of work (by reference to the table below), the fee incurred or to be incurred, the current ratio of non-audit work fees relative to the expected annual audit fee, with additional commentary on assignments and on work carried out or to be done relating to safeguards of independence;
- confirming their independence in writing at the meeting where they present the external audit plan, and at the meeting where the results of the audit are reported prior to the audit opinion being finalised; and
- ensuring that all audit and non-audit services provided to the Company have either been approved by the CFO, Finance Director or the Audit Committee, as appropriate.

Review: The Audit Committee, in accordance with its Terms of Reference, will annually review the independence and objectivity of the external auditor, taking into account UK professional and regulatory requirements and taking into consideration all relationships between the Company and the auditor as a whole.

Disclosure: The Company will report annually on the Group's annual expenditure with the external auditor on non-audit services and will explain how, when the external auditor provides non-audit services, auditor independence and objectivity is safeguarded and the disclosure in annual report will disclose the nature of non-audit services rendered by the auditor for non-audit fee.

CATEGORIES OF NON-AUDIT SERVICES

The table on the following page sets out the types of non-audit services falling under three different categories:

- 1. Audit-related non-audit services:** These non-audit services are pre-approved by the Committee under the policy. To be exempt from Audit Committee pre-approval, the services must incur fees of less than £25,000. In any case pre-approval from the Chief Financial Officer or the Finance Director is required. The CFO or Finance Director may defer to the Audit Committee for approval if they have reason to believe that the services are more than 'clearly trivial'.
- 2. Non-audit services requiring pre-approval:** The non-audit services listed under this category require Audit Committee pre-approval, taking into account the "Audit Committee considerations in approving non-audit services" above.
- 3. Prohibited non-audit services:** The non-audit services listed under this category cannot be undertaken by the external auditor. In addition, the Audit Committee may consider that other non-audit services (e.g. services where there is a conflict of interest due to a relationship with another client of the external auditor, should also not be provided by the external auditor.

TABLE SETTING OUT CATEGORIES OF NON-AUDIT SERVICES

Audit-related non-audit services	Non-audit services requiring pre-approval ³	Prohibited non-audit services ¹
<p>Are deemed pre-approved by Audit Committee (unless services are more than clearly trivial or above £25k) but still need approval by CFO or Finance Director</p> <p>These services would typically be carried out by the external auditor, where the work involved is closely related to the work performed in the audit and the threats to auditor independence are clearly insignificant.</p> <p>The threshold for requiring the pre-approval of the Audit Committee for services provided by the auditor in this category to easyJet entities is £25,000. The CFO or Finance Director can pre-approve any individual assignment within this category up to the threshold. In addition, the CFO or Finance Director may, at his/her discretion, discuss the award with the Audit Committee Chair if it they have reason to believe the services are more than 'clearly trivial' and seek Committee approval.</p> <p>These services include:</p> <ul style="list-style-type: none"> • Reporting required by law or regulation to be provided by the auditor (including internal financial controls). • Reviews of interim results and any other review of the accounts for regulatory purposes. • Reporting on regulatory returns. • Reporting to a regulator on client assets. • Extended audit work that is authorised by those charged with governance performed on financial information and/or financial controls where this work is integrated with the audit work and is performed on the same principal terms and conditions. 	<p>Need pre-approval from Audit Committee, who should take into account 'Audit Committee considerations in approving non-audit services' section ²</p> <p>Services will only be permitted when the external auditor has properly assessed any threats to their independence.</p> <p>In addition to the below services, other non-prohibited non-audit services may be provided, as long as the Audit Committee approves the provision of these services after assessing the potential threats to independence that could arise, and the safeguards that have been applied.</p> <p>These services include:</p> <ul style="list-style-type: none"> • Reports that are not 'audit related services', required by the competent authorities/ regulators supervising the audited entity where the authority/regulator has specified that the auditor provide the service or identified that the auditor would be an appropriate choice to provide the service (e.g. a skilled person review required under s166 FSMA). • Public reporting as reporting accountant on financial or other information of the audited entity in a prospectus or circular. • Private reporting to support confirmations provided by the sponsor to the FCA in relation to a prospectus/circular. <p>³ Further examples of the types of services that fall within this category are set out in paragraph 5.44 of the FRC's Revised Ethical Standard 2016 (p.89) https://www.frc.org.uk/Our-Work/Publications/Audit-and-Assurance-Team/Revised-Ethical-Standard-June-2016.pdf</p>	<p>The external auditor shall not be used to provide the services below. In addition, it may not be in the interests of the Group to engage the external auditor to carry out other services where there is a conflict of interest due to a relationship with another client of the external auditor.</p> <p>These services are:</p> <ul style="list-style-type: none"> • Services that involve any part in the management or decision-making of the Company or its subsidiaries (including a secondment to a management position). • Certain consultancy and advisory services and a majority of tax services (see link to the Standard below). • Services linked to the financing, capital structure and allocation and investment strategy of the Company or its subsidiaries except providing assurance services in relation to the financial statements, e.g. the issuing of comfort letters in connection with prospectuses issued by the Company. • Bookkeeping and preparing accounting records and financial statements/payroll services. • Legal, internal audit and HR services. • Designing and implementing internal control or risk management procedures related to the preparation and/or control of financial information or designing and implementing financial information technology systems. • Valuation services. • Promoting, dealing in, or underwriting shares in the Company or its subsidiaries. <p>¹ Full detail of prohibited non-audit services: See paragraphs 5.165-5.173 of the FRC's Revised Ethical Standard 2016 (p. 115) https://www.frc.org.uk/Our-Work/Publications/Audit-and-Assurance-Team/Revised-Ethical-Standard-June-2016.pdf</p>

² **Approval by Committee:** The Audit Committee Chairman has been delegated authority to deal with such appointments at his/her discretion. Any such interim approval must be notified at the next meeting of the Committee.

PART B: THE HIRING OF FORMER EXTERNAL AUDITOR EMPLOYEES

To ensure that the Company's hiring practices do not impair the independence of the external auditor or the Company and to avoid any conflict of interest, actual or apparent, or other prohibition under any applicable laws or regulations (including the 2016 EU Audit legislation), the Company has adopted the following policy in relation to the hiring of former external auditor employees.

The table below sets out which individuals will not be offered employment or a consultancy role by the Company or any of its subsidiaries until after a specified 'cooling off' period.

Role at easyJet	Key audit partners¹	Other key team members²	Other partner <u>not</u> working on audit or other employee
<ul style="list-style-type: none"> • Key Management Position (ELT or above) • Non-Executive Director (including Audit Committee member) 	2 years*	1 year*	1 year
	Any offer made to a former employee of the external auditor at this level within two years of the employee (or in the case of a key audit partner, five years) leaving the audit firm must be pre-approved by the Committee ³ .		
Any other role	2 years	3 months	Must cease activity on the audit (if they are an employee working on this) immediately on tendering resignation to firm

- ¹ **Key audit partners** shall be the external audit partners working on any aspect of the annual audit of the Company, Group or any subsidiary's financial statements, including but not limited to the statutory audit partner, the risk and controls partner, and any tax partners. The Audit Committee may agree to widen the scope of this definition from time to time.
- ² **Other key team members** shall be any directors or managers associated with the external auditor working on any aspect of the annual audit of the Company, Group or any subsidiary's financial statements.
- ³ **Pre-approval of employment by Committee:** The Audit Committee Chairman has been delegated authority to deal with such appointments at his/her discretion. Any such interim approval must be notified at the next meeting of the Committee.
- In addition, the Company shall not hire the spouse, spousal equivalent, parent, dependent, non-dependent child or sibling of any "key audit partner" for a position with the Company in an accounting role or a financial reporting oversight role, within the same time period as specified in the table for the key audit partner.
- The Chief Financial Officer shall report annually to the Committee the profile of the preceding year's hires from the external auditor.
- The Company shall notify a key audit partner prior to making a formal offer to a prospective external auditor employee.

* The time periods shaded in blue are the minimum time periods required as a "cooling off period" for key audit partners and other key team members under the EU Audit regulation which came into force in June 2016.