May 28, 2025

Robyn Denholm
Chairperson of the Board
Tesla, Inc.
Attention: Brandon Ehrhart, Corporate Secretary and General Counsel
Legal Department
1 Tesla Road
Austin, TX 78725

Dear Chair Denholm:

We the undersigned are long-term institutional investors holding approximately 7.9 million shares in Tesla. As with many Tesla shareholders, when we initially invested in Tesla, we took Tesla at its word that its mission was to create a more sustainable future through its visionary development of electric vehicles. In the last few months, however, it has become clear to us that Tesla needs certain corporate governance reforms to address deficiencies in the Board's oversight of company leadership. Tesla's stock price volatility, declining sales, as well as disconcerting reports regarding the company's human rights practices,[1] and a plummeting global reputation are cause for serious concern.[2] Moreover, many issues are linked to Mr. Musk's actions outside of his role as Technoking and Chief Executive Officer at Tesla, including his high-profile role as an architect of the U.S. Department of Government Efficiency (DOGE).

Additionally, Mr. Musk's outside endeavors appear to have diverted his time and attention from actively managing Tesla's operations, as any other chief executive officer of a publicly traded company would be expected to do. For many years, the amount of time CEO Musk has devoted to managing Tesla has been constrained because of his multiple privately-held companies and other outside endeavors. The current crisis at Tesla puts into sharp focus the long-term problems at the company stemming from the CEO's absence, which is amplified by a Board that appears largely uninterested and unwilling to act in the best interest of all Tesla shareholders by demanding Mr. Musk's full-time attention on Tesla.[3]

The company recently announced the formation of a Special Committee to evaluate Mr. Musk's compensation, a new bylaw that limits directors' legal accountability to shareholders, as well as a

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[1] Bloomberg, "Tesla Dumped by Danish Pension Over Labor Rights, Musk's Actions," March 14, 2025, https://www.bloomberg.com/news/articles/2025-03-14/tesla-dumped-by-danish-pension-over-labor-rights-musk-s-actions.

[2] American Federation of Teachers, Letter to Larry Fink, February 27, 2025, https://www.aft.org/sites/default/files/media/documents/2025/FinkLtr.pdf;
The Guardian, "'Major brand worries': Just how toxic is Elon Musk for Tesla?" March 8, 2025, https://www.theguardian.com/technology/2025/mar/08/major-brand-worries-just-how-toxic-is-elon-musk-for-tesla.

[3] It has been reported that in late March, the Board began a search for an alternative CEO and called on CEO Musk to return to Tesla. Almost immediately after this story was released, both CEO Musk and Chair Denholm, via Tesla's X account, denied the story. We are unaware of further clarification from the company as to how the Board has been overseeing the CEO from January to present. Wall Street Journal, "Tesla Board Opened Search for a CEO to Succeed Elon Musk," May 1, 2025, https://www.wsj.com/business/autos/tesla-musk-ceo-search-board-0ce61af9.

delay in Tesla's annual shareholder meeting. As events this year have transpired, the gaps in Tesla's corporate governance have become increasingly troubling. We believe this moment offers an opportunity for the Board to proactively address these concerns. Therefore, we urge the Board to announce the following reforms:

- **Establish clear time commitments for any new CEO compensation plans.** Any new compensation plan offered to CEO Musk should include a commitment to devote a minimum of 40 hours per week to the management of the company.[4] Though CEO Musk has stated he will be "allocating far more of [his] time at Tesla" likely this month, he still plans to "spend a day or two on government matters…for as long as it's useful."[5] CEO Musk has previously stated he divides his time between his companies by focusing on "predominantly one company on one day."[6] These statements suggest that he is likely to spend only one day a week at Tesla. Given his leadership roles at four private companies and his foundation, the Board must ensure that Tesla is not treated as just one among many competing obligations. In any case, Tesla deserves a CEO whose time and attention align with the scale of the responsibilities at hand—particularly in light of recent performance challenges, strategic uncertainties, and the company's evolving competitive landscape. It is the Board's fiduciary duty to structure compensation in a way that incentivizes meaningful, sustained engagement—not merely symbolic presence.
- **Adopt and disclose a clear succession plan for management.** We believe the company's current disclosure regarding the CEO succession plan does not assure investors that the Board is adequately prepared, if necessary, to bring on a new individual with the appropriate skillset to execute Tesla's business plans. The Board should adopt and disclose a succession plan that includes the goals of the plan, strategies on internal candidate development and the development of a talent pipeline, as well as the criteria for when an outside search firm should be engaged. We recommend the succession plan address both planned and unplanned or "emergency" departures, with a two-to-five-year time frame to begin searches for planned departures. For "emergency" succession planning of any named executive officer, the plan should identify an "emergency successor" and the expected duration of this temporary position. The plan should be reviewed by the appropriate committees or the full board at least annually.
- **Adopt and disclose an over boarding policy for directors that specifically limits outside board commitments at both public and private companies.** We appreciate the spirit of Tesla's current over boarding policy;[7] however, we believe additional clarification to its policy concerning outside board commitments would be beneficial to ensure directors are not overcommitted. Best practice suggests that non-executive directors on public boards be limited to no more than four or five publicly traded boards and directors who are executives

[4] A 2018 Harvard Study indicated CEO's work on average 62.5 hours per week. Harvard Business Review, "How CEOs Manage Time," June-August 2018, https://hbr.org/2018/07/how-ceos-manage-time.
[5] S&P CapIQ Transcript, April 22, 2025 Earnings Call.
[6] CNBC, "Elon Musk says his days are 'long and complicated' splitting time between SpaceX, Tesla, and Twitter," May 23, 2025, https://www.cnbc.com/2023/05/23/elon-musk-splits-time-across-spacex-tesla-and-twitter-heres-how.html.
[7] Tesla's current policy states outside commitments by directors must "not materially interfere with the member's service" and that directors "should not have more public company memberships than would allow them to effectively and productively be a" Tesla director. TSLA 2024 Proxy Statement, p. 114, Tesla Corporate Governance Guidelines, p. 2, https://digitalassets.tesla.com/tesla-contents/image/upload/IR-Corporate-Governance-Guidelines.

of public companies be limited to 2 total public boards.[8] We believe that leadership roles in private companies, however, take as much time if not more than publicly traded ones. We therefore suggest that director over boarding be limited to no more than four total public or private company boards. For any director that is an executive at Tesla, the over boarding policy should be limited to no more than 1 director position at an outside public or private company board and no more than 1 executive position at an outside public or private company. Furthermore, the policy should also require that the company's Nominating and Governance Committee annually review and approve any additional outside commitments for all directors.

- **Appoint at least one new truly independent director with no personal ties to other Board members.** On May 16th, Tesla disclosed the addition of John Hartung, soon to be the former Chief Financial Officer of Chipotle, as its newest director. The disclosure also noted that Mr. Hartung's son-in-law is currently employed by Tesla. As previously raised by some of the signatories to this letter, Tesla's current board members have extensive business and personal relationships with the CEO compromising the Board's independence.[9] Per the Council of Institutional Investors' (CII) Policies on Corporate Governance, "an independent director is a person whose directorship constitutes his or her only connection to the corporation." Under CII's Policy, directors are not considered independent if the director has a relative, which includes a son-in-law, who is employed by the corporation. It is striking that Tesla would nominate a director who, by objective standards, does not appear to be independent—particularly to a board already criticized by investors and the Delaware Chancery Court for its lack of independence. We believe the ongoing issues related to the company's performance and the reputational damage to Tesla's once strong brand warrant further board refreshment by rotating at least one director off and appointing a new, truly independent director who can provide a fresh perspective. This director should have experience providing oversight on issues such as human capital management, corporate governance, legal and regulatory experience, brand marketing, and risk management.

We are concerned that the Board's delay over the last few months may already be giving way to long-term damage to Tesla's reputation. Damage to Tesla's brand is evidenced by the company's stock price falling by more than 24% since its peak in December 2024, its Q1 sales falling 13% this year versus the same period a year ago, and calls for divestment both in Europe and in the US.[10] Concerns regarding Tesla's poor corporate governance have become increasingly pronounced, most recently with Tesla's announced bylaw amendment that curtails its shareholders' ability to hold directors accountable for breaches of fiduciary duty. Since the Board has unilaterally adopted measures that weaken shareholder rights, it is even more important for the Board to adopt reforms that strengthen corporate governance and protect shareholder interests. The Board now has an

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[8] Harvard Law School Forum on Corporate Governance, "Roundup of Director Overboarding Policies," November 13, 2021, https://corpgov.law.harvard.edu/2021/11/13/roundup-of-director-overboarding-policies/.

[9] Bloomberg, "Elon's Orbit," May 29, 2024, https://www.bloomberg.com/features/2024-elon-musk-orbit/

[10] European Pensions, "Denmark's Akademiker Pension divests from Tesla," March 17, 2025, https://www.europeanpensions.net/ep/Denmarks-Akademiker-Pension-divests-from-Tesla.php; Gothamist, "NYC pensions have more than $1B in Elon Musk's Tesla. Justin Brannan wants to divest," https://gothamist.com/news/divest-tesla-nyc-pension-comptroller-justin-brannan; New York State Senate, "NY State Senators Urge Comptroller DiNapoli to Begin Pension Fund Divestment in Tesla, Inc." March 11, 2025, https://www.nysenate.gov/newsroom/press-releases/2025/patricia-fahy/ny-state-senators-urge-comptroller-dinapoli-begin.

opportunity to make these changes to help ensure the long-term success of Tesla. We would be happy to discuss these reforms with you and can be contacted via info@socinvestmentgroup.com for a meeting. We look forward to your response.

Sincerely,

Afa Försäkring

Akademiker Pension

American Federation of Teachers

AP Pension

Friends Fiduciary Corporation

Michael W. Frerichs, Illinois State Treasurer

LD Pensions

Brad Lander, New York City Comptroller

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