



May 4, 2021

John C. Miller
Chief Executive Officer
Denny's, Inc.
203 East Main Street
Spartanburg, SC 29319

Dear Mr. Miller:

We, the undersigned investors, believe that the long-term viability of companies we invest in is inextricably tied to the welfare of all their stakeholders including employees and customers, as well as to the confidence investors have that companies support their fiduciary duty to their shareholders. We hope Denny's will consider the benefits to be gained by supporting a full minimum wage for tipped employees with tips on top, and cease activities and policies that are counter to this.

As investors with an early awareness of climate change, we saw and still see today, oil and gas companies telling investors that they were preparing for a low carbon future, while simultaneously funding trade association groups that lobbied against such changes, feeding narratives that climate change wasn't real. This duplicity by corporate leaders impeded our ability to respond to the climate crisis. Now, as many corporations have come around to realize how climate risks impact their own businesses, they find the misinformation they helped create stands in the way of coordinated change.

We are writing to share our concern that Denny's is using a similar playbook; telling one story in private to investors about the benefits it has experienced in states that have increased minimum wage requirements, while funding the exact opposite with its support of the National Restaurant Association. Denny's Chief Financial Officer Robert Verostek, speaking on a February earnings call, explained that the company's results show that it has flourished in states that have increased minimum wage. Specifically in California, where all company employees, including tipped employees, must be paid a full minimum wage with tips on top to \$15 an hour, revenue is up. As reported in an April 5th Newsweek article¹, CFO Verostek stated, "As they've increased their minimum wage kind of in a tempered pace over that time frame, if you look at that time frame from us, California has outperformed the system. Over that time frame, they had six consecutive years of positive guest traffic—not just positive sales, but positive guest traffic—as the minimum wage was going up."

However, these statements made to investors and analysts are counter to those advanced by the National Restaurant Association, of which Denny's is a member. The National Restaurant Association has actively lobbied against the federal Raise the Wage Act, which would raise the minimum wage for all workers nationwide to \$15 an hour and end the subminimum wage for tipped workers. Given that California has "outperformed the system" for Denny's because of "positive guest traffic", **lobbying against the same kind of policies that California has already enacted is counter to the best interests of shareholders.** Per the National Restaurant Association's data, in California and the six other states that

¹ <https://www.newsweek.com/mcdonalds-other-ceos-tell-investors-15-minimum-wage-wont-hurt-business-1580978>

require a full minimum wage for tipped employees with tips on top (OR, WA, NV, MT, MN, and AK) restaurant sales growth is higher in states than it is in the 43 states with a subminimum wage for tipped workers. Restaurant sales in One Fair Wage states grew by 17 percent, according to 2017-2018 restaurant trade lobby estimates, compared to 15.6 percent in subminimum wage states. California has enjoyed the highest restaurant sales of any state, topping over \$97 billion, reflecting an annual restaurant sales increase of 18 percent. Full-service restaurant employment (FSRE) in the seven states that require a full minimum wage grew by 6.71 percent between 2016 and 2019, compared to a FSRE increase of only 4.9 percent in states that have a subminimum wage. Small business employment in One Fair Wage states grew by 8.37 percent, while employment in small business in states with a subminimum wage grew by only 5.95 percent between 2016 and 2019.

We believe one reason for Denny's growth in California is the increased consumer spending that comes with an increased minimum wage. This kind of growth is to be expected when the restaurant workforce is one of the largest and fastest growing employment sectors in the United States, and thus one of the largest and fastest growing sectors of working class consumers. These workers represent a huge share of Denny's consumers. Data shows that low-wage workers spend a greater percentage of their income than other consumers. It thus follows that as their wages increase, restaurant workers, their families, and other low-wage workers are more likely to eat in Denny's restaurants than other groups of consumers.

In fact, during the pandemic we saw that the five states with the highest levels of restaurant business closures were all states with a subminimum wage for tipped workers. California experienced a lower rate of restaurant business closure during the pandemic than the majority of states in the United States.

Therefore, we call on Denny's to consider:

- Ceasing all lobbying activities, either directly or through its trade associations, that are counter to a full minimum wage for tipped employees with tips on top;
- Withdrawal from the National Restaurant Association which does not operate in the best interests of shareholders;
- Providing a full minimum wage to its tipped employees in all states where it operates, with tips on top.

We hope Denny's will consider the benefits to be gained by aligning its support for a full minimum wage with the actions outlined above. We welcome the opportunity to discuss these matters in greater detail or to provide any additional information. Please contact Nadira Narine at nnarine@iccr.org to facilitate a follow up discussion with investors by May 28, 2021.

Sincerely,



Interfaith Center on
Corporate
Responsibility



As You Sow



Robert F. Kennedy
Human Rights



Adasina Social Capital

And representing:

Adrian Dominican Sisters, Portfolio Advisory Board
Benedictine Sisters of Mount St. Scholastica
Change Finance
Comitato Lady Lawyer Village
Congregation of Sisters of St. Agnes
Congregation of St. Joseph
CorpGov.net
Corporate Responsibility Office - Province of Saint Joseph of the Capuchin Order
Daughters of Charity, Province of St. Louise
Domini Impact Investments
Dominican Sisters of Sparkill
Figure 8 Investment Strategies
Franciscan Sisters of Allegany NY
Maryknoll Sisters
Mercy Investment Services, Inc.
Province of St. Mary of the Capuchin Order
Region VI Coalition for Responsible Investment
School Sisters of St. Francis
Seventh Generation Interfaith Board Member
Seventh Generation Interfaith, Inc.
Shareholder Association for Research & Education (SHARE)
Sisters of Charity of Cincinnati OH
Sisters of St. Dominic of Caldwell NJ
Sisters of St. Francis (Oldenburg)
Sisters of St. Francis of Philadelphia
Sisters of the Holy Names of Jesus and Mary
Sisters of the Humility of Mary
Sisters of the Presentation of the BVM of Aberdeen SD
Trinity Health
Ursuline Sisters
Zevin Asset Management

cc: Denny's, Inc. Board of Directors

cc: Scott Melton, Assistant General Counsel, Corporate Governance Officer and Secretary