



Company
TESLA, INC.

Ticker Symbol
TSLA

CUSIP
88160R101

Guideline
Standard

Meeting Date
10/07/21

Record Date
08/09/21

Date Published
09/27/21

(delivered to most major institutional investors and parties interested in proxy matters)

Our recommendations are received by most major investors.

© 2021 Egan-Jones Proxy Services. All rights reserved.

Meeting Information	
Meeting Type	Annual
Meeting Date	10/07/21
Record Date	08/09/21

Items & Recommendations

We recommend that clients holding shares of TESLA, INC. vote:

Item	Egan-Jones Recommendation	Management Recommendation
1 – Election of Directors	FOR ALL	FOR ALL
2 – Adoption of Amendments to Certificate of Incorporation to Reduce Director Terms to Two Years	AGAINST	FOR
3 – Adoption of Amendments to Certificate of Incorporation and Bylaws to Eliminate Applicable Supermajority Voting Requirements	FOR	ABSTAIN
4 – Ratification of Appointment of Independent Registered Public Accounting Firm	AGAINST	FOR
5 – Shareholder Proposal - Elect Each Director Annually	FOR	AGAINST
6 – Shareholder Proposal Regarding Additional Reporting on Diversity and Inclusion Efforts	FOR	AGAINST
7 – Shareholder Proposal Regarding Reporting on Employee Arbitration	AGAINST	AGAINST
8 – Shareholder Proposal Regarding Assigning Responsibility for Strategic Oversight of Human Capital Management to an Independent Board-Level Committee	FOR	AGAINST
9 – Shareholder Proposal Regarding Additional Reporting On Human Rights	FOR	AGAINST

Egan-Jones' review centered on the Proposals in the context of maximizing shareholder value, based on publicly available information.

Governance Rating Score Summary

The Egan-Jones Governance Rating is based upon data sourced from FactSet Research Systems Inc., the company's public filings, reputable news sites, as well as other regulatory disclosures such as those found at the SEC and FASB

Ticker **TSLA**
Company name **TESLA, INC.**

Board Rating

Item	TRUE/FALSE
CEO and Chairman Separate	TRUE
Annual Director Elections	TRUE
All Classes of Stock Have Equal Voting Rights	TRUE
Compensation Committee with All Independents	TRUE
Audit Committee with All Independents	TRUE
Nominating Committee with All Independents	TRUE
Non-binding Compensation Vote on Agenda	TRUE
Two Thirds of Directors on Board are Independent	TRUE
Over-boarded CEO Director	FALSE
Over-boarded Board Chair	FALSE
Over-boarded Non-CEO Director	FALSE
Major cyber security breach	FALSE
Failure to implement sufficient carbon risk plan	FALSE
Other financial or operational risk control failure	FALSE
Other serious reputational risk failure by the Board	FALSE
Version	VER 2.10 1/22/2021
Sub Total	100.00
Performance Adjustment	367.38
Total	467.38
Final Board Score	Superior

Compensation Rating

CEO Total Comp(\$)	46,562,116*
CEO Salary (\$)	269,663*
TSR (%)	739.76
Market Capitalization (\$M)	677,443.20
Wealth Creation (\$M)	5011450.43
Wealth Creation/CEOPAY	107629.35
Raw Score (pre adjustments)	Superior
Final Score	Neutral
Rating Model Version	VER 3.10 1/22/2021
High CEO Total Compensation	Negative Adjustment
CEO Salary Under \$1 Million Limit	Positive Adjustment
Other Adjustments:	No Adjustment

Audit Rating

Audit Fees	12,965,000
Total Fees	14,524,000
Non-Audit Fees exceed 50%	FALSE
Auditor has served for seven or more years	TRUE
Raw Score	Needs Attention
Version	VER 1.11 1/22/2021
Final Score	Needs Attention

Governance Rating

Overall Score **Needs Attention**

Cyber Security Risk Rating

The Egan-Jones Cyber Risk Ratings helps stake holders assess the security posture (health) of covered entities. EJPS analysts use the SecuritiesScorecard platform to ascertain the company's Score which is incorporated into the EJPS Proxy Research Report. The methodology utilized for determining the Score can be found at http://ejproxy.com/media/documents/Egan-Jones_Proxy_Services_Cyber_Risk_Rating.pdf. For additional questions or comments please contact research@ejproxy.com or +1-844-495-5244 x1102.

Company Name **TESLA MOTORS, INC.**
Domain **teslamotors.com**

SSC Letter Grade **D**
SSC Industry **manufacturing**

Application Security	D
Cubit Score	A
DNS Health	A
Endpoint Security	F
Hacker Chatter	A
IP Reputation	B
Network Security	B
Information Leak	A
Patching Cadence	B
Social Engineering	A

Minimum Factor Grade **F**

EJP Qualitative Adjustment **None**
Final Score **Needs Attention**
Cyber Security Scoring Engine Version **2.0.1 - EJP**

*Please note that the CEO Total Comp (\$) and the CEO Salary (\$) used in calculating the Compensation Score belong to Zachary Kirkhorn, Master of Coin and Chief Financial Officer, the highest paid NEO in

Item 1

Election of Directors

Director Name	Nominee	Key Committee Membership	Attendance (<75%)	Position CEO/Chair	Director Since	Diverse director	Classification	Footnotes	EJP recommendation
	1	2	3	4	5	6	7	8	9
KIMBAL MUSK	Yes		No		2004		Affiliated Outside Director		FOR
JAMES MURDOCH	Yes	A;N	No		2017		Independent Outside Director		FOR
IRA EHRENPREIS	No	C;N	No		2007	Yes	Independent Outside Director		
ELON MUSK	No		No	CHIEF EXECUTIVE OFFICER	2004		Inside Director		
ROBYN M. DENHOLM	No	A;C;N	No	NON EXECUTIVE CHAIRMAN	2014	Yes	Independent Outside Director		C10
LAWRENCE J. ELLISON	No		No		2018		Independent Outside Director		
KATHLEEN WILSON THOMPSON	No	C;N	No		2018	Yes	Independent Outside Director		
HIROMICHI MIZUNO	No	A	No		2020	Yes	Independent Outside Director		

C10 FUTURE RECOMMENDATION Chairman of the Board and the Company Earns a Cyber Security Risk Rating of Needs Attention

If the current Chairman of the Board were up for election, we would recommend the clients withhold votes from him/her for a score of Needs Attention, which the Company has obtained on the Cyber Security Risk Rating. Egan-Jones' Proxy Guidelines state that the Chairman of the Board should be held accountable for such a low rating. We believe that cybersecurity should be critical for all organizations given the rise of the cyber threats and data breaches in the corporate scene, which could affect any organization's reputation and lead to declined investor confidence. As such, Egan-Jones believes that in order to avoid risks of data breaches any cybersecurity weaknesses should be addressed aggressively in the board room, combined with the proper approach to cyber risk management, implementation of systems and controls against cybersecurity incidents and the leadership of the Chairman of the Board.

Item 2

Adoption of Amendments to Certificate of Incorporation to Reduce Director Terms to Two Years

Recommendation:

We believe that staggered terms for directors increase the difficulty for shareholders of making fundamental changes to the composition and behavior of a board. We prefer that the entire board of a company be elected annually to provide appropriate responsiveness to shareholders. **We recommend a vote AGAINST this Proposal.**

Background:

The shareholders are being asked to adopt the inclusion of certain provisions in a proposed amendment and restatement (the Amended Certificate) of the current certificate of incorporation to reduce the number of classes into which the Board is divided from three to two, resulting in each director's term being reduced from three years to two years (the Director Term Amendment).

The Director Term Amendment that is proposed to be included in the Amended Certificate provides for the reduction of the classes of the Board from three to two, comprised of Class I and Class II, with: (i) directors divided between them as nearly equal in size as is practicable by the Board (including following future increases or decreases in the number of directorships); (ii) the terms of the initial Class I directors expiring at the 2022 annual meeting of stockholders and thereafter at each second annual meeting of stockholders next succeeding the most recent election at which directors of such class were elected; and (iii) the terms of the initial Class II directors expiring at the 2023 annual meeting of stockholders and thereafter at each second annual meeting of stockholders next succeeding the most recent election at which directors of such class were elected. Consequently, if the Director Term Amendment is approved, each director's term will be reduced from three years to two years, subject to any increase to a director's term resulting from a re-assignment of Board classes in order to maintain classes as nearly equal in size as is practicable.

The Board has approved the following assignments of the directors to the two classes of the Board, contingent upon the adoption of the Director Term Amendment by the stockholders:

Name	Class (Next Term Expiration following 2021 Annual Meeting) if Amendment is Approved (1)	Class (Next Term Expiration following 2021 Annual Meeting) if Amendment is Not Approved (2)
Elon Musk	I (2022)	I (2023)
Robyn Denholm	II (2023)	I (2023)
Ira Ehrenpreis	I (2022)	III (2022)
Lawrence J. Ellison	I (2022)	III (2022)
Antonio Gracias (3)	—	—
Hirohichi Mizuno	II (2023)	I (2023)
James Murdoch	II (2023)	II (2024)
Kimbal Musk	II (2023)	II (2024)
Kathleen Wilson-Thompson	I (2022)	III (2022)

- (1) Reflects the Board classes as approved by the Board and the next applicable term expirations following the 2021 Annual Meeting, assuming adoption of the Director Term Amendment and re-election at Annual Meeting (if applicable).
- (2) Reflects the current Board classes and the next applicable term expirations following the 2021 Annual Meeting, if the Amended Certificate is not adopted and assuming re-election at the 2021 Annual Meeting (if applicable).
- (3) Will not stand for re-election at the 2021 Annual Meeting.

Item 3

Adoption of Amendments to Certificate of Incorporation and Bylaws to Eliminate Applicable Supermajority Voting Requirements

Recommendation:

We believe that a simple majority vote will strengthen the Company's corporate governance practice. Contrary to supermajority voting, a simple majority standard will give the shareholders equal and fair representation in the Company by limiting the power of shareholders who own a large stake in the entity, therefore, paving way for a more meaningful voting outcome. As such, **we recommend a vote FOR this Proposal.**

Background:

The shareholders are being asked to adopt at the 2021 Annual Meeting each of the following:

- The inclusion of certain provisions in the proposed Amended Certificate to eliminate the current requirements that certain categories of changes to the certificate of incorporation be approved by the affirmative vote of at least 66 2/3% of the total voting power of all outstanding shares of Tesla common stock (the "Supermajority Amendment"); and
- An amendment and restatement (the "Amended Bylaws") of the current bylaws to eliminate the current requirements therein that certain categories of changes to the bylaws be approved by the affirmative vote of at least 66 2/3% of the total voting power of all outstanding shares of Tesla common stock.

The Board has approved the Supermajority Amendment subject to its adoption by the stockholders, and has approved the submission of the Amended Bylaws to the stockholders for their adoption.

The Supermajority Amendment that is proposed to be included in the Amended Certificate provides for the deletion of the requirement that an affirmative vote of the holders of at least 66 2/3% of the voting power of all outstanding shares of capital stock of Tesla entitled to vote generally in the election of directors, voting together as a single class, be required to amend, alter or repeal, or adopt any provision in the certificate of incorporation inconsistent with the purpose and intent of the provisions currently therein relating to: (i) the general powers, number, elections, terms, removals, vacancies of, or newly created directorships for, members of the Board; (ii) the authority of the Board to adopt, amend or repeal the bylaws; (iii) actions by written consent of stockholders, special meetings of stockholders, and the required advance notice for director nominations and business to be brought by stockholders at meetings; and (iv) the amendment of the certificate of incorporation. Consequently, if the Supermajority Amendment is adopted, the Amended Certificate will not require that a proposed amendment, alteration, change or repeal of any provision in the Amended Certificate be subject to approval by a supermajority of the stockholders.

The Amended Bylaws provide for the deletion of the requirement that an affirmative vote of the holders of at least 66 2/3% of the voting power of all outstanding voting securities of Tesla, voting together as a single class, be required for the stockholders of Tesla to alter, amend or repeal, or adopt any bylaw inconsistent with, the provisions currently therein relating to: (i) meetings of stockholders; (ii) the powers, number, resignations, vacancies and removals of members of the Board; (iii) indemnification of directors and officers; and (iv) the amendment of the bylaws. Consequently, if the Amended Bylaws are adopted by the stockholders, the stockholders will be permitted to adopt, amend or repeal the Amended Bylaws pursuant to a simple majority vote, or any other standard required by applicable laws.

Rationale for the Proposal

The 2020 Supermajority Proposal was an advisory and non-binding proposal. Even though it

The Supermajority Amendment that is proposed to be included in the Amended Certificate provides for the deletion of the requirement that an affirmative vote of the holders of at least 66 2/3% of the voting power of all outstanding shares of capital stock of Tesla entitled to vote generally in the election of directors, voting together as a single class, be required to amend, alter or repeal, or adopt any provision in the certificate of incorporation inconsistent with the purpose and intent of the provisions currently therein relating to: (i) the general powers, number, elections, terms, removals, vacancies of, or newly created directorships for, members of the Board; (ii) the authority of the Board to adopt, amend or repeal the bylaws; (iii) actions by written consent of stockholders, special meetings of stockholders, and the required advance notice for director nominations and business to be brought by stockholders at meetings; and (iv) the amendment of the certificate of incorporation. Consequently, if the Supermajority Amendment is adopted, the Amended Certificate will not require that a proposed amendment, alteration, change or repeal of any provision in the Amended Certificate be subject to approval by a supermajority of the stockholders.

Item 4

Ratification of Appointment of Independent Registered Public Accounting Firm

Recommendation:

At Egan-Jones Proxy Services we review relevant factors, both qualitative and quantitative in nature, before issuing a recommendation regarding the ratification of appointment of independent auditors. We believe that auditor rotation every seven years, a ratio of non-audit fees and total fees not exceeding 50%, a lack of significant and material disciplinary actions taken against the Company's Auditor and any financial interest of the auditor in or association with the Company are the minimum criteria that should be taken into consideration in ensuring the auditor's independence.

The sum total of our evaluation can be found in the Auditor Rating we give this auditor. Generally and absent other negative factors, we suggest a score **Neutral** or higher. This audit firm has earned a grade of **Needs Attention** and thus, has failed to pass our model.

After taking into account both the quantitative and qualitative measures outlined below, we believe that shareholders should not support the ratification of the auditors. **Therefore, we recommend a vote AGAINST this Proposal.**

*See scoring details on top of the report.

Background:

While ratification of auditors is one of the most common proposals submitted to shareholders it should not be overlooked. After employing the most qualified directors and CEO, to manage and grow the company, having equally experienced auditors should be next in importance. Reliable auditors are critical to ensuring shareholders receive accurate and timely reports of the Company's financial performance.

Exhibit 1 - Audit Fees

	Current Fiscal Year	Prior Fiscal Year
Audit Fees	\$ 12,965,000	\$ 12,527,000
Audit Related Fees	\$ -	\$ -
Non Audit and Tax Fees	\$ 1,559,000	\$ 1,008,000
Total Fees	\$ 14,524,000	\$ 13,535,000

Exhibit 2 - Audit Fee Ratios

	Relevant Ratios	Note
Total Fee Increase/Decrease	7.3%	
Non-Audit Related Fees divided by Total Fees (Current FY):	10.7%	Should not be higher than 50%

Board Auditor Choice: PricewaterhouseCoopers, LLP

PricewaterhouseCoopers, LLP is a PCAOB (Public Company Accounting Oversight Board) registered auditor. Public records show that there have been disciplinary actions taken against this firm; however, we do not believe this to be unusual for such a large company with numerous employees, in most of these cases.

Nevertheless, we note the PCAOB Release No. 105-2017-032 from August 2, 2017 in which the Public Company Accounting Oversight Board censured PricewaterhouseCoopers LLP ("PwC" or "Respondent") and imposed on PwC a civil money penalty in the amount of \$1,000,000. The Board imposed these sanctions on the basis of its findings that PwC violated PCAOB rules and standards in connection with its 2014 audit and examination engagements for Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill"), a broker-dealer registered with the United States Securities and Exchange Commission ("Commission").

In addition, we note the 2014 PCAOB order (PCAOB Release No. 105-2014-007) in which the Board censured Randall A. Stone, CPA ("Stone"), Randall A. Stone, age 51, of Austin, Texas, a certified public accountant licensed under the laws of Texas (license no. 047916), imposed a civil money penalty in the amount of \$50,000; and barred Stone from being associated with a registered public accounting firm. At all relevant times, Stone was a partner in the Austin, Texas office of PwC was an associated person of a registered public accounting firm as that term is defined in Section 2(a)(9) of the Act and PCAOB Rule 1001(p)(i). Stone retired from PwC effective June 30, 2014. This PCAOB order resulted from its findings concerning Stone's violations of PCAOB rules and auditing standards in connection with (1) the audit of the consolidated financial statements of ArthroCare Corporation ("ArthroCare" or "Company") for the fiscal year ended December 31, 2007, and (2) the consent to incorporate by reference the fiscal year 2007 audit report in a Form S-8 Registration Statement filed by ArthroCare with the United States Securities and Exchange Commission ("Commission" or "SEC") in June 2008.

Item 5

Shareholder Proposal - Elect Each Director Annually

Recommendation:

After evaluating the details given about the shareholder proposal and in accordance with the Egan-Jones' Proxy Guidelines, we believe that corporate governance procedures and practices, and the level of accountability that the Company imposes, are closely related to financial performance. It is intuitive that when directors are accountable for their actions, they perform better. We therefore prefer that the entire board of a company be elected annually to provide appropriate responsiveness to shareholders. **After evaluating the details pursuant to the shareholder proposal and in accordance with the Egan-Jones' Proxy Guidelines, we recommend a vote FOR this Proposal.**

Background:

The shareholders are being asked to act on a proposal that requests the Company to take all the steps necessary to reorganize the Board of Directors into one class with each director subject to election each year for a one-year term.

Arthur Levitt, former Chairman of the Securities and Exchange Commission said, "In my view it's best for the investor if the entire board is elected once a year. Without annual election of each director shareholders have far less control over who represents them."

Almost 90% of S&P 500 and Fortune 500 companies have adopted this important proposal topic since 2012. Annual elections are widely viewed as a corporate governance best practice. Annual election of each

director could make directors more accountable, and thereby contribute to improved performance and increased company value.

Shareholder resolutions on this topic won 14 of 15 votes at companies in 2019 and 2020, according to data compiled by ProxyInsight, most by a wide margin.

According to one of the largest shareholders, BlackRock: "Directors should be elected annually to discourage entrenchment and allow shareholders sufficient opportunity to exercise their oversight of the board." Vanguard generally votes for proposals to declassify an existing board and votes against management or shareholder proposals to create a classified board.

According to Equilar, "A classified board creates concern among shareholders because poorly performing directors may benefit from an electoral reprieve. Moreover, a fraternal atmosphere may form from a staggered board that favors the interests of management above those of shareholders. Since directors in a declassified board are elected and evaluated each year, declassification promotes responsiveness to shareholder demands and pressures directors to perform to retain their seat. Notably, proxy advisory firms ISS and Glass Lewis both support declassified structures."

This proposal should also be evaluated in the context of the Company's overall corporate governance as of the date of this submission: Shareholders cannot call special meetings, act by written consent or nominate directors through proxy access. At the 2020 annual meeting, 56% of shares were voted in favor of eliminating supermajority voting requirements.

Item 6

Shareholder Proposal Regarding Additional Reporting on Diversity and Inclusion Efforts

Recommendation:

We believe that a company's success depends upon its ability to embrace diversity and to draw upon the skills, expertise and experience of its workforce. As such, we believe that adoption of this proposal is in the best interests of the Company and its shareholders. **In accordance with Egan-Jones' Guidelines, we recommend a vote FOR this Proposal.**

Background:

The shareholders are being asked to act on a proposal that requests Tesla, Inc. to annually publish a report fully assessing the Company's diversity and inclusion efforts, at reasonable expense and excluding proprietary information. At a minimum the report should include:

- the process the Board follows for assessing effectiveness of its diversity, equity and inclusion programs;
- the Board's assessment of program effectiveness, as reflected in any goals, metrics, and trends related to its promotion, recruitment, hiring and retention of protected classes of employees; and
- full EEO-1 report disclosure – a comprehensive breakdown of workforce by race and gender according to 10 employment categories each year, which is already collected and provided to the United States Equal Employment Opportunity Commission.

Investors seek disclosure of quantitative, comparable data to understand the effectiveness of the company's diversity, equity, and inclusion programs.

In its Diversity, Equity and Inclusion Impact Report 2020 (U.S.) Tesla notes, "We do the work required to ensure that our culture is as diverse and inclusive as it is collaborative and driven."

Yet, Tesla has not fully released meaningful information allowing investors to determine the effectiveness of its human capital management programs related to workplace diversity. Shareholders may become concerned that Tesla's disclosures are insufficient as they do not disclose adequate information for investors to gain a solid understanding of the company's recruitment, hiring, retention and promotion practices and progress across various ethnic groups and by gender without more granular data across each of these areas.

Investor desire for information on this issue is significant. As of October, 2020, investors representing \$1.9 trillion in assets released an Investor Statement on the importance of increased corporate transparency on workplace equity data. It stated:

It is essential that investors have access to the most up-to-date and accurate information related to diverse workplace policies, practices, and outcomes.

Item 7

Shareholder Proposal Regarding Reporting on Employee Arbitration

Recommendation:

We believe that the shareholder proposal is unnecessary and will not result in any additional benefit to the shareholders. Rather, the proposal promotes impractical and imprudent actions that would negatively affect the business and results. **After evaluating the details pursuant to the shareholder proposal and in accordance with the Egan-Jones' Proxy Guidelines, we recommend a vote AGAINST this Proposal.**

Background:

The shareholders are being asked to act on a proposal that requests the Board of Directors to oversee the preparation of a public report on the impact of the use of mandatory arbitration on Tesla's employees and workplace culture. The report should evaluate the impact of Tesla's current use of arbitration on the prevalence of harassment and discrimination in its workplace and on employees' ability to seek redress. The report should be prepared at reasonable cost and omit proprietary and personal information.

The proponent's one-size-fits-all goal appears to be that every company simply eliminate employee arbitration; but the proponent fails to clearly or adequately explain the benefits to Tesla or the stockholders for doing so. The proponent claims that various governmental bodies may be considering or taking steps to curtail the use of arbitration but does not specify how any such developments would adversely impact Tesla or the stockholders (or argue that Tesla would not comply with applicable legal or regulatory requirements). Similarly, the proponent makes conclusory statements about other, and generally unnamed and unquantified, companies and their arbitration policies without considering or specifying how such other companies may or may not be similarly situated to Tesla. By contrast, the Board believes that each company is unique and should not be governed by sweeping and unsubstantiated generalizations. In the case of Tesla, the mission is to accelerate the world's transition to sustainable energy. Implicit in the mission is a mandate to not only follow the law, but to do the right thing. As the Company has pledged in the annual Impact Report, Tesla has designed the workplace and policies to provide all employees with a respectful and safe working environment by not tolerating any discrimination, harassment, retaliation or any other mistreatment at work, whether based on a legally protected status or otherwise. Therefore, the Company reiterates that Tesla, its employees and its stockholders would be better served by continuing to execute on the mission and tangible workplace goals rather than devote attention and resources to reporting on an issue as to which the proponent has inaccurately characterized the fundamental premise and which is a pretext for its narrowly-focused goal.

Item 8

Shareholder Proposal Regarding Assigning Responsibility for Strategic Oversight of Human Capital Management to an Independent Board-Level Committee

Recommendation:

We believe that the adoption of the proposal will enhance the Company's response to human capital management **Accordingly, we recommend a vote FOR this Proposal.**

Background:

The shareholders are being asked to act on a proposal that requests the Board of Directors to assign responsibility for strategic oversight of human capital management to an independent board-level committee. The committee's responsibilities should include:

1. Reviewing, on an ongoing basis, corporate policies and practices on principles, strategy and management of workforce-related matters, including those related to addressing workforce equity and inclusion, and compensation for employees other than executive officers;
2. Oversight of the extent to which Tesla's policies, standards and requirements are applied consistently across its operations, and;
3. Offering guidance on strategic decisions that may have an impact on the workforce.

Citing multiple claims of labor rights violations, including discriminatory and anti-union activities, MSCI ESG Ratings warned investor clients in September 2020 that "Tesla's weak labor management practices may pose risks to the company's growth strategy."¹ To date, Tesla has not established clear oversight responsibilities for its workforce at the board level or provided sufficient information for investors to understand its human capital management approach.

High-profile killings of Black men and women in 2020 highlighted the grave consequences of systemic racism in the society, sparked nationwide protests for racial justice. They prompted many companies to publicize their commitments to racial equity and diversity. CEO Elon Musk's only apparent action in support of Black employees during this period was to announce *on the morning of Juneteenth* that it was an *unpaid holiday*.² Many employees were already at work by the time the email was sent out.

In May 2020, the company reopened its plant, breaching government stay-at-home mandates. In the months that followed, 450 employees tested positive for the coronavirus. The CEO reportedly dared

state officials to arrest him.³ Despite assurances that workers could stay home if they felt unsafe, several workers were subsequently terminated for “failure to return to work.”⁴

The CEO’s responses to both the pandemic and racial-justice protests underscore the need for broader board oversight of the workforce.

Tesla’s stated mission is “to accelerate the world’s transition to sustainable energy.” This shift towards a low-carbon economy is underway, with companies poised to significantly expand their operations and workforce. It is essential that the low-carbon economy not replicate – or worse, exacerbate – the old economy’s inequalities. Empirical studies show that robust human capital management is associated with: improved recruitment and retention, better returns and lower costs, better brand reputation, improved operational performance, and better long-term strategic planning⁵. The need for board oversight responsibility of human capital management reflects its importance to a company’s strategy and operations. It is necessary to enable Tesla to optimize perfor

To facilitate a just transition toward an environmentally sustainable economy, Tesla will need its board of directors to oversee a credible and robust long-term strategy. Conversely, failure to correctly assign board-level oversight may create reputational and legal risks that can negatively impact performance and long-term value.

Item 9

Shareholder Proposal Regarding Additional Reporting On Human Rights

Recommendation:

We believe that the adoption of a more comprehensive human rights policy, coupled with implementation, enforcement, independent monitoring, and transparent, comprehensive reporting will assure shareholders of the Company’s global leadership. **We recommend a vote FOR this Proposal.**

Background:

The shareholders are being asked to act on a proposal that requests the Board of Directors commission an independent, third-party report assessing the extent to which Tesla is effectively fulfilling its responsibility to respect human rights and engage in responsible sourcing practices. The report should include analysis of how Tesla’s Code of Business Conduct and Ethics, Supplier Code of Conduct, and Human Rights and Conflict Minerals Policy are implemented to address adverse human rights impacts occurring within its direct operations and across the value chain. The report should exclude information relevant to any pending legal proceeding or threatened proceeding of which Tesla has notice.

Disclaimer

While Egan-Jones Proxy Services ("EJP"), a unit of Egan-Jones Ratings Co. ("EJR"), exercised due care in compiling this analysis, it makes no warranty, express or implied, regarding the accuracy, completeness or usefulness of this information and assumes no liability with respect to the consequences of relying on this information for investment or other purposes. In particular, the research and voting recommendations provided are not intended to constitute an offer, solicitation or advice to buy or sell securities nor are they intended to solicit votes or proxies.

EJR has established policies and procedures which prohibit the involvement of any of EJR-affiliated persons who are involved as analysts in EJR's credit ratings business in the content of EJP's analyses and vote recommendations. None of such EJR personnel are informed of the contents of any of EJP's analyses or recommendations prior to their publication or dissemination.

One or more of the proponents of a shareholder proposal at an upcoming meeting may be a client of Egan-Jones. Egan-Jones may in some circumstances afford issuers the right to review draft research analyses so that factual inaccuracies may be corrected before the report and recommendations are finalized. Control of research analyses and voting recommendations remains, at all times, with Egan-Jones.

Those wishing to purchase Egan-Jones Proxy reports should contact proxy@egan-jones.com

Interested in learning more about Egan-Jones Proxy? See our website at <http://www.ejproxy.com>