

In accordance with the Companies (Miscellaneous Reporting) Regulations 2018, the AA applies the Wates Corporate Governance Principles for Large Private Companies (Wates Principles) to its business. This statement sets out how the Wates Principles are applied.

Further information with regard to the application of the Wates Principles, and governance more generally, can be found in the AA Group Annual Report and Accounts as well as the annual ESG Report produced in respect of the group, both of which are available on our corporate website at www.theaacorporate.com.

Wates Principles – Statement of Corporate Governance Arrangements
Principle 1 – Purpose & Leadership
<p>Management control of the AA is exercised by the AA Limited Board (the “Board”). The Board is responsible for the long-term success of the AA and it builds successful relationships with a range of stakeholders through formal and informal engagement.</p> <p>The Board are dedicated to promoting the success of the business through development of effective strategy, which generates long-term sustainable success for the AA’s shareholders and other stakeholders. Business strategy and steps are clearly communicated throughout the organisation through regular updates directly to colleagues.</p> <p>The AA’s majority private equity owners have expressed a commitment to maintaining and embedding a healthy organisational culture at all levels throughout the business. To that end, extensive work has been undertaken to develop and launch a new ‘Blueprint’ reflecting the AA’s purpose, behaviours and strategic vision. These cultural initiatives are supported by regular employee engagement surveys, which address and monitor how well the organisational culture and values between colleagues and senior management are aligned.</p> <p>There are clear and transparent policies in relation to raising concerns about misconduct and unethical practices at the AA, which include, but are not limited to: a Whistleblowing Policy, a Conflicts of Interest Policy, and an Anti-Bribery and Allowable Gifts, Hospitality and Donations Policy.</p>
Principle 2 – Board Composition
<p>The AA values balance and diversity, and each AA director and member of senior management has a high level of understanding and knowledge relevant to the AA’s business needs. The Board is cognisant of its own diversity and, following the appointment of Kory Sorensen in February 2022, has sought to further increase that diversity through the appointment of Amélie Petit. Further enhancements in respect of the Board’s composition and diversity will be kept under review.</p> <p>The AA also recognises the benefit of seeking feedback in respect of the Board’s effectiveness and has carried out an evaluation to ensure that there is an appropriate balance of skills, experience and knowledge.</p>

As recommended by the Wates Principles, there is a clear separation between the role of the Chair and CEO of the AA.

Authority is delegated by the Board to a Remuneration and Nomination Committee and an Audit and Risk Committee, and the Board are satisfied that this delegation is appropriate for the size and complexity of the AA.

Principle 3 – Director Responsibilities

Each AA director has a clear understanding of their general duties and accountability. The AA recognises the importance of stakeholder engagement and has a strong focus on quality internal and external communication.

Supported by the Conflicts of Interest Policy, directors understand their duty to disclose a conflict of interest as and when it may arise. Declared conflicts of interest are kept under review and are regularly monitored. The AA has robust internal processes to ensure systems and controls operate effectively with regards to integrity of information. The Board maintains clear lines of accountability through formally reserved matters and any delegated areas are specified in terms of reference. The Company Secretary, Chair of the Board and CEO review the appropriateness and the strength of governance processes, as appropriate.

Board meetings, papers and support items are provided in a timely and accurate manner from the relevant expert within the business, allowing for clear and informed decision-making at management level.

Principle 4 – Opportunity & Risk

The Board has overall responsibility for the AA's risk appetite and risk management framework. The AA's risk management is delegated to the AA Limited Audit and Risk Committee which, supported by the Chief Risk Officer, has oversight of the risk within the AA Group. The AA operates a 'three lines of defence' model. The model distinguishes between functions that have prime responsibility for identifying, owning and managing risks (first line), oversight and control functions (second line) and functions providing independent assurance (third line). All three lines of defence have specific tasks in the internal control governance framework.

To support this model, the AA has risk policies, defined risk appetites for key risks, risk oversight committees, and clearly documented accountabilities and responsibilities from the business, through to the management. There is an internal control framework with appropriate risk management systems in place, which help identify emerging and established risks by the group and its stakeholders. The AA's Risk Management Framework Policy requires all areas of the business to maintain a risk register, which must be reviewed at a minimum, on a quarterly basis.

The AA's principal and emerging risks are frequently considered and are detailed in the Annual Report and Accounts for the group available on our corporate website at www.theaacorporate.com.

Principle 5 – Remuneration

Matters of remuneration policy are delegated to the AA Limited Remuneration and Nomination Committee which meets twice a year, and additionally when required. The AA has appropriate and fair levels of remuneration in place to secure and retain high-quality directors, senior management and wider employees at the AA. Remuneration is aligned to the AA Group's strategy and is designed to promote the long-term sustainable success of the business.

Principle 6 – Stakeholder Relationships & Engagement

The AA recognises the importance of stakeholder engagement and has a strong focus on quality internal and external communications. The AA's key stakeholders are continuously monitored, to ensure that due consideration is given to the relevant stakeholders in the context of principal decisions. Our current assessment of who our key stakeholders are can be found in our Annual Report, available on our corporate website at www.theaacorporate.com.

As a large private company, the AA recognises that stakeholder engagement is critical and aligning everyone around a common objective and delivering the objective successfully is of key importance. Therefore, the AA ensures people at all levels understand the direction of the business, and role they play in the business.

The AA regularly engages with its key stakeholders, through both formal and informal channels including but not limited to: employee engagement surveys, internal communications and live streams from senior management, campaigning on relevant issues, active involvement in governmental and regulatory forums and participation in industry groups.

The AA appreciates that it has a responsibility to ensure its business activities sustainably benefit the wider stakeholder system including consideration of social, economic and environmental impacts. You can read more about how that responsibility is discharged in the ESG report published on our corporate website at www.theaacorporate.com.