

25 November 2020

BASING BIDCO LIMITED

AA PLC

COOPERATION AGREEMENT



Freshfields Bruckhaus Deringer

CONTENTS

CLAUSE	PAGE
1. Definitions and interpretation.....	1
2. Publication of the Announcement and the terms of the Acquisition.....	8
3. Regulatory Clearances.....	8
4. Scheme Document.....	12
5. Implementation of the Acquisition.....	12
6. Switching to a Takeover Offer.....	13
7. AA Share Plans.....	14
8. Directors' and officers' insurance.....	15
9. Termination.....	15
10. Takeover Code.....	17
11. Representations and warranties.....	17
12. Costs.....	18
13. Entire agreement.....	18
14. Assignment.....	18
15. Notices.....	18
16. Language.....	20
17. Waivers, rights and remedies.....	20
18. No partnership.....	20
19. Further assurances.....	20
20. Counterparts.....	20
21. Variations.....	20
22. Invalidity.....	21
23. Third party enforcement rights.....	21
24. Governing law and jurisdiction.....	21
Schedule 1 Form of Announcement.....	25
Schedule 2 HR Matters.....	26

THIS AGREEMENT is made on 25 November 2020

BETWEEN:

- (1) **BASING BIDCO LIMITED**, a limited company registered in Jersey with registered number 132817, whose registered office is at 3rd Floor 44 Esplanade St Helier Jersey JE4 9WG (*Bidco*); and
- (2) **AA PLC**, a public limited company registered in England and Wales with registered number 05149111, whose registered office is at Fanum House, Basing View, Basingstoke, Hampshire, RG21 4EA (**AA**),

(each a *party* and together the *parties*).

WHEREAS:

- (A) Bidco intends to announce a firm intention to make a recommended cash offer for the entire issued and to be issued ordinary share capital of AA pursuant to Rule 2.7 of the Code.
- (B) The Acquisition will be made on the terms and subject to the conditions set out in the Announcement and this Agreement.
- (C) The parties intend that the Acquisition will be implemented by way of the Scheme, although Bidco reserves the right to elect (with Panel consent), to implement the Acquisition by way of the Takeover Offer, subject to the terms and conditions set out in the Announcement and this Agreement.
- (D) The parties have agreed to take certain steps to effect completion of the Acquisition (whether implemented by way of the Scheme or the Takeover Offer) and are entering into this Agreement to set out their respective rights, obligations and commitments in relation to such matters.

IT IS AGREED as follows:

1. Definitions and interpretation

- 1.1 In this Agreement (including the recitals but excluding Schedule 1), the terms and expressions listed in this clause 1.1 shall have the meanings set out in this clause 1.1. Terms and expressions used in Schedule 1 shall have the meanings given to them in Schedule 1.

AA Board means the board of directors of AA from time to time;

AA Board Recommendation means a unanimous and unqualified recommendation from the AA Directors to AA Shareholders in respect of the Acquisition: (i) to vote in favour of the AA Resolutions; or (ii) if Bidco elects to proceed with the Takeover Offer in accordance with the terms of this Agreement, to accept the Takeover Offer, as the case may be;

AA Directors means the directors of AA from time to time;

AA Employee Share Incentive Plan means the UK “all-employee” share plan that operates in connection with a UK trust, pursuant to which qualifying employees are entitled to acquire AA Shares on and subject to terms set out therein;

AA Executive Committee means the committee of AA comprised of its most senior executives;

AA General Meeting means the general meeting of AA Shareholders (including any adjournment thereof) to be convened in connection with the Scheme, for the purpose of considering, and if thought fit approving, AA Resolutions, including any adjournment thereof;

AA Group means AA and its subsidiary undertakings and *member of the AA Group* shall be construed accordingly;

AA Performance Share Plan means the discretionary performance related share plan approved by AA Shareholders on 9 June 2015 pursuant to which certain options in respect of AA Shares may be granted at nil cost on and subject to the terms (including the satisfaction of long-term performance conditions) set out therein;

AA Remuneration Committee means the remuneration committee of the AA Board;

AA Resolutions means such shareholder resolutions of AA as are necessary or reasonably desirable to approve, implement and effect the Scheme and the Acquisition and certain changes to AA’s articles of association;

AA Share Plans means the AA Performance Share Plan and the AA Employee Share Incentive Plan;

AA Shareholder Meetings means the Court Meeting and the AA General Meeting;

AA Shareholders means the holders of AA Shares from time to time;

AA Shares means the ordinary shares of £0.001 each in the capital of AA, from time to time;

Acceptance Condition means the acceptance condition to any Takeover Offer;

Acquisition means the direct or indirect acquisition of the entire issued and to be issued ordinary share capital of AA by Bidco (other than any AA Shares held by the Offeror Group), to be effected by way of: (i) the Scheme; or (ii) the Takeover Offer (as the case may be);

Acquisition Document means: (i) if the Scheme is (or is to be) implemented, the Scheme Document; or (ii) if the Takeover Offer is (or is to be) implemented, the Offer Document;

Additional Controller means any person, other than Bidco, who as a result of the proposed Acquisition is required to submit a notice to the appropriate regulator under: (i) section 178 Financial Services and Markets Act 2000 as modified, where applicable, by the Financial Services and Markets Act 2000 (Controllers)(Exemption) Order 2009; and/or (ii) Section 111 of the Financial Services Act 2019 of Gibraltar,

excluding for the avoidance of doubt any AA Shareholders which may be required to do so in order to validly accept the Share Alternative;

Agreed Switch has the meaning given in clause 6.2;

Announcement means the announcement detailing the terms and conditions of the Acquisition to be made pursuant to Rule 2.7 of the Code, in substantially the form set out in Schedule 1;

Applicable Law means the proposed National Security and Investment Bill or any other public interest, national security or foreign investment laws, rules or regulations;

Business Day means a day other than a Saturday or Sunday or public holiday in England and Wales on which banks in London are open for general commercial business;

Clearances means any approvals, consents, clearances, permissions, confirmations, comfort letters and waivers that are required to be obtained, all filings that are required to be made and waiting periods that may need to have expired, from or under any of the Laws, regulations or practices applied by any Relevant Authority (or under any agreements or arrangements to which any Relevant Authority is a party), in each case that are necessary and/or expedient to satisfy one or more of the Regulatory Conditions;

CMA has the meaning given in clause 3.10;

CMA Condition has the meaning given in clause 3.10;

Code means the City Code on Takeovers and Mergers, as issued from time to time by or on behalf of the Panel;

Companies Act means the Companies Act 2006;

Competing Proposal means:

- (a) an offer (including a partial, exchange or tender offer), merger, acquisition, dual-listed structure, scheme of arrangement, reverse takeover, whitewash transaction and/or business combination (or the announcement of a firm intention to do the same), the purpose of which is to acquire, directly or indirectly, 30 per cent. or more of the issued or to be issued ordinary share capital of AA (when aggregated with the shares already held by the acquirer and any person acting or deemed to be acting in concert with the acquirer) or any arrangement or series of arrangements which results in any party acquiring, consolidating or increasing 'control' (as defined in the Code) of AA;
- (b) the acquisition or disposal, directly or indirectly, of all or a significant proportion (being 30 per cent. or more) of the business, assets and/or undertakings of the AA Group calculated by reference to any of its revenue, profits or value taken as a whole;

- (c) a demerger, any material reorganisation and/or liquidation involving all or a significant portion (being 30 per cent. or more) of the AA Group calculated by reference to any of its revenue, profits or value taken as a whole; or
- (d) any other transaction which would be alternative to, or inconsistent with, or would be reasonably likely materially to preclude, impede or delay or prejudice the implementation of the Acquisition,

in each case which is not effected by Bidco (or a person acting in concert with Bidco) or at the direction of Bidco, and in each case whether implemented in a single transaction or a series of transactions and whether conditional or otherwise;

Conditions means:

- (a) for so long as the Acquisition is being implemented by means of the Scheme, the conditions to the implementation of the Acquisition (including the Scheme) as set out in Appendix I to the Announcement and to be set out in the Acquisition Document, as may be amended by Bidco with the consent of the Panel and AA; and
- (b) for so long as the Acquisition is being implemented by means of a Takeover Offer, the conditions referred to in (a) above, as amended by replacing the Scheme Conditions with the Acceptance Condition and as may be further amended by agreement in writing between Bidco and AA and, where required, in either case, with the consent of the Panel and AA,

and **Condition** shall be construed accordingly;

Confidentiality Agreements means: (i) the confidentiality agreement between Warburg Pincus International LLC and AA in relation to the Acquisition dated 23 June 2020; and (ii) the confidentiality agreement between TowerBrook Capital Partners (U.K.) LLP and AA in relation to the Acquisition dated 25 June 2020, in each case including any amendment and addendum thereto;

Costs means losses, damages, costs (including reasonable legal costs) and expenses (including taxation), in each case of any nature whatsoever;

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

Court Hearing means the hearing by the Court of the petition to sanction the Scheme and to grant the Court Order, including any adjournment thereof;

Court Hearing Date means the date upon which the Court Hearing is held;

Court Meeting means the meeting(s) of the Scheme Shareholders to be convened by order of the Court pursuant to section 896 of the Companies Act, notice of which will be set out in the Scheme Document, for the purpose of considering, and, if thought fit, approving the Scheme, including any adjournment thereof;

Court Order means the order(s) of the Court sanctioning the Scheme under section 899 of the Companies Act;

Court Sanction means the Court Order being granted;

Effective Date means:

- (a) the date on which the Scheme becomes effective in accordance with its terms;
or
- (b) if Bidco elects to implement the Acquisition by means of a Takeover Offer, the date that the Takeover Offer becomes or is declared unconditional in all respects;

Group means, in relation to any person, that person and any bodies corporate which are subsidiaries or subsidiary undertakings of that person;

Intermediate Holding Companies means Basing ConsortiumCo Limited, Basing TopCo Limited, Basing HoldCo Limited, Basing MidCo Limited and any other wholly owned holding companies owned directly or indirectly by an Investor (other than Bidco or any subsidiary company thereof) and **Intermediate Holding Company** shall be construed accordingly;

Investors means the W Investor and the T Investor and **Investor** means either one of them;

Law means any applicable statute, law, rule, regulation, ordinance, code, order, judgment, injunction, writ, decree, directive, policy, guideline, interpretation or rule of common law issued, administered or enforced by any Relevant Authority, or any judicial or administrative interpretation thereof;

Listing Rules means the rules and regulations made by the Financial Conduct Authority under the Financial Services and Markets Act 2000, and contained in the Financial Conduct Authority's publication of the same name;

Longstop Date means 30 June 2021 or such later date (if any) as may be agreed in writing by Bidco and AA (with the Panel's consent and as the Court may approve (if such consents(s) or approval(s) is/are required));

Offer Document means, if (following the date of this Agreement) Bidco elects to implement the Acquisition by way of the Takeover Offer in accordance with clause 6.1, the document to be sent to (among others) AA Shareholders setting out, among other things, the full terms and conditions of the Takeover Offer;

Offeror Group means each of the Investors, each Intermediate Holding Company and Bidco and **member of the Offeror Group** shall be construed accordingly;

Panel means the UK Panel on Takeovers and Mergers;

Profit Share Bonus Scheme means the cash based long-term bonus schemes pursuant to which awards have been granted to certain individuals, namely the Accident Assist Profit Share and the Insurance Long-Term Bonus Plan;

Regulatory Conditions means the conditions set out in paragraphs 3(a) to 3(f) (inclusive) and 3(h) to 3(j) (inclusive) of Part A of Appendix I to the Announcement

(so far as, in the case of 3(h) and 3(j), the relevant Third Party under that Condition is a Relevant Authority);

Regulatory Information Service means any information service authorised from time to time by the Financial Conduct Authority for the purpose of disseminating regulatory announcements;

Relevant Authority means any central bank, ministry, governmental, quasi-governmental, supranational (including the European Union), statutory, regulatory or investigative body, authority or tribunal (including any national or supranational anti-trust, competition or merger control authority, any sectoral ministry or regulator and foreign investment review body), national, state, municipal or local government (including any subdivision, court, tribunal, administrative agency or commission or other authority thereof), any entity owned or controlled by them, any private body exercising any regulatory, taxing, importing or other authority, trade agency, association, institution or professional or environmental body in any jurisdiction;

Scheme means the scheme of arrangement proposed to be made under Part 26 of the Companies Act between AA and the Scheme Shareholders, with or subject to any modification, addition or condition approved or imposed by the Court and agreed to by AA and Bidco;

Scheme Document means the document to be sent to (among others) AA Shareholders containing and setting out, among other things, the full terms and conditions of the Scheme and containing the notices convening the Court Meeting and the AA General Meeting;

Scheme Conditions means the conditions referred to in paragraph 2 of Part A of Appendix I to the Announcement;

Scheme Shareholders means the holders of Scheme Shares;

Scheme Shares has the meaning given in the Announcement;

Share Alternative has the meaning given in the Announcement;

Switch has the meaning given in clause 6.1;

T Investor means TCP Parent Holdings LP;

Takeover Offer means, if Bidco elects (in accordance with the terms and conditions set out in the Announcement and this Agreement) and the Panel consents, implementation of the Acquisition by way of a takeover offer (within the meaning of section 974 of the Companies Act) to be made by or on behalf of Bidco to acquire the entire issued and to be issued ordinary share capital of AA on the terms and conditions to be set out in the Offer Document, including where the context admits, any subsequent revision, variation, extension or renewal of such offer;

Trust means the AA plc 2015 employee benefit trust established on 10 July 2015;

UK or **United Kingdom** means the United Kingdom of Great Britain and Northern Ireland;

W Investor means WP Agassi Investments Ltd;

Working Hours means 9.30 a.m. to 5.30 p.m. in the relevant location on a Business Day; and

VAT means value added tax and any similar sales or turnover tax.

1.2 In this Agreement, unless the context otherwise requires:

- (a) the expressions **holding company**, **subsidiary** and **subsidiary undertaking** have the meanings given in the Companies Act;
- (b) the expressions **acting in concert** and **concert parties** shall be construed in accordance with the Code;
- (c) **interest** in shares or securities shall be construed in accordance with the Code;
- (d) a reference to an enactment or statutory provision shall include a reference to any subordinate legislation made under the relevant enactment or statutory provision and is a reference to that enactment, statutory provision or subordinate legislation as from time to time amended, consolidated, modified, re-enacted or replaced;
- (e) references to a **person** include any individual, an individual's executors or administrators, a partnership, a firm, a body corporate (wherever incorporated), an unincorporated association, government, state or agency of a state, local or municipal authority or government body, a joint venture, association, works council or employee representative body (in any case, whether or not having separate legal personality);
- (f) references to a recital, paragraph, clause or Schedule (other than a schedule to a statutory provision) shall refer to those of this Agreement unless stated otherwise;
- (g) headings do not affect the interpretation of this Agreement, the singular shall include the plural and *vice versa*, and references to one gender include all genders;
- (h) references to time are to London time;
- (i) any reference to a **day** (including within the phrase **Business Day**) shall mean a period of 24 hours running from midnight to midnight;
- (j) references to any English legal term for any action, remedy, method of judicial proceeding, legal document, legal status, court, official or any legal concept or thing shall, in respect of any jurisdiction other than England, be construed as references to the term or concept which most nearly corresponds to it in that jurisdiction;

- (k) references to **£, GBP, pence** and **p** are references to the lawful currency from time to time of the United Kingdom;
 - (l) any phrase introduced by the terms ***including, include, in particular*** or any similar expression shall be construed as illustrative and shall not limit the sense of the words preceding those terms;
 - (m) a reference to any other document referred to in this Agreement is a reference to that other document as amended, varied or supplemented at any time
 - (n) references to this Agreement include this Agreement as amended or supplemented in accordance with its terms; and
 - (o) where the words “reasonable endeavours” are used in this Agreement in relation to the performance of any act by a party, such party shall be required to take only those steps in performing such act as are commercially reasonable having regard to such party’s circumstances at the time, but shall not be required to ensure such act’s performance by assuming material expenditure or otherwise.
- 1.3 The Schedules form part of this Agreement and shall have the same force and effect as if set out in the body of this Agreement and any reference to this Agreement shall include the Schedules.

2. Publication of the Announcement and the terms of the Acquisition

- 2.1 The obligations of the parties under this Agreement, other than this clause 2.1 and clauses 9 to 18 (inclusive) and 20 to 24 (inclusive), shall be conditional on the release of the Announcement via a Regulatory Information Service at or before 5.00 pm on the date of this Agreement or such later time and date as the parties may agree (and, where required by the Code, the Panel may approve). This clause 2.1 and clauses 9, 10 and 12 to 24 (inclusive) shall take effect on and from execution of this Agreement.

3. Regulatory Clearances

- 3.1 Except where otherwise required by Law or a Relevant Authority, Bidco shall:
- (a) after prior consultation with AA, determine the strategy to be pursued for obtaining the Clearances including the timing and sequencing for contacting and corresponding with the Relevant Authorities;
 - (b) contact and correspond with the Relevant Authorities in relation to such Clearances (including submitting and preparing all necessary filings, notifications and submissions); and
 - (c) be responsible for the payment of all filing fees required in connection with the Clearances (unless such fees are payable by the Company as specified by applicable local laws or regulations).
- 3.2 Without prejudice to Bidco’s rights to determine the strategy to be pursued in accordance with clause 3.1, Bidco shall use its reasonable endeavours to secure the

Clearances as soon as is reasonably practicable after the date of this Agreement and, in any event, by the Longstop Date.

3.3 Each of AA (on the one hand), and Bidco (on the other) will:

- (a) provide each other, in a timely manner, with such information, documents and assistance as may be reasonably required for:
 - (i) the parties to determine in which jurisdictions any merger control, regulatory or other filing, notification or submission with a Relevant Authority may be necessary or expedient for the purposes of obtaining the Clearances; and
 - (ii) the notifying parties to make any filings, notifications or submissions to the Relevant Authorities as are necessary in connection with the obtaining of the Clearances, taking into account all applicable waiting periods.
- (b) ensure that all information necessary for the making of (or responding to any requests for further information consequent upon) any such filings, notifications and submissions (including draft versions) that is in the possession of, or reasonably obtainable by such party, is supplied accurately and as soon as reasonably practicable.

3.4 For the purposes of clause 3.2:

- (a) each of the parties shall take reasonable steps to obtain relevant information from third parties (including through the exercise of contractual rights), it being acknowledged that a party shall not be in breach of this clause or clause 3.3 as a consequence of any inaccuracies in any information originating from a third party (being a person other than a member, officer, employee or adviser of the AA Group or the Offeror Group (as applicable));
- (b) the parties acknowledge that in certain circumstances disclosure by one party to any other party may nonetheless be prevented by obligations of confidentiality owed to third parties or by Law; and
- (c) the provision of information shall be subject to clause 3.7.

3.5 Bidco will, and will procure that each Additional Controller will (or, as may be required by Law, AA and Bidco jointly, or AA, as the case may be, will), submit (in draft or final form, as the case may be) a filing, notification or submission (as required) to each Relevant Authority as soon as is reasonably practicable after the signing of this Agreement and in any event within any applicable mandatory time periods where it is necessary (and/or, in the case of a filing, notification or submission by Bidco and/or any Additional Controller, in their view, expedient) to do so to obtain the Clearances.

3.6 Subject to clause 3.1 and without prejudice to the generality of clause 3.3, and except to the extent that to do so is prohibited by Law, each of AA (on the one hand), and Bidco (on the other) will, and Bidco will procure that each Additional Controller will:

- (a) provide such cooperation as is reasonably required by the other parties in connection with the preparation of all such filings, notifications or submissions (as required) referred to in clause 3.5 and in relation to the preparation of any other submissions, material correspondence or material communications to any Relevant Authority in connection with the Clearances;
- (b) where reasonably requested by or on behalf of AA, provide, or procure the provision of, draft copies of all filings, submissions, material correspondence and material written communications intended to be sent or communicated to any Relevant Authority in relation to obtaining any Clearances to the other parties and their legal advisers at such time as will allow the receiving parties a reasonable opportunity to provide comments on such filings, submissions, correspondence and communications before they are submitted, sent or made, and each party shall provide the other parties with copies of all such filings, submissions, material correspondence and material communications in the form finally submitted or sent (including, in the case of non-written communications, reasonably detailed summaries of material non-written communications);
- (c) have regard in good faith to comments made in a timely manner by the other parties on draft copies of filings, submissions, material correspondence and material communications provided pursuant to clause 3.6(b);
- (d) notify the other parties and, to the extent reasonably practicable, provide copies (including, in the case of non-written communications, reasonably detailed summaries of material non-written communications), which for the avoidance of doubt shall exclude filings and submissions in relation thereto (such matters being dealt with under paragraph 3.6(b) above), in a timely manner of any material correspondence or material communication from any Relevant Authority in relation to obtaining any Clearance;
- (e) keep the other parties reasonably informed as to the progress of any filing, notification or submission made pursuant to clause 3.5 and shall reasonably consider reasonable requests by the other parties or their advisers: (i) to attend all meetings or material calls with any Relevant Authority or other persons or bodies (unless prohibited by the Relevant Authority, Law or other person or body) relating to obtaining any Clearance; and (ii) to make reasonable oral submissions at such meetings or calls;
- (f) where reasonably requested by the other party, and insofar as permitted by the Relevant Authority, make available appropriate representatives for meetings and calls with any Relevant Authority in connection with the obtaining of any Clearances; and
- (g) keep the other parties informed as soon as is reasonably practicable of: (i) developments which are material or reasonably likely to be material to the obtaining of a Clearance; and (ii) the satisfaction of the Regulatory Conditions; and

- (h) not withdraw a filing, submission or notification made to any Relevant Authority pursuant to clause 3.5 without the prior consent of the other party.

3.7 If a provision of this Agreement obliges either party to disclose any information to the other party:

- (a) which the disclosing party reasonably considers to be commercially or competitively sensitive;
- (b) which the disclosing party is prohibited from disclosing by Law or the terms of an existing contract; or
- (c) where such disclosure would result in the loss of privilege that subsists in relation to such information (including legal professional privilege),

the disclosing party shall disclose the relevant information: (i) to the other party pursuant to appropriate arrangements as may be agreed between the parties to ensure compliance with Law (including, as applicable, competition Law and the practices of any Relevant Authority); (ii) to the other party's legal counsel and, to the extent reasonably necessary in connection with any antitrust Clearance, its other advisers on an "external counsel only" basis (where applicable, in accordance with the requirements of Practice Statement No. 30 published by the Panel); or (iii) where disclosure in a manner contemplated by clause 3.3 would reasonably be expected to have a material adverse effect on the disclosing party's legitimate business interest, directly to a Relevant Authority (and in such circumstances, the disclosing party shall provide to the other parties a non-confidential version of such information).

3.8 For the avoidance of doubt, if a provision of this Agreement obliges a party to disclose information to the other party which includes information it considers to be commercially or competitively sensitive, the disclosing party may, at its discretion, disclose the relevant information with redactions from any draft, communication or summary of non-written communication provided to the other party.

3.9 To the extent that AA provides Bidco with any information, assistance and/or access to AA's senior management for the purposes of preparing for and monitoring the integration of the businesses of the Offeror Group and the AA Group after the Effective Date (which AA is under no obligation to provide), any competitively sensitive information shall be provided on the terms set out in clause 3.7 above, at AA's election.

3.10 The parties acknowledge and agree that the Regulatory Condition contained at paragraph 3(d) of Part A of Appendix I to the Announcement (the **CMA Condition**) shall be satisfied where the Competition and Market Authority (**CMA**) confirms to Bidco that it has no further questions following the submission of a briefing paper to the CMA, unless the CMA subsequently, but prior to all other Conditions being satisfied, opens an investigation into the Acquisition in which case the CMA Condition shall be satisfied by the CMA confirming in terms reasonably satisfactory to Bidco, that the Acquisition will not be subject to a reference under section 33 of the Enterprise Act 2002.

3.11 As regards the Regulatory Condition contained at paragraph 3(e) of Part A of Appendix I to the Announcement, the parties acknowledge and agree that Bidco will submit a briefing note to UK Department for Business, Energy and Industrial Strategy (*BEIS*) to notify it of the Acquisition (the *Briefing Note*). To the extent that Applicable Law becomes effective in the UK between the date of this Agreement and the Effective Date and the parties have received an indication from BEIS in a form reasonably satisfactory to Bidco that approval(s) would be required under Applicable Law to permit the Acquisition to become effective, Bidco will apply for such approval(s) on terms reasonably satisfactory to Bidco. For the avoidance of doubt, Clauses 3.3 to 3.8 above shall apply in respect of the Briefing Note.

4. Scheme Document

Subject to clause 3.7, Bidco agrees (for so long as the Acquisition is being implemented by way of a Scheme) that it shall:

- (a) as soon as reasonably practicable provide to AA all such information about itself, its directors and the Offeror Group (and, to the extent required by the Panel, any other person connected with Bidco) and their immediate families and related trusts and persons connected with them as may reasonably be requested and which is required by AA (having regard to the Code and other Law) for inclusion in the Scheme Document (including any information required under the Code or other Law);
- (b) as soon as reasonably practicable provide to AA with all such other assistance and access as may reasonably be required in connection with the preparation of the Scheme Document and any other document required under the Code or by other Law to be published in connection with the Scheme, including access to, and ensuring the provision of reasonable assistance by, its relevant professional advisers; and
- (c) to procure that the Bidco Directors (and any other person connected with a member of the Offeror Group, as required or determined by the Panel) accept responsibility, in the terms required by the Code, for all the information (including any expressions of opinion) in the Scheme Document and any other document required under the Code or by other Law to be published in connection with the Scheme relating to themselves (and members of their immediate families, related trusts and persons connected with them), the Offeror Group, the financing of the Acquisition, information on Bidco's future plans for the AA Group, its management and employees, any statements of opinion, belief or expectation of the Bidco Directors in relation to the Acquisition or the enlarged group of Bidco following the Effective Date and any other information in the Scheme Document for which an offeror is required to accept responsibility under the Code.

5. Implementation of the Acquisition

5.1 Where the Acquisition is being implemented by way of the Scheme:

- (a) Bidco undertakes that, by no later than 11.59 p.m. on the Business Day immediately preceding the Court Hearing, it shall deliver a notice in writing to AA either:
 - (i) confirming the satisfaction or waiver of all Conditions (other than the Scheme Conditions); or
 - (ii) confirming its intention to invoke a Condition and providing reasonable details of the event which has occurred, or circumstances which have arisen, which Bidco reasonably considers entitle it to invoke the Condition and why Bidco considers such event or circumstances to be sufficiently material for the Panel to permit it to invoke such Condition;
- (b) where Bidco confirms the satisfaction or waiver of all Conditions (other than the Scheme Conditions) in accordance with clause 5.1(a)(i), Bidco agrees that AA shall be permitted to take the necessary steps to procure that the Court Hearing is duly held as soon as reasonably practicable thereafter (having regard to the proposed timetable agreed between the parties and included in the Scheme Document or in any subsequent agreed announcement regarding the implementation of the Acquisition); and
- (c) Bidco shall instruct counsel to appear on its behalf at the Court Hearing and undertake to the Court to be bound by the terms of the Scheme in so far as it relates to Bidco.

5.2 If Bidco becomes aware of any fact, matter or circumstance that it reasonably considers would entitle Bidco to invoke (and the Panel would permit it to so invoke) any of the Conditions, Bidco shall (subject to Law) inform AA providing reasonable details as soon as is reasonably practicable.

6. Switching to a Takeover Offer

- 6.1 The parties currently intend that the Acquisition will be implemented by way of Scheme. However, Bidco reserves the right, subject to the consent of the Panel, to elect to implement the Acquisition by way of a Takeover Offer rather than the Scheme (such election being a *Switch*) if:
- (a) AA provides its prior written consent (an *Agreed Switch*), in which case clause 6.2 shall apply;
 - (b) the Court Meeting and the AA General Meeting are not held on or before the 30th day after the date set out in the Scheme Document (or such later date as may be agreed in writing between the parties with the consent of the Panel and the approval of the Court (if such approval is required)) or AA announces that it no longer intends to hold such meetings on or before 30th day after the expected date of such meetings;
 - (c) the Court Hearing is not held on or before the 22nd day after the expected date of such hearing as set out in the Scheme Document (or such later date as may be agreed in writing between the parties with the consent of the Panel

and the approval of the Court (if such approval is required)) or AA announces that it no longer intends to hold the Court Hearing on or before the 22nd day after the expected date of such hearing;

- (d) a third party announces a firm intention to make an offer for the entire issued and to be issued ordinary share capital of AA which is recommended by the AA Board; or
- (e) the AA Board withdraws the AA Board Recommendation.

6.2 In the event of an Agreed Switch, unless otherwise agreed with AA or required by the Panel:

- (a) the Acceptance Condition shall be set at seventy-five (75) per cent of the AA Shares to which the Takeover Offer relates (or such lesser percentage as may be agreed between the parties in writing after, to the extent necessary, consultation with the Panel, being in any case more than fifty (50) per cent. of the AA Shares);
- (b) Bidco shall not, and shall procure that no member of the Offeror Group shall, take any action which would cause the Takeover Offer not to proceed, to lapse or to be withdrawn, in each case for non-fulfilment of the Acceptance Condition, prior to the 60th day after publication of the Offer Document and Bidco shall ensure that the Takeover Offer remains open for acceptances until such time;
- (c) Bidco shall ensure that the only conditions to the Takeover Offer shall be the Conditions, subject to replacing the Scheme Conditions with the Acceptance Condition, unless the parties otherwise agree in writing or as the Panel may require); and
- (d) Bidco shall keep AA informed, on a confidential basis on the next Business Day following receipt of a written request from AA, of the number of AA Shareholders that have validly returned their acceptance or withdrawal forms or incorrectly completed their acceptance or withdrawal forms, the identity of such shareholders and the number of AA Shares to which such forms relate.

6.3 In the event of an Agreed Switch:

- (a) the parties agree that all provisions of this Agreement shall continue to apply save as set out in this clause 6; and
- (b) the parties agree that all provisions of this Agreement relating to the Scheme and its implementation shall apply to the Takeover Offer or its implementation *mutatis mutandis*.

7. AA Share Plans

7.1 The provisions of Schedule 2 shall apply in respect of the AA Share Plans.

7.2 Each of the parties agrees that, if the Acquisition is implemented by way of the Scheme, the timetable for its implementation shall be fixed so far as is possible so as

to enable options and awards under the relevant AA Share Plans which provide for exercise and/or vesting upon the sanction of the Scheme by the Court to be exercised or vest in sufficient time to enable the resulting AA Shares to be bound by the Scheme on the same terms as AA Shares held by AA Shareholders.

8. Directors' and officers' insurance

8.1 If and to the extent such obligations are permitted by Law, for six years after the Effective Date, Bidco shall procure that the members of the AA Group honour and fulfil their respective obligations (if any and to the extent) existing as at the date of this Agreement to indemnify their respective directors and officers and to advance expenses, in each case with respect to matters existing or occurring at or prior to the Effective Date.

8.2 With effect from the Effective Date, Bidco shall procure the provision of directors' and officers' liability insurance cover for both current and former directors and officers of the AA Group, including directors and officers who retire or whose employment is terminated as a result of the Acquisition, for acts and omissions up to and including the Effective Date, in the form of runoff cover for a period of six years following the Effective Date. Such insurance cover shall be with reputable insurers and provide cover, in terms of aggregate limit and breadth, commensurate with that provided under the AA Group's directors' and officers' liability insurance as at the date of this Agreement.

9. Termination

9.1 Subject to clauses 9.2, this Agreement shall terminate and all obligations of the parties under this Agreement shall cease, as follows:

- (a) if agreed in writing between the parties at any time prior to the Effective Date or the Takeover Offer becoming or being declared unconditional in all respects (as the case may be);
- (b) if the Announcement is not released via a Regulatory Information Service by 5:30pm on the date of this Agreement (unless, prior to that time, the parties have agreed another time in accordance with clause 2.1);
- (c) upon service of written notice by Bidco to AA, if one or more of the following occurs:
 - (i) the Scheme Document (or Offer Document, as the case may be) and (if different) the document convening the AA General Meeting does not include the AA Board Recommendation, or AA makes an announcement prior to the publication of such document(s) that: (A) the AA Directors no longer intend to make such recommendation or intend adversely to modify or qualify such recommendation; (B) it will not convene the Court Meeting or the AA General Meeting; or (C) it intends not to post the Scheme Document or (if different) the document convening the AA General Meeting;

- (ii) the AA Directors withdraw, adversely modify or adversely qualify the AA Board Recommendation, including making any public statement to such effect, or fail to reaffirm publicly or re-issue a statement of their intention to make an AA Board Recommendation on an unmodified and unqualified basis before the 10th Business Day following Bidco's reasonable request to do so;
- (iii) if the Acquisition is being implemented by way of Scheme and:
 - (A) the Court Meeting and/or the AA General Meeting are not held on or before the 30th day after the expected day of such AA Shareholder Meetings as set out in the Scheme Document (or such later date as may be agreed in writing between the parties with the consent of the Panel and the approval of the Court (if such approval(s) are required));
 - (B) the Court Hearing is not held on or before the later of (A) the 22nd day after the expected day of the Court Hearing as set out in the Scheme Document (or such later date as may be agreed in writing between the parties with the consent of the Panel and the approval of the Court (if such approval(s) is/are required));
- (d) upon service of written notice by Bidco to AA prior to the Longstop Date stating that either:
 - (i) any Condition which has not been waived is (or has become) incapable of satisfaction by the Longstop Date and, notwithstanding that Bidco has the right to waive such Condition, Bidco will not do so; or
 - (ii) any Condition which is incapable of waiver is incapable of satisfaction by the Longstop Date,

in each case in circumstances where the invocation of the relevant Condition (or confirmation that the Condition is incapable of satisfaction, as appropriate) is permitted by the Panel;
- (e) upon service of written notice by Bidco to AA, if a Competing Proposal: (i) is recommended in whole or in part by the AA Board; or (ii) completes, becomes effective or is declared or becomes unconditional in all respects;
- (f) if the Acquisition (whether implemented by way of the Scheme or the Offer) is, with the permission of the Panel, withdrawn or lapses in accordance with its terms prior to the Longstop Date (other than where: (i) such lapse or withdrawal is as a result of the exercise of Bidco's right to effect a Switch; or (ii) it is otherwise to be followed within five Business Days by an announcement under Rule 2.7 of the Code made by Bidco or a person acting in concert with Bidco to implement the Acquisition by a different offer or scheme on substantially the same or improved terms);

- (g) unless otherwise agreed by the parties in writing, if the Effective Date has not occurred on or before the Longstop Date; or
 - (h) upon the occurrence of the Effective Date.
- 9.2 Termination of this Agreement shall be without prejudice to the rights of the parties which have arisen prior to termination, including any claim in respect of a breach of this Agreement.
- 9.3 Clauses 8, 12 to 18 (inclusive), 20 to 24 (inclusive), this clause 9 and all related provisions of clause 1 (*Definitions and Interpretation*) shall survive termination of this Agreement.

10. Takeover Code

- 10.1 Nothing in this Agreement shall in any way limit the parties' obligations under the Code, and any uncontested rulings of the Panel as to the application of the Code in conflict with the terms of this Agreement shall take precedence over such terms of this Agreement.
- 10.2 The parties agree that, if the Panel determines that any provision of this Agreement that requires AA to take or not to take any action, whether as a direct obligation or as a condition to any other person's obligation (however expressed), is not permitted by Rule 21.2 of the Code, that provision shall have no effect and shall be disregarded.
- 10.3 Nothing in this Agreement shall oblige AA or the AA Directors to recommend a Takeover Offer or a Scheme proposed by Bidco, the Investors or any member of the Offeror Group.
- 10.4 Without prejudice to the representations and warranties given by the parties pursuant to clause 11, nothing in this Agreement shall be taken to restrict the directors or officers of Bidco, or any member of the Offeror Group or the AA Group from complying with Law, orders of court or regulations, including the Code, the Listing Rules and the rules and regulations of the Panel.

11. Representations and warranties

- 11.1 Each party represents and warrants to the other, on the date of this Agreement that:
- (a) it has the requisite power and authority to enter into and perform its obligations under this Agreement;
 - (b) this Agreement constitutes its binding obligations in accordance with its terms; and
 - (c) the execution and delivery of, and performance of its obligations under, this Agreement will not:
 - (i) result in any breach of any provision of its constitutional documents;
 - (ii) result in a breach of, or constitute a default under, any instrument which is material in the context of the Acquisition to which it is a party or by which it is bound; or

- (iii) result in a breach of any order, judgment, or decree of any court or governmental agency to which it is a party or by which it is bound.

11.2 Neither party shall have any claim against the other party pursuant to clause 11.1 for misrepresentation or breach of warranty after the Effective Date (without prejudice to any liability for fraudulent misrepresentation or fraudulent misstatement).

12. Costs

Except as otherwise provided in this Agreement, each party shall pay its own Costs incurred in connection with negotiating, preparing and entry into this Agreement or otherwise in connection with the Acquisition.

13. Entire agreement

13.1 Without prejudice to the terms of the Announcement, the Scheme Document or the Offer Document (as the case may be), this Agreement and the Confidentiality Agreements (which remain in force as at the date of this Agreement) together set out the entire agreement between the parties relating to the Acquisition and supersede any previous draft, agreement, arrangement or understanding, whether in writing or not, relating to the Acquisition.

13.2 Each party acknowledges that in entering into this Agreement it is not relying upon any pre-contractual statement that is not set out in this Agreement or the Confidentiality Agreements.

13.3 Except in the case of fraud or fraudulent misrepresentation, no party shall have any right of action against any other party to this Agreement arising out of or in connection with any pre-contractual statement except to the extent that it is repeated in this Agreement or the Confidentiality Agreements.

13.4 For the purposes of this clause, *pre-contractual statement* means any draft, agreement, undertaking, representation, warranty, promise, assurance or arrangement of any nature whatsoever, whether or not in writing, relating to the subject matter of this Agreement or the Confidentiality Agreements made or given by any person at any time prior to the entry into of this Agreement.

13.5 Nothing in this Agreement shall limit any liability for (or remedy in respect of) fraud or fraudulent misrepresentation.

13.6 Each party agrees to the terms of this clause 13 on its own behalf.

14. Assignment

Unless the parties specifically agree in writing, no person shall assign, transfer, charge or otherwise deal with all or any of its rights under this Agreement nor grant, declare, create or dispose of any right or interest in it.

15. Notices

15.1 Any notice to be given by one party to another party in connection with this Agreement shall be in writing in English and signed by or on behalf of the party

giving it. It shall be delivered by hand, email, registered post or courier using an internationally recognised courier company.

15.2 A notice shall be effective upon receipt and shall be deemed to have been received: (i) at the time of delivery, if delivered by hand, registered post or courier; or (ii) at the time of transmission if delivered by email. Where delivery or transmission (as applicable) occurs outside Working Hours, notice shall be deemed to have been received at the start of Working Hours on the next following Business Day.

15.3 The addresses and email addresses of the parties for the purpose of clause 15.1 are:

Bidco

Address: [REDACTED]

Email: [REDACTED]

For the attention of: [REDACTED]

With a copy (which shall not constitute notice) to:

Address: [REDACTED]

Email: [REDACTED]

For the attention of: [REDACTED]

With a copy (which shall not constitute notice) to:

Email: [REDACTED]

For the attention of: [REDACTED]

AA

Address: [REDACTED]

Email: [REDACTED]

For the attention of: [REDACTED]

With a copy (which shall not constitute notice) to:

Address: [REDACTED]

Email: [REDACTED]

For the attention of: [REDACTED]

15.4 Each party shall notify the other parties in writing of any change to its details in clause 15.3 from time to time.

16. Language

Each language of communication under or in connection with this Agreement shall be in English.

17. Waivers, rights and remedies

17.1 The rights and remedies provided for in this Agreement are cumulative and not exclusive of any other rights or remedies, whether provided by Law or otherwise.

17.2 No failure to exercise, or delay in exercising, any right under this Agreement or provided by Law shall affect that right or operate as a waiver of the right. The single or partial exercise of any right under this Agreement or provided by Law shall not preclude any further exercise of it.

17.3 Without prejudice to any other rights or remedies that the other party may have, each party acknowledges and agrees that damages may not be an adequate remedy for any breach by it of this Agreement and that accordingly the other party may be entitled, without proof of special damages, to the remedies of injunction, specific performance or other equitable relief for any threatened or actual breach of this Agreement by the other party and no proof of special damages shall be necessary for the enforcement by any party of the rights under this Agreement.

18. No partnership

No provision of this Agreement creates a partnership between the parties, or makes Bidco the agent of AA, or AA the agent of Bidco, for any purpose. Bidco has no authority or power to bind, to contract in the name of, or to create a liability for AA in any way or for any purpose. AA has no authority or power to bind, to contract in the name of, or to create a liability for Bidco in any way or for any purpose.

19. Further assurances

At its own Cost, each party shall (and shall procure that members of its Group shall and shall use reasonable endeavours to procure that any necessary third party shall) execute such documents and do such acts and things as may be necessary for the purpose of giving the full benefit of this Agreement.

20. Counterparts

This Agreement may be executed in any number of counterparts, and by each party on separate counterparts. Each counterpart is an original, but all counterparts shall together constitute one and the same instrument. Delivery of a counterpart of this Agreement by e-mail attachment or telecopy shall be an effective mode of delivery.

21. Variations

21.1 No variation of this Agreement shall be valid unless it is in writing and duly executed by or on behalf both parties.

21.2 If this Agreement is varied:

- (a) the variation shall not constitute a general waiver of any provisions of this Agreement;
- (b) the variation shall not affect any rights, obligations or liabilities under this Agreement that have already accrued up to the date of variation; and
- (c) the rights and obligations of the parties under this Agreement shall remain in force, except as, and only to the extent that, they are varied.

22. Invalidity

22.1 Each of the provisions of this Agreement is severable.

22.2 If and to the extent that any provision of this Agreement:

- (a) is held to be, or becomes, invalid or unenforceable under the Law of any jurisdiction; but
- (b) would be valid, binding and enforceable if some part of the provision were deleted or amended,

then the provision shall apply with the minimum modifications necessary to make it valid, binding and enforceable and neither the validity or enforceability of the remaining provisions of this Agreement, nor the validity or enforceability of that provision under the Law of any other jurisdiction, shall in any way be affected or impaired as a result of this clause 22.2.

23. Third party enforcement rights

23.1 Each of the persons to whom clauses 8.1 and/or 8.2 applies may under the Contracts (Rights of Third Parties) Act 1999 enforce the terms of clauses 8.1 and/or 8.2 (as applicable). This right is subject to: (i) the rights of the parties to rescind or vary this Agreement without the consent of any other person and; (ii) the other terms and conditions of this Agreement.

23.2 Except as set out in clause 23.1, a person who is not a party to this Agreement shall have no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any of its terms.

24. Governing law and jurisdiction

24.1 This Agreement and any non-contractual obligations arising out of or in connection with this Agreement shall be governed by, and interpreted in accordance with, English law.

24.2 The English courts shall have exclusive jurisdiction in relation to all disputes (including claims for set-off and counterclaims) arising out of or in connection with this Agreement including, without limitation disputes arising out of or in connection with: (i) the creation, validity, effect, interpretation, performance or non-performance of, termination or the legal relationships established by, this Agreement; and (ii) any non-contractual obligations arising out of or in connection with this Agreement. For such purposes each party irrevocably submits to the jurisdiction of the English courts

and waives any objection to the exercise of such jurisdiction. Each party also irrevocably waives any objection to the recognition or enforcement in the courts of any other country of a judgment delivered by an English court exercising jurisdiction pursuant to this clause.

- 24.3 Bidco shall at all times maintain an agent for service of process and any other documents in proceedings in England and Wales or any other proceedings in connection with this Agreement. The agents shall be Warburg Pincus International LLC currently of Almack House, 28 King Street, St James's, SW1Y 6QW and TowerBrook Capital Partners (U.K.) LLP currently of St James's Market, Carlton Street, London, SW1Y 4AH, UK. Any claim form, judgment or other notice of legal process shall be sufficiently served on Bidco if delivered to such agents at their respective addresses for the time being. Bidco waives any objection to such service.

SIGNED by James O’Gara
for and on behalf of
BASING BIDCO LIMITED

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)

/s/ James O’Gara

Schedule 1
Form of Announcement

Schedule 2

HR Matters

AA and Bidco agree that the following arrangements will, where applicable subject to the Acquisition becoming effective in all respects, be implemented with respect to the AA Share Plans and certain employment arrangements.

Part A

AA Share Plans

In this Schedule, references to an “award” include a share award, conditional right and an option to acquire AA Shares pursuant to the AA Share Plans.

In the event that the Acquisition is effected by way of a Takeover Offer, the parties shall work together in good faith to give effect to the intentions set out in this Schedule and in particular references to “Court Sanction” in this Schedule shall be read as if they refer to the date on which the Takeover Offer becomes or is declared unconditional in all respects.

1. Operation of the AA Share Plans by AA prior to the Effective Date

1.1 Bidco acknowledges and agrees that, prior to the Effective Date, the directors of AA (and, where appropriate, the AA Remuneration Committee) may operate the AA Share Plans as they consider appropriate in accordance with the rules of the AA Share Plans and AA’s normal practice modified as the AA Remuneration Committee considers appropriate to give effect to this Schedule or any change in regulation and subject to Rule 21.1 of the Code. For the avoidance of doubt, *operate* includes (without limitation): granting awards in the ordinary course; making cash awards in lieu of share awards; satisfying the vesting, exercise and release of awards by issuing AA Shares and/or transferring market purchased or treasury shares; giving instructions and providing the necessary funding to the trustee of the employee benefit trust to purchase AA Shares, determining the treatment for awards held by leavers; and, subject to Bidco’s agreement which shall not be unreasonably withheld, conditioned or delayed, making any amendments to the rules of the AA Share Plans which under the plan rules would have not have required the approval of the AA Shareholders.

2. Treatment of awards in connection with the Acquisition

Performance Share Plan

2.1 Bidco acknowledges and agrees that in accordance with the rules of the AA Performance Share Plan outstanding awards which are unvested or not exercisable immediately before the Court Sanction will vest or become exercisable at the time of the Court Sanction to such extent as is determined by the AA Remuneration Committee in accordance with such rules.

2.2 As at the date of this Agreement, the AA Remuneration Committee anticipates that the exercise of its discretion will cause awards (including those already vested) under the AA Performance Share Plan to vest and/or become exercisable (inclusive of any dividend equivalents which shall be settled in additional AA Shares) immediately

before Court Sanction over not more than 12,524,269 AA Shares less any AA Shares required to be delivered to participants whose awards vest and/or become exercisable in the ordinary course after the date of this Agreement but earlier than Court Sanction or who cease employment with the AA Group after the date of this Agreement and whose awards vest and/or become exercisable earlier than Court Sanction, in each case, in accordance with the rules of the AA Performance Share Plan.

- 2.3 As at the date of this Agreement, the Trust holds 12,524,269 AA Shares (*Trust Shares*). The parties agree that the trustee of the Trust will be requested to agree to satisfy awards under the AA Performance Share Plan using the Trust Shares in priority to any other method of settlement.
- 2.4 AA agrees to procure that all awards granted under the AA Performance Share Plan have either been satisfied or lapsed no later than 32 days following Court Sanction.
- 2.5 The parties agree that AA, as part of the AA Resolutions, will propose an amendment to AA's articles of association and inclusion of a new article (to be set out in the notice of the AA General Meeting) under which AA Shares which are issued after the record date in respect of the Scheme will, to the extent not otherwise acquired under the Scheme, be immediately transferred to Bidco in exchange for payment of the cash consideration to be paid to AA Shareholders accepting the Cash Offer under the terms of the Scheme.

Employee Share Incentive Plan

- 2.6 Bidco acknowledges and agrees that the AA Board will procure that the "Forfeiture Period" in respect of AA Employee Share Incentive Plan awards expires immediately following the Scheme Record Time.
- 2.7 AA will ensure that individual participant contribution levels under the AA Employee Share Incentive Plan do not increase beyond the contribution levels as at the date of this Agreement (either individually or in aggregate).

3. Other arrangements

- 3.1 The parties acknowledge and agree that not more than 391,790 AA Shares currently in issue and held as deferred bonus shares subject to holding requirements will, on Court Sanction, immediately cease to be subject to such holding requirements in accordance with their terms and will, for the avoidance of doubt, constitute Scheme Shares.

4. General

- 4.1 AA and Bidco will co-operate and each use its reasonable endeavours to provide such details in relation the AA Share Plans and other incentive arrangements as is reasonably required by the other party in order to facilitate the implementation of the arrangements set out in this Schedule.
- 4.2 AA will prepare, in a form to be agreed between AA and Bidco, communications to each of the participants in the AA Share Plans to enable Bidco to, where relevant, satisfy its obligations under Rule 15 of the Code and to send, or arrange for the

sending of, such communications to the participants at the appropriate time as agreed between the parties.

- 4.3 If the Acquisition is effected by way of a Takeover Offer, Bidco shall procure that AA Shares acquired by participants in the AA Share Plans following exercise and/or on vesting of their awards in accordance with the terms of the relevant AA Share Plan shall be capable of being purchased by Bidco in exchange for the cash consideration to be paid to AA Shareholders under the terms of the Acquisition.

Part B

Employee and Retention Matters

1. AA's arrangements

- 1.1 Bidco confirms that the existing terms and conditions of employment, including pension obligations, of the management and employees of any member of AA Group will be fully safeguarded in accordance with applicable law.
- 1.2 Bidco acknowledges and agrees that the AA Board may determine a "per employee" amount to be paid as a 'Thank you' bonus to each employee of the AA Group (other than the executive directors and executive committee members of AA) in December 2020 with the aggregate amount of such bonuses not exceeding £4 million (including employers' social security costs) and subject to such affordability criteria as the AA Board may consider appropriate.
- 1.3 Bidco acknowledges and agrees that AA will put in place cash retention arrangements for up to 14 senior employees of AA (not including the executive directors of AA), (the *Cash Retention Awards*). AA agrees and Bidco acknowledges that the Cash Retention Awards:
- (a) will have an aggregate value not exceeding £5m (including employers' social security costs);
 - (b) will be payable in two instalments and will first become payable no earlier than 12 months following award;
 - (c) will contain a cancellation term which will provide that where the recipient is offered incentive participation by the Offeror Group after the Effective Date which the board of Basing Topco Limited reasonably considers to be a fair incentive opportunity compared to the Cash Retention Award (but without regard to the nature of the incentive, for example cash or equity), then no further amount will be payable under the Cash Retention Award; and
 - (d) will not be triggered, accelerated, modified nor vest or become payable in connection with the Acquisition.
- 1.4 The parties acknowledge and AA agrees that awards or entitlements under the Profit Share Bonus Scheme will not be triggered, accelerated, modified, nor vest or become payable in connection with the Acquisition, and instead will continue on their existing terms.

2. Annual bonus arrangements

- 2.1 Bidco acknowledges that the AA Group operates annual bonus arrangements (the **AA Bonus Arrangements**) which are conditional on corporate and individual performance, and normally continued employment to the bonus payment date.
- 2.2 Bidco agrees that any individual who participates in an AA Bonus Arrangement for the financial year ending 31 January 2021 and who has displayed exceptional performance may be awarded an annual bonus determined by the AA Remuneration Committee by reference to appropriate corporate and individual performance conditions and subject to such affordability criteria as the AA Board may consider appropriate, with such bonus amounts being paid on the date bonuses would normally be paid in April 2021, save that if the Effective Date occurs prior to the date that such bonuses would normally be determined, the AA Remuneration Committee shall determine the bonus payment by reference to performance up to the earlier of (i) 31 January 2021 and (ii) the Effective Date. In either case, where the Effective Date occurs prior to the date that such bonuses would normally be determined, or where the Effective Date occurs prior to the date that such bonuses would normally be paid (such that the AA Remuneration Committee has determined the amounts payable), Bidco shall procure the payment of such bonuses at the normal time (in April 2021) in accordance with AA's normal practice (save that no deferral into AA Shares will be required).
- 2.3 Bidco acknowledges that where the Effective Date occurs on or after 1 February 2021, an AA Bonus Arrangement shall be implemented upon terms substantially similar to the AA Bonus Arrangements in respect of the bonus year ending 31 January 2020 and that the bonus for the financial year ending 31 January 2022 shall be determined by the AA Remuneration Committee or the AA Executive Committee (as appropriate) by reference to the applicable corporate and individual performance conditions measured to the Effective Date, with such annual bonus amounts being pro-rated to reflect, and only payable in respect of, the period from and including 1 February 2021 to the Effective Date as a proportion of 365 days and paid on the date bonuses would normally be paid in April 2022 or earlier as determined by the AA Board subject to the participant not resigning or being dismissed for misconduct prior to the date of payment. The parties acknowledge and agree that any annual bonus arrangements to be put in place by the Offeror Group for the period following the Effective Date to 31 January 2022 (or, where the Effective Date occurs before 1 February 2021, for the period 1 February 2021 to 31 January 2022) will be determined by Bidco and will be for the whole of such period.

3. Severance arrangements

- 3.1 Any employee of any member of AA Group as at the Effective Date whose employment is terminated by their employer for any reason (other than "for cause" or other serious misconduct) during the course of the 2021 calendar year will (where applicable) be entitled to redundancy and severance payments, benefits and arrangements that are no less favourable than those in place immediately prior to the date of this Agreement.

