



The AA's Modern Slavery Act

AA plc and its subsidiary companies (the 'AA' or the 'Group') provide roadside assistance, driving and insurance services and we have a proud 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 and means that, after more than 110 years, we are one of the most widely recognised and trusted brands in the UK.

Modern slavery is unlawful and a violation of fundamental human rights. The AA is committed to ensuring that acts of modern slavery, such as forced, bonded and compulsory labour, are not occurring in our operations and supply chain. We recognise that this commitment will require ongoing action and this statement describes the steps that we have taken during the year, along with our intended work for the coming year, to safeguard our business against modern slavery. It is made pursuant to section 54(1) of the UK's Modern Slavery Act 2015 and is with relation to the financial year ending 31 January 2017.

Our business and supply chains

The AA is a clear leader in the UK roadside assistance market, providing recovery services through personal Membership and business partnerships. Our dedicated AA branded patrols attend an average of 10,000 breakdowns every day across the UK. The Group delivers many other services which support motorists and complement and enrich AA Membership, such as AA Tyres, AA Signs and Automyze. The AA's Driving Services business comprises driving schools which are franchise based and delivered through our AA and BSM brands. Our Insurance Services business offers motor, home, home emergency, travel and other specialist insurance policies to both roadside Members and non-Members.

The AA employs around 7,500 people who carry out a broad range of roles within our Contact Centres, Head Office and Road Operations in locations across the UK. Almost 3,000 of our people are patrol staff employees. We also have an established network of almost 2,000 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. Our business operations are supported by over 5,000 suppliers that provide a wide range of goods and services and these supply chains are predominantly UK based.

AA Policies and Codes

The AA's values of courtesy, care, expertise, dynamism and collaboration are central to our business, which is engineered to support and promote the wellbeing of our Members, people, suppliers and wider stakeholders. Our approach to business is supported by a strong governance framework and reinforced through our policies, management and training. All of our policies align with the AA's values and are created to drive best-practice and ensure effective and permissible working practices. They include the:

- AA's Business Standards Policy, which sets out our commitment to high standards in relation to the fair and ethical treatment of employees, customers and suppliers; and the
- AA's Procurement Policy, which supports the procedure for engaging with suppliers to ensure beneficial and ethical terms of business.

A number of our key policies will be made available on the AA plc website during the next financial year.

The AA has an established Policy Committee (the 'Committee') that meets every two months to review and approve Group policies. The membership of the Committee comprises senior representatives from across the Group's key functions, specifically human resources, health & safety, finance, legal & secretariat, road operations, information technology, compliance and risk. The primary purpose of the Committee is to provide an effective, auditable and systematic process for the creation and review of all procedural documents. In doing so, the Committee constantly assesses the Group's businesses activities, responsibilities and external environment in order to identify the need for new or updated policies and procedures.

During the course of the financial year ended 31 January 2017, the AA's Supplier Code of Conduct (the Code) was developed. This Code sets out the high standards which we expect our suppliers to adhere to and contains specific provisions against the use of forced, bonded or compulsory labour. The Supplier Code of Conduct will be published on the AA's corporate website and over the next 12 months, the Group's procurement team intends to contact preferred suppliers to request that they confirm in writing that they recognise and meet the described behaviours of our Code

Supplier risk assessment

A multi-function workgroup has formed to assess any areas of concern within our business operations and supply chain and to develop step plans and actions to mitigate risks. This has focused our attention on the following areas:

Supplier categorisation: The AA works with 5,000 suppliers and the AA procurement team is a centralized head office function that assumes responsibility for the governance of the AA's purchasing requirements. Whilst the majority of our supply chains are UK based, it is recognised that we may indirectly source from suppliers and manufacturers across the globe, through second tier supply chain relationships. We understand that when products originate from other countries, particularly in less developed countries, a risk of poor labour practices can arise.

In the next 12 months, the team plans to conduct detailed analysis of our preferred suppliers, which make up approximately 80% of our total supplier spend, (excluding garages). We will risk assess these suppliers based on their main country of operations, spend levels, type of goods/services being supplied and internal knowledge of the company and its ongoing supply chain

These suppliers will be categorised into high, medium or low risk and this data will assist with mapping out of future strategy and risk assessment of modern slavery.

Supplier on-boarding: The procurement team carries out due diligence on all new suppliers at the supplier on boarding stage. During the financial year ended 31 January 2018, we intend to develop the supplier on boarding questionnaire to request acknowledgement of our Supplier Code of Conduct and specifically address the behaviours and ethics we demand of new suppliers with regards to modern slavery and human trafficking. Any suppliers who are unable to sign up to these ways of working will be further investigated and an action plan created which could be worked towards to ensure future alignment.

Third-party relationships: The AA works with around 2,000 third-party garages and as a result we are not always directly responsible for the management or recruitment of these associated persons. To mitigate this risk, the AA currently checks around 25% of these garages each year. Many of the garages we partner with, also serve police contracts so have an additional check of DBS on their employees available. Audits of garages carried out in the financial year ended 31 January 2018 will be expanded to seek information and due diligence on modern slavery.

We recognise that a deeper risk assessment of our supply chain is necessary to progress our modern slavery strategy and during the next financial year we will identify the steps required to carry out such an analysis.

Training

To raise awareness of the AA's Supplier Code of Conduct and the publication of our first Modern Slavery Statement, a companywide communication was sent to all employees highlighting the development of these significant documents. During the coming year, we will hold face to face training with all those in senior roles to facilitate the dissemination of key information and our intention is to produce an e-learning programme that can be made available to Group employees. Any whistleblowing training delivered to employees will highlight that contact details are now available to suppliers to report any suspected wrongdoings.

Effectiveness

In order to monitor our effectiveness in preventing modern slavery and human trafficking from taking place in our business and supply chains, we plan to report on the following key performance indicators (KPI) in the financial year ending 31 January 2018:

- Suppliers signed up to our "Supplier Code of Conduct" with our target for the next year being to have 75% of preferred suppliers confirmed.

During the next financial year, we will develop further KPI's to measure the effectiveness of our Modern Slavery strategy.

Future work

We recognise that this statement marks the beginning of an evolutionary process to develop a strategy that demonstrates the AA's commitment to helping to eradicate modern slavery from the global supply chain.

During the 2018 financial year we will focus on the following areas:

- Widening the whistleblowing contact details to include suppliers
- Categorisation and risk assessment of preferred suppliers
- Development of on-boarding process for new suppliers
- Expanding third-party garage audits to include Modern Slavery due diligence
- Publication of key policies to the corporate website
- Developing a e-learning module on Modern Slavery

We look forward to reporting on our progress next year. This statement has been reviewed and approved by the Board of the AA plc



Bob Mackenzie
Executive Chairman
The AA plc