

## **Environmental Code published**

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easyJet publishes its environmental strategy

- Major promises for action on environmental-efficiency -
  - Time for a more balanced debate -

easyJet today publishes its Corporate and Social Responsibility Report which outlines its strong environmental credentials and includes three 'promises' to help balance aviation's huge social and economic contribution with its impact on climate change.

Andy Harrison, easyJet Chief Executive, said:

'It's hard to see how anybody who has read the recent IPCC report and the Stern Review can deny that global warming is a clear and present danger and that this generation has a responsibility to take action now. Most within the aviation industry recognise that aviation pollutes and that we must improve the environmental efficiency of today's operations and work on tomorrow's technologies.

'It is time for a proper debate of the sort that has been largely missing of late. Given that aviation CO2 only accounts for 1.6% of global greenhouse gas emissions, grounding every aircraft in the world would have a minuscule impact on climate change yet a vast impact on our economies. So, airlines have a responsibility to do what they can and governments have a responsibility to ensure that their policies incentivise the right behaviour.

'It is for this reason that easyJet has today published its Environmental Code, which contains three promises - that easyJet will be efficient in the air, efficient on the ground and will help shape a greener future for the industry.

'The same business model which gives us low fares (new aircraft, high occupancy rates, direct flights) also gives us environmental efficiency in the skies - easyJet emits 27% fewer greenhouse gasses per passenger kilometre than a traditional airline on an identical route. In addition we recognise that we can and we will expect more of our ground suppliers at airports.

'We also intend to play a leading role in improving the future environmental performance of our industry - reforming Europe's famously-inefficient air traffic system, implementing a meaningful European emissions trading scheme, working on the next generation of aircraft, giving customers the most comprehensive range of environmental information available for travel to a particular destination, and helping them to offset the carbon emissions of their flight.

'I believe that we are on the cusp of major advances in aircraft and engine

technologies which will lead to dramatic reductions in emissions, which have not yet been factored into the environmental forecasts about our industry.

'In the meantime airlines have an obligation to maximise their environmental efficiency (particularly by operating the cleanest available technology). For their part, Governments must ensure their policies balance the vast economic and social benefits of flying with its impact on climate change, particularly by mandating minimum environmental standards for aircraft to operate in Europe.

'Governments should also recognise that some airlines are already more efficient than others - something that the UK's Air Passenger Duty dramatically fails to do. APD provides no incentive for airlines to operate the cleanest aircraft; it completely omits airfreight and private jets; the proceeds are not allocated to any scheme to improve the environment; and it is disproportionate - on a UK domestic return flight, the £20 APD is now 25% of the average fare and about 10 times the cost of off-setting the carbon emitted on an easyJet flight.

'Surely, it would be better to incentivise consumers to choose airlines, like easyJet, operating the cleanest aircraft available. In fact, last year we removed 22 older aircraft at a cost of over £275 million as part of our drive for efficiency and in the coming four years we will buy 100 brand-new Airbus A319s - surely this substitution is the very definition of the 'Green growth' that was foreseen in The Stern Review.'

easyJet's Environmental Code contains three promises for a greener future. The first promise reflects easyJet's current environmental credentials; while the second and third outline the full and leading role that easyJet can play to improve the environmental performance of the industry.

#### 1. easyJet strives to be efficient in the air

Since 2000, easyJet's CO2 emissions per passenger kilometre has reduced by 18%

Each of easyJet's A319s carries 26% more seats than the norm and carries up to 57% more passengers per flight than the European norm meaning that the 'typical' European airline operating an Airbus A319 would burn 27% more fuel per passenger

easyJet only operates direct point-to-point flights, without the wasteful 'hubbing' operations associated with other European airlines

Only 2% of easyJet's flights could be undertaken by city-centre to city-centre rail journeys in less than four hours. All London to Scotland routes are over four hours - if included, still less than 10% of our flights could be considered in any way substitutable by rail.

#### 2. easyJet strives to be efficient on the ground

easyJet's use of local, convenient airports connected to good, transport links means surface journeys are kept to a minimum. While at the airport, easyJet uses airport infrastructure efficiently with short dwell time, minimal use of ground equipment and prefers simple airport infrastructure.

#### 3. easyJet aims to lead the way in shaping a greener future for aviation

easyJet has long led the way in campaigning for the inclusion of aviation in the European Union's Emissions Trading Scheme and on

publication of the legislative proposal on 20th December 2006 called for ETS to be brought into 'as wide as possible and as soon as possible' - anything else would be gesture politics

Ã¢â€¢ In addition, it is estimated that the implementation of the EU's Single European Skies programme could lead to a 12% reduction in flying distances by reducing the patchwork of European traffic control centres, which is why easyJet is actively engaged in the programmes to make SES a reality.

Ã¢â€¢ easyJet is actively engaging with airframe and engine manufacturers on the application of new technologies for the next generation of short-haul aircraft.

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Note

The easyJet Corporate and Social Responsibility Report is published today as part of the easyJet Annual Report and Accounts 2006. A full copy of the report can be found online in the Investor Relations section of [www.easyjet.com](http://www.easyjet.com)

CORPORATE AND SOCIAL RESPONSIBILITY REPORT

From the easyJet plc Annual Report and Accounts 2006

easyJet and the environment

easyJet's goal is to ensure that its existing business is as efficient as possible, both in the air and on the ground, and to strive to find ways to minimise its environmental impact in the future. Below are the details of how easyJet will monitor and manage its environmental impact.

easyJet's impact on the environment involves the following:

- Ã¢â€¢ Greenhouse gas emissions: carbon dioxide (CO<sub>2</sub>), water vapour, nitric oxide and nitrogen dioxide (together NO<sub>x</sub>), some of which at altitude
- Ã¢â€¢ Particulate emissions: sulphate particles (formed from sulphur oxides) and soot, some of which at altitude
- Ã¢â€¢ Waste: chemicals involved in aircraft maintenance, on board waste and office waste
- Ã¢â€¢ Noise

Noise

As of September 2006 all of the aircraft in easyJet's fleet were compliant with the latest international noise standards, known as 'Chapter 3'. Beyond this, 91% of easyJet's fleet as of September 2006 conformed to a more stringent standard, known as 'Chapter 4'.

Emissions and waste

One gramme (g) of CO<sub>2</sub> emitted from an aircraft has the same climatic effect as one g of CO<sub>2</sub> emitted from a ground source. The scientific understanding of the

effects of CO<sub>2</sub> emissions is well advanced. The non- CO<sub>2</sub> environmental effects of aircraft are not well characterised by the Kyoto Global Warming Potential metric (GWP). According to the first Intergovernmental Panel on Climate Change (IPCC) special report on aviation the non- CO<sub>2</sub> effects of aircraft are not as well understood 'because of the many scientific uncertainties' remaining. For example, NO<sub>x</sub> emissions at altitude have both a warming and cooling effect.

The IPCC considered the best measure of the combined effects of greenhouse gas (GHG) emissions, particulate emissions and contrail formation from aviation to be radiative forcing. According to the IPCC the best estimate (for 1992) of the radiative forcing by aircraft is 0.05Wm<sup>-2</sup>, or about 3.5% of the total radiative forcing by all anthropogenic activities(1). The IPCC will report on aviation again in 2007, but more recent estimates suggest that (for 2000) radiative forcing by global aviation has remained at a similar proportion to that seen in 1992(2).. According to the Stern Review on the Economics of Climate Change, aviation CO<sub>2</sub> emissions currently account for 0.7 Gt CO<sub>2</sub> (1.6% of global GHG emissions). In 2050 under 'business as usual' projections, CO<sub>2</sub> emissions from aviation would represent 2.5% of global GHG emissions. However, taking into account the non-CO<sub>2</sub> effects of aviation would mean that it would account for around 5% of the total warming effect (radiative forcing) in 2050(3).

easyJet's business is to fly passengers between European cities. easyJet does not carry cargo. Therefore, for easyJet, the most appropriate measures of environmental efficiency with regard to CO<sub>2</sub> emissions are: grammes per passenger kilometre and kilogrammes per passenger flight. In 2006, easyJet flights produced an average CO<sub>2</sub> emission of 95.7g per passenger kilometre and 91.8 kg per passenger flight.

All aspects of easyJet's business model are designed around safety and efficiency. This focus on efficiency minimises easyJet's and the airline industry's environmental footprint. From its inception in 1995, easyJet's network development has focused on substituting services in markets dominated by inefficient former state-owned airlines with its more efficient product. easyJet stimulates demand through its low fares when it enters a market: the efficiency that easyJet brings to a market, though, can mean an overall reduction in emissions in absolute terms.

easyJet's network development has the following attributes:

Ã¢Â¢ 80% of easyJet's current and future capacity is employed in established markets; easyJet aims to grow those markets but in the process easyJet aims to substitute existing, less efficient services.

Ã¢Â¢ easyJet also competes on some of its routes against rail and road transportation; however, there are only two routes (London to Newcastle, and London to Paris) where the city centre to city centre rail journey would be less than 4 hours. These routes represented less than 2% of passengers carried by easyJet in 2006. In both cases, easyJet caters for demand which is not necessarily travelling city centre to city centre.

There is no accepted single measure for an airline's environmental efficiency. In the absence of such a measure, easyJet has set itself the target of being a leading environmentally efficient and responsible airline. easyJet has established an environmental code, which it aims to use to monitor progress towards this target. The environmental code is centred around three promises:

- 1) easyJet strives to be efficient in the air
- 2) easyJet strives to be efficient on the ground
- 3) easyJet aims to lead the way in shaping a greener future for aviation

The easyJet environmental code

#### 1. easyJet strives to be efficient in the air

##### A. Investment in the latest technology

easyJet's policy is to grow its fleet using the latest technology aircraft, whilst retiring older aircraft usually within seven to ten years of delivery.

New technology aircraft are more fuel efficient than older models. At 30 September 2006, easyJet's fleet had an average age of 2.2 years, a reduction of 0.8 years from September 2005.

Since FY 2000 easyJet's emissions of CO2 per passenger kilometre has reduced by 18%.

#### B. Efficient use of aircraft

Our standard aircraft is the Airbus A319.

The typical seating configuration of an Airbus A319 is 124 seats (source: Airbus). Our no-frills service allows us to reduce the space and weight inside the plane devoted to galleys, lavatories and storage. Our Airbus A319s fly with 156 seats.

Each of our Airbus A319s carries 26% more seats than the norm.

Our simple automated pricing allows us to sell significantly more seats than a typical European airline. Our average load factor (percentage of seats sold) in 2006 was 84.8%; the average load factor for European airlines in 2005 was 68.3% (4). easyJet sells on average 132 seats per flight; a typical European airline would sell 84 seats per flight.

Each of our Airbus A319s potentially carries 57% more passengers per flight than the European norm.

Using a conservative estimate and assuming the carriage of no cargo (plus the same baggage allowance) the weight of the additional passengers carried by easyJet in this calculation would require an additional 23% more fuel for the same route length than carriers flying with 84 passengers.

easyJet estimates that, compared to easyJet, the typical European airline operating an Airbus A319 would burn 27% more fuel per passenger.

#### C. Direct point to point flights, no connections

Conventional airlines operate networks based on a 'hub and spoke' system. In these networks, the majority of passengers will take two flights to reach their destination, connecting through the hub. easyJet always flies direct, or 'point to point', and does not offer any connecting services. A direct service between two points will produce lower emissions than two flights via a hub.

Example: easyJet offers a direct service from Berlin to Madrid. If a customer chooses to fly the same route via Paris Orly, which lies on the path of the direct flight, easyJet estimates that this routing would result in 19% more CO2 emissions than if the customer had taken the direct flight.

Example: on a shorter route, the effect of changing aircraft at an airport positioned away from the direct route adds considerably more to the fuel burn per passenger trip. easyJet estimates that a trip from Berlin to Nice via Paris Orly would add 45% to the direct route distance and would add 57% to the CO2 emissions generated per passenger

A small proportion of easyJet's customers do buy combinations of flights to reach their final destination, where a direct easyJet service does not exist. If numbers of customers build up on certain routings, easyJet will actively look to open direct services to satisfy this demand.

Example: in July 2006, easyJet opened a direct service to Malaga from Glasgow, after having seen an increasing trend in our customers choosing to fly that route via one of our three London airports. easyJet believes this flight will give our passengers a better, quicker service, reduce congestion at the London airports and reduce fuel burn per passenger trip.

#### D. Avoidance of air congestion

easyJet prefers to avoid the largest, most congested hub airports. easyJet does not fly to London Heathrow or to Frankfurt Main. It should be noted that easyJet's network is very different to that of a conventional 'hub and spoke' carrier. easyJet has no hubs but places capacity at the airports that local demand requires - airports serve no other operational purpose than to allow passengers to board or leave an aircraft. easyJet therefore has 16 local crew and aircraft bases in five countries.

Example: large central hubs such as London Heathrow and Frankfurt tend to require aircraft to fly longer holding patterns and longer taxi times to and from the runway. Below are the average time each aircraft spends in a holding

pattern, the proportion of aircraft held plus the proportion of easyJet flights at each of the four main London Airports for January-June 2006:

Source: NATS Operational Performance Report: July 2006

E. easyJet monitors its performance relative to other transport options

Comparison with long-haul flying

Many of easyJet's passengers are using easyJet to fly to specific destinations. A proportion of easyJet's passengers have a choice of holiday destination. In making this choice, length of flight is the major determinant of the total emissions produced per passenger. easyJet's average length of flight in FY 2006 was 954 kilometres.

Example: the chart below benchmarks a typical easyJet passenger journey (London to Nice, 1050 kilometres) against a range of long-haul alternatives. A typical long-haul flight to Miami would create approximately 10 times more emissions per passenger than an easyJet flight from London to Nice. (source: climatecare.org).

Source: easyJet based on climatecare.org data for long-haul

Comparison with rail

In contrast to aviation, data on the fully-costed environmental impact of rail journeys is poor.

The comparison with rail journeys should include some assessment of the environmental cost of the infrastructure used to provide the service, rather than just the marginal energy use of the single train journey. The environmental cost of rail infrastructure is unclear, but considerable.

According to the Association of Train Operating Companies(5), the average CO2 emissions (i.e. directly-attributable marginal impact, as opposed to full impact) for passenger rail in the UK were 49 g per passenger kilometre in 2004.

Comparison with road

The European Environment Agency estimates that the average specific CO2 emissions of the total EU15 passenger car fleet were 164 g per kilometre in 2003. Its estimate for average car occupancy is 1.6 passengers. This equates to 102.5 g of CO2 per passenger kilometre, or 7.1% more than easyJet's average.

The EU's key instrument for reducing emissions from passenger cars is the voluntary commitment agreed to by the European, Japanese and Korean car industries to reduce average CO2 emissions from new passenger cars; a target of 140 g per kilometre for 2008 in the EU and 2009 in Japan and Korea has been set (6). The EU's aim is to reach, by 2010, an average CO2 emission figure of 120 g per kilometre for all new passenger cars marketed in the Union (7).

According to the Stern Review, transport accounts for 14% of global greenhouse-gas emissions, three-quarters of these emissions are from road transport, while aviation accounts for around one eighth and rail and shipping make up the remainder(8).

2. easyJet strives to be efficient on the ground

A. short dwell time on ramp - quick turns

easyJet's business model is designed to achieve high aircraft utilisation. Key to this is minimising the turnaround time (measured as the time between the aircraft arriving at the gate and pushing back for departure). During a turnaround, the crew secure and prepare the aircraft for the next flight before boarding passengers and their baggage. This process includes safety checks, cleaning the aircraft cabin and in most cases refuelling.

By operating to this standard, to service the same number of passengers through the day, easyJet requires fewer gates and other airport infrastructure than full service airlines.

B. minimal use of ground equipment

easyJet's policy is to use the most efficient and simple ground equipment in order to facilitate our quick turnaround time. As such, easyJet prefers, where possible, not to use air bridges. easyJet also prefers not to use motorised

steps. As a no frills airline, easyJet typically loads catering onto the aircraft only twice a day, which further reduces the amount of ground activity and related emissions involved in every flight. easyJet cabin crew clean the cabin interior; a full service airline will require a separate cleaning crew to be delivered to each turnaround.

#### C. simple airport infrastructure

easyJet has simple airport infrastructure requirements. As a short haul point to point airline with one class of service and no cargo offering, easyJet has no need for segregated check-in areas or for complex baggage handling systems and facilities to transfer passengers between flights.

Wherever possible, easyJet works with airports to adapt and develop existing facilities efficiently to minimise airport capital expenditure, and reduce environmental impact. easyJet is launching an online check-in product, which helps reduce the need for expensive airport infrastructure.

#### D. easyJet keeps surface journeys to a minimum

easyJet prefers to use local, convenient airports connected to good public transport links. As part of our airport selection process, easyJet assesses the convenience of an airport with respect to surface transport options.

According to latest census data, 200 million people in Europe live within 60 minutes local journey of an easyJet airport. easyJet analyses address data supplied by customers when they book, in order to draw conclusions about how far customers are travelling to their departure airport. Where a particular destination appears to be drawing customers from a very wide field, easyJet will actively look to serve that destination from multiple departure airports.

Example: in easyJet's 2006 summer schedule, half of the daily departures at easyJet's three London airports (Gatwick, Luton and Stansted) were to destinations served from all three airports, allowing customers in south east England to travel from their most convenient airport, reducing the emissions from ground transport.

Example: 5.4 million people live within 30 miles of Stansted Airport, according to the 2002 census. On routes that easyJet serves from all three of its London airports, typically between 45% and 50% of outbound passengers have given easyJet an address within 30 miles of Stansted. In contrast, on a route which is only served from one of easyJet's London airports, the proportion of outbound passengers giving easyJet an address within this catchment can be as low as 15%.

#### E. minimal waste

easyJet's no frills service is designed to reduce waste in all areas.

##### Office waste

easyJet is a ticketless airline and also has a policy of operating a near paperless office, where the majority of paper documents including all post are scanned into a document management system. All paper is disposed of through our recycling programme. This programme principally covers papers, including printer toner cartridges. Paper sent for recycling represented 13% of all waste by weight generated by head office activities

##### On board waste

By not offering free food, easyJet eliminates meals that people do not want. At the same time, the food that easyJet sells in flight does not require preparation on board. At present, the small volume of food waste contained within easyJet's onboard waste generally means it cannot be accepted for recycling. easyJet is initiating a program to collect paper waste separately so that it can be sent for recycling at as many airports as possible. If this is successful, other recyclable waste may also be segregated.

##### Chemicals

easyJet monitors closely its use of fluids for aircraft de-icing. The majority of de-icing fluid used by easyJet have been designed to meet stringent environmental requirements (i.e. do not contain triazole) and are considered to be non-hazardous and readily biodegradable. The transfer and shipment of oils is maintained to a level as low as is practicable. Solvents and oils used in aircraft maintenance are either recycled or treated through approved licensed operators.

### 3. easyJet leads the way in shaping a greener future

#### A. shaping European policy on emissions trading

easyJet has the chair of the European Low Fares Airlines Association (ELFAA) environment working group and in that capacity was invited to join the European Commission's Aviation Working Group set-up to review how international aviation could be included into the EU Emissions Trading Scheme (ETS). easyJet supports the inclusion of aviation into the EU ETS, but not at any cost. A legislative proposal is due to be published by the EU at the end of 2006. easyJet has been pressing for a scheme that will cover the largest carbon footprint i.e. include flights both within Europe and all departing and arriving flights, and reward airlines that are environmentally efficient and punish those that are not.

#### B. shaping European policy on making ATC more efficient

The implementation of the EU's Single European Sky (SES) legislation is fundamental to improving the safety, reducing the cost and increasing the productivity of Europe's highly fragmented and inefficient air traffic management (ATM) system. easyJet is actively supporting the delivery of the SES initiatives, especially through its involvement in ELFAA and ELFAA's participation in the SESAR programme. SESAR is the operational part of SES, which is proposing a new approach to reform the ATM structure in Europe.

#### C. actively engaging with aircraft manufacturers to influence next generation technology

With new aerospace technologies emerging and their application primarily directed at the new generation of wide body long haul aircraft, easyJet is actively engaging with both airframe and engine manufacturers in a dialogue aimed at the application of these technologies to a new generation of short haul aircraft. However it is not currently anticipated that a new generation of short haul aircraft will come to market before 2015.

### easyJet and its people

As an employer, easyJet's aim is to create an environment where people feel that easyJet is a great place to work; to nurture pride in the Company and people's individual efforts; to deliver outstanding performance to our internal and external customers and to promote our low cost model. Our aspiration to be the best is underpinned by our five pillars of safety, customers, people, operational excellence and shareholder return together with our cultural values.

#### A. Equality and diversity

easyJet is a committed equal opportunities employer. Our policy aims to ensure that no job applicant or employee receives less favourable treatment on the basis of their age, colour, creed, disability, full or part time status, gender, marital status, nationality or ethnic origin, race, religion or sexual orientation.

At 30 September 2006, easyJet employed 4,859 persons (2005: 4,152) as set out below:

Location of employees (including secondments)		Age of employees			
	2006	2005		2006	2005
UK	3,648	3,131	Under 20	288	147
Switzerland	364	506	21 - 30	2,133	1,833
Germany	387	355	31 - 40	1,543	1,360
France	167	158	41 - 50	693	612
Spain	201	2	Over 50	202	200
Italy	92	-			
	4,859	4,152		4,859	4,152

Our growth across Europe is reflected in our multinational workforce.

#### Pilot retirement age

In order to ensure compliance with the new laws against age discrimination in October 2006, easyJet is raising the normal retirement age for all pilots to 65, the maximum age limit allowable under the regulatory regime in force. Prior to this it was compulsory for pilots to retire at the age of 60. Now all pilots have a choice as to whether they wish to keep flying until they are 65.

#### B. Training & Development

easyJet is committed to providing high quality training to support the safe operation of the business, and the cultural and personal development of our

people. During the year, the easyJet Academy opened a 30,000 square foot training facility, which will contribute towards achieving these objectives.

#### easyJet Academy

The easyJet Academy has now completed its first successful year and has seen approximately 5,000 Pilots, Cabin Crew and Contact Centre and Management and Administrative staff pass through its doors, along with an additional 3,500 people passing through our recruitment and assessment centres. The facility is a state-of-the-art training centre, primarily for the flight crew, but with facilities for training telesales and customer service agents for our Contact Centre. The 30,000 square foot building is home to easyJet's flight crew recruitment and training teams, as well as its ID processing cell, which produces all employee IDs in-house. The facility also houses a cabin simulator and aircraft slides that are used to train Cabin Crew and Pilots.

#### Employee Induction

In addition to our already well-established and thorough induction training programme for crew, all new employees to easyJet Management and Administration functions can now look forward to a thorough induction process that will take three months to complete. easyJet wants new people to the organisation to settle in as quickly and efficiently as possible, and has introduced a new process to ensure that this happens.

#### C. Employee information and consultation

The process of designing efficiency into easyJet's core business extends to a 'flat' management structure, where few organisational layers exist between the operational and customer-facing teams. easyJet is committed to providing open information to its people, and to consulting over key issues. A number of forums exist where issues of concern can be raised across the board. easyJet's Business Forum allows for high level consultations with both staff groups and recognised unions.

easyJet has a good relationship with its Management and Administration Consultative Group and recognised trade unions, Amicus, BALPA and the TGWU. easyJet has lost no days to industrial action during the year.

easyJet has also developed a new Culture Network, which recognises the airline's European personality and the location of staff. This Network gives everyone an opportunity to get involved in communicating issues and ideas to management. The goals of the Network are to support the aspirations, vision and values of the Company and its employees.

easyJet has a number of means of keeping its people informed about both internal and external news. The easyJet intranet is the official portal to a wide range of Company information, which is actively updated and expanding in subject coverage. This is a proven, successful communications medium and events ranging from daily operational performance to long term plans are posted here.

Using the intranet, access is provided to both common policies and procedures, such as in the People Handbook, or specific activities related to one of the business groups e.g. aircraft technical discussions. Our people also publish their views on any topic via open discussion forums covering technical, employment, cost issues and more; in fact anything our people wish to debate.

A measurement of travel delivery achievement to our customers is a key performance indicator. easyJet reports the end result of its efforts by publishing the preceding day's on-time performance on the intranet front page each weekday morning. A wide range of topical news from inside and outside the business, management announcements and general social activities, is also available. To connect the management with any person in the business, Directors have instigated a monthly on-line chat forum, which draws a wide audience with lively discussion.

To supplement the general intranet information, a range of magazines and newsletters are published. These include the business development focused Plane Times, in electronic form every three weeks, the quarterly Plane People, containing articles on a wide range of subjects and which is delivered to the home address of each of our people. Individual business groups produce specialist publications such as The Stable Approach for pilots, Cabin Fever for cabin crew and Crew Safety for the operations team.

#### People opinion survey

In May 2006 easyJet launched its new annual people opinion survey - easyJet Pulse - in order to fully understand its people's issues and measure progress. With a commitment from the Board to share the results of Pulse 'warts and all'

67% of easyJet people responded to Pulse (higher than average for a first survey, particularly in the airline industry) with an overall satisfaction score of 68%. Linked to an engagement 'index', Pulse not only measured satisfaction, but also levels of motivation, pride, commitment, engagement and advocacy. A key positive headline for easyJet was the high degree in which easyJet people are advocates of the company and the service it provides, while there is more work to be done in the areas of employee engagement communication. Corporate and local level action plans have been drawn up throughout the business and targets have already been set to better the response and satisfaction rates in Pulse 2007.

#### New Employee Uniform

One of the things our uniform-wearing staff were keen to let us know about was their opinion on our current uniform. As a result of their feedback, Chief Executive Andrew Harrison initiated 'Project Uniform', the aim of which is to give easyJet employees the uniform they want at no extra cost. All easyJet employees were invited to submit their designs for their dream uniform and the best three designs were put on the easyJet intranet for the people to choose their favourite two. The final two designs have now been chosen and both are being put into production so the crew can make the decision about which one they want to wear. easyJet expects crew to be in their new uniform early in 2007.

#### Flight Plan 2007

To improve two-way communication around easyJet and to galvanise our people behind our strategy for the next three years, our Directors have taken easyJet's 'Flight Plan' for 2007 out to the network and across the whole Company. Through a series of roadshows delivered to crew and support functions, easyJet people have heard all about easyJet's performance last year and the part everyone can play to reach our targets for next year and beyond.

#### D. Staff rewards & recognition

##### Share schemes

easyJet once again offered all employees the opportunity to join its popular all employee share plans - easyJet Shares 4 Me - through our Save As You Earn (SAYE) and Buy As You Earn (BAYE) schemes. Take-up of the schemes is very positive with 40% of eligible staff participating in one or both plans. These are HM Revenue & Customs (HMRC) approved schemes open to all employees on the UK payroll.

Under SAYE participants may elect to save up to £250 per month under a three-year savings contract. An option is granted by the Company to buy shares at a price based on the market price of the shares at the time of the grant. At the end of the savings period, a tax free bonus is applied to the savings and the option becomes exercisable for a period of six months. The Company made grants under the Sharesave scheme in June 2005 and June 2006, with options being granted at a discount of 20% to the market price at the time of the grant. For those employees who are on non-UK payrolls, an international scheme has been established with similar terms and conditions to the UK scheme, albeit without the UK tax benefits.

BAYE is a share incentive plan and is open all year. This scheme is open to all employees on the UK payroll. Employees can allocate part of their pre-tax salary up to a maximum of £1,500 per annum, to purchase 'partnership' shares in easyJet. For every share purchased through the partnership scheme, easyJet purchases a 'matching' share. Employees must remain in employment with easyJet for three years from the date of purchase of partnership shares in order to qualify for matching shares, and for five years for shares to be transferred to them tax free. The employee retains rights over both their own shares and the matching shares, receives dividends and is able to vote at meetings once the shares are purchased. For those employees who are not paid on the UK payroll, an international scheme has been established with similar terms and conditions to the UK scheme, albeit without the UK tax benefits.

##### Free shares

To further encourage share ownership, easyJet has given all employees a one-off award of free easyJet shares, equivalent to two weeks' pay. This is also under the HMRC approved Share Incentive Plan. Employees who are not paid on the UK payroll are included in the international Share Incentive Plan.

easyJet Shares 4 Me has been the recipient of three major industry awards this year:

'Best New Share Plan' at the ifsProShare Annual Awards 2005

'Most Effective All-Employee Share Plan Strategy Award' from Employee Benefits

magazine

'Most Innovative Employee Share Plan' at the Institute of Chartered Secretaries and Administrators Company Secretary Awards 2006

#### Staff Travel

In April 2006, easyJet introduced an improved staff travel incentive for all employees. Without adding any further cost to the business, a team of people from within easyJet implemented a number of enhancements to the system already in place, which meant that staff could be on more of our seats that would have departed empty. Part of the development programme was to widen the number of people who could use the easyJet staff travel facility. Each employee now has three named others on their staff travel account, plus dependants up to the age of 21. The result saw a year-on-year increase in use of staff travel by almost 100%.

#### Go the Extra Mile Awards

One of the key differentiators between easyJet and other low-cost carriers is our people. Regardless of where in the company our people are working, they work hard and give their all. For this reason, easyJet introduced a new employee incentive scheme called the 'GEM' (Go the Extra Mile) awards. The awards are designed to recognise employees who go beyond what can rightly be expected of them in the role they are in. There are five different types of GEMs which recognise different areas of an employee's contribution and these are matched by an exciting range of rewards. This year, 253 people have been recognised with GEMs, and five have been awarded the ultimate accolade of a diamond GEM.

#### E. Health & Safety

Safety is the number one priority for the business. easyJet aims to provide a safe and efficient work environment for all its people. Beyond those engaged in office-based work, the large majority of people are aircrew. They have been one of the mainstays to easyJet's success, giving a great deal of effort to their role. easyJet is continuing to invest substantial effort and money into rostering practices and systems. easyJet is committed to the development of an industry leading Fatigue Risk Management System (FRMS) for its pilots, as an integral part of the airline's safety management processes. The aim of the programme is to detect any sources of fatigue risk within the airline operation and act upon them.

#### F. Charitable donations

Our charity policy is to recognise and devote efforts to a single charity each year. This year the charity, chosen for the first time by a staff vote, was The Anthony Nolan Trust.

easyJet has worked with The Anthony Nolan Trust to help promote the Trust, with activities including on-board collections, a click and give campaign from our website, staff fundraising, being featured in the in-flight magazine and other public relations activities. Close to £560,000 was raised to 30 September 2006 and the Anthony Nolan Trust received coverage in European press, UK regional press and National television. easyJet also donated £50,000 to the Anthony Nolan Trust.

Money raised from onboard collections was also donated to other bone marrow registers in Europe; close to £15,000 to the German register, DKMS and over £5,000 to the Italian register IBMDR.

#### G. Ethical

easyJet is committed to the highest standards of corporate behaviour from its Directors and employees. easyJet requires all of its people to perform their duties with efficiency and diligence and to always behave to customers and other people alike with courtesy and decorum.

easyJet's procurement process has strong controls to ensure that any dealings are open and transparent, and avoids any suspicion of conflicts of interest. In particular, easyJet has specific clauses in each employee's contract of employment, which set tight rules in respect of accepting gifts or gratuities.

#### Gifts and Gratuities

Some easyJet employees are sent gifts from various companies throughout the year. The airline has a strict policy that prevents any employee accepting gifts over a nominal value. Every Christmas (and less frequently, at various times through the year) easyJet holds a staff raffle of all the gifts that are received. Every employee across Europe is entered into the draw and allocated a

unique reference number. Numbers are then drawn at random and winners have the gifts sent directly to their home in time for Christmas.

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