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17 December 2020

Employee Ref: [employee#]

Dear [Colleague]

Recommended cash acquisition of AA PLC by Basing Bidco Limited and how it affects your ESIP Shares

As you know, on 25 November 2020, the board of directors of AA PLC (*the AA*) and Basing Bidco Limited (*Bidco*) announced that they had reached agreement on the terms of a recommended cash acquisition by Bidco of the entire issued and to be issued ordinary share capital of the AA (the *Acquisition*).

The Acquisition is subject to the approval of AA Shareholders, as described below as well as other approvals and conditions. It is currently expected that the AA Shareholder approval meetings will be held in January 2021.

As a participant in the ESIP, you are eligible to vote on the proposed Acquisition.

In addition, if the Acquisition goes ahead, your ESIP Shares will be purchased by Bidco for 35 pence per ESIP Share.

This letter is to provide information on what will happen next. If you have any queries regarding this letter, please contact the dedicated Equiniti helpline on 0333 207 6539 (or +44 121 415 0285 if calling from outside the United Kingdom). Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00am - 5.00 pm, Monday to Friday excluding public holidays in England and Wales. Please note that Equiniti are not able to provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

Why am I receiving this letter?

As you are a participant in the ESIP, this letter explains what will happen to your ESIP Shares held on your behalf by the ESIP Trustee and what you need to do if the Acquisition goes ahead. A summary of your outstanding ESIP Shares can be found on the [Equiniti Share Portal](#).

There is a Glossary at the back of this letter, which explains the key terms used.

How does the Acquisition work?

Before the Acquisition can take place, through what is known as a scheme of arrangement (the **Scheme**), a number of approvals are needed, including from AA Shareholders, the Court and the FCA. It is currently expected that the AA Shareholder approval meetings will be held in January 2021. Assuming that these meetings result in approval being granted, a final Court approval will take place (this is known as a **Court Order**), resulting in the Scheme being effective. The Court Order is likely to happen in the first quarter of 2021. Shortly after the Court Order is granted, the Acquisition will take effect. This is known as the **Effective Date** of the Scheme and will be the date from which the AA will be owned by Bidco.

If the Acquisition goes ahead, all of the AA Shares in issue will be purchased by Bidco for 35 pence per AA Share (the **Cash Offer**).

What will happen to my ESIP Shares if the Acquisition goes ahead?

If the Acquisition goes ahead, Bidco will automatically buy all of the ESIP Shares that you hold in the ESIP for the Cash Offer of 35 pence per ESIP Share.

If the Acquisition does not go ahead, your ESIP Shares will continue to be held in the ESIP in the normal way.

When will I get my cash?

If the Acquisition goes ahead, the cash proceeds will be paid directly to your bank account by Equiniti, as soon as practicable after the Acquisition completes.

Will I have to pay income tax and national insurance?

If you are resident in the UK for tax purposes, you should not be liable to pay income tax or employee's national insurance contributions on your ESIP Shares. You should also not be liable to pay capital gains tax when you sell your ESIP Shares to Bidco.

Can I vote on the Acquisition?

Yes, and the directors of the AA are recommending that all AA Shareholders vote in favour of the Acquisition. To find out more about why the AA Directors have made that recommendation please refer to the 'Background to and reasons for the recommendation' section in the Scheme Circular.

You can instruct the ESIP Trustee on how to vote on the Acquisition.

The ESIP Trustee can be instructed to vote via a Form of Direction by registering your voting instructions online at www.sharevote.co.uk using the following credentials for each meeting:

Court Meeting

Voting ID:	Task ID:	Shareholder Reference Number:

General Meeting

Voting ID:	Task ID:	Shareholder Reference Number:
[●]	[●]	[●]

Please note that your instruction must be received by the ESIP Trustee by [11am] on 11 January 2021. If your voting instructions are not received by this time, the ESIP Trustee will not vote in respect of your ESIP Shares at the Court Meeting or the General Meeting. The AA Shareholder resolutions are included in Part XII of the Scheme Circular.

Will I be able to continue to participate in the ESIP if the Acquisition goes ahead?

No. If the Acquisition becomes effective, the ESIP will close and you will no longer be able to participate.

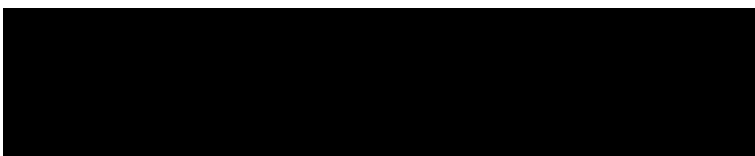
What do I need to do now?

If you want to vote on the Acquisition, you should complete and return one or both of the Forms of Direction as set out above. If you do not wish to vote, or if you return your Forms of Direction after the deadline on 11 January 2021, this will not impact the purchase of your ESIP Shares by Bidco for 35 pence per ESIP Share, provided that the Acquisition goes ahead.

Other than the actions referred to above, there is nothing more you need to do at this stage.

If the Acquisition goes ahead, Bidco will automatically buy your ESIP Shares as described above and the Acquisition should become effective in the first quarter of 2021.

Yours sincerely



Equiniti Share Plan Trustees Limited acting as trustee of the AA Plc Share Incentive Plan

Glossary

the AA means AA PLC;

AA Shareholders means the holders of AA Shares;

AA Shares means the ordinary shares of 0.1 pence each in the capital of the AA, from time to time;

Acquisition means the proposed acquisition by Bidco of the entire issued and to be issued ordinary share capital of the AA;

Bidco means Basing Bidco Limited, the company acquiring the AA;

Court means the High Court of Justice in England and Wales;

Court Order means the date on which the Court sanctions the Scheme under section 899 of the Companies Act 2006;

Effective Date means the date on which the Scheme becomes effective;

ESIP means the AA Plc Share Incentive Plan;

ESIP Shares means Partnership, Matching and Dividend shares received under the ESIP;

ESIP Trustee means Equiniti Share Plan Trustees Limited acting as trustees of the ESIP.

Form of Direction means the form available to you to make your vote;

HMRC means HM Revenue & Customs;

Portal means the website operated by Equiniti which contains information on your ESIP Shares;

Scheme means the proposed scheme of arrangement made under Part 26 of the Companies Act 2006 which is the proposed procedure by which Bidco will become the holder of the entire issued and to be issued ordinary share capital of the AA; and

Scheme Circular means the document setting out the terms of the Scheme sent to AA Shareholders.

Notes

The distribution of this document and/or the accompanying documents (in whole or in part) in or into jurisdictions other than the United Kingdom may be restricted by the laws of those jurisdictions and therefore persons into whose possession this document comes should inform themselves about, and observe, any such restrictions. Any failure to comply with any such restrictions may constitute a violation of the securities laws of any such jurisdiction.

The AA Directors, who have been so advised by Evercore and J.P. Morgan Cazenove as to the financial terms of the Cash Offer, consider the terms of the Cash Offer to be fair and reasonable. In providing their advice to the AA Directors, Evercore and J.P. Morgan Cazenove have each taken into account the commercial assessments of the AA Directors. Evercore is providing independent financial advice to the AA Directors for the purposes of Rule 3 of the City Code.

Accordingly, the AA Directors intend to recommend unanimously that Scheme Shareholders vote in favour of the Scheme at the Court Meeting and AA Shareholders vote in favour of the resolutions to be proposed at the General Meeting (or, in the event that the Acquisition is implemented by way of a Takeover Offer, to accept or procure acceptance of the Takeover Offer), as the AA Directors who hold AA Shares have irrevocably undertaken to do (and in the case of their connected persons, to procure that such persons do) in respect of the AA Shares that they (and their connected persons) beneficially hold which amount in aggregate to 1,108,117 AA Shares representing, in aggregate, approximately 0.2 per cent. of the AA's issued ordinary share capital as at the close of business on 16 December 2020 (being the last Business Day prior to the date of this letter).

Evercore, which is authorised and regulated by the FCA in the UK, is acting exclusively as financial adviser to the AA and no one else in connection with the Acquisition and will not be responsible to anyone other than the AA for providing the protections afforded to clients of Evercore nor for providing advice in connection with the matters referred to herein. Neither Evercore nor any of its subsidiaries, branches or affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of Evercore in connection with this letter, any statement contained herein, the Acquisition or otherwise. Apart from the responsibilities and liabilities, if any, which may be imposed on Evercore by FSMA, or the regulatory regime established thereunder, or under the regulatory regime of any jurisdiction where exclusion of liability under the relevant regulatory regime would be illegal, void or unenforceable, neither Evercore nor any of its affiliates accepts any responsibility or liability whatsoever for the contents of this letter, and no representation, express or implied, is made by it, or purported to be made on its behalf, in relation to the contents of this letter, including its accuracy, completeness or verification of any other statement made or purported to be made by it, or on its behalf, in connection with the AA or the matters described in this letter. To the fullest extent permitted by applicable law, Evercore and its affiliates accordingly disclaim all and any responsibility or liability whether arising in tort, contract or otherwise (save as referred to above) which they might otherwise have in respect of this letter or any statement contained therein.

J.P. Morgan Securities plc, which conducts its UK investment banking business as J.P. Morgan Cazenove ("J.P. Morgan Cazenove"), and which is authorised in the United Kingdom by the Prudential Regulation Authority ("PRA") and regulated in the United Kingdom by the PRA and the Financial Conduct Authority, is acting as financial adviser exclusively for the AA and no one else in connection with the Acquisition and will not regard any other person as its client in relation to the Acquisition and will not be responsible to anyone other than the AA for providing the protections afforded to clients of J.P. Morgan Cazenove or its affiliates, nor for providing advice in relation to any matter or arrangement referred to herein.

The AA Directors (whose names are set out in the Scheme Circular) accept responsibility for the information contained in this document (including any expressions of opinion), except for that information for which the directors of Bidco (whose names are set out in the Scheme Circular) accept responsibility in accordance with the paragraph below. To the best of the knowledge and belief of the AA Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document for which they are responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.

Evercore and J.P. Morgan Cazenove (as the AA's financial advisers) have each given and not withdrawn their consent to the publication of this letter with the inclusion herein of the references to their names in the form and context in which they appear.

The directors of Bidco accept responsibility for the information contained in this document (including any expressions of opinion) relating to Bidco. To the best of the knowledge and belief of the directors of Bidco (who have taken all reasonable care to ensure that such is the case), the information contained in this document for which they are responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.