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When Chipotle opened its first restaurant in 1993, the idea was simple: show that food served fast didn’t have to be a “fast-food” experience. Using high-quality raw ingredients, classic cooking techniques, and distinctive interior design, we brought features from the realm of fine dining to the world of quick-service restaurants.

Over 23 years later, our devotion to seeking out the very best ingredients we can—raised with respect for animals, farmers and the environment—remains at the core of our commitment to Food With Integrity. And as we’ve grown, our PURPOSE has expanded to CULTIVATING NOURISHED COMMUNITIES WHERE WHOLESOME FOOD IS ENJOYED EVERY DAY.
INTRODUCTION

A LETTER FROM OUR CEO

I founded Chipotle with a very simple idea – that food served fast didn’t have to be “fast food.”

I knew that great fast food could be made with ingredients that were responsibly sourced and classically prepared; that it could be wholesome and accessible to all. As the business grew, Chipotle had an even greater opportunity – to change the way people think about and eat fast food. Chipotle has always been about creating something authentic. I’m pleased that our perspective on food culture has helped influence the industry, and I’m excited about the possibilities that lie ahead.

Chipotle is built on doing a few things very well. This commitment to simplicity begins with the farms that provide our fresh ingredients and culminates in the restaurants where we serve our delicious food. Because this is our first Sustainability Report, we’re returning to the roots of our business and explaining how sustainability is at the core of our culture.

I’m committed to providing more sustainable food and am confident in the advances we will make in the coming years. Transparency is trust – trust in our food, in our employees and in our goals. It’s about looking to the future and acknowledging where we can improve.

Even in the face of challenging circumstances, we’ve learned to adapt and refine. As I look back to 2016, I’m proud of how Chipotle evolved and grew stronger as an organization. We embedded significant changes into our operations, including the implementation of an industry-leading food safety system and additions to our leadership team. We strengthened our corporate culture and sharpened our customer focus – both of which have helped us to reach even higher as an organization.

It’s our belief that delicious, nutritious and accessible food – sourced and served the right way – can cultivate...
a better world. And, while serving food made from real, wholesome ingredients has its challenges, it also has the power to positively impact people. Now more than ever, I believe in choosing the hardest right over the easiest wrong, as that’s always what is best for our business and customers.

As we look to the future, you can expect Chipotle to maintain its commitment to transparency. You will continue to see us sourcing quality ingredients from responsible suppliers and being active in conversations concerning sustainably raised food. Chipotle champions issues that are important to our employees and customers – including critical matters of food safety, animal welfare, nutrition and the environment.

I want to thank all of our partners and customers for their continued support. I’m excited to build a strong foundation of communication in this inaugural Sustainability Report, and am enthusiastic about creating a better world by ensuring good food is accessible to all.

Sincerely,

Steve Ells
Founder, Chairman and Chief Executive Officer
Chipotle Mexican Grill
Sustainability is a core value for Chipotle. We are proud to take the significant step of releasing our first Sustainability Report to document our policies and priorities.

In compiling this report, we have engaged stakeholders; conducted a materiality analysis; gathered and audited our environmental, social and governance (ESG) data; and worked with our leadership team to ensure alignment and identify new ways to revisit our internal sustainability operations.

This report is structured around the two most important components of Chipotle’s business: farms and restaurants.

We intend to publish our next Sustainability Report in 2019 with subsequent reports published every other year after that.

The data in this report cover activities and initiatives that occurred during the 2016 calendar year, unless otherwise stated. The report covers our owned and managed operations, including leased real estate.

As part of this reporting process, we have taken a close look at our operations and how we track our data. We continue to assess Chipotle’s ESG impacts across our supply chain. We want to fully understand and measure the environmental and social impacts of our business across our entire value chain.

This report is aligned with the Global Reporting Initiative's (GRI) Standards reporting framework – in accordance with the “Core” option. GRI is an international standard that promotes transparent disclosure of our ESG performance. It also provides a tool for stakeholders to compare Chipotle’s performance with our peers on material metrics.

To determine the content of this report, we worked with a third party to conduct a materiality assessment to identify the topics, or material issues, most important to our business according to the opinion of key internal and external stakeholders.

Thank you for taking the time to read our inaugural Sustainability Report. We are eager to hear your feedback and answer any questions you may have. Please contact us via SustainabilityReporting@chipotle.com.
The idea behind Chipotle is simple: food served fast does not have to be “fast food”. Using high-quality wholesome ingredients, classic cooking techniques and an interactive service format where guests choose exactly what they want, we strive to make delicious food accessible to all in a welcoming and engaging environment.

We have been devoted to sourcing and cooking the best ingredients since we opened the doors of the first Chipotle in 1993.

More than 2,200 restaurants later, we are a leader in “fast-casual” dining – the fastest growing category of the restaurant industry – where the ethos of full-service restaurants is combined with the convenience of fast food.

In 2016, we operated four brands: Chipotle, Pizzeria Locale, Tasty Made and ShopHouse. In early 2017, we closed all our ShopHouse locations.

Chipotle Mexican Grill is publicly traded on the New York Stock Exchange as CMG. Our headquarters are in Denver, Colorado and our other principal offices are in New York, New York and Columbus, Ohio. Our Chipotle Development Lab is in Brooklyn, New York. We operate restaurants in the United States, Canada, the U.K., Germany and France.
Chipotle has always set internal goals to improve our business – from sourcing more sustainably raised pork to increasing our use of locally grown produce over the years to reducing the amount of waste we send to landfills.

But we know there is still much more to do.

We understand the value of setting and working toward goals and recognize that many people want to know what we are seeking to accomplish. As a result, we have decided to share some of the internal goals set by our teams. We plan to expand this practice in subsequent Sustainability Reports, and offer these goals as a starting point:

PEOPLE
• Decrease turnover among our restaurant salaried employees, hourly crew and restaurant managers
• Monitor labor issues along our supply chain
• Increase the diversity of our employees

FOOD & ANIMALS
• Increase both the total pounds of produce purchased from local suppliers, and the number of suppliers in our local grower program in 2017
• Continue to improve load optimization throughout our supply chain and ultimately reduce our emissions
• Explore third-party certification programs to validate best-in-class antibiotic protocols for our pork supply in 2018
• Improve our trailer utilization, reducing transportation costs and carbon dioxide emissions
• Continue to work with our chicken suppliers to advance broiler chicken welfare, with respect to environmental enrichments, natural lighting, improved stocking density and controlled atmospheric stun
• Seek to achieve a higher rating with the Business Benchmark on Farm Animal Welfare (BBFAW) by improving our animal welfare practices wherever possible and continuing to be transparent in our sustainability communications in 2018

ENVIRONMENT
• Fully measure and report our Scope 3 emissions by 2025. We will continue to take key steps toward this goal in all future Sustainability Reports, including mapping our biggest environmental impacts along our value chain in our 2019 report
• Calculate and assure our Scope 1 and Scope 2 emissions in 2017 and 2018 and publish those third-party assured results starting in our 2019 report
• Install a comprehensive energy management system at 100 percent of our restaurants by 2019, against a baseline of 5 percent at the end of 2016
• Reduce average energy consumption per restaurant by 5 percent by 2020, normalized for weather
• Divert 50 percent of our waste from landfills by 2020, against a baseline of a 37 percent diversion rate at the end of 2016
• Report the total volume of water that we use, recycle and reuse by 2021
• Ensure at least 80 percent of our restaurants participate in our food donation “Harvest Program” by 2020, against a baseline of 15 percent at the end of 2016
• Ensure 100 percent of our restaurants are recycling by 2020, against a baseline of 80 percent at the end of 2016
• Set up a composting program at 20 percent of all restaurants by 2020, against a baseline of 10 percent at the end of 2016
• Reduce overall average waste per restaurant by 5 percent by 2020
• Introduce compostable burrito bowls at all locations by 2018
• Request and review sustainability efforts with key logistics partners by 2019
• Produce 50 percent of all burrito bowls domestically by 2020
As a leader in fast-casual dining, we recognize our ability and responsibility to set high standards of excellence and to influence those around us. It’s our goal to make better food, made with real ingredients, available to everyone.

We work to create industry-leading policies and enforce responsible practices in the fields of animal welfare, genetically modified organisms (GMOs), preservatives, colors, flavors and other industrial additives. We passionately advocate for our customers and employees, and with this report, we are working to share more about how we also advocate for the animals, farmers and others who touch our supply chain. We do this by enforcing strict production and welfare standards for everything from limes to pork, and by partnering with industry groups to share not only what works for us but also where we face challenges. Additionally, advocacy is an important component of our broad sustainability platform.

There are many sourcing, labor and environmental challenges and opportunities unique to the food services industry. While Chipotle has always worked to share its commitment to responsibly sourced, delicious food with our customers, we want to share our actions and priorities in this report.

Chipotle was the first national restaurant brand to sell food with no added colors, flavors or preservatives in any of its ingredients – and this includes so-called “natural” flavors, colors and preservatives (with the exception of lemon and lime juice). We were the first national restaurant brand to use only meat from animals raised in accordance with our Responsibly Raised protocols, to use dairy made with milk from pasture-raised cows and to maintain significant commitments to local and organically grown produce. We were also the first national restaurant company to disclose the GMO ingredients in our food, and are now the first to prepare our food using only non-GMO ingredients.

Our attention to responsible sourcing allows us to look several years down the road at the trends that may impact not just our ability to find the ingredients we want, but also the ability of our competitors and industry partners to do the same. The cost of certain ingredients, and whether other companies will be able to shoulder the effort of procuring and paying for them alongside us, will present challenges. As our business grows, we will uncover even more opportunities to innovate. And more than ever, building and maintaining trust with our customers, especially in an age where information is shared faster than ever, is an ongoing priority.
In preparing this report, we conducted a third-party materiality assessment to identify the environmental, social and governance (ESG) issues most relevant to our internal and external stakeholders, and those issues within our control.

We assessed 41 topics across the financial, operational and reputational spectra of our business — assessing both our degree of control and each topic’s potential future impact. Through this materiality assessment, we identified the 14 highest priority issues for our business. We assessed each issue for its potential business impact, level of stakeholder concern and our degree of control.

Our methodology included several inputs and analyses:

- External insights, gathered through a trends analysis, peer benchmarking, and eight external stakeholder interviews. This external analysis included a review of key reports; a benchmark analysis of eight companies; a review of customer surveys we’ve conducted; and interviews with non-governmental organizations (NGOs), academics, investors and suppliers.

- Internal insights, gathered through 14 interviews with executives and staff, a survey of 22 staff members, and a review of reporting materials.

Our third-party consultant developed a list of topics it determined to be most important to our business, based on its interviews with internal and external stakeholders. These topics are:

- Attraction & Retention of Talent
- Climate Change Management
- Community Investment
- Customer Health & Wellness
- Energy & Greenhouse Gas Management
- Ethical Business Practices
- Fair Labor Practices
- Food & Agriculture Advocacy
- Food Safety & Quality
- Food Security & Affordability
- Responsible Food Sourcing
- Transparency & Disclosure
- Water Management

This matrix, based on stakeholder feedback, maps business impact and stakeholder concern from low to high. We overlaid these results with our assessment of the degree to which Chipotle has control over each subset of ESG issues.
REPORTING ON MATERIAL ISSUES

To align with the Global Reporting Initiative (GRI) Standards, we have used the results of this materiality assessment to shape the content of this report.
FARMS

Everything at Chipotle begins with the people who grow and harvest our fruits and vegetables, and raise the pigs, chicken and cattle from which we source our meat.

Our commitment to responsible labor practices across our supply chain is affirmed in our Supplier Code of Conduct, which we require our suppliers to sign annually.

OUR GOAL

We strive to engage with all of our suppliers regarding their labor practices across produce, dairy and meat and to set clear expectations for these practices.

LABOR IN OUR SUPPLY CHAIN

In Immokalee County, Florida, the Coalition of Immokalee Workers (CIW) saw an opportunity to protect farmworkers.

CIW's Fair Food Program provides a bonus for tomato pickers to improve wages, and binds growers to protocols and a code of conduct that explicitly includes a voice for workers in important issues such as health and safety. The Fair Food Program is a partnership between farmers, farmworkers and retail food companies that ensures humane wages and working conditions for those who pick fruits and vegetables on participating farms. Tomato workers in southern Florida provide a significant portion of the tomatoes Chipotle uses. They deserve to be paid a sustainable and fair wage, and to be recognized as crucial contributors to our supply chain. We know that the farms within the Fair Food Program account for approximately 90 percent of Florida tomato production—which itself accounts for about 90 percent of all winter tomatoes grown in the United States. This population is important to our supply chain, and we believe ensuring a fair and sustainable working environment is the right thing to do.

In 2012, we joined CIW in building a more sustainable tomato industry in Florida. We are proud of our involvement with the Fair Food Program and excited to be part of its continued success.

OUR PROCUREMENT PRACTICES

It is our goal to monitor labor issues along our supply chain—both challenges and opportunities.

Chipotle sets supplier standards across multiple product categories, from the equipment we use in our kitchens, to the meat and dairy we serve to our customers, and the packaging that contains our food. Our Animal Welfare team sets exacting standards to which our meat and dairy suppliers must adhere, and every year we require signed production affidavits affirming their compliance. We obtain product specification forms from our packaging suppliers, and evaluate each form to ascertain the source of raw materials and the percentage of recycled content they contain.

We conduct internal and third-party audits of our meat and dairy suppliers. Having an in-house audit team allows us to closely track our suppliers and the improvements we make to our supply chain practices. We perform regular site visits to ensure all facilities are in good condition. Using an internal audit team allows us to capitalize on our knowledge of suppliers' operations and make recommendations based on our observations. Most of our packaging audits are currently undertaken by in-house teams, though we are looking to introduce third-party audits to this category as part of our ongoing supply chain improvements.
We recognize that many people want to work for a company that values sustainability, and we work hard to ensure our benefits package and employee culture match our philosophy. We eagerly invest in education benefits and wellness initiatives, and will continue to identify what resonates most with our employees to ensure they can thrive in their careers at Chipotle.

**60,000+**

**EMPLOYEES**

**5**

**COUNTRIES**

**2,250***

**RESTAURANTS**

*2,227 of which were Chipotle restaurants; the remainder were Tasty Made, ShopHouse and Pizzeria Locale*
EMPLEYESS

We have more than 60,000 talented and diverse employees across Chipotle in the United States, U.K., Canada, Germany and France — though our biggest presence by far is in the United States. As of December 31, 2016, in the United States, we had 59,156 hourly restaurant employees, 3,553 salaried restaurant employees and 1,069 corporate employees. We had 817 hourly restaurant employees, 61 salaried restaurant employees and 16 corporate employees at our locations in Canada, the U.K., Germany and France.

We use Workday® to manage our employee data.

OUR GOAL

We are committed to increasing the diversity of our teams across Chipotle.

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Data is U.S. only, 2016.
An important evolution in our commitment to safe food handling practices is our expanded sick leave policy, which applies to all Chipotle employees.

**EMPLOYEE SAFETY**

Creating a safe work environment is a top priority, and we work hard to ensure all employees understand and engage in safe working practices.

The “Chipotle Security Policy” and “Crew Handbook” together convey our employee safety policies. New employees are required to sign these documents electronically upon joining, and all employees promoted to a management position are additionally required to sign the Restaurant Management Handbook.

Our Director of Compliance, together with the Compliance team, regularly reviews these documents to ensure they are clear and relevant. Updates are published as needed, and are available electronically through Workday.

Our employee safety measures include, for example, teaching employees to not be alone in the restaurant, following cash handling.

In 2016, Chipotle had eight minor Occupational Safety and Health (OSHA) safety complaints, all of which were fully resolved. There were no workplace-related deaths.

Our commitment to safe food handling continues to grow and includes our expanded sick leave policy, which applies to all Chipotle employees. Chipotle is the only national fast food company to provide sick leave so that employees do not feel compelled to work when they are unwell.

**DIVERSITY & INCLUSION**

We believe in diversity, equal opportunity and a workplace free from discrimination and all forms of harassment. These values improve our business and ensure we maintain a positive working environment for all employees.

Chipotle prohibits workplace discrimination and all forms of harassment, including sexual harassment. We have a strict rule against workplace conduct that violates any law, makes someone feel unwelcome or that is otherwise a distraction from anyone doing a job to the best of their ability. Employees who violate our Respectful Workplace Policy; our Anti-Discrimination, Harassment and Sexual Harassment Policy; or the law are subject to discipline, which could include termination. We do not discriminate against any protected status. For more detailed information, see information here. This policy applies to all our employment practices, including recruiting, hiring, pay, performance reviews, training and development, promotions and other terms and conditions of employment.

**CAREERS**

In 2016, our rate of internal promotion was 90 percent. This rate measures the percentage of managers that we promoted into an Apprentice position versus all salaried manager hires at Chipotle.

Our employees receive ongoing training. Cumulatively, shoulder-to-shoulder training, in-restaurant meetings and training, and video training provide our crew the equivalent of 15 days of training each year. Each year Kitchen Managers and Apprentices receive the equivalent of six weeks of training, and Service Managers receive four weeks.

We do not have collective bargaining agreements. We have policies, practices and training that ensure we comply with all federal, state and local employment obligations. We will continue to ensure we comply fully with all obligations.

Finally, we work to position ourselves as an employer of choice, even in times of change that are inevitable in our industry. During extreme weather, natural disasters and emergencies we have paid our employees, even when our restaurants were closed, to support them through a period of change.
EMPLOYEE EVALUATIONS & COMPENSATION

Recently, we implemented a new process for evaluating our restaurants. We audit key operational and customer service metrics, including metrics related to food safety protocols and compliance.

We are pleased to offer excellent opportunities for career advancement, and are committed to providing competitive wages and benefits to all our employees. We pay all our entry-level hourly restaurant employees above the federal minimum wage or, where applicable, at or above state or local minimum wage.

We also believe that a sustainable economy is integral to ensuring the health and general well-being of workers and their families. We will always seek to attract and retain the best employees, providing them with competitive wages and benefits to help us achieve our goals.

In 2016, our staff employee turnover was 19.8 percent, up from 14 percent in 2015.

While high employee turnover is a characteristic of the restaurant industry, we strive to ensure that every new hire is properly educated in Chipotle’s food safety protocols. By continuing to build a positive and inclusive culture, our goal is to decrease turnover among our restaurant salaried employees, hourly crew and restaurant managers.

A significant majority of our executive compensation package is tied to ambitious and publicly identified metrics. We started as a start-up in Denver in 1993 and that model necessitated accountability and ownership. We are proud that those characteristics are still true today.
**Hourly Restaurant Benefits**

**Healthcare**

Whether a full or part-time team member, all Chipotle employees are eligible for coverage from the first of the month after their hire date (this extends to domestic partners and same sex-spouses). As no two employees are the same, we offer different medical plans that cover preventive care, office visits, hospitalization, and surgery. Our healthcare includes optional dental, vision and wellness plans. Available coverage may vary by position and location.

**Savings**

- **401K**
  
  Our 401K includes a partial company match after 1 year of employment; all funds are fully vested from day one.

- **Employee Stock Purchase Program**
  
  Employees can contribute a percentage of their base pay through payroll deductions. These contributions are used at the end of each month to purchase whole and fractional shares of Chipotle stock at a discounted price.

- **Discounts**
  
  All employees are eligible to receive discounts and savings from national and local merchants and service providers through our employee discount program.

**Paid Time Off**

We offer our hourly employees sick time and the chance to accrue paid vacation time.

**Performance-Based Pay**

- **Merit Review (Pay Increases)**
  
  We hold annual performance reviews. Crew and Hourly Managers are eligible to receive a merit increase after each review, based on their performance and overall contribution to the restaurant.

- **Crew Bonus**
  
  All full-time Crew and Hourly Managers (working more than 32 hours per week on average) who have been with the company for a year or more are eligible for a bonus each December.

**Perks**

- **Free Meals**
  
  Every employee gets a free shift meal.

- **50% Discount**
  
  Every employee gets 50 percent off of food and soft drinks purchased at their home store when not working.

- **Wellness Discount**
  
  We offer discounts on insurance premiums for participation in some of our wellness programs.

- **Free Uniforms**
  
  We provide all employees comfortable organic cotton tees custom-made for Chipotle.

**Educational Assistance**

Full and part-time employees are eligible for our new educational assistance program offered through Guild Education, allowing them to earn a college degree.

- **Tuition Savings**
  
  Employees can save up to 99 percent on college costs. They can receive up to $5,250 from Chipotle in tuition assistance and up to $5,185 in federal grants each year. Combined with discounted tuition, paying for college could cost employees as little as $250 per year.

- **Credit Hours**
  
  Employees can earn up to 44 credit hours. Employees can earn a third of their degree without setting foot in the classroom. With each promotion, Chipotle employees can earn additional credit hours towards their degree.
SALARIED AND STAFF BENEFITS

HEALTHCARE
Whether a full or part-time team member, all Chipotle employees are eligible for coverage from the first of the month after their hire date (this extends to domestic partners and same-sex spouses). As no two employees are the same, we offer different medical plans that cover preventive care, office visits, hospitalization, and surgery. Our healthcare includes dental, vision and wellness plans.

SAVINGS
• 401K
  Our 401K includes a partial company match after 1 year of employment; all funds are fully vested from day one.
• EMPLOYEE STOCK PURCHASE PROGRAM
  Employees can contribute a percentage of their base pay through payroll deductions. Those contributions are used at the end of each month to purchase whole and fractional shares of Chipotle stock at a discounted price.
• FLEXIBLE SPENDING ACCOUNTS
  We offer health care and dependent care flexible spending accounts as well as commuter transit and parking programs that help employees save money throughout the year.
• ADOPTION ASSISTANCE
  Chipotle can help cover the cost of adoption for eligible employees.
• DISCOUNTS
  All employees are eligible to receive discounts and savings from national and local merchants and service providers through our employee discount program.

PAID TIME OFF
• PAID TIME OFF
  Our salaried and staff employees get paid holidays, vacation, sick time and leave.
• SABBATICAL
  After 10 years of service, employees get two months of paid sabbatical in addition to their regular vacation.

PERKS
• FREE MEALS
  Corporate employees get $100 a month to spend in our restaurants.
• WELLNESS DISCOUNT
  We offer discounts on insurance premiums for participation in some of our wellness programs.
• LIFE & DISABILITY INSURANCE
  We offer basic life insurance as well as disability benefits in case of a work-related illness or injury.
• EMPLOYEE ASSISTANCE PROGRAM
  We offer confidential, prepaid access to professional counseling for salaried employees and their eligible dependents.

PERFORMANCE-BASED PAY
• MERIT REVIEW (PAY INCREASES)
  We hold annual performance reviews. Salaried Restaurant Managers and Staff Employees are eligible to receive a merit increase once per year following a review, based on their ability to make the people around them better and impact Chipotle's success.
• SEMI-ANNUAL BONUS (SALARIED RESTAURANT MANAGERS)
  Twice a year, we award bonuses to our salaried managers on their ability to train and develop their people, deliver an excellent guest experience and serve delicious, safe food.
• ANNUAL BONUS (CORPORATE AND FIELD STAFF)
  The purpose of our corporate and field support teams is to create encouraging circumstances that allow our restaurant managers and crew to focus on running great restaurants and achieving our vision of ensuring that better food is accessible to everyone. Following annual performance reviews, support staff members are eligible to receive a bonus based on how well Chipotle does, how well their team does and how well they perform individually.

EDUCATIONAL ASSISTANCE
Full and part-time employees are eligible for our new educational assistance program offered through Guild Education, allowing them to earn a college degree.
• TUITION SAVINGS
  EMPLOYEES CAN SAVE UP TO 99 PERCENT ON COLLEGE COSTS
  They can receive up to $5,250 from Chipotle in tuition assistance and up to $5,185 in federal grants each year. Combined with discounted tuition, paying for college could cost employees as little as $250 per year.
• CREDIT HOURS
  EMPLOYEES CAN EARN UP TO 44 CREDIT HOURS
  Employees can earn a third of their degree without setting foot in the classroom. With each promotion, Chipotle employees can earn additional credit hours towards their degree.
PROVIDING OPPORTUNITY — 
AND AN EDUCATION

In 2015, we expanded Chipotle’s educational benefits and redoubled our commitment to providing opportunities for our employees to learn and flourish.

In partnership with Guild Education, Chipotle offers best-in-class education benefits. All employees are eligible to receive discounted tuition, deferred tuition payments and a potential reimbursement of up to $5,250 per year — even if they already have a degree. A student can earn a four-year degree for as little as $250 per year.

Data from Guild Education shows that Chipotle restaurant employees enrolled in its programs who go back to school are twice as likely as their peers to be promoted within the company. Restaurant employees enrolled in a Guild Education program are also almost twice as likely to stay at Chipotle: as of mid-2017, 89 percent of employees who enrolled with Guild Education were still employed with the company after nine months.

At the end of 2016, 273 Chipotle employees were enrolled in programs through Guild Education, and 517 employees had taken at least one class. In 2016, 1,190 employees submitted 1,523 tuition reimbursement requests. We look forward to watching this number grow.

We want Chipotle to continue to be a place where people of all backgrounds want to work, staying with us to advance their careers and help us to deliver consistently great experiences for our customers.

“I always wanted to go to university, but couldn’t afford it. So, when Chipotle told me about the Business Program, I jumped right in... I am really thankful for the financial support Chipotle gave me.”

Oscar
General Manager
"Working at Chipotle has taught me so much more than I could have imagined, and I have been able to conquer every challenge put before me.

Using my journey at Chipotle as an example of how a high bar can inspire, I have been able to encourage other colleagues along the way.

I appreciate each and every person who taught me what I know at Chipotle, as well as each and every person I have then been able to teach.”

*Jeniffer De la Cruz*
General Manager, Florida

To attract and retain top talent, Chipotle strives to create a stimulating work environment that offers opportunities for training, development and promotion.
Our Code of Conduct, which is available online, reflects our commitment to the highest standards of integrity, ethics and compliance with the law in all our activities. All employees are required to sign the Code of Conduct as part of their orientation, and we expect all employees, officers and Board members to reflect the Code's standards every day. The Code establishes standards and expectations of ethical behavior. Our Code of Conduct includes our Integrity Statement, Anti-Discrimination, Harassment and Sexual Harassment Policy and our Confidentiality Promise.

We have an “open door” policy concerning issues of non-compliance with the Code of Conduct or any other company policy. We encourage employees to anonymously report any ethical concerns at the company by contacting our Respectful Workplace or Chipotle Confidential hotlines.

Chipotle advocates for ethical business practices throughout our business. We celebrate our people and work hard to cultivate a diverse community among our employees.

It is our explicit policy that we employ only those individuals who are authorized to work in the United States. We are committed to ensuring compliance with the Immigration and Nationality Act, as amended by the Immigration Reform and Control Act of 1986. Since 2011, we have used the E-Verify system to validate work authorization status.

Our immigration policy is stated in our employee handbook, and we require all hiring managers to attend new-hire training, which addresses immigration compliance. We require all Restaurateurs, General Managers and Apprentices to complete our immigration compliance training.

We hire and promote on the basis of job-related qualifications and abilities, without regard to any prohibited basis protected by federal, state and local laws. We strive to keep our workplace and practices free from any form of discrimination, intimidation, harassment or bias.

We are proud of the diversity of our employees and believe that such diversity helps make Chipotle a stronger company.
We support and engage with communities throughout the United States through thousands of annual fundraisers.

For example, we support Slow Food USA’s “National School Garden Program” to bring more resources to school gardens. We do this via fundraisers, food donations, gift cards and gardening-specific activities for kids.

We host fundraisers at individual restaurants as well as across markets, which vary in size. We typically donate 50 percent of sales coming from people visiting Chipotle for a given fundraiser.

Chipotle raised more than $20 million for community groups around the country in 2016.

Below are some of the many ways we engage with the community:

- In June 2016, we partnered with the Denver Botanic Gardens in our hometown of Denver, Colorado, to raise $7,000 for the organization, which connects people of all ages with plants to inspire them to be good environmental stewards.

- In August 2016, three local restaurants in Monterey and Sand City, California, raised $11,869 to help victims of the Soberanes wildfire.

- In August 2016, we hosted a sustainability-focused film screening and panel, donating all ticket proceeds to Urban Roots, an organization based in Austin, Texas. We raised $1,130 for the organization, which uses food and farming to transform the lives of young people.

- In October 2016, in San Antonio, Texas, we hosted a fundraiser for The Children’s Hospital of San Antonio Foundation, a non-profit group dedicated to healthcare, research and wellness programs serving children and families in South Central Texas. Across 10 participating restaurants, we donated more than $5,600.

- In October 2016, in Oregon, Vancouver and Washington, we raised $1,300 with Friends of Trees, an organization that cares for and expands green spaces in the Pacific Northwest and has planted more than 500,000 trees since its founding in 1989.

- In November 2016, in Flint, Michigan, we partnered with the Flint Child Health and Development Fund, and donated $4,200 to help support the long-term health and development needs of Flint children exposed to lead.
In 2011, we established the Chipotle Cultivate Foundation to expand the scope of impact of our corporate philanthropy. The foundation has several areas of focus: providing resources and promoting good stewardship for farmers; promoting better livestock husbandry; encouraging regenerative agriculture practices; and fostering food literacy, cooking education and nutritious eating. Since its inception, the Chipotle Cultivate Foundation has contributed more than $3 million to like-minded organizations committed to cultivating a better world through food.

THE CHIPOTLE CULTIVATE FOUNDATION & SMALL FARMS

When you think of farming, you might conjure up pastoral images of red barns, white picket fences and animals grazing outdoors. The reality of farm life, however, is often starkly different. Large-scale industrialized farms have replaced independent family farms as the primary suppliers of domestic meat, dairy and vegetables. In fact, today, small family farms account for just 16 percent of the food produced in the United States.

Industrial farming operations use large-scale factory techniques designed to drive the cost of food production as low as possible. This may appear to benefit consumers, but the cost of food from some industrialized farming is artificially low because some of the production costs have been shifted to other parts of the system – which can result in animal suffering, environmental degradation and the deterioration of local farming communities.

The Chipotle Cultivate Foundation believes that food can be produced efficiently and at a reasonable cost without threatening the environment, welfare of the animals or farmers and their local communities. By working with organizations like Farm Aid, FamilyFarmed.org and the Niman Ranch scholarship fund, we hope to support and strengthen the independent family farmers who are committed to more sustainable practices.
PROTECTING OUR CUSTOMERS

The safety of our customers is a top priority. We have state-of-the-art security systems in our restaurants, including 24-hour surveillance.

We are aware of the need to continuously monitor our data security practices and protocols, and have a clear chain of command to address any issues that arise.

We encountered no material IT security issues in 2016.

In 2017, we detected unauthorized activity on the network we use to support payment processing for our restaurants. After self-reporting the issue to payment card processors and law enforcement, we investigated this breach with the help of leading computer security firms. Our investigation found malware designed to access payment card data from cards used on point-of-sale devices at most Chipotle restaurants primarily between March 24 and April 18, 2017. This malware searched for certain data read from the magnetic stripe of payment cards; no other customer information was affected. We removed the malware from our systems and established new contact protocols for customers who believed they may have been impacted.

We continue to evaluate and improve our security measures.
CHAPTER 2

FOOD & ANIMALS

CHAPTER 2

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Since the first Chipotle opened in 1993, we have served fresh, wholesome ingredients prepared using classic cooking techniques. It has always been a top priority to ensure our food is safe, delicious, and made from responsibly sourced ingredients.

We have extremely strict food safety and supply chain standards, and we seek to partner with suppliers who share our vision of improving the industry for the collective social and environmental good.

All of the beef and chicken served at Chipotle is responsibly raised, from animals raised in more humane ways and without the use of antibiotics or added hormones. Our commitment to responsible sourcing started with our pork, beef and chicken. We then began a process of using more organic produce and pasture-raised dairy, thinking holistically about our ingredients and where they come from.

**OUR SUPPLY CHAIN PRIORITIES**

**FOOD SAFETY**
Our Executive Directory of Food Safety, our Quality Assurance, Supply Chain and Safety, Security and Risk teams all work to ensure all the food Chipotle serves is safe – as well as wholesome and delicious.

**QUALITY**
We assure the quality of our food across several metrics – animal welfare, the standards we set for our meats from animals raised responsibly, environmental considerations, and taste.

**EFFICIENCY**
Our approach to efficiency is founded on establishing long-term relationships with our suppliers – helping them meet our exacting sustainability and quality standards, and working with them to set equitable prices.

We have been improving our trailer utilization in order to reduce transportation costs and carbon dioxide emissions. We work with our distribution partners to optimize ordering and ensure that the maximum number of produce cases travel on each shipment. In 2016, we increased our rate of cases per trailer by approximately 15 percent across our distribution network.
FOOD SAFETY

We work closely with our suppliers to ensure the ingredients we buy are safe, and then strive to ensure these ingredients are prepared in the safest way possible in our restaurants.

OUR FOOD SAFETY PROCESS IS BROKEN DOWN INTO EIGHT STEPS:

1. Supplier Intervention  
2. Farmer Support and Training  
3. Advanced Technology  
4. Enhanced Restaurant Procedures  
5. Food Safety Certification  
6. Restaurant Inspections  
7. Ingredient Traceability  
8. Advisory Council
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**PORK**

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**CHICKEN**

- **HOUSES**
- **SLAUGHTER PLANTS**
- **DISTRIBUTION CENTERS**
- **RESTAURANTS**

**PRODUCE**

- **FARM (OWNED OR SUPERVISED BY THE SHIPPER)**
- **PACKING PLANT (FOR SOME OF OUR PRODUCE)**
- **DISTRIBUTION CENTERS**
- **RESTAURANTS**

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*There are three domestic central kitchens where we cook our beef and pork. We also cook our tofu (sofritas) and beans in central kitchens.*

GRI FP1, FP2, FP5
SUPPLIER INTERVENTION

Our process to avoid food safety risks before ingredients reach Chipotle

We require our suppliers to:

- Implement scientifically validated preventative systems – including validated Hazard Analysis and Critical Control Point (HACCP) plans and advanced technologies to further control food safety risks
- Document the effectiveness of their food safety interventions used in harvesting and preparation
- Routinely verify the effectiveness of their food safety interventions by using microbiological testing methods recognized by the U.S. Food and Drug Administration (FDA) and U.S. Department of Agriculture (USDA)
- Implement effective antimicrobial interventions to ensure food safety, validated through monitoring and microbial testing

We emphasize to our suppliers that the first step of food safety is the design of safe processes, and we validate the control of harmful bacteria in all our meat, chicken, dairy and produce ingredients through rigorous testing.
We aim to use local ingredients whenever environmentally appropriate and economically viable, although location is not a primary commitment within our responsible sourcing practices. (Local ingredients are those sourced within 350 miles of a restaurant.)

Through our Local Grower Support Initiative (LGSI), we provide training and funding to local farmers so they can implement higher standards of food quality and safety. We set aside $10 million when we restarted the initiative in August 2016 to help create a market for local suppliers and bring them up to our food safety standards. We support our local growers by providing and covering the cost of audits, building facilities or providing tools and training them on Chipotle’s Quality Assurance processes. The LGSI enables local growers to supply not just Chipotle but other large companies as well.

It is imperative Chipotle sources ingredients that are raised responsibly with respect for animals, the environment and farmers. However, not all suppliers are able to invest in the processes and techniques required to meet our food safety requirements. Chipotle’s LGSI allows us to support smaller farms by providing the necessary funding and training to comply with our exacting standards.

*We suspended our Local Grower Support Initiative after our food safety incidents in late 2015 while we reviewed our purchasing processes and revamped our auditing program. We restarted the LGSI in August 2016.

It is our goal to continue to increase the quantity of produce purchased from local suppliers in 2017, as well as the number of suppliers in this program.

Local Produce Purchased

<table>
<thead>
<tr>
<th>Year</th>
<th>Quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>50 million pounds</td>
</tr>
<tr>
<td>2016</td>
<td>16 million pounds*</td>
</tr>
</tbody>
</table>

*We are suspending our Local Grower Support Initiative after our food safety incidents in late 2015 while we reviewed our purchasing processes and revamped our auditing program. We restarted the LGSI in August 2016.
Chipotle has partnered with Azzule’s Local Farmer Program to provide on-site food safety training and audits of local growers throughout the United States. Azzule is a third-party auditor that has the infrastructure and expertise to design and conduct food safety audits that ensure our local growers have proper HACCP in place and meet our strict safety and quality requirements.

Azzule validated our grower community with our Food Safety Team and confirmed that all our growers have third-party audits in good standing.

This work includes implementing procedural changes in the field and during packing, as well as updating equipment and other aspects of each farm, to enhance the safety and quality of the product. Our internal Food Safety team, led by James Marsden, Ph.D., and Arturo Tanus, Ph.D., review the results of Azzule’s audits. These internal experts ensure local growers meet our requirements and independently evaluate the growers HACCP plans and safety documentation.
ADVANCED TECHNOLOGY

Advanced tools that eliminate pathogens while maintaining food quality

We utilize several advanced technologies in our commissaries and restaurants to eliminate pathogens from raw ingredients without affecting nutrition or taste. Examples include:

SOUS VIDE
Sous vide (“under vacuum” in French) is a process by which foods are placed in a vacuum-sealed package and heated at low temperatures for extended periods of time. It is a method of cooking employed by many of the world’s great chefs. It is also a recognized and validated intervention for controlling harmful bacteria. We use the sous vide process at the commissary level for our steak. Our sous vide process is performed under continuous USDA inspection and monitored using sophisticated data collection, including continuous temperature monitoring. Once the steak has been heated at a low temperature for a precise amount of time, it is marinated and grilled in our restaurants. The result is steak that is smoky, tender and flavorful.

BLANCHING
Blanching involves briefly submerging an ingredient in hot water in order to destroy harmful bacteria. It is not uncommon for fresh fruits and vegetables to harbor harmful bacteria on their skins. We have performed detailed scientific studies that quantify the specific benefits and best techniques for this procedure. Chipotle’s blanching process for controlling foodborne pathogens was approved by a scientifically validated study at an independent lab. In 2016, we blanched our bell peppers, lemons, limes, oranges, jalapeños, onions and avocados.
ENHANCED RESTAURANT PROCEDURES

Protocols for handling ingredients and sanitizing surfaces in our restaurants

We maintain a clean environment in our restaurants and employ safe food handling. In 2016, we enhanced our already strong sanitation and HACCP systems designed to ensure restaurant sanitation and food preparation practices. The HACCP systems implemented in our restaurants identify the critical processes that must be controlled and monitored in order to ensure food safety. The food safety leader in each restaurant monitors the daily HACCP logs to provide the greatest possible assurance and data collection. The food safety leader is the senior manager on duty during each shift and is responsible for checking that all food safety procedures are carefully followed.

These enhanced procedures help to ensure that any pathogens that may have survived the supply chain are eliminated in our restaurants. They also help to ensure the restaurants do not themselves become a source of contamination.

In addition, we adopted more robust food safety procedures, particularly regarding cleaning and sanitization. We now employ a natural treatment that reduces many harmful bacteria and viruses from the restaurant environment. We have also implemented new food handling procedures and apply validated antimicrobial interventions to mitigate food safety risks. A third party routinely verifies these sanitizing procedures using advanced testing methods.
FOOD SAFETY CERTIFICATION

Mandatory certification for managers and field leaders

Nothing is more important than the safety and well-being of our customers and employees. We are dedicated to providing our employees the training and support they need to ensure food safety is always a top priority.

We require our in-restaurant teams and field leadership to be trained and certified in food safety by ServSafe – a specialized, nationally recognized third-party program. ServSafe provides online or in-person courses and exams to all Kitchen Managers, Service Managers, Apprentices, General Managers and Restaurateurs. Participants learn detailed information about food safety, temperature control, cleaning and sanitizing, cross-contamination control and safety regulations.

We train our field leaders in the HACCP system, which was established by the International HACCP Alliance.
RESTAURANT INSPECTIONS

Extensive internal and third-party food safety inspections

We conduct rigorous point-by-point inspections of hundreds of items within our restaurants, including temperature controls, food handling and labeling, equipment inspections, procedure validations, illness policy awareness and crisis management procedures.

Food safety inspections and audits provide regular, real-time feedback on the performance of each restaurant, allowing us to identify both best practices and areas requiring improvement. The inspections and audits are a part of Chipotle's commitment to continuous improvement of food safety controls.

Since our food safety incidents in late 2015, we have significantly increased the number of internal and third-party inspections, which complement mandatory state and local health department inspections. Our trained Field Leaders evaluate every restaurant at least twice per month to help ensure all requirements are met.

Additionally, we have partnered with an independent food safety audit division of Ecolab, a third-party research company called EcoSure, to provide rigorous quarterly food safety audits of every Chipotle restaurant in the United States. Finally, Chipotle's Safety, Security & Risk Team conducts food safety audits. Our inspections and audits are then augmented by a centralized review of health inspections conducted by local government officials, which is shared with our operations teams and acted upon swiftly.
Advanced electronic track and trace system to enhance our track-and-trace program.

The ability to trace our food electronically from supplier to restaurant at the lot code level is a powerful enhancement to our food safety program.

Even prior to the food safety incidents associated with our restaurants beginning in 2015, we assessed and restructured our supplier management, tracking and auditing processes. We now track and log all audits, contracts and other pertinent information about our suppliers in FoodLogiQ, our traceability software.

We also continued to implement a traceability system with our suppliers and restaurants in 2016, which allows us to identify the ingredients in each restaurant — down to the lot code, or batch.

Our traceability program utilizes an electronic system that allows us to track items across our supply chain. Our suppliers identify each food item we decide to track with a unique Global Trade Item Number (GTIN) and then label each case of product with a barcode containing the GTIN, lot number, and pack date or use-by date. Our suppliers then prepare products to be shipped using another barcoded label that summarizes the contents of that shipment.

As cases of food move from the supplier through our distribution centers and end in our restaurants, those barcoded labels are scanned. This process allows us to trace an individual lot through the supply chain. Chipotle is among the first major restaurants in the United States to digitally track items from supplier to restaurant in this way.

Our ability to track our ingredients from supplier to restaurant at the lot code level is a powerful enhancement to our food safety program. It helps ensure we research and act on food safety and quality concerns quickly and thoroughly.
In order to ensure our food safety program is as strong as possible, it is critical to supplement our internal expertise with independent external guidance. So, in 2016 we established a Food Safety Advisory Council, comprised of leading independent food safety experts.

By combining our food safety team with a group of industry-leading experts, we are working to ensure the program will continually evolve and improve.

**COUNCIL MEMBERS**

- **DR. JAMES MARSDEN**
  Executive Director of Food Safety, Chipotle
  Food safety expert, former meat sciences professor and leader of company’s food safety programs

- **DR. DAVID ACHESON, CHAIR**
  Founder and CEO, The Acheson Group
  Foodborne pathogen expert and former Chief Medical Officer, USDA and FDA; Former Associate Commissioner for Foods, FDA

- **DR. ELISABETH HAGEN**
  Food safety and nutrition expert and former USDA Under Secretary, Food Safety

- **DR. HAL KING**
  Founder/CEO of Public Health Innovations LLC

- **DR. MICHAEL PATRICK DOYLE**
  Director of the Center for Food Safety, University of Georgia (ret.)
  Professor of microbiology, microbiologist and author
“We made a commitment to be an industry leader in food safety and have put in place a number of best-in-class programs to achieve that goal. But maintaining leadership in food safety is an ongoing effort and is not as simple as establishing a static set of processes or protocols.

To help keep us at the forefront of food safety, we have assembled a Food Safety Advisory Council comprised of some of the foremost food safety authorities in the country, with backgrounds covering all facets of food safety, including internal medicine and infectious disease, microbiology, public health and epidemiology, and public policy. The role of the council is to provide ongoing critical assessment of our food safety programs and to push us to continuously find ways to improve upon the practices we currently have in place. By combining our robust programs with our renowned team of expert advisors, we are confident that we can continue to operate restaurants that are as safe as they can be.”

James Marsden, Ph.D.
Executive Director, Food Safety
ANIMAL WELFARE

Our commitment to animal welfare informs all of our meat and dairy purchasing. Our rigorous animal welfare standards are informed by best practices, surpassing them wherever possible.

In 2018, we will seek to achieve a higher rating with the Business Benchmark on Farm Animal Welfare (BBFAW) by continuing to be transparent in our sustainability communications and by improving our animal welfare practices wherever possible.

OUR ANIMAL WELFARE POLICIES

Animal welfare is of the utmost importance to us. It is our promise that the food we buy and serve is raised with respect for animals, farmers and the environment.

We are committed to sourcing the highest quality ingredients through the safest and most sustainable methods. Our animal welfare quality guidelines – for chicken, beef and pork – strive to ensure our suppliers treat animals as humanely as possible. In 2016, we procured 100 percent of our dairy from pasture-raised cows.

Several animal welfare standards inform our internal and supplier-facing policies, including: American Meat Institute’s (AMI) standards for slaughter, the Beef Quality Assurance program for cattle, the Royal Society for the Prevention of Cruelty to Animals’ Freedom Foods standards for pigs in the U.K., the American Humane Association’s standards for broiler chickens, and reciprocity for those farms participating in the Global Animal Partnership program. All our meat processors must adhere to the AMI’s guidelines for animal welfare and must show proof of a current or third party-approved animal welfare audit with a passing score. Third parties annually accredit every slaughter facility with which we work for food safety and animal welfare.

Our relationships with our suppliers are at the core of our animal welfare program and these relationships help inform our policies as they evolve over time. We require that our suppliers provide us meat from animals raised without the use of sub-therapeutic antibiotics, no added growth hormones and a 100 percent vegetarian diet. Since 2015, we have used pork from the U.K., which unlike in our us raised pork supply, permits therapeutic antibiotic treatment for diagnosed illness. This pork from the U.K. is never given sub-therapeutic doses of antibiotics used to promote growth or permit unsanitary housing practices. In 2018, we will explore third-party certification programs to validate best-in-class antibiotic protocols for our pork supply.

We require humane handling of all animals and set minimum space requirements for the animals producing our meat and dairy products. For example, we require suppliers to provide chickens with more space by reducing the maximum stocking density to seven pounds per square foot.

Chipotle opposes using products from cloned animals, and we will include this commitment in our supplier guidelines starting in 2018.

For our beef, we strongly recommend that a supplier’s cattlemen and livestock haulers adhere to the Beef Quality Assurance guidelines or to an equivalent program. We show preference for suppliers that adhere to these guidelines. Our suppliers’ programs must include a zero-tolerance policy toward the cruelty to animals and ensure that sick animals receive appropriate medical treatment.

We require that the animals in our supply chain have been pre-slaughter stunned. All slaughter facilities must follow AMI protocols in which this issue is addressed.

We do not permit live cattle or pigs within our supply chain to be transported for more than 12 hours. One-hundred percent of animals in our supply chain are transported within this maximum journey time.

We measure and track our processes internally to ensure our farm animal welfare policy is properly implemented.
Our Chicken

Our chicken comes from seven suppliers who process their animals in Georgia, Pennsylvania, Ohio, Minnesota, Arkansas, Virginia and North Carolina. All our chicken is boneless, skinless and whole-leg. In 2016, we purchased 114,907,595 pounds of chicken. We are working with our suppliers to move them to use non-GMO feed, but this effort is a work in progress, as the supply of non-GMO corn is limited.

Our stocking density for broiler chickens is a maximum of seven pounds per square foot. Along with 51 other companies, we have partnered with Compassion in World Farming USA and The Humane Society of the United States to improve the welfare practices around raising broiler chickens.

We will continue to work with our chicken suppliers to advance broiler welfare with respect to adding environmental enrichments, natural lighting, improved stocking density and controlled atmospheric stun.

Our Beef

Our beef comes from the United States, Canada, Australia and New Zealand. We source only beef from the chucks (our barbacoa) and the rounds (our steak). We purchased 53,495,656 pounds of beef in 2016. Our process for transporting beef from farm to restaurant is designed for efficiency; we factor in our commitments to ensuring cost efficiency, environmental responsibility and reducing food waste into all our purchasing decisions.

Approximately half of our beef supply comes from cattle raised entirely on pasture.

As of the end of 2016, 50 percent of our beef was grass-fed as a function of increased international purchasing; there was not enough domestic supply available that met our animal welfare and other standards. Furthermore, in 2016, none of the beef we sourced was conventionally raised. All of our beef comes from animals raised without added hormones or antibiotics.

Our Dairy

Dairy cattle that produce milk to make our cheese and sour cream have daily access to pasture.

Tethering is prohibited by our Pasture Dairy Guidelines. None of the dairy cows in our supply chain are subject to tail docking.

Our Pork

Our pork comes from the United States, Canada and the U.K.. In 2016, we purchased 11,160,976 pounds of pork and served approximately 9.7 million pounds, most of it pork shoulder. (The difference between these weights is due to the cooking process.) We do not allow our pork suppliers to use breeding or gestation crates and those farms that do not farrow outdoors use farrowing crates that allow sows to move freely. All our pork comes from sows raised outdoors or in deeply bedded barns. All our pork meets our animal welfare standards, though therapeutic antibiotic treatment for a diagnosed illness is permitted. Animals that are treated with antibiotics are excluded from slaughter until after no trace of antibiotics remain in their system.

Our Tofu

Our tofu is supplied by Hodo Soy Beanery in California. Hodo uses organic soybeans from Indiana and Illinois. In 2016, we purchased 6,893,490 pounds of tofu.

Our Produce

Chipotle is on a never-ending quest to source the highest quality ingredients.

Fifty percent of our beans are organic or transitional – that is, grown at farms that will be certified organic within three years. We pay suppliers a premium for transitional beans to help them on their journey toward full organic production.
We are serious about our animal welfare commitments. In 2015, based on our assessments of live production practices, we suspended an approved supplier due to violations of our pork quality guidelines. This suspension meant we were unable to serve pork in some of our restaurants while we identified a new supplier. Because of our decision not to serve pork from this supplier in our restaurants, we donated approximately 32,000 pounds of carnitas to community organizations feeding those in need.

We provide all our suppliers with our Pork Quality Guidelines and we require them to sign an annual production affidavit agreeing to our standards, which include raising animals without hormones or antibiotics – except for therapeutic antibiotic treatment for a diagnosed illness. We work with suppliers that provide the highest quality meat with the highest quality welfare conditions for animals.
In 2016, our breakdown of produce purchased included:

- **21,270,000 LBS** Bell Peppers, Whole
- **3,528,312 LBS** Bell Peppers, Sliced
- **2,490,410 LBS** Jalapeño Peppers
- **5,220,500 LBS** Cilantro, Washed and Trimmed
- **1,199,240 LBS** Lemons
- **4,657,880 LBS** Limes
- **23,053,425 LBS** Red Onions
- **22,694,735 LBS** Romaine Lettuce, Bulk
- **10,886,964 LBS** Romaine Lettuce, 3/8” Shredded
- **77,052,425 LBS** Avocados
- **53,681,620 LBS** Tomato, Diced
TORTILLAS

More than two years ago, we began working to eliminate industrial additives and preservatives from the tortillas we use to make burritos, tacos and chips.

Now, our flour tortillas are made using just flour, water, canola oil and salt. The corn tortillas used for chips are made only with corn masa flour and water.

GMOs

In 2013, Chipotle became the first national restaurant company to disclose its GMO ingredients and, in 2015, the first to cook only with non-GMO ingredients. Today, all the food we serve is made only with non-GMO ingredients.

Previously, we used genetically modified corn flour, cornstarch and a small number of other corn-based ingredients in our corn and flour tortillas. GMO soybean oil was also an ingredient in our flour tortillas and was used as a cooking oil in our restaurants.

Our restaurants now cook with non-GMO sunflower oil and rice bran, and our tortillas are made with non-GMO canola oil and non-GMO corn. The organic soybeans used to make the tofu in our sofritas have always been non-GMO.

Although the meat and dairy products we buy come from animals that are not genetically modified, it is important to note that most animal feed in the United States is genetically modified. This means that the meat and dairy served at Chipotle are likely to come from animals that have been fed at least some GMO feed. We are working hard on this challenge and have made substantial progress. For example, the 100 percent grass-fed beef served in many Chipotle restaurants comes from cattle that were not fed GMO feed. This is a good start, but we recognize that sourcing meat and dairy exclusively from animals that have not been fed GMOs will be a long-term project.

We believe people should be interested in the food they eat and where it comes from, and should make choices that make sense for them and their families.
Reducing Food Waste

We created the Mindful Prep Initiative to reduce food waste in our restaurants while still serving delicious meals.

We instruct our restaurant staff to be mindful of every head of lettuce, bell pepper and onion they prep and every piece of meat they cook — just as they would be at home. In this way, we are incorporating our sustainability commitment to avoiding unnecessary food waste into the preparation process.

As an example of how Mindful Prep works, we looked at the amount of key ingredients we used in 2015 versus in 2014 — establishing a baseline for ourselves moving forward, using years without major data anomalies. Comparing September 2015 to September 2014, and adjusting for sales, we saved an estimated 3 percent of the total avocados we purchased, 5 percent of limes, 15 percent of red onions and 20 percent of bell peppers — all thanks to Mindful Prep.

A Focus on the Customer

We have always worked to be transparent with our customers about why we choose our ingredients and where they come from. This report is a step toward even greater transparency, as is our commitment to publishing online every ingredient in our meals.

We want our customers to be part of a dialogue about our ingredients, and we will continue to work to educate consumers and industry partners about new ways we can improve our supply of ingredients and, hopefully, make the industry as a whole more sustainable. We believe the integrity of our supply chain leads to better tasting and more nutritious food — and we will fight for this, on behalf of our customers, the environment and the communities we serve.

Food Safety

Food safety is at the core of our business. Adhering to food safety and quality standards to prevent health risks arising from the handling, preparation and storage of food throughout our supply chain and restaurants is a priority of our business.

It is important to distinguish different types of food safety risk so we can manage and mitigate their impact. Within our restaurants, the greatest risk to food safety comes from employee illness. Our sick leave policy, in which restaurant employees are automatically given three days of sick leave from their first day of employment, is designed to reduce this risk.
health and wellness

We use only ingredients with no added flavors, colors or preservatives – except for lemon and lime juice, which can sometimes be used as a natural preservative.

We make decisions about our menu based on where our ingredients come from and how they should be prepared. Our Real Ingredients page offers information about all our ingredients, nutrition information and an online tool to help customers with special dietary requirements make informed choices when eating in our restaurants.

We cook with simple, whole ingredients that are not processed. Although our rice is enriched with vitamins and minerals, the enrichment does not involve the addition of flavors or colors, and the rest of our ingredients have no added flavors, colors or preservatives.

We track trends in nutrition and wellness, and modify our offerings when we see new opportunities.

Chipotle has options for all dietary needs. We are sensitive to concerns about the amount of sodium used in our food and have offered guidance to people who have various dietary preferences or restrictions, including sodium, which is available on our “Eat To Your Own Beat” website here. All of our suggested low sodium meals (such as our burritos or salads) contain less than 900 milligrams of sodium, leaving plenty of room for customization.

Every choice we make – who we work with, what we serve and what we stand for – affects the health of the planet. Nutrient-rich soil reduces the need for pesticides and synthetic fertilizers, buying locally reduces vehicle emissions from transportation and humane animal husbandry means diminished reliance on antibiotics. As we strive each day to be better, we are working to measure and manage the interconnected environmental and social impacts throughout our supply chain.

We work hard to follow and create ethical business practices. We build relationships with other like-minded businesses and operations that do business differently. We are strongest when we work together, so we are always paying attention to other restaurants, producers of goods and services and government relations.

marketing and communications

Chipotle is committed to responsible marketing.

We do not advertise to children. Any content that we created that has been geared toward children, such as our “RAD Lands” online video series, is unbranded, with the exception of our “Grow” kids activity book and our Reading Rewards program.

We created a service model that allows each customer to pick exactly which ingredients and how much of them go into each order. Our online nutrition tool provides complete nutrition information, helps customers build meals that meet their needs and discloses allergens and dietary restrictions.

We also provide complete nutrition information in our restaurants on the back of our paper menus and provide allergen cards to customers who ask for them.

In general, Chipotle does not make political contributions, and we made no political contributions in 2016.
Our CEO, Steve Ells, has been the visionary for our pursuit of sustainability across all aspects of our business since he founded the company.

Sustainability is a part of everyone’s job at Chipotle, and we have clear sustainability governance structures that are revised periodically as the company continues to grow.

In 2016, we revamped our internal structure to better focus on our long-term growth and sustainability. One key change was to shift from two co-CEOs – Steve Ells and Monty Moran – to one CEO. Steve Ells, Chipotle’s founder and Chairman, continues in his role as CEO, and in November 2017 we announced will transition to the role of Executive Chairman, following the appointment of a successor CEO.

Our Board of Directors regularly evaluates the performance of our senior management team. In addition, the Compensation Committee of the Board of Directors conducts an annual performance review of our CEO.

Beginning in 2018, our lead director, Neil Flanzraich, will oversee the CEO’s annual performance review.
THE CHIPOTLE DEVELOPMENT LAB

In 2016, we built the Chipotle Development Lab, an innovation and prototyping workshop in Brooklyn. Here, a team of professional problem solvers build, test and evaluate industrial design concepts for our new and existing restaurants. The Development Lab assesses virtually every physical component in our stores, from wood wall-to-ceiling assemblies to menu boards, looking for ways to more seamlessly tie material sourcing and fabrication techniques to the final design. Such innovations create opportunities to operate more efficiently and serve our customers faster.

Importantly, the Development Lab is a smart link between our internal design and branding team, operations team, food safety experts, leadership team, and construction contractors. The Development Lab sees the full picture of our operations and impact and invents new ways for us to get delicious food into the hands of more customers every day.

The Development Lab is an important extension of our efforts to improve our customers’ dining experience while minimizing our costs and environmental footprint. For example, when we wanted to find a new and better way to increase recycling and composting at our restaurants, the Development Lab solved the problem. Matt Slattery, our Development Lab Manager, working with the Design team, Development Lab staff and select vendors, prototyped then produced a customizable waste container that will allow our restaurants to collect the waste and recycling available in their regions – all while maintaining the clean, functional design for which Chipotle is known.
As of December 2017, Chipotle’s Board was:

STEVE ELLS
Director since 1996
Founder, Chairman and Chief Executive Officer, Chipotle Mexican Grill

ALBERT BALDOCCI
Director since 1997
Self-employed financial consultant and strategic advisor

PAUL CAPPUCCIO
Director since 2016
Executive Vice President and General Counsel, Time Warner Inc.

NEIL FLANZRAICH
Director since 2007
Private investor and Executive Chairman, Cantex Pharmaceuticals, Inc.

ROBIN HICKENLOOPER
Director since 2016
Senior Vice President of Corporate Development, Liberty Media Corp.

KIMBAL MUSK
Director since 2013
Entrepreneur and restaurateur

ALI NAMVAR
Director since 2016
Partner, Pershing Square Capital Management, L.P.

MATTHEW PAULL
Director since 2016
Senior Vice President and Chief Financial Officer (retired), McDonald’s Corp.

Our Board of Directors oversees the management of operations across Chipotle. Its responsibilities include economic, environmental and social oversight. The board members are subject to annual election by our shareholders, and the board selects the CEO, who has overall responsibility for managing and growing our business.

Our Board has eight members – seven men and one woman.

We made four new Board appointments in December 2016 in order to diversify the Board’s skill set and provide new and innovative perspectives.

There were five other members of our Board of Directors for at least a portion of 2016. They were:

• DARLENE FRIEDMAN – Senior Vice President of Human Resources (retired), Syntex Corporation (retired from the Board in May 2017)
• JOHN CHARLESWORTH – President of the Midwest Division USA (retired), McDonald’s Corp. (retired from the Board in May 2017)
• MONTY MORAN – Former Co-CEO, Chipotle Mexican Grill (retired from Chipotle, including the Board, in December 2016)
• PAT FLYNN – Executive Vice President (retired), McDonald’s Corp. (retired from the Board in May 2017)
• STEPHEN GILLETT – Senior Leader, Google[x] (resigned from the Board in May 2017)
SENIOR MANAGEMENT TEAM

While the Board of Directors is responsible for oversight of our business, our senior management team is responsible for executing our strategy and managing day-to-day operations. Members of our senior management team as of December 2017 are:

**STEVE ELLS**  
Founder, Chairman and Chief Executive Officer

**JOHN R. (“JACK”) HARTUNG**  
Chief Financial Officer

**MARK CRUMPACKER**  
Chief Marketing and Strategy Officer

**CURT GARNER**  
Chief Digital and Information Officer

**SCOTT BOATWRIGHT**  
Chief Restaurant Officer

**LAURIE SCHALOW**  
Chief Communications Officer

Because many aspects of our business strategy—from our enlightened food sourcing practices, to our commitments to more environmentally friendly building materials and energy efficient systems, to the value we place on a diverse and inclusive workforce—are rooted in a commitment to sustainability, we believe there is no question about our officers’ commitment to further advancing the many achievements laid out in this report and meeting future sustainability challenges. While one of the primary objectives of our officers is to build shareholder value, we believe our strategy to bolster sales and profitability growth is aligned with our sustainability commitments. Given the close connection between sustainability efforts and the operation of our business, we feel that our executive compensation is well aligned with our sustainability efforts. At the same time, we are committed to continuing to assess whether a more direct connection between our sustainability goals and the financial incentives of our executive officers would serve the best interests of our shareholders.

In August 2017, Laurie Schalow joined the management team as the company’s first-ever Chief Communications Officer. She has provided oversight of the development of this Sustainability Report, which has been led by our Sustainability Manager, Caitlin Leibert.
We value and respect the insight of all of our stakeholders.

We engage regularly with investors, suppliers, non-governmental organizations (NGOs) and other stakeholders, and frequently solicit feedback from industry groups, food sourcing and safety professionals and sustainability practitioners. Some of our key stakeholders include:

- Employees, from whom we solicit feedback at town halls, for which staff employees can submit questions for senior leaders. Employees can also give feedback to their team leaders and via our internal Respectful Workplace Hotline. Employees can also contact our ethics hotline, Chipotle Confidential, to submit complaints or concerns about our business and operations. We also conduct a Culture Survey to solicit employees’ feedback.

- Customers, from whom we solicit feedback in a number of ways. We provide an online customer service program by which anyone can contact us regarding any concern or compliment. We also conduct customer satisfaction research via online surveys, and direct customer research on specific launches or ingredients.

- Shareholders elect the members of our Board of Directors and vote on other important corporate matters.

- Suppliers
- Regulatory groups
- NGOs
- Sustainability groups

Anyone may contact us or submit questions and feedback via our website at www.chipotle.com/email-us.
Supply Chain Oversight

We work hard to ensure there are checks and balances throughout our business, and one of the ways we do this is through unbiased oversight.

Our supply chain team has oversight over our sourcing standards, under the direction of our officers.

Our supply chain team requires affidavits from suppliers to confirm their compliance with our standards, and we maintain a team of auditors to audit suppliers. Additionally, our animal welfare and supply chain teams meet regularly to discuss supply options and propose necessary changes. When changes are likely to have a major impact on our supply chain, we work with our training, marketing, officers and other key internal teams. When we contract with suppliers, we work closely with our legal team to ensure our commitments are in Chipotle’s best interests.

Our Code of Conduct requires us to engage in ethical business practices and policies. Our employees and suppliers must follow our policies, including a supplier Code of Conduct that we require suppliers to agree to, unless they have comparable standards in place. More information is available in the Food & Animals section of this report.
Our board and corporate officers are deeply focused on the customer experience in our restaurants.

**FOOD SAFETY OVERSIGHT**

Food safety is essential to Chipotle. In addition to our internal food safety team, we now have a Food Safety Advisory Council that is comprised of some of the nation’s foremost food safety authorities. Our food safety team, under the direction of our officers, is responsible for managing food safety in our restaurants. The Food Safety Advisory Council and our Board of Directors oversee our food safety policies and practices to help ensure they are appropriately designed and implemented.
FARMS

OUR GOAL

By 2025, we plan to fully measure and report our Scope 3 emissions. We will continue to take key steps toward this goal in all future Sustainability Reports, including mapping the biggest environmental impacts along our value chain in our 2019 report.

ENVIRONMENTAL MANAGEMENT

We source fresh, high-quality ingredients and use them to prepare delicious, wholesome food for our customers. We source these ingredients with thriving ecosystems in mind – from sustainable agricultural practices and the support of our growers to the expansion of our supply chain.

Evaluating the components of sustainability within a given supply chain is a complex process. We work with suppliers who employ farming and sourcing techniques that protect the environment, public health and animal welfare, ensuring a long-term supply of goods and the viability of farmland. When we source locally, we do so knowing that fresh food generally has greater nutrient value than produce that has been shipped great distances.
1. ACKNOWLEDGEMENT OF CLIMATE CHANGE RISKS

Like all restaurant companies, we are susceptible to increases in food costs as a result of factors beyond our control, such as: general economic conditions, seasonal fluctuations, weather conditions, global demand, food safety concerns, generalized infectious diseases, currency fluctuations, product recalls and government regulations. Freezes, droughts and floods impact the availability and price of some of our key ingredients, and could have a greater impact on our business in the future. Increasing weather volatility or other long-term changes in global weather patterns, including any changes associated with climate change, could have a significant impact on the price or availability of some of our ingredients. Any increase in the price of the ingredients most critical to our menu would adversely affect our operating results. We could also be adversely impacted by price increases specific to meats raised in accordance with our sustainability and animal welfare criteria, the markets for which are generally smaller and more concentrated than the markets for food products that are conventionally raised and grown.

Freezes or droughts can lead to temporary price spikes in some of our ingredients. We know, for example, that droughts in the United States during 2014 and 2015 significantly increased the cost of our beef. Similarly, in 2016, a spike in avocado prices adversely impacted our food costs for a few months. Climate change may cause such price spikes to increase in frequency and severity.

Our supply chain redundancy — ensuring we have multiple suppliers who meet our strict sourcing standards — is a significant way in which we are tackling these risks.

We have taken two key steps to address the risks of climate change.

2. CLIMATE CHANGE ADAPTATION.

Along with all our partners and competitors, Chipotle needs to determine how to adapt to business risks resulting from climate change. We are committing to developing an internal plan to guide future business decisions. This adaptation plan will include mitigation plans, going beyond just reacting to climate change-related events to plan proactively for them along all our operations, including our supply chain. To that end, we will begin tracking, measuring and reporting our Scope 3 emissions.

Our Scope 3 emissions include all aspects of our value chain, including business travel, employee commuting, supply chain, waste disposal and distribution, including our delivery trucks. Although we do not currently have access to the information required to calculate these Scope 3 emissions, we are embarking on a processes of data collection and analysis and will report externally over the next few years.

Our business is fundamentally aligned with numerous sustainability principles: the freshness of our ingredients, the use of local produce when it is environmentally responsible and financially viable, and making delicious food accessible to everyone. As we have grown, our responsibility to be conscientious about sustainability is compounded and we embrace our role as advocates. We will continue to advocate for environmentally and socially responsible food policy.
CASE STUDY

INSPIRING SUPPLIERS TO OPERATE RESPONSIBLY

Ready Foods is a Denver-based company that has supplied Chipotle since 1993 – and can speak to the influence Chipotle has had on its own business.

Ready Foods produces our red and green tomatillo salsas at its Dahlia plant, and our Adobo sauce at its East 42nd plant. When these plants were due for remodeling, Ready Foods owner Marco Antonio Abarca turned to lessons he learned at a Chipotle supplier meeting in 2005.

“I had never heard of LEED” (Leadership in Energy and Environmental Design). I knew I needed to build a new plant, and working as a supplier to Chipotle, we worked to implement LEED as much as we could,” Mr. Abarca said.

At the Dahlia plant, informed by LEED green building principles, Ready Foods installed a variety of environmentally responsible upgrades during its 2007-2008 building remodel. The team added insulation, installed energy-efficient windows, increased natural lighting and introduced a comprehensive recycling program. A few years later, at the East 42nd plant, Ready Foods built upon what it learned in its Dahlia plant remodel and went even further – adding premium-efficiency lighting, boilers and an air compressor system with dynamic heat recovery.

Ready Foods has seen a three-year payback on these environmentally responsible initiatives, but the real benefit has been a broader shift in thinking. “Once you’ve embraced sustainability, it becomes part of the way you work,” Mr. Abarca said. “Our greatest impact was in influencing our contractors. They took the LEED ideas and have since incorporated them into their own business practices.”

“Chipotle has deep ways of thinking. It has created a lot of positive change. Ready Foods only went down this path because Chipotle exposed us to it. Chipotle is the real deal.”

We also support our suppliers in developing environmental standards and sustainability goals. Many of our suppliers have their own sustainability initiatives relating to water usage, energy usage and employee welfare. Although we do not yet include environmental specifications in our supplier agreements, we do take into account opportunities for environmental efficiencies within our supply chain, such as measuring the amount of water used per animal. In 2016, we did not identify any unacceptably negative environmental impacts through our regular supplier auditing process.

We have conversations with potential suppliers to better understand their company approach and policies relating to sustainability. We also require tours of suppliers’ facilities to evaluate operations and discuss where improvements can be made. Finally, we ask our suppliers the geographical origin of their raw materials.
ENERGY

Over the years, we have worked diligently to reduce energy use in our restaurants. From our design team that builds with energy efficiency in mind, to our procurement team that purchases energy-efficient equipment whenever possible, to our facilities team that helps drive down energy usage by maintaining and fixing equipment, we are constantly looking for ways to be more energy efficient.

We have utilized LEED standards in a number of our restaurants and continue to take them into account when we construct new restaurants. We work with the Food Service Technology Center to test equipment, and take energy-saving rebates into consideration whenever we can.

Over five years, we installed energy management systems in 175 of our locations spanning our three brands: Chipotle, ShopHouse (which we closed in 2017) and Pizzeria Locale, reducing our energy use by 13 percent on average at each of those 175 restaurants, year over year. We installed these energy management systems using hardware from our third-party partner in four phases since 2012, adding 49 new locations in 2016. They allow us to make targeted decisions in our restaurants, immediately making changes to the lights we use and tools we buy to reduce our energy footprint. In addition to monitoring our energy output and providing accurate data, the energy management systems notify us of power outages and equipment issues that could result in wasted energy, food and manpower.

At the end of the 2016, 5 percent of our restaurants had comprehensive energy management systems. Our goal is to install such systems into all our locations by 2019.
Our energy management systems allow us to make targeted decisions in our restaurants, immediately making changes to the lights we use and tools we buy to reduce our energy footprint.

The energy management systems control our HVAC (heating, ventilation and air conditioning) units, managing the temperatures in our kitchens and dining rooms. They provide targeted energy data back to our internal environmental team for each piece of equipment, allowing us to reduce both our energy footprint and our costs. The systems track high-use equipment, such as our walk-ins and stovetop hoods. We also seek to use energy-efficient equipment, such as icemakers, beverage coolers and water heaters, in our restaurants whenever possible.

By extending this pilot program to our newer restaurants, we aim to establish a culture of sustainability and energy efficiency right from the start.

For the energy management systems installed in 2015, we reduced the average annual energy usage by 21,035 kilowatt hours (kWh) per site from an average annual usage prior to installation of 157,650 kWh per site. In addition to the continued savings from those sites, the Energy Management Systems installed in 2016 provided an average reduction of 21,200 kWh per site from an annual usage prior to installation of 157,030 kWh.

Our baseline unit is kilowatt hours (kWh), developed from the 12 months prior to rolling out an energy management system at each individual restaurant. We collected this data from those restaurants with energy management systems.

As part of our energy conservation effort, we aim to use renewable energy wherever possible. Thirty of our restaurants have used solar power, and we have recently added renewable energy to our energy procurement portfolio.

Our goal is to reduce the average energy consumption per restaurant by 5 percent by 2020, normalized for weather.
PACKAGING

We pay close attention to how our food is packaged and served and the impact this has on our waste. Cardboard alone accounts for approximately one-third of Chipotle’s total waste – much more than food – and is a significant focus of our sustainability work.
Our packaging goals are:

- Source from domestic paper and packaging suppliers when practical
- Improve the environmental impact of our packaging through recycled content and raw material sourcing
- Lower costs across all spend categories, including cups, napkins and straws
- Increase the use of compostable products and expand front-of-house sorting to include composting
- Introduce a compostable burrito bowl at all domestic and international locations by 2018
- Build supply chain redundancy in all product categories
- Ensure 50 percent of burrito bowls are produced domestically by 2020

Our paper and packaging team works closely with our sustainability team to measure the environmental impact of the materials we purchase and discard. We are working toward our goal of minimizing the amount of packaging that ends up a landfill. Moreover, our paper and packaging team seeks to factor environmental criteria into our supplier screenings. In 2016, we on-boarded four new bowl suppliers for their fiber and compostable bowls, another supplier for compostable kids packaging, and expanded the items we use that are produced by our cup supplier to include a compostable cold cup and lid.

### OPTIMIZING OUR SHIPMENTS

Optimizing the geographic points from which our suppliers ship goods shortens lead times and reduces pollution, specifically greenhouse gas emissions.

In 2016, we identified an opportunity to improve the shipment of our carryout bags. We realigned the carryout bag business between our two suppliers, reducing the total miles our bags traveled. At restaurants serviced by our distribution hub in Illinois — approximately 20 percent of our locations — we reduced miles traveled for our carryout bags by approximately 610 miles per supplier shipment. For restaurants serviced by our distribution hub in Pennsylvania — approximately 32 percent of our locations — we reduced the miles traveled for our bistro rope handle bag by approximately 168 miles per supplier shipment.

We set a goal of reducing the amount of money and resources we spend on our packaging in 2016. In part this involves developing strategic supply chain redundancies in certain product categories to improve innovation, reduce costs and ensure supply. Since starting this process, we have lowered our costs and provided our distribution and logistics partners with more supplier ship points. This optionality provides greater flexibility in establishing freight lanes and, in the long term, more options for supply chain optimization initiatives.

Our bags, bowls and napkins are all made with 100 percent recycled fiber. Our cutlery, burrito foil, burrito bowl lids, portion cups and waste bags are all made with some recycled content.
Reducing the Environmental Impact of Our Packaging

Our plastic knives, forks and spoons used to be made of clear polystyrene. We switched to black polypropylene cutlery which, being less dense, requires less raw material. Changing to polypropylene allowed us to look for recycled content sources, which we were able to find in 2016, introducing 25 percent post-consumer raw material into our cutlery supply.

We are working to divert 50 percent of our waste from landfills to recycling and compost by 2020 – against a baseline of a 37 percent diversion rate at the end of 2016. Since packaging is almost one-third of that stream, we are setting up recycling and compost programs at our restaurants.

At least 80 percent of our restaurants recycle packaging materials, which includes cardboard and a combination of paper, plastic, glass and metal. More than 875 of our 2,250 restaurants have recycling options for customers (for at least one packaging item).

Our ongoing commitment to managing our environmental footprint involves multiple changes to our packaging lineup each year, including increased recycled content, increased recyclability and increased compostability. For example, in 2016, we:

- Expanded the use of recycled raw materials through the introduction of 25 percent post-consumer forks, knives, and spoons
- Increased recycled content in our aluminum foil
- Began using larger packaging case counts per box of our bags and bowls to decrease waste and truck-loads
- Increased the use of waste bags made out of recycled farm irrigation tubing by introducing the supplier to a market that services approximately 25 percent of our restaurants
- Replaced our imported plastic tortilla steam bag used for catering with a compostable paper bag that is produced domestically
- Introduced a compostable bowl to restaurants in San Francisco, Seattle, Minneapolis and Denver
- Moved to local sourcing for nearly all packaging items in our European restaurants

We follow all applicable regulations related to the use and disposal of our packaging products. If a product comes into contact with food, we ensure the product is FDA-approved. We have started to collect and manage this information through FoodLogiQ, our food safety software. We ask our suppliers to provide certification that packaging is free of Bisphenol A (BPA, an industrial chemical for plastics that can seep into food), perfluorinated chemical (PFC, a toxic chemical), conflict minerals and nanoparticles, and that it is Biodegradable Products Institute (BPI)-certified compostable where applicable. We also ask suppliers to verify all ingredients and the country of origin of each ingredient, as well as recycled content.
WASTE MANAGEMENT

At Chipotle, we prevent waste by being conscious of what we bring into our restaurants, starting with the produce shipments. We request that suppliers ship more of each item in fewer shipments, thereby using less cardboard. Then, we train each employee to mindfully prepare and cook our ingredients to minimize waste.

We have set a goal to reduce overall average waste per restaurant by 5 percent by 2020.

Our ability to manage waste at each restaurant depends on who controls the location. At half of our restaurants, our landlords manage the waste and we set their contractors exacting annual goals and collect quarterly performance reports. In the remaining restaurants, we manage our own waste, working with the management company RiverRoad Waste Solutions.

In order to be proactive in our waste management, we collect and extrapolate sales and waste data (by category, down to the pound) to plan and project waste diversion rates across our portfolio.
Using Our Buying Power to Improve Our Packaging

While the recycled content of our packaging changes over time with new suppliers and materials, we have several exciting paper and packaging projects on the horizon.

We plan to source our plant-based burrito bowl domestically. To meet this goal, our primary fiber supplier has invested in a U.S.-based fiber facility; they have planned to produce a portion of our bowls by late 2018. This is a profound change in the world of compostable packaging in the food service industry.

In 2017, we replaced vinyl gloves in approximately 25 percent of our restaurants with low-density polyethylene gloves, which are challenging to produce due to their chemical composition and environmental impact. We will continue to work with our supplier to improve the gloves and see a potential to domestically produce them in the future.

We are working with suppliers to better understand the use of PFCs in packaging. Although we believed our packaging to be free of these chemicals, a published study suggested this may not be the case for all items used in our restaurants. While the FDA has approved certain PFCs for foodservice packaging, our goal is to identify packaging in our restaurants that may contain these chemicals and work with our suppliers to find alternative grease and water barriers that are free of PFCs. To this end, Chipotle has engaged a consultant to advise our paper and packaging team on PFCs, and other issues that will help us achieve more environmentally friendly packaging.
“Chipotle proactively addresses changes in regulations, thinks outside the box to maximize diversion opportunities in their restaurants and evaluates their waste streams for continuous improvements. Chipotle is not satisfied with doing the bare minimum regarding ever-evolving mandates. The company goes above and beyond what’s required and does what is best for all stakeholders, including the customer, community and the environment. We are proud to be their waste and recycling partner.”

Kris Bunnell  
CEO, RiverRoad
Recycling and Diversion

We recycle as much as practicable, and we encourage our customers, landlords, suppliers and vendors to recycle as much as they can. We will continue to promote the responsible disposal of waste in our restaurants and throughout our supply chain.

In 2016, 1,804, or approximately 80 percent, of our 2,250 total restaurants were recycling. Approximately 10 percent – 223 restaurants – were composting. These numbers include all our brands, globally. We aim to have recycling set up at 100 percent of our restaurants by 2020, and we will set up a composting program at 20 percent of all restaurants by 2020.

In 2016, we recycled 1,468,202 cubic yards and composted 32,370 cubic yards of material out of a total of 3,965,489 cubic yards of waste. That means we diverted more than 459 Olympic-sized swimming pools worth of material away from landfills. Our overall diversion rate was 37 percent.

By 2020 we are working to divert 50 percent of our waste from landfills to recycling and compost. We ended 2016 at a 37 percent diversion rate.

We go a step farther in waste management by extrapolating our existing data to predict and manage our waste diversion rates across our portfolio. We are using data to inform our business decisions, ensuring we factor environmental responsibility into as much as we can.
FOOD WASTE

Food waste is a challenge across the industry. Chipotle composts in 223 of our 2,250 restaurants as of the end of 2016, or approximately 10 percent, and we continue to introduce composting programs in those restaurants where composting is available within their municipalities.

In 2016, food made up just four percent of our total waste volume. 28 percent of our waste was considered “compostable,” which includes packaging, and food. Our 37 percent diversion rate in 2016 included all recyclable materials such as cardboard, plastic, glass and aluminum. 49 percent of our waste in 2016 was considered recyclable.

We also calculate the food that we donate that would otherwise be considered food waste; we donated 486,471 pounds of food in 2016.

We have partnered with 1,275 local community organizations and provided food for those who need it most. Since we began participating in the Harvest Program in 2007, we have donated enough food for an estimated 7,188,145 meals throughout the United States.

We will aim to get 80 percent of all restaurants are participating in our food donation Harvest Program by 2020.

PARTNER SPOTLIGHT

REVOLUTION BAG

Revolution Bag supplies the trash bags for 43 percent of our restaurants. These bags are made from farm irrigation tubing and other post-consumer agricultural plastics. Revolution Bag takes post-consumer agricultural plastics, which would otherwise end up discarded or in landfill, and produces high-quality trash can liners at a competitive price. To date, the company has given more than 1 billion pounds of dirty used plastic a second life.
Water is an invaluable part of our business, and we look for opportunities to conserve water wherever possible. We manage water use in our restaurants through recovery, reuse and recycling, as well as proper wastewater disposal. We focus on reducing water usage at our restaurants by continual improvements in three main areas: design, facilities and procedures, and data gathering.

Between November 2015 and November 2016, we collected water data from 123 Chipotle restaurants nationwide, and found that each restaurant was using 48,000 gallons of water per month on average.

Over the last few years, we have implemented a number of major water-saving changes to our restaurant design and equipment. We look to install low-flow toilets, urinals, faucets and spray valves to reduce daily water consumption in our restaurants.

In 2015, we introduced a new low-flow dish sink sprayer that reduces water usage by 0.35 gallons per minute (GPM) compared to our previous model. Because of this innovation, more than 2,000 of our restaurants are collectively saving 700 gallons of water every minute that these low-flow dish sink sprayers are in use.

In drought-prone areas such as California, we use native and drought-tolerant plants in our landscaping to reduce exterior water use. At many of our new, freestanding restaurants, we include on-site water retention for rainwater, when permissible. Rather than sending rainwater directly into the storm water system, on-site retention allows soil to rehydrate itself naturally, thus reducing the need for irrigation.

Our facilities team teaches our restaurant teams how to make simple repairs and perform basic, preventative maintenance on equipment to maximize water efficiency. Part of our regular maintenance includes completing an ownership checklist that itemizes all the water-consuming equipment in our restaurants, making it easy to identify any waste and fix minor leaks.

In 2015, several of our markets were faced with drought-based water restrictions. In order to reduce water consumption in these areas, we created a Water Usage Guide – a list of tips and best practices for reducing water usage in and outside the restaurant (including reduced use of patio misters, reduced frequency of pressure washing and outdoor patio rinsing, and increased checks for toilet and faucet leaks).

The greatest tool we have to reduce water waste in our restaurants is data. Our Sustainability team collects data from multiple sources to uncover opportunities for reducing water usage. Because we are often tenants and do not have access to our water data, we use the data that we do have – from 123 of our restaurants – to extrapolate information about our water usage across our building portfolio. We also conduct visual audits at our restaurants, which helps inform some of our key design and equipment decisions.

By 2021, we plan to report the total volume of water that we use, recycle and reuse. Where our data is based on extrapolation, we will include our methodologies and assumptions.

As we map our supply chain, we will also work to measure our water usage by source, as well as any water sources significantly affected by water withdrawal. It is important to us to understand the water risk of the areas from which we source our key ingredients, particularly as the effects of climate change increase.

We work closely with our utility broker, as well as local water utility providers, to identify restaurants with high water use and work to reduce their usage, particularly in key usage areas (cleaning, restrooms, food prep, and water for soda and ice). We also look for trends and opportunities that can inform best practices across our restaurants.

Water continues to be an important area of focus for Chipotle as we work to reduce our environmental impact. By improving how we design and maintain our restaurants, train our teams and gather and communicate data, we are constantly working to reduce water consumption.
AUDITING OUR WATER DATA

We have already instituted key water efficiency measures across all our restaurants. Between September 2015 and February 2016, we developed and conducted our first restaurant-level water audits in partnership with Denver Water. These audits helped us to better understand how water is used in a typical Chipotle restaurant.

During this period, we audited four restaurants in Denver and created a daily water-use breakdown for each location based on flow-meter data collected over a consecutive, seven-day period. We took into consideration water use procedures in practice at the time of the audit.

We gathered a lot of useful and actionable data from these audits. One of the most unexpected findings was that, although our toilets are rated water-efficient, they can leak almost one gallon per minute when not working properly, which roughly doubles the average daily water usage at a typical restaurant.

Denver Water’s audit analysis will inform our water management practices, which continue to evolve.
## EMISSIONS

2016 is the first year for which we have calculated our Scope 1 and Scope 2 emissions, though we have not yet sought external assurance for our calculations.

Our Scope 1 direct emissions include emissions from our fleet of vehicles and two airplanes, as well as stationary combustion in our restaurants and corporate offices. Our fugitive emissions from refrigerants also contribute to our Scope 1 emissions, though that data is not yet in a usable format for us to calculate their contribution to our total.

We continue to improve our load optimization throughout our supply chain in an effort to reduce our emissions.

Our Scope 2 indirect emissions include our purchased electricity used at our domestic and international restaurants and in our corporate offices.

### SCOPE 1 EMISSIONS

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<thead>
<tr>
<th>SOURCE</th>
<th>tCO₂e</th>
<th>% OF TOTAL</th>
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<tbody>
<tr>
<td>STATIONARY COMBUSTION (RESTAURANTS)</td>
<td>91,591</td>
<td>38.8%</td>
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<tr>
<td>STATIONARY COMBUSTION (CORPORATE OFFICES)</td>
<td>287</td>
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<tr>
<td>MOBILE COMBUSTION: COMPANY-CONTROLLED CARS</td>
<td>2,901</td>
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<tr>
<td>MOBILE COMBUSTION: AIRPLANE 1</td>
<td>613</td>
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<tr>
<td>MOBILE COMBUSTION: AIRPLANE 2</td>
<td>617</td>
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<tr>
<td>FUGITIVE EMISSIONS (REFRIGERANTS)</td>
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**TOTAL SCOPE 1 EMISSIONS: 96,010 tCO₂e (40.6% OF TOTAL SCOPE 1 AND 2 EMISSIONS)**

### SCOPE 2 EMISSIONS

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<th>tCO₂e</th>
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<tr>
<td>PURCHASED ELECTRICITY: U.S. RESTAURANTS</td>
<td>137,942</td>
<td>58.4%</td>
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<tr>
<td>PURCHASED ELECTRICITY: INTERNATIONAL RESTAURANTS</td>
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<tr>
<td>PURCHASED ELECTRICITY: CORPORATE OFFICES</td>
<td>1,781</td>
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**TOTAL SCOPE 2 EMISSIONS: 140,235 tCO₂e (59.4% OF TOTAL SCOPE 1 AND 2 EMISSIONS)**

### TOTAL EMISSIONS

**TOTAL SCOPE 1 AND 2 EMISSIONS: 236,245 tCO₂e**
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OUR GOAL

We have a goal to calculate, plus assure, our Scope 1 and 2 emissions in 2017 and 2018 and to publish those third-party assured results in future Sustainability Reports.

SUMMARY OF CALCULATIONS

Today, we have access to all our utility data at most of our restaurants across the United States, Canada and Europe. We extrapolate data for the handful of restaurants for which we do not have access to the utility billing data. The data for our fugitive emissions is still too raw to calculate, although we are working with our contractors to provide this information more consistently.

To calculate our Scope 1 and 2 emissions for the first time, we used our gas and electricity usage data from a third-party organization that handles our utility bills.

For a small number of our restaurants, we do not receive actual gas or electric bills. In these cases, we calculate a per-restaurant company average for our emissions and add that value to the totals derived from our actual utility data. This allows us to provide a complete picture of our emissions across all restaurants.

For our gas usage data, we have access to approximately 98 percent of our restaurant bills. For our electricity usage data, we have access to approximately 95 percent of our restaurant bills.

For our corporate offices estimation, we use the Energy Information Administration (EIA) 2012 Commercial Buildings Energy Consumption Survey (CBECS). With CBECS, we estimate gas and electricity usage by square footage and climate zone, then apply the appropriate emissions factors, in the same way we do for our restaurants.

ENVIRONMENTAL COMPLIANCE

Chipotle had very few issues of non-compliance with environmental laws and regulations in 2016 – and these were primarily minor infractions, such as overflowing garbage dumpsters or incomplete grease trap maintenance records. Although such contraventions are common in our industry, Chipotle continues to strive for zero instances of environmental non-compliance.
Certain statements in this report, including statements regarding staffing, supply chain and environmental goals, as well as other statements of our expectations and plans, are forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. We use words such as "anticipate", "believe", "could", "continue", "should", "estimate", "expect", "intend", "may", "predict", "project", "target", and similar terms and phrases, including references to assumptions, to identify forward-looking statements. The forward-looking statements in this report are based on information available to us as of the date such statements are made and we assume no obligation to update these forward-looking statements. These statements are subject to risks and uncertainties that could cause actual results to differ materially from those described in the statements. These risks and uncertainties include the risk factors described from time to time in our SEC reports, including our most recent annual report on Form 10-K and subsequent quarterly reports on Form 10-Q, all of which are available on the investor relations page of our website at ir.chipotle.com.
The 2016 Chipotle Sustainability Report aligns with the GRI Standards framework set forth by the Global Reporting Initiative (GRI). In addition, this report also uses the Food Processing Supplement to address topics that are specific to our sector. The table at right outlines which disclosures we have addressed in this report and where they are located. We have also included tags throughout this report. This report has been prepared in accordance with the GRI Standards: Core option.

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