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Parkland Corporation  
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Attention: The Board of Directors

Dear Members of the Board of Directors (the “Board”):

Engine Capital LP (together with its affiliates, “Engine” or “we”) is a meaningful and long-term shareholder of Parkland Corporation (TSX: PKI) (“Parkland” or the “Company”), with an ownership position of ~2.5% of the Company’s outstanding shares. Given Engine’s sizable C\$200 million investment and our belief in the importance of shareholder representation in public company boardrooms, we are very concerned about the recent departures of the two Simpson Oil Limited (“Simpson”) designees, Marc Halley and Michael Christiansen, after being directors for a mere eight months. Although the reasons for these departures are not clear, Engine believes Simpson’s January 3, 2024 press release (the “Simpson Press Release”) provides shareholders with a troubling indicator: “*Simpson Oil remains committed to the core energy industry and will continue to invest and participate in companies in the industry that adopt strong corporate governance practices and prioritize the interests of shareholders,*” implying that this is not the case at Parkland. In all likelihood, the Simpson Press Release signals that Parkland’s single largest shareholder is very concerned with the Board’s commitment to strong corporate governance and questions its focus on prioritizing the interests of shareholders.

Unfortunately, we are not surprised by Simpson’s serious concerns at Parkland based on Engine’s own interactions with the Board, which have been equally disappointing as we detail below. It is becoming increasingly obvious to us that Parkland is at a crossroads with the Board facing two divergent paths:

1. The Board can continue to act in a self-serving manner by trying to entrench itself and fight with its largest shareholder (holding a ~20% ownership position) and potentially others who independently believe change is urgently needed;

OR

2. The Board can begin working collaboratively with its largest shareholders on an orderly boardroom refreshment focused on attracting individuals who possess strong track records of value creation and relevant industry experience.

We believe the best path forward should be clear when the Board reflects upon its fiduciary obligations, the importance of strong corporate governance, its history of sub-optimal shareholder engagement and long-term share price underperformance. While we are not optimistic given our engagement to date, we nevertheless urge the Board to choose this second option and work collaboratively with its large shareholders (instead of against them) for the following reasons:

**I. Engine’s engagement with the Board has been disappointing. The Board seems to have little interest in listening to the viewpoints of large shareholders, despite its poor track record of long-term value creation.**

Over the past year, Engine has repeatedly requested meetings with the Board to share our analysis of potential value creation opportunities for Parkland. However, despite our sizable investment position and desire to establish a constructive and collaborative dialogue with the Board, our repeated requests have been consistently dismissed – leaving Engine with no alternative but to make our recommendations known publicly. Nearly a full year after our initial request to meet with the Board, the new Chairman (Steven Richardson) and the Chair of the Human Resources and Compensation Committee (Lisa Colnett) finally agreed to meet with Engine. However, the meeting proved disappointing given that Mr. Richardson had only allocated 30 minutes for this discussion and both Mr. Richardson and Ms. Colnett appeared defensive and seemingly not interested in engaging in a meaningful conversation with Engine.

Following this interaction, we requested a subsequent meeting with Mr. Richardson to discuss a very strong Board candidate identified by Engine. This unaffiliated and independent individual has relevant industry experience and a strong track record of value creation at many public companies. Disappointingly, Mr. Richardson replied that he was not interested in having a meeting to discuss the highly qualified candidate. Concurrently, Engine also requested an opportunity to present a number of recommendations to Parkland’s Human Resources and Compensation Committee, a meeting that was similarly refused.

Over the years, Engine has engaged with dozens of public company boards, so we can say with certainty that our experience with Parkland’s Board is not reflective of how a strong, well-functioning board of directors operates. In our experience, the behavior we are witnessing is a clear indication of an unsophisticated and self-interested board focused on self-preservation and apathetic to external viewpoints, even when these opinions are provided by the Company’s largest shareholders.

If the way Parkland’s Board has conducted itself with Engine is reflective of the way Messrs. Halley and Christiansen have been treated since joining the Board in April 2023, it is not surprising that Simpson apparently believes more significant changes to the Board are necessary, as Parkland’s management has suggested to sell-side analysts and investors when asked about these sudden departures.<sup>1</sup>

**II. Parkland’s recent shareholder communication highlights, in our view, the Board’s lack of sophistication and how out of touch with reality it is.**

The press release issued by Parkland on December 31, 2023 (the “Parkland Press Release”) regarding the departures of Messrs. Halley and Christiansen, which must have been reviewed and approved by the Board, illustrates not only a lack of sophistication regarding public markets, but also apparently contained some worrisome inaccuracies.

The Parkland Press Release states that “*Parkland is in discussions with Simpson about its shareholding in the Company,*” implying that Simpson may want to sell its shares. This disclosure sent a troubling message to investors and caused Parkland’s stock to come under significant pressure on heavy volume in the ensuing

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<sup>1</sup> “We also understand that there were disagreements on changes to Board composition and frustrations over the speed at which they were occurring...” TD Cowen analyst note, January 2, 2024.

days. However, it has become evident from the Simpson Press Release that no such discussions were taking place, implying that the Board’s statement was inaccurate and/or misleading.

The Parkland Press Release also included a number of promotional and self-congratulatory statements, including the following: “*In 2023, Parkland was a top performer on the Toronto Stock Exchange, achieving a total shareholder return of approximately 50 percent*” and “*The outstanding share performance of Parkland in 2023 is a clear expression of our shareholders’ support of Parkland’s direction and strategy.*” These types of promotional (and often misleading) statements, which reference a short period of time in 2023, are not viewed favorably by investors who typically focus on long-term value creation. Does the Board believe sophisticated shareholders will fall for these public relations strategies? Is the Board completely unaware of the following important facts regarding the Company’s long-term performance?

- Parkland’s stock trades at ~6.9x 2024 EBITDA,<sup>2</sup> *by far* the lowest multiple in the peer group.<sup>3</sup> If shareholders were so “*supportive of Parkland’s direction and strategy*” as indicated in the Parkland Press Release, shouldn’t shareholders expect Parkland to trade at a better multiple, more in line with the peers?
- Parkland’s 2023 total shareholder return (“TSR”) was indeed strong, but in large part because the bar had been set so low by poor performance in 2022.
- The reality is that Parkland’s long-term total shareholder returns<sup>4</sup> compared to its industry peers remain very poor (see below table).

<b>Convenience Retailer Peer Group</b>				
	<b>Total Shareholder Return (1-Year)</b>	<b>Total Shareholder Return (3-Year)</b>	<b>Total Shareholder Return (5-Year)</b>	<b>Total Shareholder Return (10-Year)</b>
Peer group average	34.8%	133.0%	215.2%	408.7%
Peer group median	33.9%	133.4%	181.3%	355.5%
Alimentation Couche-Tard Inc.	26.2%	110.4%	128.4%	523.0%
Parkland Corporation	48.5%	21.5%	45.1%	268.5%
<b><i>Parkland vs. average</i></b>	<b><i>13.7%</i></b>	<b><i>(111.5%)</i></b>	<b><i>(170.0%)</i></b>	<b><i>(140.2%)</i></b>
<b><i>Parkland vs. median</i></b>	<b><i>14.6%</i></b>	<b><i>(111.9%)</i></b>	<b><i>(136.1%)</i></b>	<b><i>(86.9%)</i></b>
<b><i>Parkland vs. Alimentation Couche-Tard Inc.</i></b>	<b><i>22.3%</i></b>	<b><i>(88.9%)</i></b>	<b><i>(83.2%)</i></b>	<b><i>(254.5%)</i></b>

### **III. The Board appears to be trying to use legal strategies to shield itself from shareholder accountability.**

Public company directors have a responsibility to make sound business decisions. Their fiduciary obligations to Parkland and its shareholders preclude them from taking deliberate actions under the cloak of business judgment to advance personal interests and entrench themselves. Boards that do so act at their peril.

The nomination agreement between Simpson and Parkland (the “Nomination Agreement”) seems to have backfired on the Board.<sup>5</sup> What appears to have been a strategy by the Board to contractually secure the

<sup>2</sup> 2024 EBITDA per management guidance.

<sup>3</sup> Convenience retailer peers consist of ATD, CASY, SUN and MUSA. Total shareholders return calculated as of the close of January 12, 2024.

<sup>4</sup> Total shareholder returns calculated as of January 17, 2024.

<sup>5</sup> The Nomination Agreement was signed on March 21, 2023.

support (and silence) of its largest shareholder and shield itself from accountability at last year’s Annual Meeting has now triggered a dispute with Parkland’s largest shareholder, threatening the stability of the Company. The Board’s failure to work constructively with Simpson and its designees does not bode well for its ability to provide oversight regarding more complex governance, operational and strategic decisions to optimize shareholder value.

After unsuccessfully trying to lock up the support of Simpson through the Nomination Agreement, we are concerned the Board will now embark on a strategy that wastes millions of dollars by litigating the governance agreement between Simpson and Parkland (the “Governance Agreement”).<sup>6</sup> We see the Governance Agreement as further evidence of the Board’s attempts to use legal means to entrench itself, by contractually preventing Simpson from, among other things – voting against the Board or any of its recommendations and soliciting bids or bidding for the Company – as long as Simpson owns more than 5% of Parkland, unless a material adverse change (“MAC”) has occurred. Given the size of Simpson’s stake, these contractual restrictions could potentially shield the Board for an indefinite period. This is not how corporate democracy is supposed to work.

Engine has asked two leading Canadian law firms to evaluate the disagreement between Parkland and Simpson regarding the standing of the Governance Agreement and whether a MAC<sup>7</sup> was triggered due to a material change in the composition of senior management, such as the departure of Mike McMillan as CFO<sup>8</sup> of the Company in 2019. The sense from these experts is that Simpson has strong arguments to justify that the MAC has indeed been triggered and, therefore, that the Governance Agreement is no longer in effect. It seems clear to us based on the table below, which highlights the significant TSR relative difference between Parkland and its peers pre and post Mr. McMillan’s departure, that his departure represented a material and adverse development to Parkland’s senior management.<sup>9</sup>

<b>Convenience Retailer Peer Group</b>		
	<b>TSR During Mr. McMillan's Tenure</b>	<b>TSR Post Mr. McMillan's Tenure</b>
Peer group average	55.6%	149.4%
Peer group median	68.7%	141.6%
Alimentation Couche-Tard Inc.	73.7%	96.9%
Parkland Corporation	153.4%	9.1%
<b><i>Parkland vs. average</i></b>	<b>97.7%</b>	<b>(140.3%)</b>
<b><i>Parkland vs. median</i></b>	<b>84.7%</b>	<b>(132.5%)</b>
<b><i>Parkland vs. Alimentation Couche-Tard Inc.</i></b>	<b>79.6%</b>	<b>(87.8%)</b>

The validity of the Governance Agreement is not just important for Simpson. Rather, it is paramount for all Parkland shareholders because if the Governance Agreement stands, it will make it harder for shareholders to hold the Board accountable. Parkland’s entrenched Board is obviously acutely aware of this and felt the

<sup>6</sup> The Governance Agreement was signed on January 8, 2019.

<sup>7</sup> Per the Governance Agreement – “Material Adverse Change” means any change that has a material adverse effect on the business, results of operations or financial condition of Parkland and its Subsidiaries, taken as a whole, that would require Parkland to file a material change report (as such term is defined under Securities Laws) with the applicable securities regulatory authorities, which shall include ... (B) **a material change in the composition of senior management at Parkland** (which, for greater certainty, will not include any change in titles of such senior management).

<sup>8</sup> We note that another Named Executive Officer Mr. Douglas Haugh also left Parkland’s senior management team in the end of 2022. Surprisingly, Parkland never issued a press release announcing this material change in this key position. We wonder if this was intentional to circumvent the Governance Agreement and avoid another potential trigger for the MAC.

<sup>9</sup> TSR during Mr. McMillan’s tenure calculated from February 11, 2015 to December 31, 2019. TSR post Mr. McMillan’s tenure calculated from January 1, 2020 to January 17, 2024.

need to remind shareholders in the Parkland Press Release that “*Parkland will continue to enforce the terms of the Governance Agreement going forward*” despite having been put on notice by Simpson that it believes this agreement is no longer in effect. Our Canadian legal experts believe the Board has endorsed a legal strategy to prevent Simpson from exercising its fundamental rights as a shareholder, and by extension, all shareholders. The Board’s strategy is short-sighted, ominous and, we believe, signals a willingness to engage in self-serving and wasteful legal tactics for its own benefit.

Engine believes that Parkland fighting in court with its largest shareholder (holding a ~20% ownership position) would indicate terrible business judgement that would only further underscore the Board’s failings. Well-governed companies resolve business issues constructively and fairly, instead of needlessly enriching their external advisors at the expense of shareholders.

**There is a clear and urgent need for a shareholder-driven refreshment of Parkland’s Board.**

Parkland has world-class assets that represent critical infrastructure in numerous countries across the globe. The Company and its shareholders also deserve a world-class, well-functioning board. Although some of the current directors may have enjoyed success as executives at large companies, we believe many lack the governance pedigree and financial sophistication to effectively oversee Parkland. Few, if any, have track records of sustained shareholder value creation at other public companies. In our opinion, the current Board has insufficient capital allocation experience and unimpressive transactional expertise. There is also limited retail and merchandising experience on the current Board despite the fact that growing the merchandising side of Parkland is a key driver of future value creation. The fact that the Chairman is not even interested in hearing the name of Engine’s highly qualified nominee speaks volumes to the level of entrenchment at Parkland and illustrates the root cause of the problem.

In consideration of all the above, we believe that the current Board should not be responsible for its own refreshment process but should instead collaborate with its largest shareholders to reconstitute the Board with a number of directors that have a strong track record of shareholder value creation and who will prioritize the interests of all shareholders. **A newly refreshed Board with the experience we envision will be far better equipped to maximize value for Parkland’s shareholders and close the meaningful valuation discount that continues to exist.**

In conclusion, Engine is hereby putting the Board on notice not to engage in wasteful litigation with its shareholders, but instead to work collaboratively with them to strengthen the Board. We continue to believe that the value creation opportunity at Parkland is very significant, and we urge the Company to immediately start working with its largest shareholders versus treating them as adversaries. Engine is available to immediately meet with members of the Governance, Nominating and Ethics Committee to discuss a potential framework to refresh the Board. With a significant C\$200 million investment in Parkland, Engine reserves its right to take whatever actions we deem necessary to protect the best interests of all shareholders.

Sincerely,

Arnaud Ajdler  
Managing Partner

Brad Favreau  
Partner