



The AA's Modern Slavery Act

AA plc and its subsidiary companies (the 'AA' or the 'Group') provide roadside assistance and a range of insurance services for customers in the UK. The AA is one of the most widely recognised and trusted brands in the UK, building on over more than 110 years of service provision and innovation. We are proud of our history of protecting the motorist and making our roads safer. Our long-standing ethos of care and responsibility is at the core of all that we do.

The AA has a policy of zero-tolerance towards acts of modern slavery which are unlawful or are a violation of fundamental human rights. We are committed to acting ethically, with integrity and to ensuring that we have effective systems and controls in place to mitigate the risk of modern slavery occurring in our operations and supply chains. We recognise that this commitment requires ongoing action and this statement sets out our progressions during the year to safeguard our business against acts of modern slavery and states our intentions for the coming year. This, our second statement, is made pursuant to section 54(1) of the Modern Slavery Act (the 'Act') in relation to the financial year ending 31 January 2018.

Our business

The AA is the UK's largest roadside assistance provider with approximately 40% of the UK consumer market and circa 65% of the business-to-business market. Our dedicated patrols attend around 10,000 breakdowns every day across the UK. AA plc is the ultimate parent of the AA Group which delivers a range of products and services. We continuously look to innovate and improve the experience that we provide to both our roadside members and non-members. Our insurance services business focusses on providing motor and home insurance. Car Genie, a product designed to predict, prevent and protect a car from breaking down, is at the forefront of digital innovation in our sector. The AA's hospitality quality assurance business, which includes Visit England endorsements, assesses around 16,000 establishments every year. In partnership with the Bank of Ireland, the AA offers savings, loans, mortgages and credit cards. The AA's Driving Services business comprises driving schools which are franchise based and delivered through our AA and BSM brands. Further details of our subsidiaries and businesses are set out in the 2018 annual report and accounts.

AA Policies and Codes

The AA's values of courtesy, care, expertise, dynamism and collaboration are central to our business. Our approach to business is supported by a strong governance framework and reinforced through our policies, management and training. The AA's Policy Committee oversees an effective, auditable and systematic process for the creation and review of all policy documentation.

The commitment to our role in eradicating modern slavery in commercial supply chains is embedded into relevant policies and codes, which are aligned with the AA's values and created to ensure effective working practices. They include:

- Our Sustainability and Social Responsibility Policy, which sets out our commitment to running our business in a responsible, ethical and sustainable way;
- Our Supplier Code of Conduct (the 'Code'), which sets out the high standards we expect our suppliers to adhere to and contains specific provisions against the use of forced, bonded or compulsory labour;
- Our Business Standards Policy, which sets out our commitment to high standards for the fair and ethical treatment of employees, customers and suppliers;
- Our Procurement Policy, which supports the procedure for engaging with suppliers to ensure beneficial and ethical terms of business; and
- Our Financial Crime Policy, which sets out the framework that applies within the AA Group to identify, manage and mitigate exposure to financial crime. This is relevant as modern slavery offences are often linked to money laundering and financial crime.

Some policies and codes are available on the AA plc website in the Corporate Social Responsibility (CSR) section. Enhanced disclosure on relevant policies is provided in the CSR section of the AA's 2018 annual report and accounts in order to meet requirements of the Non-Financial Reporting Regulations.

Our people and supply chains

The AA employs over 7,000 people in locations across the UK who carry out a broad range of roles within Road Operations, Contact Centres and at our Head Office. Over 40% of our people are patrol staff employees. Around 75 full-time and freelance inspectors support the AA's hospitality accreditation scheme. We have a contracted network of around 450 third-party garages who support us when we are unable to make repairs at the roadside and in areas which we are not able to reach. We carried out 406 garage audits during 2017 and these audits were expanded to seek information and carry out due diligence on modern slavery. Additionally, around 4,500 garages are registered on our AA Garage Guide platform and these garages are assessed by AA inspectors who conduct a physical site audit to check the quality of a garage with respect to features such as presentation, access, service and health and safety.

Our business operations are supported by over 2,000 suppliers that provide a wide range of goods and services. Our direct supply chain is predominantly UK based, though some suppliers are based abroad. Many of these direct suppliers have their own extensive supply chains. Our standard terms and conditions require our suppliers to adhere to all applicable legislation and make specific reference to the Act.

Supplier on-boarding

The AA's procurement team is a centralized head office function that assumes responsibility for the governance of the AA's purchasing requirements. During the past 12 months, the procurement team has conducted detailed analysis of our preferred suppliers, which make up circa 80% of total supplier spend (excluding garages). These suppliers have been rated according to factors such as main country of operations, spend levels, type of goods/services being supplied and knowledge of the company and its ongoing supply chain. This data will be used going forward to progress our modern slavery strategy and risk assessments.

The procurement team carries out due diligence on all new suppliers at the on boarding stage. During the financial year ended 31 January 2018, we have developed the supplier on boarding questionnaire which requests acknowledgement of our Code and specifically addresses the behaviours and ethics we demand of new suppliers with regards to modern slavery and human trafficking.

Risk review

During the year, a steering group of senior management from across the Group undertook a supply chain risk review to identify any areas of concern relating to modern slavery and to demonstrate mitigating step plans were in place. This work highlighted that higher risk areas of the supply chain were connected to the sourcing of parts, uniforms, roadside equipment and AA branded products. Risk controls and registers are in place. The AA has direct relationships with two factories in China who manufacture products under the AA brand. These factories are audited on a 12 to 18-month cycle by a world leading inspection, verification and certification company and no issues have been identified. Audits are carried out SGS in accordance with the SEDEX (Supplier Ethical Data Exchange) and the scope includes working hours, child labour, wages and benefits, inhuman treatment and working environment. We will continue our focus on this area in the coming year.

Training

An online training programme has been developed to raise awareness of the Act, the Code and the AA's commitment to mitigating the risk of modern slavery in supply chains. Training has also been delivered face-to-face to inspection teams. Roll out of the modern slavery training programme targets audit, inspection and procurement teams initially and will be issued group-wide during the coming year.

Monitoring our effectiveness

During the year, the AA's procurement team issued preferred suppliers (excluding garages) with a copy of the Code to request confirmation that the standards and behaviours set out in the Code are met. To date, over 50% have signed up. In the coming year, business partners in the AA hospitality assurance scheme and AA garage will be asked to sign up to the Code and a response target of 75% has been set.

This statement demonstrates the AA's commitment to helping to eradicate modern slavery from the global supply chain and has been reviewed and approved by the Board of the AA plc. We look forward to reporting on our progress next year.



Simon Breakwell
Chief Executive Officer

AA plc