

Engine Capital Issues Letter to Parkland's Board Announcing Intent to Withhold Support on ALL Incumbent Directors at the 2023 Annual Meeting

Follows the Board's Decision to Re-Nominate 24-Year Tenured Chairman Jim Pantelidis Despite the Board's Adoption of a 10-Year Term Limit and the Establishment of a Compensation Framework Misaligned with Shareholders' Interests

NEW YORK--(BUSINESS WIRE)--Engine Capital LP, which owns approximately 2.0% of Parkland Corporation's (TSX: PKI) ("Parkland" or the "Company") outstanding shares, today announced that it has sent the below letter to members of the Company's Board of Directors.

April 20, 2023

Parkland Corporation
240 4th Avenue SW Suite 1800
Calgary, AB T2P 4H4
Attention: Board of Directors

Dear Members of the Board of Directors (the "Board"):

As you know, Engine Capital LP (together with its affiliates, "Engine" or "we") is a meaningful shareholder of Parkland Corporation (TSX: PKI) ("Parkland" or the "Company"), with an ownership position of approximately 2.0% of the Company's outstanding shares.

Nearly a month ago, we [issued a letter](#) detailing our concerns regarding the chronic underperformance of the Company, evidenced by Parkland's total shareholder returns ("TSR") trailing relevant benchmarks and peers over every relevant time horizon (see Appendix A). We believe that this underperformance is directly related to Parkland's current complexity and conglomerate structure, which makes it a poor public company in its current structure. In our letter, we shared our ideas to enhance long-term shareholder value, which include: (a.) simplifying the business by selling or spinning off non-core assets or selling the entire Company, (b.) refreshing the Board by adding directors with convenience merchandising and capital allocation experience and (c.) improving the Company's compensation framework to better align management's incentives with shareholders' interests. Our letter concluded with a request to meet with members of the Board as soon as possible to discuss these recommendations.

Having not heard any response, we followed up on our request to meet with the Board but were instead offered a meeting with Parkland's CFO, Marcel Teunissen, on March 30, 2023. During that discussion, we reiterated our desire to meet the Board as soon as practically possible to engage in a constructive dialogue. As of today, we still have yet to hear back about a meeting with Parkland's directors. **Engine has engaged with more than 50 boards of directors over the last decade, and we have never encountered a situation where one has been so unresponsive.** The response from an engaged and competent board of directors should be to engage with a major shareholder, not to hide behind its CFO.

This lack of responsiveness and sense of urgency is in stark contrast with shareholders' desire for change and frustration, evidenced by the nearly 10% increase in Parkland's share price following the release of our letter on March 22, 2023. The fact that the mere possibility of a change in strategy suggested by a significant

shareholder could cause this type of positive price movement speaks volumes to shareholders' frustration with the status quo and desire for change.

PARKLAND'S DECISION TO RE-NOMINATE ITS OVER-TENURED CHAIRMAN AND COMPENSATION PRACTICES ONLY REINFORCE THE NEED FOR CHANGE

We were also disappointed to see that Chairman Jim Pantelidis, who has served on the Board for **24 years**, would not step down at the upcoming Annual Meeting of Shareholders (the "Annual Meeting"). Instead, Parkland's information circular indicates that Mr. Pantelidis intends to serve for another three years, until the 2026 Annual Meeting, which will bring his Board service to a grand total of 27 years.

This is even more shocking considering that Parkland has just adopted a tenure policy that limits a director's tenure to 10 years.¹ This policy should apply to all directors, including the Company's Chairman, especially considering that he has been on the Board for almost a quarter of a century. Clearly an orderly transition and appropriate succession planning can take place much faster. The fact that the Board is suggesting Mr. Pantelidis needs to remain as Chairman for another three years in order to effectuate a smooth transition is another example of the Board's complete lack of urgency. We therefore urge the Board not to re-nominate Mr. Pantelidis at the 2024 Annual Meeting.

We also continue to be concerned by Parkland's compensation practices beyond those previously raised in our March 22nd letter. The recently published management information circular discusses the Board's decision to use an absolute ROIC measure as part of management's long-term incentive, which we believe makes sense. Unfortunately, the targets set by the Board (see table below) are completely inadequate and are lower than the Company's cost of capital, which we estimate to be well above 8.5% (where management would receive 200% of its target compensation). We are concerned that the Board would reward management at these poor levels of ROIC and set 7% as the ROIC target.

We also note that in 2022 CEO Robert Espey's target total direct compensation went up to \$5.3 million from \$4.3 million in 2021, an increase of approximately 23%. Mr. Espey's compensation has consistently increased over the last few years as the business has grown through M&A and has become more complex – the very issues that are hurting shareholders. For reference, Mr. Espey's 2018 total direct compensation was \$3.2 million, and Parkland's stock closed at \$35.34 on December 31, 2018 (\$30.47 dividend adjusted price). **Therefore, since 2018, Mr. Espey's compensation has increased by 66% while the stock is down. It is no wonder Parkland's management likes the size and the complexity of the business.**

The following chart highlights Parkland's stock performance compared to Mr. Espey's total direct compensation.

Again, we want to reiterate our request to meet with members of the Parkland Board as soon as possible to discuss the changes that we believe are necessary to improve the Company for the benefit of all shareholders. While it is our desire to work constructively with Parkland's Board on behalf of all shareholders to unlock value, we must make abundantly clear our dissatisfaction with the status quo, which is why we intend to "**WITHHOLD**" support on **ALL** the incumbent directors standing for re-election at the Company's Annual Meeting. As a matter of clarification, Engine intends to vote "**FOR**" the two new nominees appointed by Simpson Oil Limited.

We intend to monitor developments at Parkland closely and will not hesitate to take any actions that we believe are necessary to protect the best interests of all shareholders and stakeholders.

¹ "Effective 2023, Parkland's Board has adopted a 10-year term limit for its Board, excluding executive Board members. Notwithstanding the foregoing, the Board Chair may stand for re-election outside of the 10-year limit in order to ensure that appropriate succession is in place and to ensure an orderly transition." Parkland's 2023 Information Circular.

Sincerely,

Arnaud Ajdler
Managing Partner

Brad Favreau
Partner

Appendix A: Parkland's total shareholder returns ("TSR") compared to relevant benchmarks and peers over every relevant time horizon.²

About Engine Capital

Engine Capital LP is a value-oriented special situations fund that invests both actively and passively in companies undergoing change.

Contacts

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² Total shareholders returns calculated as of the close of March 17, 2023. Convenience retailer peers consist of ATD, CASY and MUSA. Refinery peers consist of MPC, PSX, VLO, DINO, DK, PBF, CVI, PARR and CLMT. We did not include a 10-year TSR for the refinery peer group since Parkland only acquired the Burnaby refinery in 2017.