Risk Factors Comparison 2024-02-26 to 2023-03-01 Form: 10-K

Legend: New Text ~~Removed Text~~ Unchanged Text Moved Text Section

Adverse economic conditions or disruptions in the national and global economies, or in regions that have a high concentration of Wendy' s restaurants, could adversely impact our business, results of operations and financial condition. Adverse economic conditions or disruptions in the national and global economies could result in higher unemployment rates, labor shortages, increases in inflation and interest rates and declines in consumer confidence and spending. If such disruptions occur, they may result in significant declines in consumer food- away- from- home spending and customer counts in Wendy' s restaurants. ~~There can be no assurance that government responses to economic disruptions will restore consumer confidence.~~ Ongoing disruptions in the national and global economies may adversely impact our business, results of operations and financial condition. Additionally, adverse economic conditions in regions that contain a high concentration of Wendy' s restaurants, including markets in which Company- operated restaurants are located, could also have a material adverse impact on our results of operations. Changes in discretionary consumer spending, and in consumer tastes and preferences, could adversely affect our business, results of operations and financial condition. The success of the Wendy' s system depends to a significant extent on discretionary consumer spending, which is influenced by general economic conditions and the availability of discretionary income. Material declines in the amount of discretionary spending or consumer food- away- from- home spending **,** ~~could hurt our~~ - **or** ~~business, results of operations and financial condition. Furthermore,~~ significant increases in expenses incurred by consumers, such as living expenses or gasoline prices, could **hurt** ~~also adversely affect~~ our business **, results of operations and financial condition** . Our success also depends to a large extent on continued consumer acceptance of **, and demand for,** our offerings, the success of our operating **, growth** , promotional, marketing and new product development initiatives and the reputation of our brand. If we are unable to continue to achieve consumer acceptance or adapt to changes in consumer **demographics or** preferences, including with respect to nutrition, health or dietary trends ~~or~~ **,** environmental or social concerns **or the use of digital channels** , Wendy' s restaurants may lose customers, and the resulting revenues from Company- operated restaurants and the royalties that we receive from franchisees may decline. ~~The~~ COVID- 19 ~~pandemic~~ has disrupted and could continue to disrupt our business, which has materially affected and could continue to materially affect our results of operations, financial condition and prospects. ~~The~~ COVID- 19 ~~pandemic and related protective measures have~~ adversely affected, and could continue to adversely affect, our business. **Our** ~~During the height of the pandemic, our~~ customer counts and systemwide sales were significantly negatively impacted **by COVID- 19 and** ~~. Even as mobility increases,~~ customers ~~have been and~~ may continue to be reluctant to return to in- restaurant dining. Our restaurant operations have been and could continue to be disrupted by ~~the pandemic~~ **COVID- 19** , including restaurant and dining room closures, labor shortages or increased labor costs. Furthermore, ~~the pandemic~~ **COVID- 19** has led, and could again lead, to interruptions in the delivery of food or other supplies to Wendy' s restaurants ~~arising from delays or restrictions on shipping or manufacturing, labor shortages and increased labor costs,~~ closures of supplier or distributor facilities or financial distress of suppliers or distributors ~~. These delays or interruptions have impacted, and could continue to impact, the availability of certain food items at Wendy' s restaurants, including beef, chicken, pork and other core menu products~~ . Our results of operations and those of our franchisees could be adversely affected if our key suppliers or distributors are unable to fulfill their responsibilities and we are unable to timely identify and transition the impacted business to alternative suppliers or distributors. ~~The pandemic~~ **COVID- 19** has had, and could again have, an adverse effect on new restaurant development, as well as on our franchisees' operations and financial condition. ~~To the extent the pandemic causes development delays, or leads to the financial distress of our franchisees, our results of operations, cash flows and financial condition could be impacted. Such risks and other potential impacts from the pandemic could have a material adverse effect on our liquidity and capital resources, which may impede our ability to comply with our debt covenants or access additional capital.~~ In addition to the risks described above, ~~the pandemic~~ **COVID- 19** has had, and could continue to have, the effect of heightening other risks disclosed in this risk factors section, including, but not limited to, those related to brand value and perception, consumer preferences and spending, our ability to achieve or maintain market share, new restaurant development, commodity costs, labor, supply chain and purchasing and international operations. We cannot predict the ultimate duration, scope or severity of ~~the pandemic~~ **COVID- 19** or its ultimate impact on our results of operations, financial condition and prospects. Risks Related to Brand Perception and Value Our success depends substantially on our corporate reputation and on the value and perception of our brand. Our success depends in large part upon our ability to maintain and enhance the value of our brand, our customers' loyalty to our brand and a positive relationship with our franchisees and other business partners. Brand value is based in part on consumer perceptions on a variety of subjective qualities. ~~Business~~ **Erosion of trust in our brand can be caused by isolated or recurring** incidents ~~, whether isolated or recurring, and whether~~ originating from us, our franchisees or our business partners, **or from external events. Such incidents** can significantly reduce brand value and consumer trust, particularly if the incidents receive considerable publicity or result in litigation. For example, our brand could be damaged by claims or perceptions about the quality or safety of our products or the quality or reputation of our **employees,** franchisees or other business partners, regardless of whether such claims or perceptions are true. Our brand could also be adversely impacted by other incidents described in this risk factors section, including incidents related to customer service, health or safety, a failure to attract and retain qualified employees, food safety or other health concerns regarding our products, the impact of social media, data privacy violations, cyber incidents, environmental, social and governance matters or reports of our employees, franchisees or business partners taking controversial positions or acting in an unethical, illegal or socially irresponsible manner. Any such incidents could cause a decline in consumer confidence in our brand and reduce consumer demand for our products, which could have a material adverse impact on our business, results of operations and financial condition. Our results of operations and the value and perception of our brand depend in part on the effectiveness of our marketing and advertising programs and the successful development and launch of new products. Our results of operations and the value and perception of our brand are heavily influenced by brand marketing and advertising and by our ability to develop and launch new and innovative products. Our marketing and advertising programs may not be successful, or we may fail to develop commercially successful new products, which may impact our ability to attract new customers and retain existing customers, which, in turn, could materially and adversely affect our results of operations and the value and perception of our brand. Moreover, because franchisees contribute to advertising funds based on a percentage of sales at their franchised restaurants, **our** advertising fund expenditures are dependent upon sales volumes across the Wendy' s system. If systemwide sales decline, this could result in a reduced amount of funds available for our marketing and advertising programs. In addition, to the extent we use value offerings or other promotions or discounts in our marketing and advertising programs to drive customer counts, these actions may condition our customers to resist higher menu prices or result in reduced demand for premium products. Our inability or failure to recognize, respond to and effectively manage the ~~accelerated~~ impact of social media could adversely impact our brand, business and results of operations. Social media platforms, including forms of internet-based communications, allow individuals access to a broad audience. The availability of information on social media platforms is virtually immediate and has given users the ability to more effectively organize collective actions such as boycotts and other brand- damaging behaviors. The dissemination of information **by customers, employees, social media influencers and others** via social media, whether accurate or inaccurate, could harm our business, brand, reputation, results of operation and financial condition. This damage may be immediate, without an opportunity to correct inaccurate information or respond to or address particular issues. In addition, as part of our marketing efforts, we frequently use social media to communicate with consumers in order to build their awareness of, engagement with and loyalty to our brand. Our failure to use social media effectively or appropriately, particularly as compared to our competitors, could lead to a decline in brand value, customer visits and revenues. Laws and regulations governing the use of social media continue to rapidly evolve. A failure by us, our employees, our franchisees or third parties acting on our behalf to abide by applicable laws and regulations in the use of social media could adversely impact our reputation, brand, results of operations and financial condition or subject us to litigation, fines or other penalties. Social media risks could also arise from **our** employees **, franchisees or business partners** not following defined policies for the use of social media during business operations, or actions taken by employees during personal activities outside of their employment, but which could still reflect negatively on the Wendy' s brand. We may be unable to adequately protect our intellectual property, which could harm the value of our brand and hurt our business. Our intellectual property is material to the conduct of our business. We rely on a combination of trademarks, ~~copyrights,~~ service marks **, copyrights, domain names** , trade secrets and similar intellectual property rights to protect our brand and other intellectual property. The success of our business strategy depends, in part, on our continued ability to use our trademarks and service marks to increase brand awareness and further develop our branded products in existing and new markets. If our efforts to protect our intellectual property are not adequate, or if any third party misappropriates, infringes, dilutes or otherwise violates our intellectual property, the value of our brand may be harmed, which could have a material adverse effect on our business. While we try to ensure that the quality of our brand is maintained by our franchisees, we cannot ensure that franchisees will not take actions that hurt the value of our intellectual property or the reputation of the Wendy' s brand or restaurant system. Any damage or violation of our intellectual property could harm our image, brand or competitive position and result in significant legal fees and the diversion of resources. If we do not attempt or are unable to successfully protect, maintain or enforce our intellectual property rights, there could be a material adverse effect on our business or results of operations as a result of, among other things, consumer confusion, dilution of the Wendy' s brand or increased competition from unauthorized users of our brand. We have registered certain trademarks and have other trademark registrations pending in the United States and certain foreign jurisdictions. Not all of the trademarks **or domain names** that are used in the Wendy' s system have been registered in all of the countries in which we do business or may do business in the future, and some trademarks will never be registered in all of these countries. Some countries' laws make unregistered trademarks more difficult to enforce, or do not protect them at all, and third parties have filed, or may in the future file, for " Wendy' s " or similar marks. Accordingly, we may not be able to adequately protect the Wendy' s brand everywhere in the world and use of the Wendy' s brand may result in liability for trademark infringement, trademark dilution or unfair competition. In addition, the laws of some foreign countries do not protect intellectual property rights to the same extent as the laws of the United States. We cannot ensure that all of the steps we have taken to protect our intellectual property in the United States and foreign countries will be adequate. We cannot ensure that third parties will not bring infringement claims against us in the future. Any such claim, whether or not it has merit, could be time- consuming, cause delays in introducing new menu items, require costly modifications to advertising and promotional materials, harm our brand, image, competitive position or ability to expand our operations into other jurisdictions, cause us to incur significant costs related to defense or settlement or require us to enter into royalty or licensing agreements. As a result, any such claim could harm our business and adversely impact our results of operations and financial condition. In addition, third parties may assert that certain of our intellectual property, or our rights therein, are invalid or unenforceable. If our rights in any of our intellectual property were found to infringe third- party rights, or portions thereof were deemed invalid or unenforceable, we may be forced to defend or resolve related claims and incur related expenses. In addition, such loss of rights could permit competing uses of such intellectual property which, in turn, could harm our business and adversely impact our results of operations and financial condition. Food safety events or health concerns regarding our products could create negative publicity and adversely affect our brand, business and results of operations. Food safety is a top priority for Wendy' s, and we dedicate substantial resources to food safety matters to ensure our customers enjoy safe, quality food products. However, food safety events, including instances of food- borne illness (such as salmonella or E. coli), have occurred in the food industry in the past, and could occur in the future. For example, in August 2022, the Centers for Disease Control and Prevention (the " CDC ") began investigating a multistate outbreak of E. coli in which many of the impacted individuals reported having eaten at a Wendy' s restaurant and most reported consuming sandwich romaine lettuce. The Company cooperated with the CDC' s investigation and, as a precautionary measure, removed sandwich romaine lettuce from its restaurants in the relevant region. In October 2022, the CDC announced that the outbreak was over and that the specific source of the outbreak had not been confirmed. The Company was referenced in news stories related to the outbreak, and the Company (and others) have been named in various claims and lawsuits related to the outbreak. Food safety events, whether or not involving Wendy' s restaurants or other restaurant companies, could adversely affect the price and availability of certain products and result in negative publicity for Wendy' s or the restaurant industry. This negative publicity may reduce demand for Wendy' s food and could result in a decrease in customer counts to Wendy' s restaurants as consumers shift their preferences to our competitors or to other products or food types. Any report linking our restaurants or suppliers to food- borne illnesses, food tampering, contamination or mislabeling or other food- safety issues could damage the value of our brand immediately and severely hurt sales of our products and possibly lead to product liability claims, litigation (including class actions) or other damages. The Wendy' s system may also be adversely impacted by consumer **or regulatory** concerns regarding the nutritional aspects of the products we sell, the ingredients in our products or the cooking processes **or packaging** used in our restaurants. These or similar concerns could result in less demand for our products and a decline in sales at Company- operated restaurants and in royalties from sales at franchised restaurants. Risks Related to Our Business Strategy We may be unable to deliver accelerated global sales growth or achieve or maintain market share across our dayparts. Our business strategy includes a focus on driving ~~strong~~ sales momentum across all of our dayparts through **quality differentiation,** exciting menu innovation ~~,~~ **and** compelling value offerings ~~and operational excellence~~. However, we may be unable to deliver accelerated global sales growth or achieve or maintain market share across our dayparts due to competitive pressures and other factors, such as consumer tastes and preferences, the effectiveness of our marketing and advertising programs, the successful development and launch of new products, commodity and labor costs, providing fast and accurate customer experiences, further accelerating our digital business, driving new restaurant development and ensuring the support and engagement of franchisees. For example, Wendy' s recently entered the breakfast daypart in the United States and Canada with a breakfast program designed to drive incremental sales and profits through a strong economic model **. The breakfast daypart has required and may continue to require significant financial resources, including the Company' s plans to fund incremental marketing and advertising campaigns** . Our inability to successfully execute on our strategy for the breakfast daypart and reach targeted levels of sales and profits could have a material adverse impact on our business, results of operations and financial condition. Our predominantly franchised business model presents a number of risks. As of ~~January 1~~ **December 31** , 2023, approximately 95 % of restaurants in the Wendy' s system were operated by franchisees. Wendy' s franchisees are contractually obligated to operate their restaurants in accordance with the standards set forth in our franchise and other agreements with them. Wendy' s also provides training and support to franchisees. However, franchisees are independent third parties that we do not control, and franchisees own, operate and oversee the daily operations of their restaurants. Specifically, franchisees are solely responsible for developing and utilizing their own policies and procedures, making their own hiring, firing and disciplinary decisions, scheduling hours and establishing wages and managing their day- to- day employment processes and procedures in accordance with applicable laws, rules and regulations, all of which is done independent of Wendy' s. Further, franchisees have discretion as to the prices charged to customers. As a result, the ultimate success and quality of any franchise restaurant rests with the franchisee. If franchisees do not successfully operate their restaurants in a manner consistent with required standards, their royalty payments to us could be adversely affected and our brand' s image and reputation could be harmed, which in turn, could hurt our business and results of operations. In addition, the failure of franchisees to adequately engage in succession planning may adversely affect their restaurant operations and development of new Wendy' s restaurants, which in turn could hurt our business and results of operations. Wendy' s franchisees are an integral part of our business, growth and brand strategies, and difficulties in identifying, attracting and retaining franchisees who meet our criteria could harm our business and brand. Our business and results of operations could be adversely affected if a significant number of franchisees do not participate in brand strategies, such as new restaurant development, Image Activation, marketing and menu programs and digital commerce platforms and technologies, which in turn may harm our business and financial condition. In addition, Wendy' s current franchise model, and the way our brand strategies are executed across the system, may make it difficult for our brand to respond and adapt to the speed of ~~change~~ **changes** in technology, consumer preferences or other factors as quickly as may be required to maintain and grow market share and remain competitive. Certain of our competitors that have a significantly higher percentage of company- operated restaurants than we do may have greater influence over their respective restaurant systems and greater ability to implement operational initiatives and business strategies. We receive revenues in the form of royalties and national advertising funds contributions (both of which are generally based on a percentage of sales at franchised restaurants), as well as rent and fees from franchisees. Accordingly, a substantial portion of our financial results is to a large extent dependent upon the operational and financial success of our franchisees. If sales trends or economic conditions worsen for franchisees, or if the overall business or financial health of franchisees deteriorates, their results of operations or financial condition may worsen ~~and~~ **, which could result in, among other things, increased restaurant closures, decreased restaurant openings, required financial support or franchisee bankruptcies or restructuring activities, all of which could reduce** our royalty, national advertising funds, rent and other fee revenues ~~may decline~~ **. Furthermore, an insolvency or bankruptcy proceeding involving a franchisee could prevent or delay us from collecting payments or exercising any of our other rights under the franchise or other related agreement with such franchisee** . Additionally, when Company- operated restaurants with leased real estate are sold to franchisees, we are often required to remain responsible for lease payments for these restaurants in the event the purchasing franchisees default on their leases. Similarly, when we lease or sublease properties to franchisees, we remain responsible for certain expenses related to the properties, such as lease payments and maintenance charges. If franchisees fail to renew their franchise agreements or fail to perform under or extend their leases or subleases with us, or if we are unable to identify, attract and retain new franchisees who meet our criteria, then our royalty and rental revenues may decrease and our future growth could be adversely affected. The growth of our business is dependent on new restaurant openings, which could be affected by factors beyond our control. Our business derives earnings from sales at Company- operated restaurants as well as royalties and other fees received from franchised restaurants. Growth in our revenues and earnings is dependent on new restaurant openings. Numerous factors beyond our control may adversely affect new restaurant openings, which in turn could hurt our business and results of operations. These factors include, among others: (i) our ability to attract new franchisees; (ii) the **level of participation in, and success of, our build to suit development fund; (iii) the** availability of site locations for new restaurants; (~~iii~~ **iv**) the ability of restaurant owners to obtain financing; (~~iv~~ **v**) the ability of restaurant owners to attract, train and retain qualified operating personnel; (~~v~~ **vi**) construction and development costs; (~~vi~~ **vii**) the ability of restaurant owners to secure required governmental approvals and permits in a timely manner, or at all; (~~vii~~ **viii**) the ability of us and our franchises to execute our development strategy for non- traditional restaurants, such as fuel and transportation centers, food courts and other retail locations, military bases and delivery kitchens; and (~~viii~~ **ix**) adverse weather conditions. Our inability to identify suitable locations, achieve consumer acceptance or otherwise execute our development strategy could have an adverse impact on our future growth, results of operations and financial condition **. In addition, the growth of our business could be adversely impacted by higher- than- expected restaurant closures, including closures related to underperformance, market conditions, macroeconomic or demographic trends, expiration or loss of leases, franchisee health or other factors beyond our control** . Our Image Activation program may not positively affect sales or improve our results of operations, and franchisees may not participate in our Image Activation program to the extent expected by us. We continue to ~~implement~~ **execute** our Image Activation program, which includes reimaging existing Wendy' s restaurants and building new Wendy' s restaurants with innovative exterior and interior restaurant designs. Our Image Activation program may not positively affect sales at Wendy' s restaurants or improve our results of operations. There can also be no assurance that franchisees will participate in the Image Activation program to the extent expected by the Company. In order to support our Image Activation program and promote new restaurant development, we have provided franchisees with certain incentive programs for qualifying new and reimaged restaurants, including waivers or reductions in royalty, national advertising and technical assistance fees and options for the early renewal of franchise agreements. It is possible we may provide additional financial incentives to franchisees, which could result in additional expenses, a reduction of royalties or other revenues or the incurrence of other costs or liabilities. Some franchisees may need to borrow funds in order to reimage existing restaurants or build new restaurants under the Image Activation program. If franchisees are unable to obtain financing at commercially reasonable rates, or at all, they may be unwilling or unable to invest in the reimaging of their existing restaurants or the development of new restaurants, and our future growth and results of operations could be adversely affected. We may be unable to manage effectively the acquisition and disposition of restaurants, or successfully implement other strategic initiatives, which could adversely affect our business, results of operations and financial results. We continue to optimize the Wendy' s system through our system optimization initiative, which includes facilitating the transfer of restaurants between and among franchisees, as well as evaluating strategic acquisitions of franchised restaurants and strategic dispositions of Company- operated restaurants to existing and new franchisees, to further strengthen the franchisee base, drive new restaurant development and accelerate ~~adoption~~ **completion** of our Image Activation program. The success of this initiative is dependent upon many factors, such as the availability of sellers and buyers, the availability of financing, the ability to negotiate transactions on terms deemed acceptable and the ability to successfully transition and integrate restaurant operations. Acquisitions of franchised restaurants pose various risks to our operations, including (i) diversion of management' s attention to the integration of acquired restaurant operations; (ii) increased operating expenses and the inability to achieve expected cost savings and operating efficiencies; **and** (iii ~~) exposure to liabilities arising out of prior operations of acquired restaurants; and (iv~~) the assumption of long- term, non- cancelable leases. Our system optimization initiative also places demands on our operational and financial management resources and may require us to expand these resources. If we are unable to execute our system optimization initiative or effectively manage the acquisition and disposition of restaurants, our business and financial results could be adversely affected. In addition, Wendy' s from time to time evaluates and may pursue other opportunities for growth, including through new and existing franchise partners, joint venture investments, expansion of our brand through other opportunities and strategic mergers, acquisitions and divestitures. These strategic initiatives involve various risks, including general transaction and business risk, integration and synergy risk, market acceptance risk and risks associated with the potential diversion of management' s attention. Strategic transactions may not ultimately create value for us or our stockholders and may harm our reputation and materially adversely affect our business, results of operations and financial condition. Our leasing and ownership of significant amounts of real estate exposes us to possible liabilities and losses, including liabilities associated with environmental matters. We have significant real estate operations in connection with our business and are subject to the normal risks associated with owning, leasing and subleasing real estate. Our real estate values and the costs associated with our real estate operations are impacted by a variety of factors, including changes in the investment climate for real estate, macroeconomic trends, governmental regulations, infrastructure, condemnation or eminent domain, insurance, demographic trends, supply chain management, supply and demand for the ownership and operation of restaurants and environmental matters. A significant decrease in real estate values or increase in real estate costs could adversely affect our results of operations and financial condition. We are subject to federal, state and local environmental, health and safety laws and regulations concerning the discharge, storage, handling, release and disposal of hazardous or toxic substances. ~~These environmental laws provide for significant fines, penalties and liabilities, sometimes without regard to whether the owner, operator or occupant of the property knew of, or was responsible for, the release or presence of the hazardous or toxic substances.~~ Third parties may also make claims against owners, operators or occupants of properties for personal injuries and property damage associated with releases of or exposure to such substances ~~. A number of~~

~~our restaurant sites were formerly gas stations or are adjacent to current or former gas stations or were used for other commercial activities that can create environmental impacts~~ . While we employ environmental review standards and practices in the current development of our real estate, we have not conducted a comprehensive environmental review of all of our properties and we may not have identified all of the potential environmental liabilities at our leased and owned properties, and any such liabilities identified in the future could cause us to incur significant costs, including costs associated with litigation, fines or clean- up responsibilities. We cannot predict the amount of future expenditures that may be required in order to comply with any environmental laws or regulations or to satisfy any such claims. We generally secure long- term real estate interests for our leased restaurants and have limited flexibility to quickly alter our real estate portfolio. Many leases provide that the rent will increase over the term of the lease and any renewals of the term. Most leases require us to pay the costs of insurance, taxes, maintenance, utilities and capital repairs and replacements. We generally cannot cancel these leases prior to the expiration of their term. If an existing or future restaurant is not profitable, and we decide to close it, we may nonetheless be committed to perform our obligations under the applicable lease including, among other things, paying rent, taxes and maintenance costs for the balance of the lease term. In addition, as our leases expire, we may fail to negotiate additional renewals or renewal options, either on commercially acceptable terms or at all, which could cause us to close restaurants in desirable locations, negatively impacting our results of operations. Our international operations are subject to various risks and uncertainties and there is no assurance that our international operations will continue to be profitable. In addition to many of the factors described in this risk factors section, our business outside of the United States is subject to a number of additional risks and uncertainties, including international economic and political conditions, risk of corruption and violations of the U. S. Foreign Corrupt Practices Act or similar laws of other countries, the inability to adapt to differing cultures or consumer preferences, inadequate brand infrastructure to support our international activities, inability to obtain adequate supplies meeting our quality standards and product specifications or interruptions in obtaining such supplies, challenges and risks associated with managing and monitoring suppliers, restrictions on our ability to move cash out of certain foreign countries, currency regulations and fluctuations, diverse government regulations and tax systems, uncertain or differing interpretations of rights and obligations in connection with international franchise agreements, the collection of royalties and other fees from international franchisees, the inability to protect technology, data or intellectual property rights, compliance with international privacy and information security laws and regulations, the availability and cost of land, construction costs, other legal, financial or regulatory impediments to the development or operation of restaurants, the inability to identify, attract and retain experienced management, qualified franchisees and joint venture partners and ~~ongoing~~ disruptions and impacts from ~~the~~ COVID- 19 ~~pandemic~~ . Adverse conditions or unforeseen events in countries that contain a high concentration of Wendy' s restaurants (including Canada, our largest international market), could have a material adverse impact on our international growth strategy and results of operations. In addition, to the extent we invest in international Company- operated restaurants or joint ventures, we would also have the risk of operating losses related to those restaurants, which could adversely affect our results of operations and financial condition. There can be no assurance that our international growth strategy will be successful or that our international operations will be profitable. For example, Wendy' s entered the United Kingdom in 2021, plans to expand into other anchor markets in Europe utilizing a franchise model and intends to accelerate restaurant development in other **new and** existing international markets. New and emerging markets may have lower brand awareness as well as competitive conditions, consumer tastes and preferences, discretionary spending patterns and social and cultural differences that are more difficult to predict or satisfy than our existing markets. We may need to make greater investments than we originally planned in advertising and promotional activity to build brand awareness, which could negatively impact the profitability of our operations. In addition, we **and our franchisees** may be unable to obtain desirable locations for new restaurants at reasonable prices, or at all, and restaurants may have higher construction, occupancy, food and labor costs than we currently anticipate. Any of these risks and uncertainties, and other factors we cannot anticipate, could have a material adverse impact on our business, results of operations and financial condition. Risks Related to Supply Chain and Labor Changes in commodity costs and other operating costs could adversely affect our results of operations. Our profitability depends in part on our ability to anticipate and react to changes in commodity costs (including beef, chicken, pork, dairy and grains), supplies, fuel, utilities, distribution and other operating costs, including labor costs. Increases in commodity costs have adversely impacted and could continue to adversely impact our results of operations. Our business is susceptible to increases in commodity and other operating costs as a result of various factors beyond our control, such as general economic conditions, inflation, industry demand, energy costs, food safety concerns, animal disease outbreaks, product recalls and government regulations. Increasing weather volatility or other long- term changes in weather patterns, including related to climate change, could have a significant impact on the price or availability of some of our ingredients. In addition, our supply chain is subject to increased costs arising from actual or perceived effects of climate change, greenhouse gas emissions and scarcity of energy and water resources. The ongoing and long- term costs of these impacts could have a material adverse effect on our business if not properly mitigated. We could also be adversely impacted by the cost of products raised or grown in accordance with our responsible sourcing criteria, including those related to environmental sustainability and animal welfare, as the availability of products that can be assured to meet those criteria are generally smaller and more concentrated, and may be more costly, than the markets for conventionally raised or grown products that are not assured to meet those criteria. We cannot predict whether we will be able to anticipate and react to changing commodity costs by adjusting our purchasing practices and menu prices, and a failure to do so could adversely affect our results of operations. In addition, we may not seek to or be able to pass along price increases to our customers. If increased costs were passed to our customers, demand for our products may decrease, which in turn could adversely affect our results of operations. Shortages or interruptions in the supply or distribution of perishable food products could damage our brand and adversely affect our business and results of operations. Wendy' s and our franchisees are dependent on frequent deliveries of perishable food products that meet brand specifications. Shortages or interruptions in the supply of perishable food products caused by unanticipated demand, problems in production or distribution, labor shortages, disease or food- borne illnesses, political unrest, health epidemics or pandemics, inclement weather or other calamities or conditions could adversely affect the availability, quality and cost of ingredients, which could lower revenues, increase operating costs, damage brand reputation and otherwise harm our business and the businesses of our franchisees. Certain of the products sold in our restaurants, such as beef and chicken, are sourced from a limited number of suppliers, which may increase our reliance on those suppliers. In addition, our system relies on a limited number of in- line distributors to deliver certain food, packaging and beverage products to our restaurants. If a disruption of service from any of our key suppliers or distributors was to occur **, including as a result of a failure to meet our quality or safety standards** , we could experience short- term increases in our costs while supply and distribution channels were adjusted, and we may be unable to identify or negotiate with new suppliers or distributors on terms that are commercially reasonable to us. We do not exercise ultimate control over purchasing for our restaurant system, which could harm our business, results of operations and financial condition. While we require and seek to ensure that all suppliers to the Wendy' s system meet certain quality control standards, our franchisees ultimately control the purchasing of food, proprietary paper, equipment and other operating supplies from third party suppliers through QSCC, Wendy' s independent purchasing co- op. QSCC manages, for the Wendy' s system in the United States and Canada, contracts for the purchase and distribution of food, proprietary paper, equipment and other operating supplies under national agreements with pricing based on total system volume. We do not control the decisions and activities of QSCC. If QSCC does not properly estimate the product needs of the Wendy' s system, makes poor purchasing decisions or ceases its operations, or if our relationship with QSCC is terminated for any reason, system sales, operating costs and supply chain management could be adversely affected, which could harm us and our franchisees and have a material adverse impact on our business, results of operations and financial condition. Our business could be hurt by increased labor costs or labor shortages. Labor is a primary component in the cost of operating our restaurants. We devote significant resources to recruiting and training our restaurant personnel, including managers and hourly employees. Increased labor costs due to competition, inflationary pressures, increased wages or employee benefits costs (including various federal, state and local actions to increase minimum wages **and enhance workplace conditions**) ~~, unionization activity~~ or other factors have adversely impacted and could continue to adversely impact our cost of sales and operating expenses. In addition, Wendy' s success depends on our ability to attract, motivate and retain qualified employees, including restaurant managers and staff as well as employees and key personnel at our restaurant support center, and our inability to do so could adversely affect our business and results of operations. Our business, results of operations and brand perception could also be adversely impacted by unionization efforts or other campaigns by labor organizations affecting our employees or the employees of our franchisees or by our responses to any such efforts or campaigns. Our success depends in part upon the continued succession and retention of certain key personnel and the effectiveness of our leadership and organizational structure. We believe that over time our success has been dependent to a significant extent upon the efforts and abilities of our senior leadership team and other key personnel. Our failure to retain members of our senior leadership team or other key personnel could adversely affect our ability to achieve our growth strategy and other business initiatives. In addition, changes to our leadership and organizational structure **, including our recent Chief Executive Officer succession,** can be inherently difficult to manage, and if we are unable to implement such changes effectively, our business, results of operations and financial results could be adversely affected. Risks Related to Technology and Cybersecurity There are risks and uncertainties associated with our ~~increasing dependence on~~ digital commerce **strategies,** platforms and technologies ~~and alternative methods of delivery~~ . Advances in technologies, including advances in digital food ordering and delivery technologies, and changes in consumer behavior driven by such advances could have a negative effect on our business. Technology and consumer offerings continue to develop and evolve, and we expect that new and enhanced technologies and consumer offerings will be available in the future, including those with a focus on restaurant modernization, restaurant technology, digital engagement and integration, **artificial intelligence (" AI "),** online ordering and delivery. Our inability to predict consumer acceptance of new technology or our failure to adequately invest in and implement new technology or adapt to technological developments, industry trends and evolving legal and regulatory requirements could result in a loss of customers and related market share. In addition, our competitors, some of whom have greater resources than we do, may be better able to benefit from changes in technologies or consumer acceptance of such changes, which could harm our competitive position and brand. An increasing amount of our sales and revenues is derived from digital orders, **including** ~~which includes~~ online ordering and delivery. We have implemented **and will continue to implement** technology **investments** and targeted advertising and promotions to support the growth of our digital business. If we are unable to continue to grow our digital business, it may be difficult for us to achieve our planned sales growth. If our digital commerce platforms **and strategies** , including **our planned investments to support digital growth through enhancements to** the Wendy' s mobile app **, loyalty program** and ~~online ordering system~~ **personalized marketing capabilities and the rollout and implementation of digital menu boards** , do not meet customers' expectations in terms of security, privacy, speed, attractiveness or ease of use, customers may be less inclined to return to those platforms, which could negatively impact our business, results of operations and financial condition. Our business could also be negatively impacted if we are unable to successfully implement or execute other consumer- facing digital initiatives, such as mobile order pick- up and carryout. We rely on third- party delivery services to fulfill delivery orders, and errors or failures by those providers to make timely deliveries could cause customers to stop ordering from us. The third- party restaurant delivery business is intensely competitive, with a number of companies competing for capital, market share, online traffic and delivery drivers. If the third- party delivery services that we utilize cease or curtail their operations, increase their fees or ~~give~~ **provide** greater priority or promotions on their platforms to our competitors, our delivery business and our sales may be negatively impacted. In addition, the delivery business has been consolidating and may continue to consolidate, which may give third- party delivery companies more leverage in negotiating the terms and pricing of contracts, which could in turn negatively impact our profits from this channel. We are heavily dependent on computer systems and information technology and any material failure, interruption or degradation of our systems or technology or issues with our key technology providers could adversely affect our business, results of operations and financial condition. We are heavily dependent on our computer systems and information technology, including those controlled by third- party providers, to conduct our business, including point- of- sale processing in our restaurants, technologies that support our digital and delivery solutions, management of our supply chain, collection of cash, payment of obligations and various other processes and procedures. Our ability to efficiently manage our business depends significantly on the reliability and performance of our systems and technology. The failure of our systems and technology to operate effectively, or an interruption or degradation in our systems or technology could be harmful and cause delays in customer service, result in the loss of digital sales or data, reduce efficiency or cause delays in operations. Significant capital investments might be required to remediate any such problems or to maintain or upgrade our systems and technology or transition to replacement systems or technology. We are dependent to a significant extent on our ongoing relationship with key technology providers, including their personnel, resources, technological expertise, systems and technology and their ability to help execute our digital, restaurant technology and enterprise technology initiatives and support our technology innovation and growth initiatives. The **implementation and use of AI technologies present various risks and uncertainties, and the deficiencies or other failures of AI systems could subject us to competitive harm, regulatory action, legal liability and brand or reputational harm. The** inability of us or our providers to successfully execute our technology growth initiatives while maintaining our brand value and perception could have an adverse impact on our business, results of operations and financial condition. The occurrence of cyber incidents, or a deficiency in cybersecurity, could negatively impact our brand, business, results of operations and financial condition. Cybersecurity incidents or breaches have, from time to time, occurred and may in the future occur involving our systems, the systems of our franchisees or the systems of third- party service providers. Such cybersecurity incidents and breaches may include, without limitation, unauthorized access, phishing attacks, account takeovers, denial of service, computer viruses, introduction of malware or ransomware and other disruptive problems caused by malicious actors **. The rapid evolution and increased adoption of AI technologies may intensify our cybersecurity risks** . As our reliance on technology has increased, so have the risks posed to our systems, both internal and those managed by third parties. Our business involves the collection and retention of customer data, including, in some instances, credit and debit card numbers and other personally identifiable information, in various information systems that we and our franchisees maintain and in those maintained by third parties with whom we and our franchisees contract to provide credit card processing, digital ordering and related services. We also maintain important internal data, such as personally identifiable information about our employees and franchisees and information relating to our operations. Our use of personally identifiable information is regulated by international, federal and state laws, as well as by certain third- party agreements. As privacy and information security laws and regulations change, we will likely incur additional costs to ensure that we remain in compliance with those laws and regulations. If our security and information systems are compromised or if our employees or franchisees fail to comply with these laws, regulations or contract terms, and this information is obtained by unauthorized persons or used inappropriately, it could adversely affect our reputation, disrupt our operations, damage our relationship with customers, franchisees or employees and result in costly litigation, judgments, or penalties resulting from violation of applicable laws and payment card industry regulations. A cyber incident could also require us to notify customers, employees or other groups, result in adverse publicity or a loss in consumer confidence, sales and profits, increase fees payable to third parties or cause us to incur penalties or remediation and other costs that could adversely affect our business, results of operations and financial condition. We have devoted considerable resources to secure our systems and technology against security breaches and have implemented various processes, procedures and controls to help mitigate the risk of a cyber incident. However, the techniques and sophistication used to conduct cyber- attacks change frequently and the measures we have taken do not guarantee that a cyber incident or security breach could not occur or that our business, reputation and financial condition will not be adversely affected. Risks Related to Our Indebtedness The Company and certain of our subsidiaries are subject to various restrictions, and substantially all of the assets of certain subsidiaries are security, under the terms of a securitized financing facility. Wendy' s Funding, LLC, a limited- purpose, bankruptcy- remote, wholly owned indirect subsidiary of the Company, is the master issuer (the " Master Issuer ") of outstanding senior secured notes under a securitized financing facility entered into in June 2015. Under the facility, the Master Issuer issued and has outstanding certain series of fixed rate and variable funding notes (collectively, the " Senior Notes "). The Senior Notes are secured by a security interest in substantially all of the assets of the Master Issuer and certain other limited- purpose, bankruptcy- remote, wholly- owned indirect subsidiaries of the Company that act as guarantors (collectively, the " Securitization Entities "), except for certain real estate assets and subject to certain limitations as set forth in the indenture governing the Senior Notes (the " Indenture ") and the related guarantee and collateral agreement. The assets of the Securitization Entities include most of the domestic and certain of the foreign revenue- generating assets of the Company and its subsidiaries, which principally consist of franchise- related agreements, real estate assets, intellectual property and license agreements for the use of intellectual property. The Senior Notes are subject to a series of covenants and restrictions customary for transactions of this type, including that the Master Issuer maintains specified reserve accounts to be used to make required payments in respect of the Senior Notes, provisions relating to optional and mandatory prepayments and the related payment of specified amounts, including specified make- whole payments under certain circumstances, certain indemnification payments in the event, among other things, that the assets pledged as collateral for the Senior Notes are in stated ways defective or ineffective and covenants relating to recordkeeping, access to information and similar matters. The Senior Notes are also subject to customary rapid amortization events provided for in the Indenture, including events tied to failure to maintain stated debt service coverage ratios, the sum of global gross sales for specified restaurants being below certain levels on certain measurement dates, certain manager termination events, the occurrence of an event of default and the failure to repay or refinance on the applicable scheduled maturity date. The Senior Notes are also subject to certain customary events of default, including events relating to non- payment of required interest, principal or other amounts due on or with respect to the Senior Notes, failure to comply with covenants within certain time frames, certain bankruptcy events, breaches of specified representations and warranties, the trustee under the Indenture ceasing to have valid and perfected security interests in certain collateral and certain judgments. In the event that a rapid amortization event occurs under the Indenture (including, without limitation, upon an event of default under the Indenture or the failure to repay the securitized debt at the end of the applicable term), the funds available to the Company would be reduced or eliminated, which would in turn reduce our ability to operate or grow our business. In addition, the Indenture and the related management agreement contain various covenants that limit the Company and its subsidiaries' ability to engage in specified types of transactions, subject to certain exceptions, including, for example, to incur or guarantee additional indebtedness, sell certain assets, create or incur liens on certain assets to secure indebtedness or consolidate, merge, sell or otherwise dispose of all or substantially all of their assets. As a result of these restrictions, the Company may not have adequate resources or flexibility to continue to manage the business and provide for growth of the Wendy' s system, which could have a material adverse effect on the Company' s future growth prospects, results of operations, financial condition and liquidity. We have a significant amount of debt outstanding, and such indebtedness could adversely affect our business, results of operations and financial condition. As of ~~January 1~~ **December 31** , 2023, the Company had approximately $ 2. ~~9~~ **8** billion of outstanding debt on its balance sheet. Additionally, a subsidiary of the Company has issued variable funding notes, which allows for the borrowing of up to $ 300. 0 million from time to time on a revolving basis. This level of debt could have significant consequences on the Company' s future operations, including: (i) making it more difficult to meet payment and other obligations under outstanding debt; (ii) resulting in an event of default if the Company' s subsidiaries fail to comply with the financial and other restrictive covenants contained in debt agreements, which event of default could result in all of the Company' s subsidiaries' debt becoming immediately due and payable; (iii) reducing the availability of the Company' s cash flow to fund working capital, capital expenditures, equity and debt repurchases, dividends, acquisitions and other general corporate purposes, and limiting the Company' s ability to obtain additional financing for these purposes; (iv) subjecting the Company to the risk of increased sensitivity to interest rate increases on indebtedness with variable interest rates; (v) limiting the Company' s flexibility in planning for or reacting to, and increasing its vulnerability to, changes in the Company' s business or industry or the general economy; and (vi) placing the Company at a competitive disadvantage compared to its competitors that are less leveraged. ~~Further, the Company' s outstanding variable funding notes may accrue interest based on the London interbank offered rate (" LIBOR "). In connection with the discontinuance of LIBOR, we expect to renegotiate certain loan documents and cannot predict what alternative index will be negotiated with our lenders or the resulting impact on our interest expense.~~ The ability of the Company to make payments on, repay or refinance its debt, and to fund planned capital expenditures, dividends and other cash needs will depend largely upon its future operating performance and ability to generate significant cash flows. In addition, the ability of the Company to borrow funds in the future to make payments on its debt will depend on the satisfaction of the covenants in the securitized financing facility and other debt agreements, and other agreements it may enter into in the future. There can be no assurance that the Company' s business will generate sufficient cash flow from operations or that future borrowings will be available under the Company' s securitized financing facility or other debt agreements or from other sources in an amount sufficient to enable the Company to pay its debt or to fund its dividend and other liquidity needs. In addition to the Company' s outstanding indebtedness, the Company is subject to risks related to certain commitments, guarantees and other liabilities. These commitments, guarantees and other liabilities include, among others, significant contractual requirements regarding the purchase of soft drinks **, contractual requirements regarding certain marketing and media rights** and guarantees and contingent liabilities related to certain franchisee leases for which the Company has been indemnified. These commitments, guarantees and other liabilities could have an adverse effect on the Company' s liquidity and the ability of its subsidiaries to meet payment obligations. The Company may incur additional indebtedness, guarantees, commitments or other liabilities in the future that could amplify the risks that the Company currently faces. Risks Related to Our Common Stock There can be no assurance regarding whether or to what extent we will pay dividends on our common stock in the future. Holders of our common stock will only be entitled to receive such dividends as our Board of Directors may declare out of funds legally available for such payments. Any dividends will be made at the discretion of our Board of Directors and will depend on our earnings, financial condition, cash requirements and such other factors as the Board may deem relevant from time to time. In addition, because Wendy' s is a holding company, its ability to declare and pay dividends is dependent upon cash, cash equivalents and short-term investments on hand and cash flows from its subsidiaries. The ability of our subsidiaries to pay cash dividends to the holding company is dependent upon their ability to achieve sufficient cash flows after satisfying their respective cash requirements, including the requirements and restrictions under our securitized financing facility and other debt agreements. A substantial amount of our common stock is concentrated in the hands of certain stockholders. Nelson Peltz, our Chairman, Peter May, our Senior Vice Chairman ~~,~~ **and** Matthew Peltz, our Vice Chairman ~~, and Edward Garden, a former director of the Company~~ , beneficially own shares of our outstanding common stock that collectively constitute approximately ~~20~~ **16** % of the Company' s total voting power as of February ~~21~~ **16** , ~~2023~~ **2024** . These individuals may, from time to time, acquire beneficial ownership of additional shares of common stock. On December 1, 2011, the Company entered into an agreement (the " Trian Agreement ") with Messrs. N. Peltz ~~,~~ **and** May ~~and Garden,~~ and several of their affiliates (the " Covered Persons "). Pursuant to the Trian Agreement, our Board of Directors, including a majority of the independent directors, approved, for purposes of Section 203 of the Delaware General Corporation Law, the Covered Persons becoming the owners (as defined in Section 203 (c) (9)) of or acquiring an aggregate of up to (and including), but not more than, 32. 5 % (subject to certain adjustments set forth in the Trian Agreement) of the outstanding shares of the Company' s common stock, such that no such persons would be subject to the restrictions set forth in Section 203 solely as a result of such ownership. This concentration of ownership gives these individuals significant influence over the outcome of actions requiring stockholder approval, including the election of directors and the approval of mergers, consolidations and the sale of all or substantially all of the Company' s assets. They are also in a position to have significant influence to prevent or cause a change in control of the Company. Our certificate of incorporation contains certain anti- takeover provisions and permits our Board of Directors to issue preferred stock without stockholder approval and limits our ability to raise capital from affiliates. Certain provisions in our certificate of incorporation are intended to discourage or delay a hostile takeover of control of the Company. Our certificate of incorporation authorizes the issuance of shares of " blank check " preferred stock, which will have such designations, rights and preferences as may be determined from time to time by our Board of Directors. Accordingly, our Board of Directors is empowered, without stockholder approval, to issue preferred stock with dividend, liquidation, conversion, voting or other rights that could adversely affect the voting power and other rights of the holders of our common stock. The preferred stock could be used to discourage, delay or prevent a change in control of the Company that is determined by the Board of Directors to be undesirable. Our certificate of incorporation prohibits the issuance of preferred stock to affiliates, unless offered ratably to the holders of our common stock, subject to an exception in the event that the Company is in financial distress and the issuance is approved by the Audit Committee of our Board of Directors. This prohibition limits our ability to raise capital from affiliates. General Business Risks Complaints or litigation could hurt our brand, business, results of operations and financial condition. Wendy' s customers may file complaints or lawsuits against us or our franchisees alleging that we are responsible for an illness or injury they suffered at or after a visit to a Wendy' s restaurant, or alleging that there was a problem with food safety, food quality or operations at a Wendy' s restaurant. We may also be subject to a variety of other claims arising in the ordinary course of our business, including personal injury claims, contract claims, claims from franchisees, intellectual property claims, **stockholder claims,** data privacy claims and claims alleging violations of law regarding workplace and employment matters, discrimination and similar matters, including class action lawsuits. Regardless of whether any claims against us are valid or whether we are found to be liable, claims may be expensive to defend and may divert management' s attention away from operations, hurt our performance and have a negative impact on our brand. While we believe we have adequate accruals for all of our legal and environmental matters, we cannot estimate the aggregate possible range of loss for our existing litigation and claims due to various reasons, including, but not limited to, many proceedings being in preliminary stages, with various motions either yet to be submitted or pending, discovery yet to occur, and significant factual matters unresolved. In addition, most cases seek an indeterminate amount of damages and many involve multiple parties. Predicting the outcomes of settlement discussions or judicial or arbitral decisions are thus inherently difficult. Insurance policies contain customary limitations, conditions and exclusions that can affect the amount of insurance proceeds ultimately received. A judgment significantly in excess of our insurance coverage for any claims could materially adversely affect our results of operations or financial condition. Additionally, the restaurant industry has been subject to a number of claims alleging that the menus and actions of restaurant chains have contributed to the obesity or otherwise adversely impacted the health of certain of their customers. Adverse publicity resulting from these allegations may harm the reputation of our restaurants, even if the allegations are not directed against our restaurants or are not valid. Moreover, complaints, litigation or adverse publicity experienced by one or more of our franchisees could also hurt our brand or business as a whole. Existing and changing legal and regulatory requirements, as well as an increasing focus on environmental, social and governance issues, could adversely affect our brand, business, results of operations and financial condition **. Our complex legal and regulatory environment exposes us to compliance, litigation and similar risks that could affect our operations and results in material ways** . Each Wendy' s restaurant is subject to licensing and regulation by health, sanitation, safety and other agencies in the state or municipality in which the restaurant is located, as well as to federal laws, rules and regulations and requirements of non- governmental entities such as payment card industry rules. Governmental authorities may enact laws, rules or regulations that impact restaurant operations and the cost of conducting those operations **, including, among other matters, product packaging, marketing, the nutritional content and safety of our food and other products, labeling and other disclosure practices** . In addition, there can be no assurance that we and our franchisees will not experience material difficulties or failures in obtaining the necessary licenses or approvals for opening new restaurants. More stringent and varied requirements of local regulators with respect to tax, zoning, land use and environmental factors could also delay or prevent development of new restaurants in particular locations. We are subject to various laws and regulations that govern the offer and sale of a franchise, including rules by the U. S. Federal Trade Commission. Various state, provincial and foreign laws regulate certain aspects of the franchise relationship, including terminations and the refusal to renew franchises. The failure to comply with these laws and regulations in any jurisdiction or to obtain required government approvals could result in a ban or temporary suspension on future franchise sales, fines and penalties or require us to make offers of rescission or restitution, any of which could adversely affect our business and results of operations. We could also face lawsuits by franchisees based upon alleged violations of these laws. We and our franchisees are each also subject to laws and regulations that govern employment matters at the federal / national, state / provincial and local levels. In the United States, this includes laws like the Fair Labor Standards Act, which governs such matters as minimum wages, overtime and other working conditions, Title VII, the Age Discrimination in Employment Act, the Americans with Disabilities Act, the National Labor Relations Act, family leave, paid sick time and similar requirements and a variety of other laws, regulations and rules. Changes in laws, regulations, rules and governmental policies, including the interpretation thereof, could increase our costs, require modifications to our business practices, result in increased litigation, investigations, enforcement actions, fines or liabilities and adversely affect our business, results of operations and financial condition. Changes in the legal framework of employment or franchise liability could negatively impact our business, particularly if such changes result in any law, rule, regulation, governmental policy or interpretation or judicial decision determining that Wendy' s is an employer of its franchisees or a joint employer with our franchisees or otherwise imposing liability for employment- related claims or impacting our employment relationships based on theories of joint employer liability or other theories of vicarious liability. In addition, various state and local laws may require wage increases and impose working hour and working condition standards that could result in increased costs, limit our or our franchisees' ability to respond to market conditions and negatively impact our ability to identify, attract and retain qualified franchisees to operate or open restaurants in the impacted markets. If we are unable to effectively manage the risks associated with this complex legislative and regulatory environment, it could have a material adverse effect on our business and financial condition. We are also subject to legal and compliance risks related to privacy and data collection, protection and management of certain data and information associated with our technology- related services and platforms made available to customers, employees, franchisees, business partners or other third parties. We are subject to a variety of U. S. federal and state and foreign laws and regulations in this area. These laws and regulations have been subject to frequent change, and there may be jurisdictions that propose or enact new data privacy requirements in the future. Failure to meet applicable data privacy requirements could result in legal proceedings and substantial penalties and adversely impact our business and financial condition. Additionally, evolving laws and regulations could require us and our franchisees to change or limit the way we collect or use information in operating our business, which may result in additional costs, limit our marketing or growth strategies and adversely affect our business and results of operations. There has been increasing public focus by investors, ~~environmental~~ activists, the media and governmental and nongovernmental organizations on environmental, social and governance matters, including packaging and waste, animal health and welfare, human rights, diversity, climate change, greenhouse gases and land, energy and water use. As a result, we have experienced increased pressure and expectations to provide expanded disclosure and establish commitments, goals or targets with respect to various environmental, social and governance issues and to take the actions necessary to meet those commitments, goals and targets. Furthermore, the standards by which certain environmental, social and governance issues are measured are evolving and subject to frequent change. If we are not effective, or perceived to be effective, in ~~achieving~~ **meeting** our commitments, goals or targets or otherwise addressing various environmental, social and governance matters, **this could result in negative publicity, decreased** consumer trust in our brand ~~may suffer~~ **or litigation** . In addition, the actions needed to ~~achieve~~ **meet** our commitments, goals and targets could result in market, operational, execution and other costs, which could have a material adverse effect on our results of operation and financial condition. Our results of operation and financial condition could be adversely impacted if we are unable to effectively manage the risks or costs to us, our franchisees and our supply chain associated with environmental, social and governance matters. Our current insurance may not provide adequate levels of coverage against claims that have been or may be filed. We currently maintain insurance that we believe to be adequate for businesses of our size and type. However, there are types of losses we could encounter that cannot be insured against or that we believe are not economically reasonable to insure, such as losses due to natural disasters, acts of terrorism or the declaration of war. In addition, we currently self- insure a significant portion of expected losses under workers' compensation, general liability, products liability, auto liability and property insurance programs. Unanticipated changes in the actuarial assumptions and management estimates underlying our reserves for these losses could result in materially different amounts of expense, which could harm our business and adversely affect our results of operations and financial condition. We also currently maintain insurance coverage to address cyber incidents. Applicable insurance policies contain customary limitations, conditions and exclusions, and there can be no assurance that our cyber **or other** insurance policies will cover substantially all of the costs and expenses related to any previous or future ~~cyber~~ incidents. In addition, our future insurance premiums may increase, and we may be unable to obtain similar levels of insurance on reasonable terms, or at all, due to challenging conditions in the insurance industry. Any inadequacy of, or inability to obtain, insurance coverage could have a material adverse effect on our results of operation and financial condition. Changes in accounting standards, or the recognition of impairment or other charges, could adversely affect our future results of operations. New accounting standards or changes in financial reporting requirements, accounting principles or practices, including with respect to our critical accounting estimates, could adversely affect our future results. We may also be affected by the nature and timing of decisions about underperforming markets or assets, including decisions that result in impairment or other charges that reduce our earnings. In assessing the recoverability of our long- lived assets, goodwill and intangible assets, we consider changes in economic conditions and make assumptions regarding estimated future cash flows and other factors. These estimates are highly subjective and can be significantly impacted by many factors such as business and economic conditions, operating costs, inflation, competition, consumer and demographic trends and restructuring activities. If our estimates or underlying assumptions change in the future, or if the operating performance or cash flows of our business decline, we may be required to record impairment charges, which could have a significant adverse effect on our reported results for the affected periods. Tax matters, including changes in tax rates or laws, imposition of new taxes, disagreements with taxing authorities and unanticipated tax liabilities, could impact our results of operations and financial condition. We are subject to income and other taxes in the United States and foreign jurisdictions, and our operations, plans and results are affected by tax matters and initiatives around the world. In particular, we are affected by the impact of changes to tax rates, laws or policies or related authoritative interpretations. We are also impacted by the settlement of adjustments proposed by taxing and governmental authorities in connection with our tax reviews and audits, all of which will depend on their timing, nature and scope. While we believe our recorded provision for income taxes properly reflects all applicable tax laws as currently enacted, there can be no assurance that we would be successful in challenging adjustments by the relevant tax authorities. Any significant increases in income tax rates, changes in income tax laws or unfavorable resolution of tax matters could have a material adverse impact on our results of operations and financial condition. Our operations are subject to fluctuations in foreign currency exchange rates. Most of our revenues, costs and indebtedness is denominated in U. S. dollars, which is also our reporting currency. Our international operations that are denominated in currencies other than the U. S. dollar are translated to U. S. dollars for our financial reporting purposes and are impacted by fluctuations in currency exchange rates and changes in currency regulations. Our exposures to foreign currency risk are primarily related to fluctuations in the Canadian dollar relative to the U. S. dollar for our Canadian operations. Unfavorable currency fluctuations could reduce our royalty income and revenues. While we attempt to minimize our foreign currency risks, our risk management strategies may not be effective and our results of operations and financial condition could be adversely affected. Our results can be adversely affected by unforeseen events, such as adverse weather conditions, natural disasters, hostilities, social unrest, health epidemics or pandemics or other catastrophic events. Unforeseen events, such as adverse weather conditions (including related to climate change), natural disasters, hostilities (including acts of war, terrorist activities and public or workplace violence), social unrest, health epidemics or pandemics or other catastrophic events can adversely affect consumer spending, consumer confidence, restaurant sales and operations, supply chains and our ability to perform corporate or support functions at our restaurant support center, any of which could affect our business, results of operations and financial condition.