

Racial Equity Audit

Resolved: the Board of Directors of Chipotle commission a racial equity audit analyzing Chipotle's impacts on civil rights, equity, diversity and inclusion, and the impacts of those issues on Chipotle's business. The audit may, in the board's discretion, be conducted by an independent third party with input from civil rights organizations, employees, communities in which Chipotle operates and other stakeholders. A report on the audit, prepared at reasonable cost and omitting confidential or proprietary information, should be publicly disclosed on Chipotle's website.

Supporting Statement

Companies whose operations heavily rely on their employees' and customers' trust and loyalty would benefit from assessing the risks of products, services and overall corporate practices that are or are perceived to be discriminatory, racist, or increasing inequalities. Companies that fail to assess these risks could face customer and employee attrition, negative press, significant fines, or regulatory inquiries that could have an impact on our company's value.

Chipotle expressed public support for racial equality while taking certain measures to address racial equity, including participating in the Management Leadership for Tomorrow Program. This program is not the equivalent of a racial equity audit. Additionally, Chipotle fails to outline a coherent overarching equity strategy or a plan for assessing the effectiveness of these commitments; nor does it explain how Chipotle is conducting ongoing reviews of these initiatives. Chipotle also fails to address ensuring sufficient oversight mechanisms, and how it plans to report to shareholders and stakeholders on these issues.

Chipotle faces controversies, some significant, that pose various risks and raise questions related to the company's overall strategy and the company's alignment with its public statements related to racial equity.

According to Chipotle, over 60 percent are workers of color. These Chipotle's employees have allegedly been impacted by various workforce issues related to Chipotle's scheduling, wage and working hours, paid sick leave, hiring, and COVID-19 practices. Research has shown that many of these issues may disproportionately impact people of color.

For example, in 2021, New York City's Department of Consumer and Worker Protection filed a complaint against Chipotle seeking \$150 million in worker relief for 599,693 violations of the City's fair workweek law. Furthermore, according to 2022 research conducted by the Equal Rights Center, Chipotle significantly favored white applicants over similarly qualified Black applicants for open store management positions.

In 2022, 36 percent of Chipotle shareholders supported a proposal seeking such an audit and the Board stated in its 2022 Opposition Statement that the Board was "... not opposed to conducting a racial equity audit in the future..."

Because of the pattern and magnitude of controversies facing Chipotle, and considering the Board's stated position with respect to a racial equity audit, we believe that it is in shareholders' best interests for Chipotle to commission an audit to identify and possibly mitigate Chipotle's impact on civil rights, equity, diversity and inclusion, and the impacts of those issues on Chipotle's business.