THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT AS TO THE CONTENTS OF THIS DOCUMENT OR WHAT ACTION YOU SHOULD TAKE, YOU ARE RECOMMENDED TO SEEK YOUR OWN PERSONAL FINANCIAL ADVICE IMMEDIATELY FROM YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER INDEPENDENT FINANCIAL ADVISER AUTHORISED UNDER THE FINANCIAL SERVICES AND MARKETS ACT 2000, IF YOU ARE RESIDENT IN THE UNITED KINGDOM OR, IF NOT, FROM ANOTHER APPROPRIATELY AUTHORISED INDEPENDENT FINANCIAL ADVISER

17 December 2020

Employee Ref: [employee#]

Dear [Colleague]

Recommended cash acquisition of AA PLC by Basing Bidco Limited to be implemented by means of a scheme of arrangement under Part 26 of the Companies Act

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***).

Why are we writing to you?

We are writing to explain how the Acquisition will affect the Performance Share Plan (the ***PSP***) and provide details of the proposal that Bidco is making to you in respect of your outstanding awards under the PSP (***Awards***) and the choices you may make.

As you will be aware, details of your Awards are available on Equiniti's ESP Portal. It is important to note that until the Acquisition is effective, the portal will continue to show the maximum number of shares that you have been awarded. If you haven't already registered for your online account, you will need your Employee number (which can be found on MyHR), your national insurance number, your surname and your AA corporate email address.

This communication describes the legal processes connected to the Acquisition, the PSP and your Awards and is therefore unavoidably 'technical' in nature. We have attached a Glossary to help you understand the capitalised terms that are used in this communication. We would recommend that you read this letter and any other documents you may receive carefully (for example, if you are a member of the ESIP, you will receive a separate letter detailing what will happen in the event of the Acquisition going ahead). You may also want to refer to the Scheme Circular which you can view on the AA website.

The Acquisition

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.

How does the Acquisition affect your Awards under the PSP?

Normally, your Awards would vest over a three-year period following the date on which they were granted to you, subject to the applicable performance conditions (the ***Performance Conditions***) being met. However, if the Acquisition goes ahead, your Awards that have not already vested will vest early, on the grant of the Court Order.

If you hold Awards in the form of options and do not exercise these before they lapse, which you can elect to do through Equiniti's ESP portal ***by 31 January 2021, you will not be entitled to receive the AA Shares under your Awards.***

Under the rules of the PSP, the Remuneration Committee will decide the vesting level of each Award. They will base this on a number of factors, including the extent to which the Performance Conditions have been met (as well as other performance factors that they consider relevant) and the period of time between the start of the performance period and the grant of the Court Order.

Whilst the Remuneration Committee will not make a final decision on the vesting levels of your Awards until shortly before the Court Order is granted, it has made a preliminary assessment in accordance with the rules of the PSP. It is expected that your Awards will vest as follows:

- 2017 PSP Awards: will vest at 2%;
- 2018 PSP Awards: expected to vest at or close to zero; and
- 2019 PSP Awards: expected to vest in the upper half of the range.

We will notify you of the final vesting levels once the Remuneration Committee has made its decision.

You will receive a number of additional AA Shares on the AA Shares that vest to reflect the value of dividends that would have been paid on those AA Shares since the date of grant.

What happens to the AA Shares I receive when my Award vests/is exercised?

Once your Awards vest and any options have been exercised, your AA Shares will be purchased by Bidco. You have a choice as to what Bidco will pay you for your AA Shares, details of which are set out below.

If you elect to receive the cash offer of 35 pence per AA Share (the ***Cash Offer***), this will be paid to you via payroll following the Effective Date, after any deductions have been made for income tax and national insurance contributions (***NICs***) due on the vesting or exercise of your Award. As previously communicated, the AA Directors are recommending the Cash

Offer to all shareholders and further details can be found in Part I, paragraph 16 of the Scheme Circular.

Alternatively, you may elect to receive the alternative offer in respect of all your AA Shares, to receive Topco Units (the ***Alternative Offer***). Further details on the Alternative Offer are set out below and in the Scheme Circular. If you elect to receive the Alternative Offer, the AA is not able to deduct from any cash proceeds the income tax and NICs due on your Award and you must therefore pay this to the AA yourself at least two weeks before the date of the Court Order, which is likely to happen in the first quarter of 2021. If you choose the Alternative Offer and do not do this, you will not receive the Topco Units. The AA Directors are not making any recommendation in respect of the Alternative Offer to shareholders and further information as to the reasons why are set out in Part I, paragraph 16 of the Scheme Circular.

Please note that the sale of your AA Shares to Bidco may also give rise to capital gains tax. If so, you would need to report this to HMRC through your annual self-assessment process. If you have any questions about your tax position, you should take independent financial and/or tax advice.

What actions do I need to take?

You need to log into Equiniti's ESP portal and make your election on your Awards at any point from today, up to 31 January 2021.

- If you hold Awards in the form of options, in order to receive the AA Shares after your Awards vest, you will need to confirm that you are happy for your Awards to be exercised, subject to the Acquisition being approved.
- Whether or not your Awards are in the form of options or conditional shares, you will need to elect whether you want to receive the Cash Offer or the Alternative Offer.

Simply:

- Log on to the ESP portal;
- Select "View your available instructions" within the portfolio section;
- Select "Make Your Choice" within the Corporate Action Portal Journey;
- Complete the relevant section and confirm your personal details; and
- Select "Exercise and receive Cash Offer" or "Exercise and receive Alternative Offer"

If you do not exercise your options and make your elections before the 31 January 2021 deadline, and you take no further action, your Award may lapse, in which case, you would receive no value from it.

If you wish to receive the Alternative Offer, you must also make arrangements to pay the income tax and NICs due on your Award and complete and return an Alternative Offer

Election Form. Further information on how to do this will be sent to you if you choose to receive the Alternative Offer.

If you would like to exercise an option after the date of the Court Order, but before it lapses up to one month later, please email sam.kirk@theaa.com for more information on the process you would need to follow to exercise and automatically receive the same cash payment per AA Share as is payable under the Cash Offer.

The Alternative Offer

You should read the information in the Scheme Circular on the Alternative Offer very carefully. In particular, you should note the following:

- The Topco Units being offered under the Alternative Offer will be unlisted and will not be admitted to trading on any stock exchange.
- You will not be able to sell or transfer the Topco Units for a period of five years.
- The Topco Units will be of uncertain value and there can be no assurance that they will be capable of being sold in the future.
- You will only be able to elect for the Alternative Offer in relation to your entire holding of AA Shares received through Awards under the PSP.
- If you choose the Alternative Offer, you will need to fund the income tax and NICs on your Awards in advance. The AA will provide you with an estimate of this liability once the Remuneration Committee has made a final decision on the vesting levels of your Awards.
- If you choose the Alternative Offer, you will be requested to provide additional cash funding at or around the Effective Date in order to accept your entitlements under the Additional Capital Raise (as described in Part V, paragraph 2.2 of the Scheme Circular). If you decline to provide such additional cash funding at that time or in respect of any subsequent issue of securities, your percentage holding would be significantly reduced.
- The AA Directors are not making any recommendation in respect of the Alternative Offer to AA Shareholders; further information as to the reasons why can be found in Part I, paragraph 16 of the Scheme Circular.

What if the Acquisition does not become effective?

If the Acquisition does not go ahead, your Awards will continue just as they are currently. Any unvested Awards will vest over their original vesting period, subject to the rules of the PSP.

What happens if I leave employment?

If you leave employment with the AA group or if you have given or received notice of termination of your employment before the Court Order, your Awards will normally lapse unless you leave in certain 'good leaver' circumstances under the PSP. If these circumstances apply to you, we will confirm the date on which and the extent to which your Awards will vest in writing to you.

What about other AA Shares I hold, including under the AA Share Incentive Plan (ESIP)?

If you already hold AA Shares, you will receive a copy of the Scheme Circular in your capacity as an AA Shareholder. This letter does not address the steps you can take in relation to AA Shares you already hold, and you should refer to the Scheme Circular for a full description of your voting rights and other important information in respect of your AA Shares.

If you participate in the ESIP, you will receive a separate letter which sets out the effect of the Acquisition on that plan. Please read those communications carefully.

Important notice

The AA Directors, who have been so advised by Evercore and J.P. Morgan Cazenove as to the financial terms of the proposals, consider the terms of the proposal as set out in this letter to be fair and reasonable in the context of the Acquisition. In providing their advice to the directors of the AA (***AA Directors***), Evercore and J.P. Morgan Cazenove have each taken into account the commercial assessments of the AA Directors. Evercore are providing independent financial advice to the AA Directors for the purposes of Rule 3 of the City Code.

The AA Directors recommend that you consider the proposal to exercise your Awards in the form of options before Court Order and in any event, before they lapse, and accept the proposal to receive the Cash Offer set out in this letter.

Evercore and J.P. Morgan Cazenove are unable to advise the AA Directors as to whether or not the terms of the Alternative Offer are fair and reasonable in the context of the Acquisition. This is because of the significant and variable impact of the disadvantages and advantages of the Alternative Offer for individual AA Shareholders including, in terms of the advantages, in particular, the ability to participate in the future value creation of the AA Group and in terms of the disadvantages, in particular, the terms of the Topco Units including the fact that they are illiquid and subject to a five year lock-up period, the level of uncertainty in their future value, and the potential dilution that would result if an AA Shareholder did not fund their pre-emptive entitlement pursuant to the Additional Capital Raise (as further described in the Scheme Circular).

Accordingly, the AA Directors cannot form an opinion as to whether or not the proposal to exercise Awards in the form of options before the Court Order and accept the Alternative Offer as set out in this letter is fair and reasonable in the context of the Acquisition and are not making any recommendation to you as to whether or not you should elect for the Alternative Offer.

You should consider your own personal circumstances, including your tax position, when deciding your preferred timing for exercising your options and whether to elect for the Cash Offer or the Alternative Offer.

What if you have questions?

If you have any questions about the Acquisition and your Awards, please email sam.kirk@theaa.com.

Please note that the AA and its employees cannot give you financial, legal, investment or personal tax advice. If you are in any doubt about the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser, who (where relevant) is authorised and appropriately regulated under the *Financial Services and Markets Act 2000*, if you are resident in the UK or, if not, from another appropriately authorised independent financial adviser.

Yours sincerely

[redacted]

Simon Breakwell

CEO

Yours sincerely

[redacted]

Alexander Walsh

For and on behalf of Basing Bidco Limited

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;

Alternative Offer means the Topco Units you may receive in exchange for your AA Shares;

Awards means the awards over AA Shares granted to employees of the AA and its subsidiaries under the PSP;

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;

HMRC means HM Revenue & Customs;

PSP means the AA plc 2015 Performance Share Plan;

Performance Conditions means the performance conditions applicable to your Awards;

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;

Scheme Circular means the document setting out the terms of the Scheme dated 17 December 2020 sent to AA Shareholders; and

Topco Units means the shares in Basing Topco Limited to be issued pursuant to the Alternative Offer.

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. A copy of this letter can be found on the AA website.

The AA Directors, who have been so advised by Evercore and J.P. Morgan Cazenove as to the financial terms of the proposals, consider the terms of the proposal as set out in this letter to be fair and reasonable in the context of the Acquisition. 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 are 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).

In considering the terms of the Alternative Offer, the AA Directors, Evercore and J.P. Morgan Cazenove have considered the disadvantages and advantages of electing for the Alternative Offer outlined below:

Disadvantages of electing for the Alternative Offer

The Topco Units:

- will be unlisted and will not be admitted to trading on any stock exchange and will therefore be illiquid. Any assessment of the value of the Topco Units should therefore take into account an individual shareholder's assessment of an appropriate liquidity discount;
- will be subject to a five year lock-up restriction, during which they can only be transferred in very limited circumstances, and thereafter will be subject to a right of first refusal on the part of ConsortiumCo; and
- will be of uncertain value and there can be no assurance that they will be capable of being sold in the future;
- Upon the Scheme becoming Effective, the Topco Group will be controlled by the Consortium and holders of the Topco Units, (which do not carry any general voting rights at general meetings of Topco, except in respect of a very limited number of reserved matters) will therefore have no influence over decisions made by Topco in relation to its investment in the AA or in any other business;
- The percentage ownership of Topco attributable to AA Shareholders who accept the Alternative Offer, but do not subsequently provide the cash funds required to accept their entitlements pursuant to the Additional Capital Raise or any further issue of securities by Topco following the Effective Date, would be significantly reduced;
- Eligible AA Shareholders will only be able to elect for the Alternative Offer in relation to their entire holding of AA Shares and not part only; and
- AA Shareholders will have no certainty as to the amount of Topco Units they would receive because:
    - the maximum number of Topco B Shares available to AA Shareholders under the Alternative Offer will be limited to 16 per cent. of the Topco Offer Shares; and
    - to the extent that elections for the Alternative Offer cannot be satisfied in full, the number of Topco B Shares to be issued in respect of AA Shares will be scaled down on a pro rata basis and the balance of the consideration for AA Shares will be paid in cash in accordance with the terms of the Cash Offer.

Advantages of electing for the Alternative Offer

- The Alternative Offer allows AA Shareholders to invest directly in the recapitalised AA Group, providing continued economic exposure to a private equity owned enterprise without incurring ongoing management fees;
- The Alternative Offer allows AA Shareholders to participate in future value creation and may ultimately deliver greater value than the Cash Offer (although this cannot be guaranteed); and
- From completion of the Acquisition, the Topco Units will rank economically pari passu with the Consortium's investment in Topco and will carry pro rata entitlement to dividends, distributions and returns of capital.

Evercore and J.P. Morgan Cazenove are unable to advise the AA Directors as to whether or not the terms of the Alternative Offer are fair and reasonable in the context of the Acquisition. This is because of the significant and variable impact of the disadvantages and advantages of the Alternative Offer for individual AA Shareholders including, in terms of the advantages, in particular, the ability to participate in the future value creation of the AA Group and in terms of the disadvantages, in particular, the terms of the Topco Units including the fact that they are illiquid and subject to a five year lock-up period, the level of uncertainty in their future value, and the potential dilution that would result if an AA Shareholder did not fund their pre-emptive entitlement pursuant to the Additional Capital Raise.

Accordingly, the AA Directors cannot form an opinion as to whether or not the terms of the Alternative Offer are fair and reasonable in the context of the Acquisition and are not making any recommendation to AA Shareholders as to whether or not they should elect for the Alternative Offer.

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.