



November 10, 2022

Nelson Peltz  
Chairman  
Board of Directors  
The Wendy's Company  
One Dave Thomas Boulevard  
Dublin, OH 43017

Dear Mr. Peltz,

We are writing you as Chairman of the Board of Directors which oversees The Wendy's Company's approach to legislation. In light of the recent adoption of AB 257 in California, legislation that creates a tri-partite Fast Food Council to determine statewide standards for pay, hours, and other conditions of employment in the fast food industry, we urge you to ensure that Wendy's and its executives will participate constructively in the Council's deliberations and abide by its decisions. We believe the Council would have long-term beneficial impacts on the sustainability of your business given its significant potential to raise employment standards industrywide. Fast food companies like Wendy's should therefore embrace the measure and use its influence to stop efforts to undermine the Council.

We have for many years been concerned by the low wages, high turnover, and frequently reported unsafe working conditions characterizing the industry. Our engagements with fast food companies over the years revealed concerns expressed by companies over the competitive consequences of higher wages, improved training, or other human capital investments. The inclusive character of the Fast Food Council seems, therefore, ideally suited to address competition-related concerns by ensuring that all employers in the industry abide by the same high standards.

Moreover, by inviting Wendy's and other fast food employers to participate in determining what those standards will be, AB 257 provides an opportunity to ensure that rules and regulation antithetical to the interests of Wendy's are not adopted. Finally, as highly diversified investors, we strongly believe that the improved employment standards in the fast food industry will redound to our benefit, both in the form of improved performance by fast food employers, and as a result of the improved incomes, stable schedules, and increased entrepreneurial opportunities for fast food employees, expanding the range of profitable investments available to us.

The SOC Investment Group works with pension funds sponsored by unions affiliated with the Strategic Organizing Center, a coalition of unions representing millions of members, to enhance long term shareholder value through active ownership. These funds have over \$250 billion in assets under management and are also substantial Wendy's shareholders.

## **How The Fast Foot Accountability and Standards Recovery Act Works**

The California Fast Food Accountability and Standards Recovery Act (“FAST Act” or “AB 257”) creates a new, participatory mechanism to establish minimum pay, training, working hours, and other standards for the state’s fast food employers. AB 257 covers all fast food restaurants (i.e. no table service, customers pay before eating, etc.) that are part of a group of at least 100 nationally that share branding, and establishes a Fast Food Council within the state’s Department of Industrial Relations to investigate conditions in California’s fast food restaurants and establish appropriate minimum standards. The Council is to be comprised of 10 members representing franchisors (2), franchisees (2), employees (2), employee advocates (2), the Department of Industrial Relations (1), and the Governor’s Office of Business and Economic Development (1), who will be appointed primarily by the Governor.<sup>1</sup> The Council will meet publicly at least every six months, and members will serve four-year terms. The act also limits the minimum wage the Council may set and the rate at which it increases going forward.

## **The FAST Act Helps the Fast Food Industry**

In our view, this arrangement represents a significant step forward from the status quo: the Council will both have the ability to overrule or repeal regulatory standards that it finds to be inappropriate or ineffective and enjoy greater ongoing input from industry participants than the existing regulatory process. Moreover, by establishing standards that all fast food employers must maintain, the FAST Act minimizes any possible negative effect that high employment standards might have on a restaurant’s competitive standing. In this way, the FAST Act holds the promise of finally addressing the industry’s long-standing negative reputation for providing low-wage, dead-end jobs: by sustainably raising standards of employment, not only will the public reputation of fast food employers improve, but they will also benefit from easier recruiting, lower turnover, and a more skilled and motivated workforce.

Research on low paying firms that institute changes to improve job quality consistently show that such efforts not only improve productivity, but also reduce costs associated with turnover, absenteeism, and leakage, which together significantly offset increased pay and training expenses. Given that concerns over competitive standing are routinely raised when we engage fast food employers over their human capital management practices, we believe that the approach taken by the FAST Act will enable employers to adopt the high-road practices we are told they would embrace but for the need to compete against low-road employers. Finally, we note that support for the FAST Act is entirely consistent with the 2019 statement on corporate purpose issued by the Business Roundtable, which was signed by executives from several fast food companies including Chipotle, McDonalds, Starbucks, and YUM! Brands, as well as by important industry partners like Coca-Cola and PepsiCo.

## **The FAST Act Benefits Investors**

As investors, we are particularly encouraged by California’s enactment of AB 257, as we believe it provides a fair and effective way to address deep problems long plaguing the fast food industry, while laying the foundation for broadly shared prosperity that we are confident will benefit ourselves and

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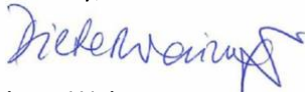
<sup>1</sup> The Governor appoints all board members except the advocates for fast food employees, one of whom will be appointed by each of the Assembly Speaker and the Senate Rules Committee.

other investors. As noted above, the industry-wide character of the standards the Fast Food Council adopts ensures that no employer, and hence no investor, will be at a competitive disadvantage simply because they pay a living wage and invest in their workforce. Additionally, by providing direct industry representation on the Council, equal to employee representation, we believe that the FAST Act will help to improve the regulatory environment faced by the companies in which we invest. Finally, by sustainably increasing pay, reducing turnover, and otherwise improving jobs in the fast food industry, the FAST Act benefits diversified investors by boosting demand for goods and services consumed by fast food employees, increasing growth and profitability across the economy as a whole.

### **FAST Act Participation is the Right Decision for Investors**

In light of the forgoing, we urge you and your fellow directors to embrace the opportunity to finally address the long-standing issues that at fast food workplaces and have damaged the industry's public reputation. So doing will help to ensure a prosperous future for fast food employees and investors alike. We look forward to hearing from you by December 2, 2022. Please contact Research Director Richard Clayton at [rclayton@socinvestmentgroup.com](mailto:rclayton@socinvestmentgroup.com) to arrange a meeting if you want to engage in a dialogue with us on this important matter.

Sincerely,

A handwritten signature in blue ink, appearing to read "Dieter Waizenegger".

Dieter Waizenegger  
Executive Director