This Financing Policy Statement memorializes key operating processes and metrics to assist the committee and CAPTRUST in the ongoing due diligence and oversight of the nonqualified deferred compensation plan

Financing Policy Statement

Circle K Stores, Inc. — Nonqualified Deferred Compensation Plan

February 18, 2022

Table of Contents

Purpose of the Financing Policy Statement

The purpose of this Financing Policy Statement (“Financing Policy”) is to provide the BPAC (“Committee”) on behalf of Circle K Stores, Inc. (“Sponsor”) and CAPTRUST Financial Advisors (“CAPTRUST”) as the nonqualified deferred compensation plan’s consultant and investment advisor meaningful direction to assist with the operations and compliance of the Circle K Stores, Inc. Nonqualified Deferred Compensation Plan (“Nonqualified Plan”). The Financing Policy memorializes key operating processes and metrics to assist the Committee and CAPTRUST in the ongoing due diligence and oversight of the Nonqualified Plan.

This Financing Policy memorializes the financing method or methods selected by the Sponsor, the key operating processes, and the ongoing metrics to monitor the plan in order to provide the Committee and CAPTRUST meaningful direction.

In addition, this Financing Policy is designed to provide guidance to the Committee and CAPTRUST in order to implement a hedging strategy between the Sponsor’s assets, if purchased, and the Nonqualified Plan benefit liability. A separate investment policy statement (“IPS”) will provide guidance and direction to the Committee and to CAPTRUST on the selection, purchase, and monitoring of assets by the Sponsor to finance the Nonqualified Plan liability and the notional investment menu offered to participants that credit earnings to their Nonqualified Plan accounts.

This Financing Policy is not binding but serves as guidance for the Committee in order to fulfill its responsibility to exercise judgment and due diligence in acting solely in the interest of the participants and their beneficiaries.

Financing Policy Statement

The Financing Policy memorializes the financing method or methods selected by the Sponsor to pay the Nonqualified Plan benefit in cash to the participants at a qualifying distribution event. It also establishes key operating processes and ongoing metrics to monitor and provide the Committee and CAPTRUST meaningful direction regarding the management of the Nonqualified Plan. The Sponsor has selected the following primary financing method(s):

Financing Method

- ☐ Unfinanced
- ☒ Mutual Funds/Securities (Secondary)
- ☒ Life Insurance (Primary)
- ☐ Total Return Swap

Life Insurance Method: The Sponsor purchased life insurance policies on key executives as described in Internal Revenue Code Section 101(j) as the financing method in order to have designated assets and the liquidity to fund the future Nonqualified Plan benefit payments. The Sponsor understands that the income tax advantages of life insurance include: 1) tax-deferred growth of earnings, 2) tax-free distribution of earnings through partial surrenders and/or loan provisions, and 3) income tax-free life insurance death proceeds. The Sponsor understands that the disadvantages of the life insurance financing method include: 1) the expenses associated with the life insurance coverage, and 2) the complexity of life insurance as a financing approach.

Mutual Funds/Securities Method: The Sponsor purchased mutual funds/securities to invest overflow assets in a cash account until capacity becomes available in the life insurance portfolio.

Asset Purchase Frequency. The Sponsor pays premiums into the life insurance portfolio equal to the participants' deferrals and company contributions at the same time the benefit is credited to participants' Nonqualified Plan account. If distributions exist, the Sponsor will pay benefits with contributions. If contributions outweigh distributions, the Sponsor will use proceeds to pay insurance premiums to attain desired financing target percentage.

Life Insurance Policy Form and Design. The Sponsor purchased variable universal life issued by John Hancock Financial and Protective Life Insurance Company.

The death benefit option selected for the John Hancock policies was option 2: meaning that the death benefit increases and is equal to the issued policy death benefit plus the accumulated cash surrender value. Beginning in November 2021, the John Hancock policies will transition to level death benefits as further premiums to this block are not expected. The death benefit option selected for the Protective Life policies was option 1: meaning that the death benefit remains the same and the increasing cash surrender value reduces the net amount at risk and cost of insurance.

The maximum premium contribution into the life insurance portfolio should never exceed the modified endowment contract or MEC level in order to preserve the income tax benefits of the life insurance contract.

Insureds. The Sponsor purchased the life insurance policies under a guaranteed issue underwriting program so that all insureds can be issued a life insurance policy at a standard health rate class. The Sponsor understands that there is an increased insurance cost for such an underwriting program but has accepted that cost so that insureds do not have to go through the standard extensive life insurance underwriting process.

Life Insurance Policy Withdrawals. The Sponsor understands that the greatest economic benefit of the life insurance portfolio is obtained by keeping the life insurance policies in-force until the death of the insureds. In order to receive income tax-free distributions of the cash surrender value from the policies, the Sponsor may take partial surrenders up to the income tax basis in the policies income tax free. The cash surrender value in the policies in excess of the income tax basis can be taken as an income tax-free loan. The Sponsor understands that the loan amount will be transferred from the investment account and placed in a loan account. The loan principal will be charged interest by the insurance company and the loan account will be credited a fixed earnings rate. The spread between the loan rate and interest crediting rate will result in a net cost to the Sponsor. It is the intent of the Sponsor to never surrender or borrow more cash value from the life insurance policies that would cause any one policy to lapse, resulting in a loss of the death benefit and risk of phantom income taxation.

Death Proceeds. The Sponsor understands that life insurance death proceeds are paid to the beneficiary (either the Sponsor or the trust established for the plan (the “Rabbi Trust”)) income tax free. The Sponsor’s strategy is to use the income tax-free death proceeds based on the following priorities:

1. Pay Nonqualified Plan benefits due, including to the beneficiaries of the participant who died, if benefits are owed;
2. Pay off (or pay down) life insurance policy loans;
3. Pay premium into the remaining life insurance policies to maintain the stated target financing level percentage;

4. Deposit into the Sponsor’s general account if the target funding level percentage has been exceeded. This step is subject to the terms of the Trust in the event the Sponsor uses a rabbi trust.

Target Financing Level

- ☐ Excess Financing (110%)
- ☒ Full Financing (100%)
- ☐ After-Tax Financing (72%, assuming a 28% marginal tax rate)
- ☐ Unfunded (0%)
- ☐ Other: ___________________________________

Full Financing (100%): Target financing level is equal to the Nonqualified Plan assets, owned by the trust (if applicable), divided by the Nonqualified Plan liabilities linked to its respective trust, expressed as a percentage. The financing level represents the amount of assets (mutual funds/securities) owned by the Sponsor to finance the future Nonqualified Plan benefit payments. Target financing level will vary and should be monitored to stay in a plus or minus 5.0% range of the Sponsor’s planned target financing level percentage.

Earnings Hedge Strategy

- ☐ Mirror Hedge Strategy
- ☒ Mapping Hedge Strategy (John Hancock & Protective Life)
- ☐ Discretion Hedge Strategy
- ☐ Total Return Swap Strategy

Mapping Hedge Strategy. The mapping hedge strategy is used when the objective is to purchase similar, but not identical, investments to those selected by participants for their Nonqualified Plan accounts. The exact investments may not be available, or the Sponsor may want to select alternate investments within the same asset class with one or more different money managers than are available in the participant investment menu.

Rebalance Strategy.
John Hancock - (“Pro-Rata”) - The investments in the insurance portfolios are rebalanced on a monthly basis. At the end of each rebalance cycle, The Administrator rebalances the insurance portfolios to mimic the participant environment on an asset class and individual investment basis. At the end of every rebalance cycle, the entire portfolio will realign and each individual asset holding within the portfolio will be hedged against its liability holding, in percentage terms.

Protective Life - ("Pro-Rata") – Once the Administrator's automatic feeds are connected with Protective Life, the investments in the insurance portfolios will be rebalanced on a daily basis. In the meantime, the Administrator rebalances the Protective Life policies on a monthly basis. At the end of each rebalance cycle, The Administrator rebalances the insurance portfolios to mimic the participant environment on an asset class and individual investment basis. At the end of every rebalance cycle, the entire portfolio will realign and each individual asset holding within the portfolio will be hedged against its liability holding, in percentage terms.

Rabbi Trust as a Security Mechanism

☒ Yes, the Sponsor has decided to implement a Rabbi Trust
☐ No Rabbi Trust

Yes: The Sponsor has decided to increase the security of the future Nonqualified Plan benefit payments by purchasing assets owned by a Rabbi Trust to hedge the plan liability. The Sponsor has selected First Financial Bank as the Rabbi Trustee. The Rabbi Trust is designed with the following key provisions:

☒ Irrevocable
☒ Reimbursement Feature
☐ Excess Reversion Feature (100%)

Nonqualified Plan Risks. Nonqualified plans offer many benefits for plan participants to defer compensation on a pre-tax basis in excess of the qualified retirement plan limits, as well as receive Sponsor contributions to help improve their retirement readiness. In order to benefit from the Nonqualified Plan, participants must be willing to accept three potential risks:

1. **Liquidity risk**. The Nonqualified Plan benefit is technically unfunded and if the Sponsor decides not to finance future benefit payments with mutual funds/securities or life insurance, the Sponsor may not have the necessary cash or liquidity to pay the benefit at the time of a qualifying distribution event.
2. **Management repudiation risk**. The Nonqualified Plan benefit is a contractual benefit obligation between the Sponsor and participants. In the event of a dispute, each party must rely on contract law—rather than ERISA fiduciary protection—to resolve the conflict and receive payment of Nonqualified Plan benefits.
3. **General creditor risk.** The Nonqualified Plan benefit is technically unfunded and unsecured. As a result, if the Sponsor experiences financial difficulties, participants stand in line with other unsecured general creditors and are at risk of not receiving their Nonqualified Plan benefit payments.

A Rabbi Trust is structured as a grantor trust that owns assets to finance the Nonqualified Plan benefit liability. It is commonly called a Rabbi Trust because the first use of such a trust was at a synagogue in Brooklyn, New York in 1981 to hold assets to finance a nonqualified plan for a rabbi. If the Rabbi Trust is fully funded, it eliminates liquidity risk for nonqualified plan participants. Since the Rabbi Trust has a third-party independent trustee as a fiduciary to manage the assets, it reduces management repudiation risk. Because the Rabbi Trust is a grantor trust, assets are still subject to the claims of the Sponsor's general creditors, so it does not protect participants from general creditor risk in the event the Sponsor goes bankrupt and there are no assets available to pay the benefits.

Nonqualified Plan Benefit Distribution Strategy

The steps below should be followed to maintain the Target Financing Level. The Sponsor has decided to prioritize the payment of Nonqualified Plan benefits at a qualifying distribution event from the most economically efficient source of cash in the following priorities:

1. The Sponsor plans to pay participant benefits out of the Sponsor's general cash account or liquidate from the Trust's Mutual Funds/Securities (if applicable)
2. The Sponsor plans to use participant contributions to pay plan distributions.
3. In the event that the Sponsor wishes to pay benefits from the Trust's life insurance policies, it will liquidate in this sequence (CAPTRUST will provide the Sponsor with recommendations) based upon the amount of liquidation and expected future participant deferrals. Over basis, the Sponsor will always take a policy loan. Up to basis, the Sponsor may choose to execute a policy loan or a partial withdrawal from cash value; whichever is cheaper:
   a. Withdrawal from cash value of life insurance (if applicable)
   b. Policy loan from cash value of life insurance (if applicable)
4. The Sponsor plans to liquidate the full benefit payment from the life insurance portfolio.

Roles and Responsibilities

The roles and responsibilities of the Sponsor and Committee with respect to this Financing Policy are as follows:

1. To establish procedures for review and amendment of the Financing Policy Statement
2. To establish procedures for reviewing the performance of CAPTRUST
3. To review, at least on an annual basis, the acceptability of the earnings hedge strategy used to optimize the earnings hedge between the participant's Nonqualified Plan account balance and the Sponsor's assets financing future benefit payments
4. The Committee intends to discharge its responsibilities with respect to the Nonqualified Plan investment menu and Sponsor assets with the assistance of CAPTRUST as an independent investment advisor

The roles and responsibilities of CAPTRUST as the Nonqualified Plan consultant and investment advisor are as follows:

1. To educate and consult with the Committee on plan design, plan financing (funding), plan-level administration, investment advice, and participant education
2. To educate and consult with the Committee on issues concerning the selection of the investment menu for Nonqualified Plan participants
3. To educate and consult with the Committee on issues concerning the selection of the Sponsor's assets financing future Nonqualified Plan benefit payments
4. To educate and consult with the Committee concerning the ongoing reviewing and monitoring of the investment menu for the Nonqualified Plan participants and Sponsor assets financing future Nonqualified Plan benefit payments
5. To educate and consult with the Committee concerning the optimization of the earnings hedge strategy between the Nonqualified Plan benefit liability and Sponsor assets
6. To assist the Committee with the performance review of the Nonqualified Plan investment menu and Sponsor assets on a quarterly basis, looking at performance relative to stated objectives and peer groups, and pricing compared to peers and designated benchmarks
7. To provide information to the Committee, on an ad hoc basis, that CAPTRUST feels may alter their assessment of a given investment option, asset class, or vehicle

Conclusion

The Committee understands that the guidelines set forth in this Financing Policy Statement are meant to serve as a general framework for prudent management of the Nonqualified Plan, the participant's notional investment menu, the assets purchased by the Sponsor to finance the Nonqualified Plan benefit liability, and the optimization of the earnings hedge between the Nonqualified Plan benefit liability and Sponsor assets. The Committee understands that changing market conditions, economic trends, changing objectives or business needs may necessitate modification of this Financing Policy or affect its application to particular circumstances.

Approved by the BPAC and adopted this 18th day of February 2022.

______________________________	______________________________
Signature, Title	*Signature, Title*
______________________________	______________________________
Signature, Title	*Signature, Title*
______________________________	______________________________
Signature, Title	*Signature, Title*

Approved by CAPTRUST Financial Advisors and adopted this 18th day of February 2022.

______________________________	______________________________
Signature, Title	*Signature, Title*