December 13, 2016

Mr. William Ackman
Chief Executive Officer
Pershing Square Capital Management
888 Seventh Avenue, 42nd Floor
New York, NY 10019

Dear Mr. Ackman,

After multiple years of engagement with Chipotle Mexican Grill, Inc. (NYSE:CMG), we share your belief that Chipotle possesses an exceptional, differentiated brand and high growth potential. Restoring faith in the company's brand must be the leading order of business, and upgrading the company's capacity for independent oversight is a necessary part of that process.

You are one of Chipotle's largest shareholders, and we have read media reports that you have been speaking with the company about its future direction, and we assume that this includes the company's governance and board composition. As you continue your discussions, I want to share some thoughts on Chipotle's immediate and long-term governance needs, which we have previously raised with the company, but as to which we have not received a satisfactory response. Specifically, our concerns are:

- Board refreshment, including recruitment of at least two new, independent directors with human capital management experience;
- Separation of the CEO and Chair role.

Despite yesterday's announcement that Monty Moran will step down as co-CEO and Chipotle will eliminate its dual CEO structure, we remain troubled by the company's trajectory. Take for example co-CEO and Chairman of the Board Steve Ells' surprising comments last week indicating that since the 2015 food safety crisis, customer service and dining room cleanliness have deteriorated significantly at half of Chipotle's restaurants.[1] This has ignited fresh doubts about the company's turnaround and its efforts to reestablish trust with consumers. As you engage with the company, we ask that you weigh the essential governance improvements described in more detail below.

The CtW Investment Group works with union-sponsored pension funds with over $250 billion in AUM to enhance long-term shareholder value through active ownership. The Investment Group first engaged Chipotle over its egregious pay practices prior to the 2014 annual meeting at which 76.6% of the shares voted on the company's "say on pay" vote

[1] In reference to grading customer experience at Chipotle's restaurants, Ells remarked "about half of our restaurants fall into the C, D, F category with a vast majority being Cs," and stressed the "need to focus especially [on] this class of restaurants, about 50% of our restaurants that are C or below to get back the customer service that we had pre-crisis." According to Ells, customer experience encompasses "everything from neat and tidy dining rooms, making sure that tables don't have leftover napkins and things like this from the previous customer, that the drink stations are clean and organized, that the front door, the glass is clean and sparkly without fingerprints, things like this, but also throughput, throughput is a major component of our customer service."

See webcast presentation. Chipotle Mexican Grill. 2016. "Chipotle Mexican Grill Inc. at Barclays Eat, Sleep, Play—It's Not All Discretionary Conference." *Chipotle Investor Relations*. December 6. Accessed December 9, 2016. http://ir.chipotle.com/phoenix.zhtml?c=194775&p=irol-EventDetails&EventId=5244867.

rejected the company's pay plan—the lowest level of support in the Russell 3000 that year.[2] In April of this year, the Investment Group further engaged Chipotle over board composition and urged shareholders to withhold support for the reelection of directors Darlene Friedman and Patrick Flynn, and continues to engage the company on issues of governance and board composition.[3]

Elimination of the co-CEO structure is just one step of many.

We were glad to learn that Chipotle's board reviewed the usefulness of the company's co-CEO structure. In 2014, investors soundly rejected the company's executive pay arrangements. Taking the industry's richest executive pay package and doubling it had produced the most expensive co-CEO team in the Russell 3000 and one of the worst pay-for-performance profiles in the index. Egregious executive compensation remains in practice at Chipotle. Last year, for overseeing the company's system of just under 2,200 restaurants, Chipotle paid its co-CEO team 39% more than the CEO of McDonald's, 20% more than the CEO of Coca-Cola, and almost as much as the CEO of General Electric.[4]

While the company has taken steps to remediate excessive executive pay, on a more fundamental basis it was never clear that the co-CEO structure added value to the company. We anticipated that a refreshed board would evaluate the risks and benefits of having a co-CEO and, barring unequivocal evidence that the co-CEO arrangement contributed to company outperformance, would eliminate this structure. However, whether or not this proves to be a good starting place for governance reform, we absolutely do not believe that eliminating the co-CEO structure is a suitable stopping place. It is one step of many that are needed to set the company on the right track, and much remains to be done.

Appointing new, diverse directors with effective human capital management experience should be top priority.

In the immediate term, Chipotle's board is in serious need of renewed focus and fresh, strategic ideas. As we noted in the CtW Investment Group's shareholder engagement letter this April, the problems with Chipotle's board composition are legion. To name just a few, Chipotle exhibits:

- One of the least diverse, least independent boards among the S&P 500;
- Median director tenure of 18 years, with 6 directors having served over a decade;
- A majority of outside directors appointed under a management-dominated process while the company was still privately held.

Chipotle is in critical need of several new independent directors who will bring new points of view and objective expertise to the company's enterprise risk management, supply chain, and human capital challenges while also reflecting the company's professed commitment to improve racial and gender diversity. Replacing two or more incumbent directors with diverse candidates experienced in effective human capital management should be the highest immediate priority for the company, given that both its downturn and sluggish recovery have stemmed from inadequate training and staffing, as well as excessive operational complexity. Chipotle tells investors that it is "in the process of" refreshing its board, but change has been painfully slow, and the current board has not been able to provide the sort of decisive—and effective—leadership that seems important to put the lingering effects of the food safety crisis behind us.

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[2] Semler Brossy. 2015. "2014 Say on Pay Results: Russell 3000 Year End Report." January. Accessed December 9, 2016. http://www.semlerbrossy.com/wp-content/uploads/SBCG-2014-Year-End-Say-on-Pay-Report.pdf.

[3] CtW Investment Group. 2016. "Letter to Shareholders of Chipotle Mexican Grill." April 13. Accessed December 9, 2016. http://ctwinvestmentgroup.com/wp-content/uploads/2016/04/CMG_Final_April13.pdf.

[4] Equilar. 2016. "Pay for Performance Profile: Historical CEO Compensation Grant Date Fair Value Pay." Equilar Insight. December 9. Accessed December 9, 2016. https://insight.equilar.com.

Splitting the CEO and Chair role will facilitate greater oversight.

Chipotle founder Steve Ells serves the dual role of co-CEO and Chairman of the Board of Directors at Chipotle. We believe assigning both roles to one executive weakens the company's governance, and can harm shareholder value.

The value forfeited by a lack of good corporate governance becomes most obvious during periods of crisis. The company's stuttering public response to the food safety crisis of 2015 clearly demonstrates why strong independent oversight is so needed at the company. After discrediting Chipotle's central value proposition of "food with integrity" and shedding half of the company's market capitalization since October 2015, Chipotle has yet to debut a convincing, comprehensive approach to repairing the brand. We believe a lack of independent oversight has contributed to the company's grave failures of risk management.

The Chairmen's Forum, an organization of non-executive board chairs, has called on North American public companies to willingly adopt independent chairmanship, as an independent chair "curbs conflicts of interest, promotes oversight of risk, manages the relationship between the board and the CEO, serves as a conduit for regular communication with shareowners, and is a logical next step in the development of an independent board."[5]

Chipotle is a company that desperately needs this oversight. Although Chipotle has an independent lead director, we do not believe this is an adequate substitute for having a fully independent Chair. This fall, the CtW Investment Group and the Amalgamated Bank jointly filed a non-binding shareholder proposal calling for Chipotle to install a new independent Chair. The proposal argues strongly that appointing an independent, outside Chair to oversee company management will facilitate greater oversight and better position Chipotle to provide a more responsive and transparent approach going forward.

We noted in our April letter to shareholders that Chipotle is at a critical juncture. This remains the case today, as Chipotle's governance problems remain a hindrance to the company's efforts to reestablish trust and recover lost value.

We are open to discussing any of these points in further detail, and have forwarded appropriate contact information.

Sincerely,

Dieter Waizenegger
Executive Director

[5] The Millstein Center for Corporate Governance and Performance at the Yale School of Management and The Chairmen's Forum. 2009. "Chairing the Board: The Case for Independent Leadership in Corporate North America." March 30. Accessed December 9, 2016. http://web.law.columbia.edu/sites/default/files/microsites/millstein-center/2009%2003%2030%20Chairing%20The%20Board%20final.pdf.