

SUSTAINABILITY REPORT

FINANCIAL YEAR 2019/20



Take it easy

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CIRCLE K DANMARK A/S (CVR: 28142412)

BUSINESS MODEL AND VALUE CHAIN

Circle K Danmark A/S (Circle K Denmark) operates three separate brands with a total number of 438 sites catering both passenger vehicles and heavy vehicles. Our sites are found throughout the country and 226 of these sites are full-service operations including stores with food, beverage and car wash, in addition to fuels under the Circle K brand.

The company's other brands are INGO, 1-2-3 and Circle K Truck. Under these brands the company operates 223 fully automated refuelling sites open 24/7. Some of INGO's sites also offer carwash.

The fuels sold by Circle K Denmark are mainly diesel with 7% biodiesel and gasoline with 10% ethanol (5% until end of 2019), but Circle K also host electric vehicle quick chargers from third parties on our sites.

Nationwide Circle K Denmark employs more than 3200 people of which 78% are part-time or employed by the hour. Circle K Support Office is located in Copenhagen.

Circle K Denmark is part of the Canadian Alimentation Couche-Tard group which ultimate parent company's shares are listed on the Toronto Stock Exchange. Group-wide Couche-Tard has a network of approximately 14 400 convenience stores and stations and 131 000 employees in different countries around the globe. The European store & station network comprised 2,710 locations and approximately 22,000 employees in Denmark, Norway, Sweden, Poland, Estonia, Lithuania, Latvia, Russia and Ireland.

SUSTAINABILITY GOVERNANCE

It is the Board of Directors who has the overall responsibility for the management of Circle K Denmark, which also includes issues related to sustainable business operations. The board approves the Sustainability Policy and the Code of Conduct among other governing policies. The CEO is responsible for executing the Board's decisions and strategies. As support to the CEO and other operations, Circle K Denmark has line managers. It is included in the line managers responsibility to, undertake analyses and assist members of management in executing the board's decisions, which includes sustainability related questions.

Governing policies and guidelines

- Health, Safety and Environment policy
- Group Code of Conduct
- Supplier declaration
- ISO 14001
- ISO 9001

ENVIRONMENTAL SUSTAINABILITY

Our impact

Circle K Denmark is at the very centre of the ongoing shift towards a low-carbon economy as fossil fuel is a large contributor to greenhouse gas emissions (GHG). EU has set targets of reducing GHG emissions by 20% in 2020, 40% in 2030 and 80–95% by 2050. Denmark has set a national goal of reducing GHG emissions in sectors not covered by the European emissions trading system by 40 per cent by 2030 and a long-term goal of being independent of fossil fuels by 2050. As a consequence, Denmark has implemented mandatory emissions reductions legislation obliging retailers of fuels to gradually increase the share of renewables in the total fuel mix. From January 2020, gasoline must include 10% ethanol.

In addition, our own operations have an environmental impact. We consume energy at our stores, office and our car washes use fresh water, a resource becoming scarcer even in our part of the world. Also, we have an indirect impact on the environment through the sourcing of some of the products we sell. This is in particular relevant for coffee and the palm oil content in some food products, which if not grown using sustainable practices can cause deforestation.

Our approach and outcome

We strive to be part of future mobility solutions and we see renewable fuels as one part of the solution. The fuel offer we have today contains low blend of renewable components. In our financial year 2019/20, the volume of renewable fuels made up 6.3% of total fuel sales, an increase of 0.7% versus last year.

Since 2010 Circle K Denmark has worked systematically to reduce the electricity consumption at our sites. This has included installation of an energy management system (EMS) to better understand what parts of a site that drives the consumption. The EMS is a remote control of the store's temperature, ventilation and heating system. We have also replaced our lighting to LED and invested in improvement in relevant equipment to enable an energy efficient operation.

We cooperate with authorities and other stakeholders through our branch organization to establish activities with long term positive impact on the environment.

The sale of fuels (both fossil and renewable) accounted for 81% of total sales during financial year 2019/20 and other services, food and beverage accounted for approximately 19%.

During the last year we have replaced 18 carwash water cleaning modules. This has reduced water consumption with up to 75 – 85% on these sites.

SOCIAL SUSTAINABILITY, INCLUDING EMPLOYEES AND RESPECT FOR HUMAN RIGHTS.

Our impact

Circle K Denmark impact the community in which we operate on several areas. Through the products we sell we have an indirect effect down the value chain and our analysis show that in

addition to our fuels it is mainly with our coffee and the food containing palm oil that there are apparent risks. Just as there are environmental aspects to consider with regards to these products the working conditions of farmers as well as the risk of expanding plantations causing displacement of local communities are also important risks to consider in our sourcing processes.

The food we sell also affects our customers whom often are on the move and in need of something quick and easy to eat before continuing their journeys.

Another big area of influence is of course the thousands of people working at our sites, and office. Creating a tolerant, diverse and safe workplace free from any form of discrimination. For our company respect for your fellow co-workers as well as all our partners and customers are a pre-requisite for running a sustainable business and attracting the right talent. During financial year 2019/20 there has not been any cases related to violations against human rights.

Management approach and outcome

Food and beverage

All our coffee is Rainforest Alliance certified and 100% organic. Our food and coffee are high quality products and currently we have Danish meat in several of our products. Further, Circle K's ambition is that the eggs and chicken included in our food only comes from cage free chickens. We continuously work on developing our food offer including offering a range of vegetarian alternatives. On selected beverage products we also provide organic alternatives.

Our hotdog bread and bakery does not contain palm oil. However, there are third party products that contain palm oil. Our ambition is to only sell products which contain certified palm oil, but we are also working on finding ingredients which can replace palm oil as an ingredient in our products.

Circle K Denmark's internal food and safety management system includes; Product recalls and food safety incidents, unannounced audits performed by a 3rd party in all stores twice a year. The audits consist of three elements: A Checklist based on our management system, coaching and sample analysis. To ensure learning and follow up from the audits, all store managers receive an individual audit report

Børns Vilkår

In 2019, Circle K established a partnership with Børns Vilkår with an effort to raise money for Børns Vilkår in order to increase the capacity and opening hours on their phone hotline for children in need of an adult to talk to. Together we developed the "Børnekaffe" campaign where 1kr from each Børnekaffe cup sold is donated to Børns Vilkår. In addition, Circle K would match the total sum collected through the campaign and donate to the same cause. The target is to donate DKK 1 million each year to Børns Vilkår. Last year, the money raised from the campaign

enabled Børns Vilkår to increase the opening hours of the hotline to also be open in the morning from 7am to 9am.

Julemærkefonden

In the beginning of August 2019, INGO started a collaboration with Julemærkefonden to support their work for children in need. Through yearly sponsorship and both central and local campaigns, we support the organization with approximately 400 000 DKK each year.

Every year the homes of Julemærkefonden helps 1000 children to a better life without bullying, loneliness and general poor well-being.

HR organization

HR quality is ensured in the Human Resources Functional Requirement. The performance management process People@Circle K ensures that all employees have targets and are given clear expectations. The Performance management process is an ongoing process throughout the year, where each employee has a plan with delivery and development targets for the coming year. The development plan is being supported by a strength based approach to development via the implementation of the Strengths Finder concept. HR tool SuccessFactors are used for obtained stores as well as support offices to be a service-minded and friendly environment to work in. Tools for engagement is Gallup's MyVoice employee survey with subsequent review of results and measures for increased involvement in all teams.

Diversity within the Board of Directors and the company

As an inclusive employer, we aim to improve gender balance at all levels of our organization.

During the financial year a new member has been elected to the board and by the end of financial year 2019/20, the Board of Directors consists of three males and one female. At management level our gender balance is 75/25 % male / female. In total Circle K Denmark has a gender ratio of 51 % female and 49 % male.

To further improve diversity on support office, a 50/50 female/men talent pipeline is established for candidates to key positions including management roles. During spring 2020, online training to secure unconscious bias was rolled out to all support office employees and during the autumn of 2020, store employees will get also take part in this training. Further, all employees and qualifications is mapped for potential positions throughout the organization to avoid Bias as well as equal pay between genders.

Health and safety

Strong efforts are made to ensure safety for all customers, contractors and our employees. In all parts of our business HSE results are key and considered a license to operate. It is a management responsibility to secure that each employee continuously evaluate the risk and take necessary actions to prevent incidents.

Safety work is an important factor for current and future employees. We invest significant resources in preventive measures for robberies and other types of serious incidents at our sites. In financial year 2019/20 we have continued the work with Anti Robbery Audits on all sites. The audits shall secure:

- That all employees are trained on how to act in the event of a robbery
- Robbery preventive signage
- Preventive equipment at all sites

During financial year 2019/20 Circle K Denmark had an increase from 7 to 8 robberies. Our goal remains to minimize the number of actual and attempted robberies towards zero with robbery preventive elements and training of employees.

During the corona virus the numbers of threats increased at our sites and classroom training was not an option, so an anti-conflict handling training was developed as online sessions to support our employees.

BUSINESS ETHICS AND SUPPLIER RELATIONSHIPS

Corruption is prevalent in all parts of society and must be addressed by both civil society and businesses. For Circle K Denmark, corruption is an inherent risk between our employees and our customers, suppliers and other stakeholders. To minimise the risk of corruption, Circle K is working with several preventive measures on training, information and operational procedures i.e. co-signing of invoices, contracts and expense reports.

Besides addressing corruption, we are aware of that some of the impact with regards to environmental matters is not generated by us directly but indirectly by our business partners. We are therefore working actively with our business partners on, how to address sustainability and that they adhere to the same values and principles as we do.

Management approach and outcome

Employees

The Ethics Code of Conduct and the Light of Day test are online courses assigned to all new employees through the Onboarding package. These communicates all employees our requirements and expectations in term of ethics and treatment of our fellow colleagues and external stakeholders. Last year, the completion rate was 97%.

Suppliers of fuel

The purchase of both renewable and fossil, is handled at European level and Circle K Denmark is not directly involved in the sourcing of these products. Suppliers of biofuels must fulfil Circle K's eight sustainability criteria's, national laws and EU regulations. To make sure that they do, we have implemented controls. All our suppliers of fuels need to sign our Supplier Declaration.

The greenhouse gas reduction must be 50% for biofuels, or 60% if the facility of the biofuel producers started its operations January the first 2017 or later. Beyond demands on emission reduction, our company requires that the production of the fuel do not cause any major harm to the surrounding land, areas with high biodiversity or water sources as well as not having a negative impact on working conditions or the local community.

COVID-19

To handle the impact with the new coronavirus the Circle K Denmark Emergency response Team (ERT) has been united and coordinated the entire effort. The team was gathered through Teams meetings every day during the beginning of the pandemic and have continued to meet regularly during the summer and autumn 2020.

Guidelines and protective equipment were introduced in the office and in stores to protect customers, employees and suppliers. A work from home policy was immediately implemented where only business critical tasks which was not possible to execute remotely were exempt.

We introduced a system for Reporting Corona absence divided into symptoms, quarantined and tested positive. Policies were updated in line with authorities' regulations and guidelines.

The plans are dynamic, so they always follow the rules and guidelines that come from the authorities.

As our sale of fuel plummeted in the first days after the lockdown, we decided to send app. 700 employees' home. However, as sales recovered faster than first feared, the same employees were called back after app 30 days. Further, as the financial impact from this downturn were not as severe as first indications suggested, our view was that other businesses were in greater need of government aid and thus decided not to seek compensation.

During the peak of Covid-19 pandemic in the spring of 2020, and when the pressure on the Danish healthcare system was at its highest, Circle K wanted to express our gratitude to the many frontline workers putting their lives at risk. We did so by offering them a small token of appreciation in the form of free coffee every day for the duration of 4 weeks. Albeit a small gesture, it really meant a lot to the frontline workers to be appreciated for their hard work and sacrifice. The feedback from the healthcare frontline workers who enjoyed the free coffee was that the coffees helped them stay motivated and energized during the long days and nights of work.

At the start of the COVID-19 crisis, Danish authorities approached us with an urgent request: they needed a vast amount of suitable ethanol for manufacturers to make hand-sanitizing

products, in a matter of days. Thanks to a team effort also involving people from global functions, we secured 300,000 liters of ethanol over the span of a few short weeks, and by April 23, 2020, were supplying Danish manufacturers with the required ethanol.

SIGNIFICANT NON-FINANCIAL RISKS AND RISK MANAGEMENT

Risk	Risk management
<p>Shift from fossil fuels to renewables</p> <p>The shift from fossil fuels to renewables will most likely be fast and disruptive to society and many businesses, including our own. For Circle K this shift is not an isolated sustainability issue but at the heart of our entire business model.</p>	<ul style="list-style-type: none"> - Partnership with Clever, E.ON and Ionity on charging stations at select Full Service sites. - Participate in two demonstration projects for alternative transportation fuels (Electro fuels / PtMET (Power to Methanol)) <ul style="list-style-type: none"> o With Teknologisk Institut in Aarhus, Municipalities in Copenhagen and Aarhus (and others) to demonstrate the use of M85 (85% methanol and 15% gasoline) in ordinary petrol ICE (Internal Combustion Engine) cars offering significant GHG reductions. o With Blue World Technology to demonstrate the use of M100 in fuel cells combined with battery electrical vehicles - We are moreover actively participating in the debate about future transportation energy through our industry organization Drivkraft Danmark, and in own name. We seek to engage in dialogue with politicians and other stakeholders to support the change agenda.
<p>Other environmental impacts</p> <p>Our operations entails environmental risks such as spills and risk of contamination of soil and water.</p>	<p>https://www.circlek.dk/dk_DK/pg1334073798939/OmCircleK-karriere/OmCircleK/HMS.html</p> <ul style="list-style-type: none"> - Systematic environmental work in accordance with ISO 14001
<p>Operational health & safety</p> <p>Some parts of our operations have elevated risks of personal injury to those working at the premises. Occasionally, our stations are subjected to robbery attempts.</p>	<p>https://www.circlek.dk/dk_DK/pg1334073798939/OmCircleK-karriere/OmCircleK/HMS.html</p> <ul style="list-style-type: none"> - Implementation of anti-robbery audits on all sites which secures that all employees are trained for preventing and handling robberies as well as that each site have preventive equipment. - Anti-conflict training

<p>The COVID-19 pandemic is a new risk for our employees.</p>	<ul style="list-style-type: none"> - COVID-19 specific guidelines and routines to protect people
<p>Reputational risk</p> <p>Unethical business behavior or association with companies or products which do not meet the public's expectations for responsible business can harm our brand, the trust we enjoy from the public and as a consequence possibly shareholder value.</p>	<ul style="list-style-type: none"> - Training and information to all new employees in our Code of Conduct during a mandatory on-boarding program. - Light of Day

OUTLOOK ON 2020 AND ONWARDS

We will in the coming years increase investments in the quick charger market for EVs (Electrical Vehicles). This will cater for a market where especially private passenger cars will increasingly be EVs. The tipping point in price between EVs and traditional Internal combustion engine (ICE) cars is predicted to be in 2021-2023, where the sale of EVs is predicted to increase significantly.

However, for the heavy transportation, we do not at present have the battery technology which can support the electrification of the heavy transportation. To help the reduction of GHG emissions in the transportation segment we are increasing our presence with HVO (Hydrotreated Vegetable Oil) offering up to 90% GHG reduction. HVO can be used in most ordinary truck diesel engines without any alterations.

HVO, however is a product that is in severe undersupply resulting in prices of 5-6 DKK /litre above regular fossil diesel. In addition, a significant part of the production is based on palm oil. We do not accept HVO based on palm oil in our company.

For heavy transportation, we believe that the PtX (Power to X) technology, where sustainable electricity via a chemical process is captured in liquid form (the simplest being methanol) will offer a viable solution. The PtX technology will also offer storage of excess electricity when production exceeds demand and thereby offer more predictable electricity prices for the producers offering them better return on capital invested. That is why we have engaged ourselves in the two demonstration projects described above and in the political debate.

Furthermore, in the Autumn of 2020, we will have invested in a large quantity of low emissions produced methanol. The investment will result in several litres of methanol to be delivered over

the course of 5 years. If the methanol is used as fuel in the transportation sector, the user(s) will be able lower its/their CO₂-emissions by 70–95% per tank full.

In-store responsibilities

Corporate responsibility, animal welfare and meat-free options are important to us as a responsible retailer. During the summer 2020 we decided to join the European Chicken Commitment (ECC). The purpose of which is to ensure the best possible living conditions for the chickens that we use in our food production. The ECC compels to ensure more room, better living standards and better food for the chickens.

Another part of the food program is to ensure that the packaging is sustainable. In 2019 a large packaging project has been run and we expect to continue our change of the current packaging to more sustainable solutions in the years to come – aiming at 100 % of our packaging to be recyclable or reusable packaging by 2030.

Circle K expect to continue the partnership with “Børns Vilkår” in 2021 and supporting them through the Børnekaffe campaign- initiative.

In the coming years INGO will implement solutions where even our customers can join in and support Julemærkefonden by topping up with a donation when fuelling or washing their car.

During the autumn 2020 Circle K Denmark will start a screening to identify areas in the value chain where green transition is possible in near future. The improvements should not only reduce environmental impacts but also be economically viable and easily implementable, thus ensuring that sustainable impacts are achieved. The initiatives should reduce climate impacts (CO₂), but potentially also other positive environmental outcomes such as water consumption and biodiversity.

In the last year ACT have created a more defined framework and strengthened how to incorporate sustainability. Going forward sustainability is now a lens in the business, pushing forward the commitments to actionable results. This year ACT identified four sustainability priorities, which have become increasingly important for stakeholders and business: fuel, energy, packaging and waste and workplace safety. And when publishing the second global sustainability report ACT also launched 2025 targets and 2030 ambitions for these four areas. The global targets and ambitions are relevant for all parts of ACT in the work to be done from now and the local sustainability initiatives in Denmark are important contribution. During the work with the sustainability report ACT identified the UN Sustainability Development Goals (SDG) where the business has the biggest impact:



KEY PERFORMANCE INDICATORS

	2019/20	2018/19	2017/18
Share of fossil fuels sold (%)	93.74	94.35	94.44
Share of renewable fuels sold (%) ¹	6.26	5.65	5.56
Energy consumption within the organization (MWh) ²	42 762	44 355	43 251
GHG emissions (t CO ₂ e) ³			
- Scope 2	14 476	11 122	10 486
- Scope 3	4 509	4 714	4 919
Significant environmental incidents ⁴	0	0	0
Share of fuel suppliers which have accepted the supplier declaration (%)	100	100	100
Share of part-time employees including employees employed by the hour (%)	78	78	81
Share of female employees (%)	51	52	52
Share of female station managers (%)	54	54	51
Share of female managers (%)	23	30	35
Share of women in executive management (%)	25	33	25
Share of women on the Board of Directors (%)	25	0	33
Absence due to sickness % ⁵	5	4	5
Reported amount of serious work related accidents/incidents ⁶	17	22	39
Share of certified coffee sold in stores (%) ⁷	100	100	100

¹ Calculated as ton of renewable-based fuel sold compared to fossil-based fuel. The calculations include both amounts sold at both Circle K and INGO.

² Includes consumption of electricity at full-service sites. Values are measured or reported from our electricity provider.

³ Scope 2 includes emissions from production of the electricity which is consumed at full-service sites. Emission factor for Nordic residual electricity mix is used and has been collected from the Swedish Energy Market Inspectorate. Note that scope 2 emissions have increased even though the electricity consumption is lower due to a higher annual emission factor being provided for the Nordic residual electricity mix. Scope 3 includes transportation of fuel between terminals and stations. Up- and downstream emissions have not been taken into account. Emission factor for fuel used by the delivery trucks has been collected from the European Commission. In the coming years the ambition is to broaden the reporting and include scope 1 as well.

⁴ Defined as level 1 or 2 on a scale of 1-5 in Circle K's internal seriousness classification matrix and corresponds to accidental spill to; land larger than 5 m³, to water larger than 500 liters and to air larger than 50 liters.

⁵ Calculated as the number of working hours reported as sick leave in relation to the total number of hours worked during the financial year.

⁶ Indicates the number of accidents/incidents which have resulted in more than one day of sick leave and classified as serious according to Circle K's internal incident classification matrix. In last year's report the total recordable injuries were reported, from this year we report the lost time injuries for all reported years.

⁷ Refers to the freshly brewed coffee sold at our sites.