

Investment Stewardship

Vote Bulletin: Noodles & Company

Company	Noodles & Company (NASDAQ: NDLS)
Market and Sector	United States, Consumer Discretionary
Meeting Date	15 May 2024
Key Resolutions ¹	Item 4: Disclose GHG Emissions Reductions Targets
Key Topics	Climate-related risks and opportunities, financial resilience
Board Recommendation	The board recommended shareholders vote AGAINST Item 4
BlackRock Vote ²	BlackRock voted AGAINST Item 4

Overview

Noodles & Company is a U.S.-based restaurant chain. As of January 2024, 90 out of the 470 operated restaurants were franchise locations.

As part of our fiduciary duty to our clients, BlackRock Investment Stewardship (BIS) promotes sound corporate governance as an informed, engaged shareholder on their behalf. In our experience, sound governance is critical to long-term financial value creation and the protection of investors' interests.

BIS takes a constructive, long-term approach to engagement with companies and focuses on the management and oversight of the drivers of risk and financial value creation in a company's business model. Engagement may also help inform our voting decisions for those clients who have given us authority to vote on their behalf.

In advance of the shareholder meeting, BIS engaged with Noodles & Company to discuss the company's governance and strategy as well as the board's oversight of, and management's approach to, material climate-related risks and opportunities. and how these align with the financial interests of our clients as long-term, minority investors.

¹ Noodles & Company, "[Notice of Annual Meeting of Stockholders](#)", March 2024.

² BIS conducts proxy voting for those clients who authorize us to vote on their behalf. As part of BlackRock's Voting Choice program, eligible institutional and retail clients can have greater access to the proxy voting process where legally and operationally viable. Read more about Voting Choice [here](#).

Rationale for BlackRock's vote

Item 4: Disclose GHG Emissions Reductions Targets (AGAINST)

BIS did not support this shareholder proposal because, based on our assessment and given the company's current financial situation, at this time the company's resources are better spent stabilizing its long-term financial future for the benefit of investors.

The agenda of Noodles & Company's May 2024 annual general meeting (AGM) included a shareholder proposal requesting that the company "disclose its current [greenhouse gas] GHG emissions, establish and publish targets for measurably reducing them, and regularly report progress meeting those targets."³

As discussed in our [Global Principles](#), when assessing shareholder proposals, we evaluate each on a pragmatic, case-by-case basis, taking into consideration the context within which a company is operating. We evaluate each proposal on its merit, with a singular focus on its implications for long-term financial value creation by that company.

BIS does not view the shareholder proposal as overly prescriptive or unduly constraining on management's decision-making. Currently, Noodles & Company does not disclose data on its GHG emissions, nor has it set reduction targets. The company lags its peers by not disclosing GHG emissions.

However, Noodles & Company is currently in a challenging financial position. Its stock price is down more than 80% over the last 3 years, total revenues have fallen 1.2% in 2023 compared to 2022, average unit volumes decreased 2.3% in 2023 compared to 2022, and it returned a net loss of \$9.9 million in FY2023.⁴ The company ended its fiscal year with \$80.2 million in long-term debt (up from \$46.1 million at the end of the previous fiscal year) and, as of the company's annual meeting date, had a market capitalization of approximately \$97 million.⁵ In addition, the company recently had a leadership change with new CEO named in March 2024.

Based on our assessment, the financial cost to the company to provide the information sought in the proposal outweighed the informational benefit to investors in light of its financial condition. Given the company's situation, it is in our clients' long-term financial interests for the board and management to focus on executing the strategic turnaround plan and bolstering the company's capacity for sustained earnings growth. In our view, it would be more productive to wait for the company to stabilize before seeking climate-related disclosures.

Accordingly, we did not support the shareholder proposal. As previously mentioned, we evaluate shareholder proposals on a pragmatic, case-by-case basis, with a singular focus on its implications for the long-term financial value creation by that company.

As the company improves its long-term financial resilience, as discussed in our [U.S. proxy voting guidelines](#), understanding the company's scope 1 and scope 2 emissions will become increasingly helpful to assess underlying long-term investment risk.

³ Noodles & Company, "[Notice of Annual Meeting of Stockholders](#)", March 2024.

⁴ Source: S&P Capital IQ, May 2024.

⁵ Source: 2023 10-K, S&P Capital IQ, May 2024.

About BlackRock Investment Stewardship (BIS)

BlackRock Investment Stewardship (BIS) promotes sound corporate governance as an informed, engaged shareholder on behalf of our clients. For those clients who have given us authority,⁶ we vote proxies in line with our public [Global Principles and regional voting guidelines](#) and informed by our engagements, where relevant, as well as our analysis of company disclosures.⁷ We vote with the sole objective to advance our clients' long-term financial interests.

As one of many shareholders, and typically a minority one, our role, on behalf of our clients as long-term investors, is to better understand how a company's leadership is managing risks and capitalizing on opportunities to help protect and enhance its ability to deliver long-term financial returns.

The BIS team of more than 65 dedicated professionals⁸ operates across nine offices globally, taking a localized approach while also benefitting from global insights. We focus most of our efforts on corporate governance as, in our experience, sound governance is critical to the success of a company, long-term financial value creation, and the protection of investors' interests.

We are committed to transparency in the stewardship work we do on behalf of clients. The BIS [Global Principles, regional voting guidelines](#), and five [engagement priorities](#) (collectively, the BIS policies) set out the core elements of corporate governance that guide our investment stewardship program globally and within each regional market every year. These policies support effective stewardship processes and transparency and align with our commitment to pursue long-term financial returns for our clients as shareholders.

In addition, we inform clients about our engagement and voting policies and activities through direct communication and through various other disclosure on our [website](#). For shareholder meetings where a vote might be of particular interest to clients, we may publish a vote bulletin after the meeting explaining how we voted on key proposals.

Want to know more? blackrock.com/stewardship

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⁷ As detailed in our [Global Principles](#), proxy voting involves logistical issues which can affect BlackRock's ability to vote such proxies, as well as the desirability of voting such proxies. As a consequence, BlackRock votes proxies on a "best-efforts" basis.

⁸ As of December 31, 2023.