

May 7, 2024

Via UPS to Arthur B. Winkleback

Arthur B. Winkleblack  
Lead Independent Director  
The Wendy's Company  
One Dave Thomas Boulevard  
Dublin, OH 43017

Dear Director Winkleblack,

We the undersigned state and municipal leaders and investors representing over \$429.5 billion in assets under management or advisement are writing to express our concern about Wendy's lack of success at adequately addressing child labor issues at Wendy's restaurants. In January, *The Washington Post* released an analysis of the U.S. Department of Labor's child labor violation statistics. The analysis found that since 2013, the food service industry has led the national rise in child labor violations, driven in large part by the fast-food industry's reliance on the franchise model. An analyst quoted in the report stated that, "The franchise model is a major factor in child labor violations because it incentivizes a race to the bottom in terms of labor standards".<sup>1</sup> This "race to the bottom" can be seen not only in Wendy's violations of child labor law, but also in the numerous news stories showing Wendy's employees being exposed to workplace violence. According to the Occupational Safety and Health Administration, acts of violence and other injuries are the third leading cause of fatal occupational injury in the U.S.<sup>2</sup>

Violations of child labor law at Wendy's restaurants expose the Company and investors to legal and reputational risk. As investors with an interest in the long-term value of the Company, we urge the Board to take action to address these issues. To address the child labor violations at Wendy's location we urge the Board to:

- require franchisees to abide by the Wendy's Code of Business Ethics;
- adopt a zero-tolerance policy in the Wendy's Code of Business Ethics regarding the use of child labor in restaurants;
- specify oversight of human rights, including child labor, in the charter of the Audit Committee; and
- conduct recurring independent third-party human rights risk assessment of Wendy's business, including restaurants owned and operated by franchisees, with the results released publicly by December 31, 2024, and with ongoing monitoring and annual updates on the Company's progress towards addressing any identified weaknesses.

As press coverage of the national child labor crisis increases, consumers will become more aware of Wendy's own child labor issues. An Ipsos poll found that 77% of Americans "aren't likely" to continue making purchases from brands that use child labor.<sup>3</sup> It is of utmost importance to us as investors that the

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<sup>1</sup><https://www.washingtonpost.com/business/2024/01/14/child-labor-fast-food-franchises/>

<sup>2</sup> <https://www.osha.gov/workplace-violence>

<sup>3</sup> <https://www.ipsos.com/en-us/majority-55-americans-willing-pay-more-clothing-not-made-using-child-labor>

Wendy's Board take the appropriate actions to address child labor violations in the Company's operations.

In January, a Wendy's franchisee was fined \$300,000 for violating child labor laws at 21 Wendy's restaurants in Pennsylvania. In total, more than 766 violations of the Pennsylvania Child Labor Act were found. Violations included: failing to provide breaks, not securing work permits, failing to inform school districts of employment, employing children without parental authorization and excessive hours worked.<sup>4</sup> In 2022, another Wendy's franchisee which operates Wendy's locations in Pennsylvania, New Jersey and New York was fined \$15,449 for violating child labor laws at 5 Wendy's restaurants.<sup>5</sup> These incidents come after a 2020 investigation into child labor violations at Wendy's, after which the Company reached a \$400,000 settlement with the state of Massachusetts, which found Wendy's violated Massachusetts child labor laws at 46 corporate-owned restaurants. In response to the Massachusetts Attorney General's investigation, Wendy's made changes to its business practices, and implemented a national child labor audit and compliance program.<sup>6</sup> However, due to the persistence of child labor violations at Wendy's locations, it is clear that these changes did not go far enough.

By adopting a zero-tolerance policy towards child labor into its Code of Business Ethics and applying the Code to all restaurants including franchisees, it signals the Company's commitment to rooting out the issue at all locations. Second, clearly assigning oversight of human rights, and more specifically child labor issues, to a Board committee will ensure that the Board remains informed of any developments regarding child labor at Wendy's. Finally, an independent third-party risk assessment would allow the Company's operations to be fully scrutinized by an unbiased evaluator and pinpoint any weaknesses in the Company's current employment practices that need to be addressed by the Board and management.

Wendy's has previously undergone an audit to address child labor violations.<sup>7</sup> Since child labor persists as an issue in the Wendy's system, it is clear that the original audit did not effectively identify and address the weaknesses in Wendy's current policies and practices. No information regarding the child labor audit conducted as part of the settlement with the State of Massachusetts is publicly available. This lack of transparency is likely a large factor in the audit's ineffectiveness, and the continued existence of child labor in the Wendy's system. To prevent something similar from happening in future assessments, it is important that the audit be conducted by an independent, third-party assessor with experience dealing with child labor issues, and that the assessment process address the concerns with social audits that have been identified by human rights experts,<sup>8</sup> including ensuring auditors unfettered access to workers and facilities and publicly disclosing results.

Most importantly the assessment should be part of a larger commitment to remediating the exposure to child labor practices and related risks in the Wendy's restaurant chain. Wendy's should be supporting workers by advocating for direct hiring and eliminating use of staffing agencies, ensuring freedom of

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<sup>4</sup> <https://www.media.pa.gov/pages/labor-and-industry-details.aspx?newsid=822>

<sup>5</sup> <https://www.dol.gov/newsroom/releases/whd/whd20220614>

<sup>6</sup> <https://www.mass.gov/news/wendys-resolves-child-labor-law-violations-at-massachusetts-locations>

<sup>7</sup> <https://www.mass.gov/news/wendys-resolves-child-labor-law-violations-at-massachusetts-locations>

<sup>8</sup> <https://www.hrw.org/report/2022/11/15/obsessed-audit-tools-missing-goal/why-social-audits-cant-fix-labor-rights-abuses>

association and collective bargaining rights are respected and that living wages and safe working conditions are provided by franchisees and suppliers.

Beyond child labor issues, Wendy's broader employment practices are under further scrutiny. In December 2023, a Wendy's franchisee was among employers named as defendants in a suit filed in U.S. District Court by current and former Black inmates in Alabama. These inmates allege the state's system of prison labor is a "modern-day form of slavery" that forces them to work, often for little or no money, for the benefit of government agencies and private businesses, and that inmates are denied parole to maintain their cheap labor.<sup>9</sup> In addition, Wendy's has frequently been the subject of media reports on workplace violence suffered by Wendy's employees. In the past few years, Wendy's employees have been killed, shot, stabbed, and beaten by customers and coworkers inside of Wendy's locations.<sup>10</sup> Workplace violence is a serious issue and one that the Wendy's Board must take immediate action to address. While Wendy's claims to be committed to Dave Thomas' goal of serving fresh food at a fair price in a comfortable atmosphere, it is impossible to fulfill that commitment if workers fear for their lives on the job or are the victims of "modern day slavery".<sup>11</sup> We are concerned that the Wendy's Board is failing to appropriately oversee the Company's health, safety and employment practices and is failing to mitigate risks to the Company's reputation. We look forward to opening a dialogue with the Company on these issues.

The Board's lack of success in effectively addressing the Company's child labor issues, as well as concerns related to health, safety and employment practices, poses risks to Wendy's reputation and brand value and leaves the Company open to legal repercussions. The current situation at Wendy's is far from "Good Done Right". We strongly urge the Board to implement the recommendations that we've outlined in this letter, and to that end we are seeking a meeting with you no later than May 20, 2024 to discuss these issues. To coordinate a meeting, please contact Mikail Husain at [mhusain@socinvestmentgroup.com](mailto:mhusain@socinvestmentgroup.com). We look forward to your response.

Sincerely,

Adasina Social Capital  
Adrian Dominican Sisters, Portfolio Advisory Board  
Augustine Asset Management  
Colorado State Treasurer, David L. Young\*  
Congregation of Sisters of St. Agnes  
Congregation of St. Joseph

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<sup>9</sup> <https://www.nytimes.com/2023/12/12/us/alabama-prisons-lawsuit-labor.html>

<sup>10</sup> <https://www.wtol.com/article/news/crime/west-laskey-road-wendys-employees-customer-cheese-chicken-disturbance-police-crime-local-news/512-2f57b6ec-949e-40d5-a09e-a4db559c6001>  
<https://www.counton2.com/news/local-news/charleston-county-news/wendys-employees-assaulted-with-bat-broom-over-wrong-order-1-arrested/>  
<https://abc7ny.com/wendys-employee-stabbed-brooklyn-stabbing-canarsie/12179099/>  
<https://www.wcvb.com/article/police-swarm-massachusetts-wendys-crime-tape-blocks-off-drive-thru/42794546>  
<https://www.newsweek.com/wendys-worker-shot-head-drive-thru-customer-demanding-extra-barbecue-sauce-1669786>  
<https://www.wxii12.com/article/wendys-employee-shot-killed-following-argument-charlotte-mecklenburg/45474613>

<sup>11</sup> <https://www.wendys.com/csr-what-we-value>

Crossmark Global Investments, Inc.  
Daughters of Charity, Province of St. Louise  
Dominican Sisters ~ Grand Rapids  
First Affirmative  
GuideStone Capital Management  
Illinois State Treasurer, Michael W. Frerichs\*  
Investor Advocates for Social Justice (IASJ)  
JLens  
Maryland State Comptroller, Brooke E. Lierman\*  
Massachusetts State Treasurer and Receiver-General, Deborah B. Goldberg\*  
Mercy Investment Services, Inc.  
Mullissa Willette, Trustee at CalPERS†  
Natural Investments  
Province of Saint Joseph of the Capuchin Order - Corporate Responsibility Office  
Region VI Coalition for Responsible Investment  
School Sisters of Notre Dame Collective Investment Fund  
Seventh Generation Interfaith Coalition for Responsible Investment  
SHARE  
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Sisters of St. Dominic of Blauvelt, New York  
Sisters of the Humility of Mary  
SOC Investment Group  
Steward Funds Inc.  
Sustainable Advisors Alliance, LLC

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\* Signing as an elected official and not as a fiduciary of any fund

† Fund name listed for identification purposes only