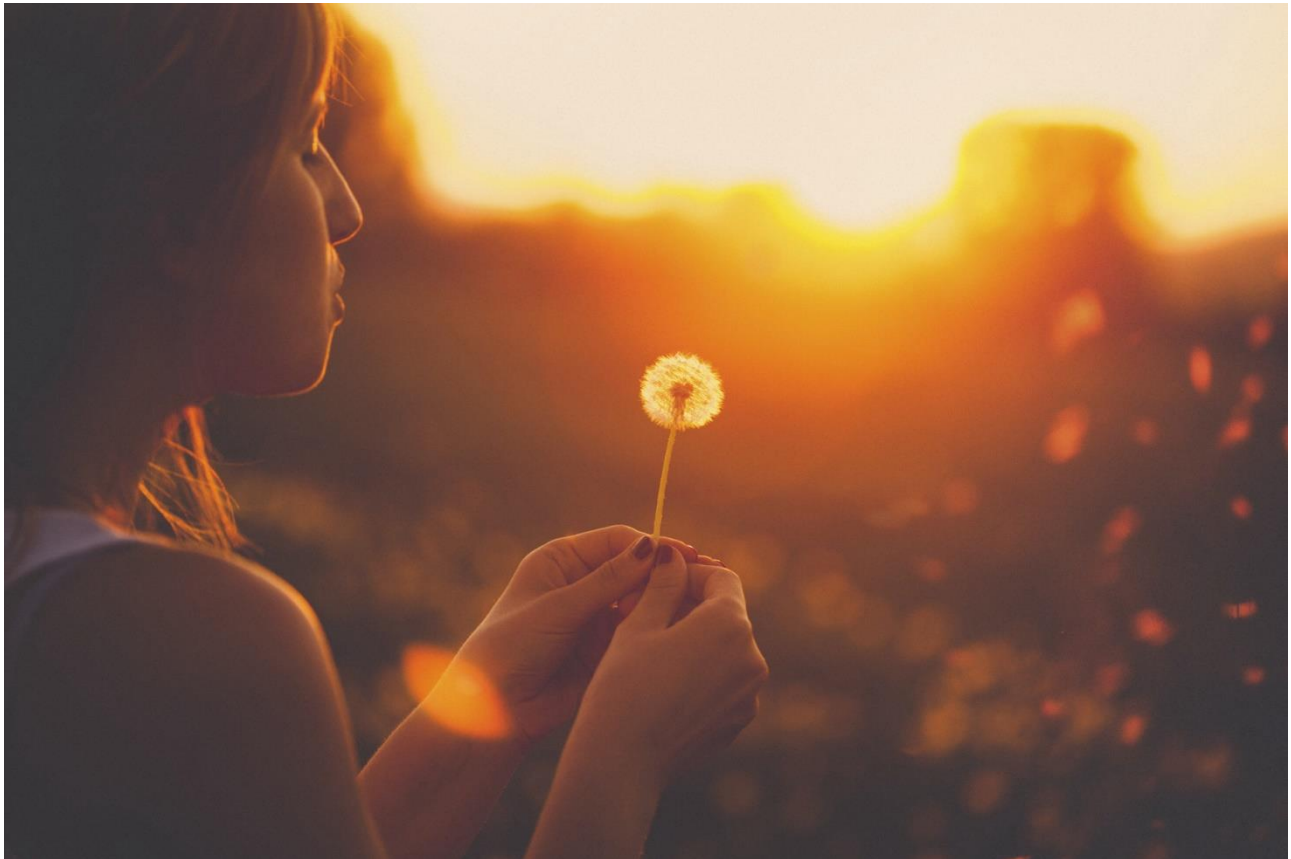




Part of Alimentation Couche-Tard

SUSTAINABILITY REPORT FINANCIAL YEAR 2018/19



Circle K Danmark A/S
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BUSINESS MODEL AND VALUE CHAIN

Circle K Danmark A/S (Circle K Denmark) operates three separate brands with a total number of 413 sites catering both passenger vehicles and heavy vehicles. Our sites are found throughout the country and 229 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 and 1-2-3 under which it operates approximately 184 fully automated refueling sites open 24/7. Some of INGO's sites also offer carwash.

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

In addition to our sites, Circle K Denmark has during the financial year operated one terminal; Aalborg. The terminal function as storage and refinement facilities for the fuels we sell before they are distributed to our sites. The terminal is regularly checked by the authorities. However, as per 1 of January 2019 with retrospective effect from 1 of May 2018, the terminal was divested from Circle K Denmark.

Nationwide Circle K Denmark employs approximately 3214 people of which 27% 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 16 000 convenience stores and stations and 130 000 employees in different countries around the globe. The European store & station network consist of approximately 2700 locations and 24,000 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 polices. 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 center of the ongoing shift towards a low-carbon economy as fossil fuel products is a large contributor to greenhouse gas emissions (GHG). The European Union 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 emission reductions, obliging retailers of fuels to gradually increase the share of renewables in the total fuel mix.

In addition, our own operations have environmental impacts. We use energy at our stores, our terminal and offices. Further, our car washes consume fresh water, a resource becoming scarcer also in our part of the world. We have an indirect impact on the environment through the sourcing of some of the products we sell. This is in particular relevant regarding our coffee and the palm oil contents of some of our food, which if not grown using sustainable practices can contribute to deforestation of rainforests which impacts both biodiversity and accelerates climate change.

Our approach and outcome

We are playing an active role in developing and rolling out future mobility solutions and we see biofuels as part of the solution. The fuel offer we have today contain a low blend of bio components and during financial year 2018/19 the volume of biofuels made up approximately 6 % of total fuel sales.

Since 2010 Circle K Denmark has worked systematically to reduce the electricity consumption at our sites. For the sites this have included installation of an energy management system (EMS) to better understand what parts of a site that drives the consumption. EMS is a remote control of a store's temperature, ventilation and heating system. During the years we have also had retro fit to LED lights and invested in improvements of relevant equipment to enable energy efficient operations.

We cooperate directly with authorities and other stakeholders and 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 81,5% of total sales during financial year 2018/19 and other services, food and beverage accounted for approximately 18,5%.

SOCIAL SUSTAINABILITY, INCLUDING EMPLOYEES AND RESPECT FOR HUMAN RIGHTS.

Our impact

Circle K Denmark impacts the communities in which we operate and the world at large in several ways. Through the products we sell we have an indirect effect throughout the value chain and our analysis show that in addition to fuel it is primarily coffee food containing palm oil in which 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 may also affect our customers whom often are on the move and in need of something quick and easy to eat before continuing on their journeys.

Another big area of influence is our employees our stores, our terminal in Aalborg and at our support office in Copenhagen. Creating a tolerant, diverse and safe workplace free from any form of discrimination is inherent in our company DNA. In Circle K, respect for your co-workers as well as our partners and customers is a prerequisite for running a sustainable business and attracting the right talent. During financial year 2018/19 there has not been any cases related to human rights.

Management approach and outcome

Food and beverage

All our coffee is Fairtrade and 100% organic. By 2020 the coffee will be Rainforest Alliance Certified. Our food and coffee are high quality products and currently we have Danish meat in several of our products. This includes our hamburgers where the meat is Danish beef as well as our meatballs in our sandwiches. To meet the need for alternative food products without meat, we have launched several vegetarian alternatives. Today we sell veggie burgers and launch a veggie sandwich in 2019. In addition to this, we have salads that are vegan.

Our hotdog bread does not contain palm oil and all our bake off (sweet bread products) are with certified palm oil. Our ambition is to only sell products that contain certified palm oil, but we are also working on finding ingredients that 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 an external company in all stores 2 times 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 manager receive an individual audit report.

Børns Vilkår

In September 2018 we started a co-operation with Børns Vilkår, a children rights organization, to increase the knowledge of the “Children’s’ phone” and through charity support the organization to increase the opening hours for the “Children’s’ phone”.

In December we launched the campaign 'Børnekaffe', obviously not a coffee that children should drink but a coffee which would support the hotline for kids in need of talking to an adult about their problems. Together with our customers we managed to collect 925.326 DKK, and the management team decided to increase donation to 1 million DKK to Børns Vilkår. This donation has ensured that the “Children’s’ phone” can increase its opening hours and open two hours earlier in the morning. This campaign won the prize as the best fundraising campaign in the Danish Fundraising awards in 2019.

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 clear expectations. We work with performance management process annually, as well as an annual plan for development for the work and in person. 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 company

During the financial year a member has resigned from the board and a new member has been elected. By the end of financial year 2018/19, the Board of Directors consists of three males. The Board of Directors have decided to have a goal of 75/25 % male/female composition.

At the management level we achieved a balance of gender at 67/33 % male / female. Thus, we are not obligated to establish and report on goals for the gender composition at management level. In total Circle K Denmark has a gender ratio of 52 % female and 48 % male.

Health and safety

Every effort is made to ensure that best safety practices are carried out in order to ensure that all customers, contractors and our personnel are not exposed to any unnecessary risk. And in all parts of our business the HSE results are equally important as the financial results. It is a management responsibility to secure that each employee continuously evaluates 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 2018/19 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 2018/19 Circle K Denmark had a decrease from 10 to 7 robberies. Our goal remains to minimize the number of actual and attempted robberies towards zero with robbery preventive elements and training of 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 there are increased risks with regards to business ethics in our relations to some of our larger suppliers as well as some of our larger corporate customers, but business ethics must of course be considered in all aspects of our business and by all employees.

Besides addressing corruption, we are aware of that some of our impact with regards to social and environmental matters happen not directly in our own operations but also indirectly through our business partners. It is therefore important that we are aware of who our business partners are, how they work with sustainability and that they in turn adhere to the same values and principles as we do. This is especially relevant for our suppliers of fuels as the social and environmental impacts of the oil and gas industry are significant throughout the value chain.

Management approach and outcome

Employees

Ethics code of Conduct is automatically assigned to the Onboarding package for any new employee, regardless of whether they belong to the network or Support office. Hence, the

completion rate is equivalent to the overall completion rate, which was on average 93 % both this year and last year.

Circle K Denmark actively working with the *Light of day* test, a tool to remind all employees of our commitment to create and maintain a work environment which allow us to thrive in our day-to-day lives and which has a positive impact on our engagement and our teammates. Light of Day was up until March 2019 included in the Onboarding package for store employees, thus the completion rate was again equivalent to the overall completion rate. Since March, Light of Day is part of the recruitment/start up package on site, where Store Managers print and hand out to the employee. Consequently, the completion rate since then is 100 %.

Light of Day for Support office employees have relied solely on handout from the line manager and hence there is no electronic tracking available. In addition, the policy has been posted on intranet management systems for review. We are currently working to automate this process so Light of Day will be assigned automatically to any new Support office employee.

Ethics Code of Conduct and the Light of Day test helps us to develop and secure the right level of focus within the areas of human rights and anticorruption. During the financial year 2018/19 no incidents have been reported within these areas

Suppliers of fuel

The purchase of both renewable and fossil, are managed centrally by our global sourcing team and Circle K Denmark is not directly involved in the sourcing of fuel. Suppliers of biofuels must fulfill Circle K's eight internal sustainability criteria's, national laws and EU regulations. To make sure that all suppliers are compliant, controls are implemented, and all suppliers of fuels must sign a Supplier Declaration confirming the above.

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.

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, especially our terminals, 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, mainly at our terminals, 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.

<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
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OUTLOOK ON 2019 AND ONWARDS

We will in the coming years increase our footprint in the quick charger market for EVs (Electrical Vehicles) which will cater for the future growth in EVs. The tipping point in price between EVs and traditional ICE (Internal combustion engine) cars is predicted to be in 2023 where the sale of EVs is predicted to increase significantly.

However, for the heavy transportation, there is currently no battery technology which can support the electrification of the heavy transportation market. To help the reduction of GHG emissions in the transportation segment, Circle K is increasing its presence within HVO (Hydrotreated Vegetable Oil) offering up to 90% GHG reduction. HVO can be used in most ordinary truck diesel engines without any alterations.

In the summer of 2019 Circle K Denmark provided HVO supply to a public transportation company offering shuttle bus services for the Danish “Smuk” music festival. All buses were running on HVO.

HVO, however is a product that is severely in undersupply resulting in prices 5–6 Danish krone/litre above regular fossil diesel. Moreover, a significant part of the production is based on palm oil. We do not accept HVO based on palm oil in our company.

However, HVO can be important on short term to offer GHG, ultimately, we do believe that restraints in biomass availability will prevent HVO and other biofuels to solve the GHG challenge. Furthermore, we do not foresee batteries being able to electrify the heavy transportation in a foreseeable future. We do 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.

In the store we will continue our journey on upgrading our stores with our new store and food concept. In 2019 we will have rolled approx. 45 stores and expect to continue this rollout in 2020 as well. The concept is made with the objective of supplying our customers travelling from A to B a place where they can get great food based on quality, taste and freshness. They can sit down in the lounge and eat or grab some food on the go.

The food solutions will be focused around the 3 principles of quality, taste and freshness and be targeted at people on the go. Sustainability will be integrated in the food setup via a continuous focus on optimizing the food products through i.e. Rainforest Alliance Certified coffee beans as well as Danish meat where possible.

A part of the food program is to ensure that the packaging is also 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 2020.

We also expect to continue our partnership with “Børns Vilkår” supporting the Kids foundation through the “Børnekaffe” initiative among other activities.

In July 2019 ACT published its first global sustainability report. This is the first step towards a global 3-years sustainability strategy. In this strategy the local sustainability initiatives will be an important contribution to the journey ACT will take in this area, and Circle K Denmark and other business units should continue its activities to become part of the future solution in its markets.

KEY PERFORMANCE INDICATORS

	2018/19	2017/18	2016/17
Share of fossil fuels sold (%) ¹	94,35	94,44	N/A
Share of renewable fuels sold (%) ²	5,65	5,56	N/A
Energy consumption within the organization (MWh) ³	44 355	43 251	28 106
GHG emissions (t CO ₂ e) ⁴			
- Scope 2	11 122	10 486	7 048
Significant environmental incidents ⁵	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	81	80
Share of female employees (%)	52	52	50
Share of female station managers (%)	54	51	43
Share of female managers (%)	30	35	43
Share of women in executive management (%)	33	25	20
Share of women on the Board of Directors (%)	0	33	33
Absence due to sickness % ⁶	4	5	4
Reported amount of serious work related accidents/incidents ⁷	34	39	12
Share of certified coffee sold in stores (%) ⁸	100	100	100

Reporting principles, estimates and assumptions

¹ Data for FY17 not available for this report

² Calculated as ton of bio-based fuel sold compared to fossil-based fuel. The calculations include both amounts sold at both Circle K and INGO.

³ Includes consumption of electricity at full service sites. Values are measured or reported from our electricity provider. The large increase in energy consumption between 2016/17 and 2017/18 is due to acquisitions of sites.

⁴ 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. In the coming years the ambition is to broaden the reporting of Scope 2 and to include Scope 1 and 3.

⁵ Defined as level 1 or 2 on a scale of 1-5 in Circle K's internal seriousness classification matrix.

⁶ Calculated as the number of working hours reported as sick leave in relation to the total number of hours worked during the financial year.

⁷ 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.

⁸ Refers to the freshly brewed coffee sold at our sites.