NASDAQ: **TSLA**

ISIN: **US88160R1014**

MEETING DATE: 06 NOVEMBER 2025
RECORD DATE: 15 SEPTEMBER 2025
PUBLISH DATE: 17 OCTOBER 2025

COMPANY DESCRIPTION

Tesla, Inc. designs, develops, manufactures, leases, and sells electric vehicles, and energy generation and storage systems in the United States, China, and internationally.

INDEX MEMBERSHIP: NASDAQ-100; NASDAQ COMPOSITE; RUSSELL TOP 200; RUSSELL 3000; S&P 500; RUSSELL 1000; S&P 100
SECTOR: CONSUMER DISCRETIONARY
INDUSTRY: AUTOMOBILES
COUNTRY OF TRADE: UNITED STATES
COUNTRY OF INCORPORATION: UNITED STATES
HEADQUARTERS: TEXAS
VOTING IMPEDIMENT: NONE

OWNERSHIP	COMPANY PROFILE	ESG PROFILE	COMPENSATION	COMPENSATION ANALYSIS	COMPANY UPDATES
PEER COMPARISON	VOTE RESULTS	COMPANY FEEDBACK	APPENDIX	SUSTAINALYTICS ESG	ESG BOOK PROFILE
BITSIGHT CYBER SECURITY					

2025 ANNUAL MEETING

PROPOSAL	ISSUE	BOARD	GLASS LEWIS	CONCERNS
1.00	Election of Directors	FOR	**SPLIT**	• **DIVERSITY ALERT**
1.01	Elect Ira Ehrenpreis	FOR	**AGAINST**	• **Failure to implement SHP** • **Gender diversity concerns** • **Other governance issue**
1.02	Elect Joseph Gebbia	FOR	**FOR**	
1.03	Elect Kathleen Wilson-Thompson	FOR	**AGAINST**	• **Concerning pay practices** • **Failure to implement SHP** • **Other governance issue**
2.00	Advisory Vote on Executive Compensation	FOR	**AGAINST**	• **Concerning pay practices**
3.00	Amendment to the 2019 Equity Incentive Plan	FOR	**AGAINST**	• **Concerning pay practices**
4.00	Approval of 2025 CEO Performance Award	FOR	**AGAINST**	• **Excessively dilutive**
5.00	Ratification of Auditor	FOR	**FOR**	

6.00	Elimination of Supermajority Requirement	UNDETERMINED	**FOR**	• **Supermajority vote requirements can impede shareholders' ability to approve ballot items that are in their interests**
7.00	Shareholder Proposal Regarding Board Authorization of Investment in xAI	UNDETERMINED	**AGAINST**	• **Not a matter that should be determined by shareholders**
8.00	Shareholder Proposal Regarding Linking Executive Compensation to Sustainability Metrics	AGAINST	**AGAINST**	
9.00	Shareholder Proposal Regarding Child Labor Linked To Electric Vehicles	AGAINST	**AGAINST**	
10.00	Shareholder Proposal Regarding Repeal of Ownership Thresholds for Derivative Proceedings	AGAINST	**FOR**	• **Recently-adopted derivative suit provisions are contrary to shareholders interests**
11.00	Shareholder Proposal Regarding Shareholder Approval of Limits to Submitting Shareholder Proposals	AGAINST	**FOR**	• **Adoption would ensure shareholders are consulted before their rights are limited**
12.00	Shareholder Proposal Regarding Board Declassification	AGAINST	**FOR**	• **The annual election of directors provides maximum accountability of directors to shareholders**
13.00	Shareholder Proposal Regarding Simple Majority Vote	AGAINST	**FOR**	• **Supermajority vote requirements can impede shareholders' ability to approve ballot items that are in their interests**
14.00	Shareholder Proposal Regarding Shareholder Approval of Restrictions on the Submission of Shareholder Proposals	AGAINST	**FOR**	• **Adoption would ensure shareholders are consulted before their rights are limited**

For Your Attention: Additional review recommended due to highly contextual analysis.

DIVERSITY ALERT: Please refer to the Disclosure Note below and our analysis for additional details.

POTENTIAL CONFLICTS

As of October 2021, U.S. and Canadian companies are eligible to purchase and receive Equity Plan Advisory services from Glass Lewis Corporate, LLC ("GLC"), a Glass Lewis affiliated company. More information, including whether the company that is the subject of this report used GLC's services with respect to any equity plan discussed in this report, is available to Glass Lewis' institutional clients on Viewpoint or by contacting compliance@glasslewis.com. Glass Lewis maintains a strict separation between GLC and its research analysts. GLC and its personnel did not participate in any way in the preparation of this report.

DISCLOSURE NOTES

DIVERSITY ALERT: One or more “AGAINST” or “WITHHOLD” election of director recommendations in this Proxy Paper is flagged for your attention because it is based, at least in part, on considerations of gender or underrepresented community diversity. Clients that wish to not vote based on such considerations should vote “FOR,” absent any other concern. For more information on how Glass Lewis has modified its Benchmark Policy approach to considering certain diversity factors at U.S. companies beginning March 10, 2025, please see our 2025 Supplemental Statement on Diversity Considerations at U.S. Companies. If you have any questions or if you wish to update your approach to voting based on diversity considerations, please contact your Client Service Manager.

ENGAGEMENT ACTIVITIES

Glass Lewis held the following engagement meetings within the past year:

ENGAGED WITH	MEETING DATE	ORGANIZER	TYPE OF MEETING	TOPICS DISCUSSED
Shareholder Proponent	06 February 2025	Shareholder Proposal Proponent	Teleconference/Web-Meeting	Shareholder Proposal
Shareholder Proponent	13 March 2025	Shareholder Proposal Proponent	Teleconference/Web-Meeting	Shareholder Proposal
Issuer	08 October 2025	Issuer	Teleconference/Web-Meeting	Board Composition and Performance,Company Performance / Strategy,Executive Pay,Shareholder Proposal
Investor	15 October 2025	Glass Lewis	Teleconference/Web-Meeting	Board Composition and Performance,Company Performance / Strategy,Executive Pay,Shareholder Proposal

For further information regarding our engagement policy, please visit http://www.glasslewis.com/engagement-policy/.

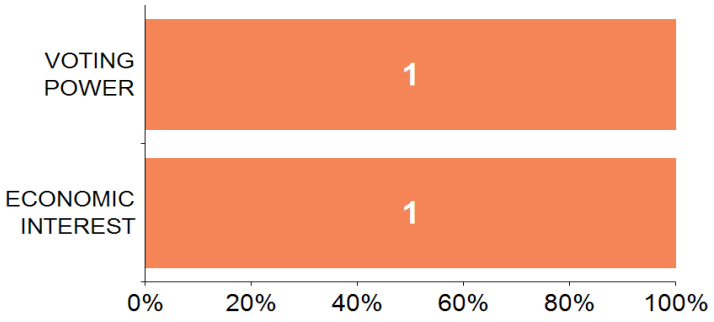
ISSUER DATA REPORT: Tesla, Inc. registered to participate in Glass Lewis' Issuer Data Report program (IDR) for this meeting. The IDR program enables companies to preview the key data points used by Glass Lewis’ research team, and address any factual errors with Glass Lewis prior to the publication of the Proxy Paper to Glass Lewis’ clients. No voting recommendations or analyses are provided as part of the IDR. For more information on the IDR program, please visit https://www.glasslewis.com/issuer-data-report/

SHARE OWNERSHIP PROFILE

SHARE BREAKDOWN

	1
SHARE CLASS	Common Stock
SHARES OUTSTANDING	3,325.2 M
VOTES PER SHARE	1
INSIDE OWNERSHIP	10.40%
STRATEGIC OWNERS**	43.00%
FREE FLOAT	84.50%

SOURCE CAPITAL IQ AND GLASS LEWIS. AS OF 17-OCT-2025



TOP 20 SHAREHOLDERS

	HOLDER	OWNED*	COUNTRY	INVESTOR TYPE
1.	Musk, Elon R.	15.32%	N/A	Individuals/Insiders
2.	The Vanguard Group, Inc.	7.56%	United States	Traditional Investment Manager
3.	BlackRock, Inc.	6.18%	United States	Traditional Investment Manager
4.	State Street Global Advisors, Inc.	3.41%	United States	Traditional Investment Manager
5.	Geode Capital Management, LLC	1.95%	United States	Traditional Investment Manager
6.	Capital Research and Management Company	1.59%	United States	Traditional Investment Manager
7.	Norges Bank Investment Management	1.12%	Norway	Sovereign Wealth Fund
8.	JP Morgan Asset Management	1.05%	United States	Traditional Investment Manager
9.	UBS Asset Management AG	0.98%	Switzerland	Traditional Investment Manager
10.	Northern Trust Global Investments	0.79%	United Kingdom	Traditional Investment Manager
11.	T. Rowe Price Group, Inc.	0.73%	United States	Traditional Investment Manager
12.	FMR LLC	0.73%	United States	Traditional Investment Manager
13.	Morgan Stanley	0.70%	United States	Public Company
14.	Legal & General Investment Management Limited	0.61%	United Kingdom	Traditional Investment Manager
15.	Amundi Asset Management SAS	0.61%	France	Traditional Investment Manager
16.	Charles Schwab Investment Management, Inc.	0.56%	United States	Traditional Investment Manager
17.	The Goldman Sachs Group, Inc.	0.54%	United States	Public Company
18.	BNY Asset Management	0.46%	United States	Traditional Investment Manager
19.	Eaton Vance Management	0.44%	United States	Traditional Investment Manager
20.	Bank of America Corporation	0.44%	United States	Public Company

**COMMON STOCK EQUIVALENTS (AGGREGATE ECONOMIC INTEREST) SOURCE: CAPITAL IQ. AS OF 17-OCT-2025*
***CAPITAL IQ DEFINES STRATEGIC SHAREHOLDER AS A PUBLIC OR PRIVATE CORPORATION, INDIVIDUAL/INSIDER, COMPANY CONTROLLED FOUNDATION, ESOP OR STATE OWNED SHARES OR ANY HEDGE FUND MANAGERS, VC/PE FIRMS OR SOVEREIGN WEALTH FUNDS WITH A STAKE GREATER THAN 5%.*

SHAREHOLDER RIGHTS

	MARKET THRESHOLD	COMPANY THRESHOLD[1]
VOTING POWER REQUIRED TO CALL A SPECIAL MEETING	N/A	50.00%
VOTING POWER REQUIRED TO ADD AGENDA ITEM	$2,000[2]	$2,000[2]
VOTING POWER REQUIRED TO APPROVE A WRITTEN CONSENT	N/A	100.00%

[1]N/A INDICATES THAT THE COMPANY DOES NOT PROVIDE THE CORRESPONDING SHAREHOLDER RIGHT.
[2]UNLESS GRANDFATHERED, SHAREHOLDERS MUST OWN SHARES WITH MARKET VALUE OF AT LEAST $2,000 FOR THREE YEARS. ALTERNATIVELY, SHAREHOLDERS MUST OWN SHARES WITH MARKET VALUE OF AT LEAST $15,000 FOR TWO YEARS; OR SHARES WITH MARKET VALUE OF $25,000 FOR AT LEAST ONE YEAR.

COMPANY PROFILE

FINANCIALS

	1 YR TSR	3 YR TSR AVG.	5 YR TSR AVG.
TSLA	*62.5%*	*4.7%*	*70.7%*
S&P 500	*25.0%*	*8.9%*	*14.5%*
Peers*	*57.5%*	*3.4%*	*12.9%*

Market Capitalization (MM $)	1,296,351
Enterprise Value (MM $)	1,294,602
Revenues (MM $)	97,690

*ANNUALIZED SHAREHOLDER RETURNS. *PEERS ARE BASED ON THE INDUSTRY SEGMENTATION OF THE GLOBAL INDUSTRIAL CLASSIFICATION SYSTEM (GICS). FIGURES AS OF 31-DEC-2024. SOURCE: CAPITAL IQ*

EXECUTIVE COMPENSATION

Total CEO Compensation $0

1-Year Change in CEO Pay	*N/A*	**CEO to Median Employee Pay Ratio**	*0:1*
Say on Pay Frequency	*1 Year*	**Compensation Grade 2024**	*C*
Glass Lewis Structure Rating	*Poor*	**Glass Lewis Disclosure Rating**	*Fair*
Single Trigger CIC Vesting	*No*	**Excise Tax Gross-Ups**	*No*
NEO Ownership Guidelines	*Yes*	**Overhang of Incentive Plans**	*14.81%*

CORPORATE GOVERNANCE

Election Method	*Majority*	**CEO Start Date**	*October 2008*
Controlled Company	*No*	**Proxy Access**	*Yes*
Multi-Class Voting	*No*	**Virtual-Only Meeting**	*No*
Staggered Board	*Yes*	**Average NED Tenure**	*9 years*
Combined Chair/CEO	*No*	**Gender Diversity on Board**	*22.2%*
Individual Director Skills Matrix Disclosed	*Yes*	**Company-Reported Racial/Ethnic Diversity on Board**	*11.1%*
Supermajority* to Amend Bylaws and/or Charter	*Yes*	**Age-Based Director Retirement Policy/Guideline**	*No; N/A*
Numerical Director Commitments Policy	*No*		

**Supermajority defined as at least two-thirds of shares outstanding*

ANTI-TAKEOVER

Poison Pill	*No*
Approved by Shareholders/Expiration Date	*N/A; N/A*

AUDITORS

Auditor: PRICEWATERHOUSECOOPERS	**Tenure:** 20 Years
Material Weakness(es) Outstanding	*No*
Restatement(s) in Past 12 Months	*No*

SASB MATERIALITY

Primary SASB Industry: Automobiles

Financially Material Topics:

- *Product Safety*
- *Fuel Economy & Use-phase Emissions*
- *Materials Efficiency & Recycling*
- *Labor Practices*
- *Materials Sourcing*

Company Reports to SASB/Extent of Disclosure: Yes; Full Standard

CURRENT AS OF OCT 17, 2025

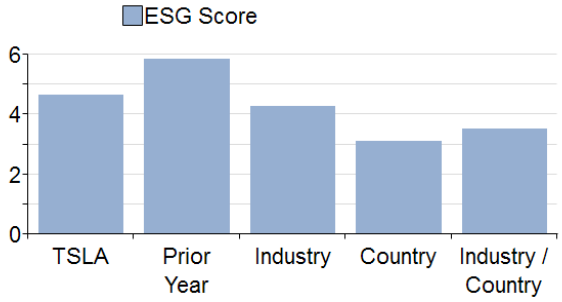
GLASS LEWIS ESG PROFILE

GLASS LEWIS ESG SCORE: **4.7 / 10**

ESG SCORE SUMMARY

Board Accountability Score:	*1.2 / 10*	**ESG Transparency Score:**	*8.9 / 10*	**Targets and Alignment Score:**	*3.3 / 10*
Climate Risk Mitigation Score:	*N/A*	**Biodiversity Score:**	*N/A*		

SCORE BREAKDOWN



PRIOR YEAR ESG SCORE*	5.877
CHANGE IN ESG SCORE	-1.21
INDUSTRY	*4.3* (0.39)
COUNTRY	*3.1* (1.56)
INDUSTRY / COUNTRY	*3.5* (1.13)

**As of our Proxy Paper for the Annual Meeting on 13-Jun-24*

BOARD ACCOUNTABILITY (1.2 / 10)

Average NED Tenure	*9 years*	**Percent Gender Diversity**	*22%*
Director Independence	*56%*	**Board Oversight of ESG**	*Yes*
Board Oversight of Cyber	*Yes*	**Board Oversight of Human Capital**	*Yes*
Compensation Linked to E&S Metrics	*No*	**Lowest Support for Directors in Prior Year**	*67.9%*
Prior Year Say on Pay Support	*79.4%*	**Annual Director Elections**	*No*
Inequitable Voting Rights	*No*	**Pay Ratio**	*0:1*
Diversity Disclosure Assessment	*Fair*	**Failure to Respond to Shareholder Proposal**	*Yes*

ESG TRANSPARENCY (8.9 / 10)

Comprehensive Sustainability Reporting	*Yes*	**GRI-Indicated Report**	*No*
Reporting Assurance	*Yes*	**Reporting Aligns with TCFD/IFRS S2**	*Yes*
Discloses Scope 1 & 2 Emissions	*Yes*	**Discloses Scope 3 Emissions**	*Yes*
Reports to SASB	*Yes*	**Extent of SASB Reporting**	*Full Standard*
Discloses EEO-1 Report	*Yes*	**CPA-Zicklin Score**	*0*

ESG TARGETS AND ALIGNMENT (3.3 / 10)

Has Scope 1 and/or 2 GHG Reduction Targets	*No*	**Has Scope 3 GHG Reduction Targets**	*No*
Has Net Zero GHG Target	*No*	**Reduction Target Certified by SBTi**	*No*
SBTi Near-Term Target	*Commitment removed*	**SBTi Long-Term Target**	*N/A*
SBTi Net Zero Target	*N/A*	**UNGC Participant or Signatory**	*No*
Has Human Rights Policy	*Yes*	**Human Rights Policy Aligns with ILO, UNGP, or UDHR**	*Yes*
Has Human Rights Due Diligence Framework	*Yes*	**Has Supplier Code of Conduct**	*Yes*
Has Biodiversity Policy	*No*	**Has AI Policy**	*Yes*

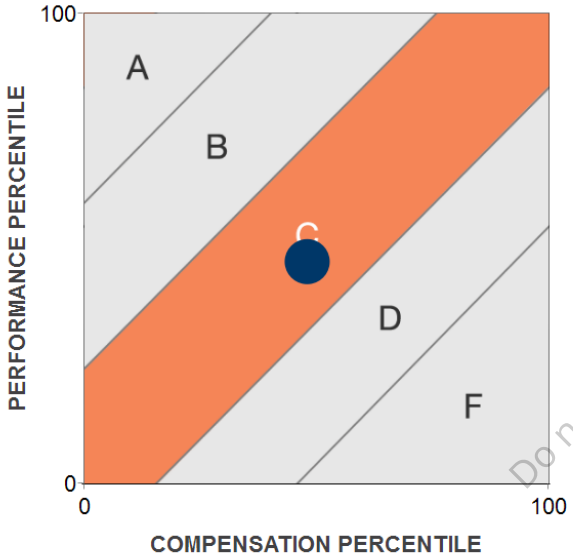
PAY-FOR-PERFORMANCE

Tesla's executive compensation received a **C** grade in our proprietary pay-for-performance model. The Company paid more compensation to its named executive officers than the median compensation for a group of companies selected based on Glass Lewis' peer group methodology and company data.The CEO was paid significantly less than the median CEO compensation of these peer companies. Overall, the Company paid about the same as its peers and performed about the same as its peers.

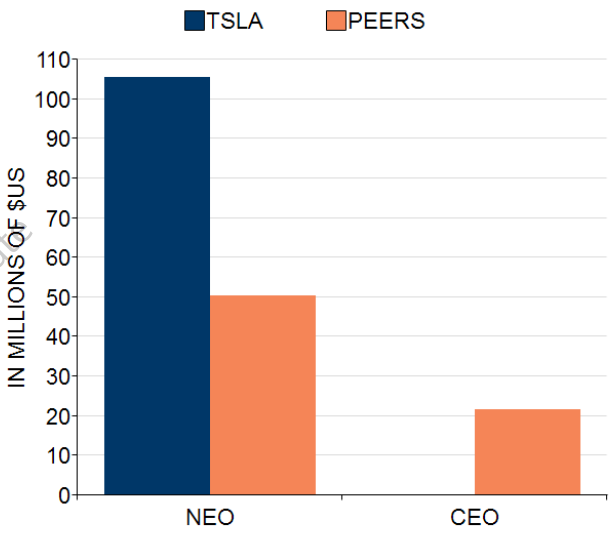
HISTORICAL COMPENSATION GRADE		
	FY 2024:	C
	FY 2023:	A
	FY 2022:	A

FY 2024 CEO COMPENSATION		
	SALARY:	$ 0
	GDFV EQUITY:	$ 0
	NEIP/OTHER:	$ 0
	TOTAL:	$ 0

FY 2024 PAY-FOR-PERFORMANCE GRADE



3-YEAR WEIGHTED AVERAGE COMPENSATION

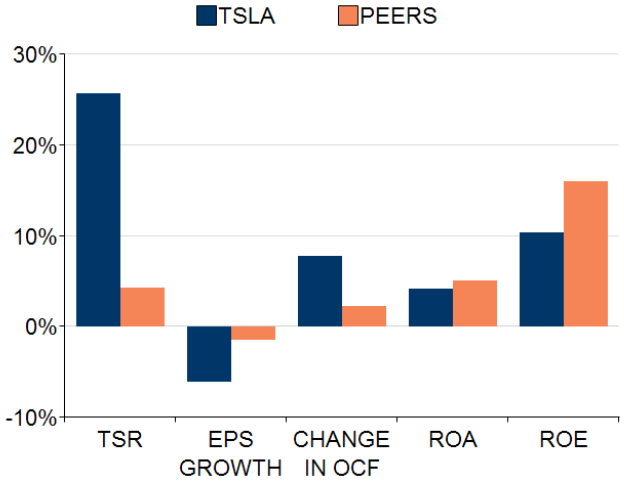


GLASS LEWIS PEERS VS PEERS DISCLOSED BY COMPANY

GLASS LEWIS	TSLA
General Motors Company	
Ford Motor Company	
Magna International Inc.	
Elevance Health, Inc.	
JPMorgan Chase & Co.	
The Home Depot, Inc.	
Chevron Corporation	
PepsiCo, Inc.	
Accenture plc	
United Parcel Service, Inc.	
The Cigna Group	
Target Corporation	
Cencora, Inc.	
The Kroger Co.	
Cardinal Health, Inc.	

ALSO DISCLOSED BY TSLA

SHAREHOLDER WEALTH AND BUSINESS PERFORMANCE



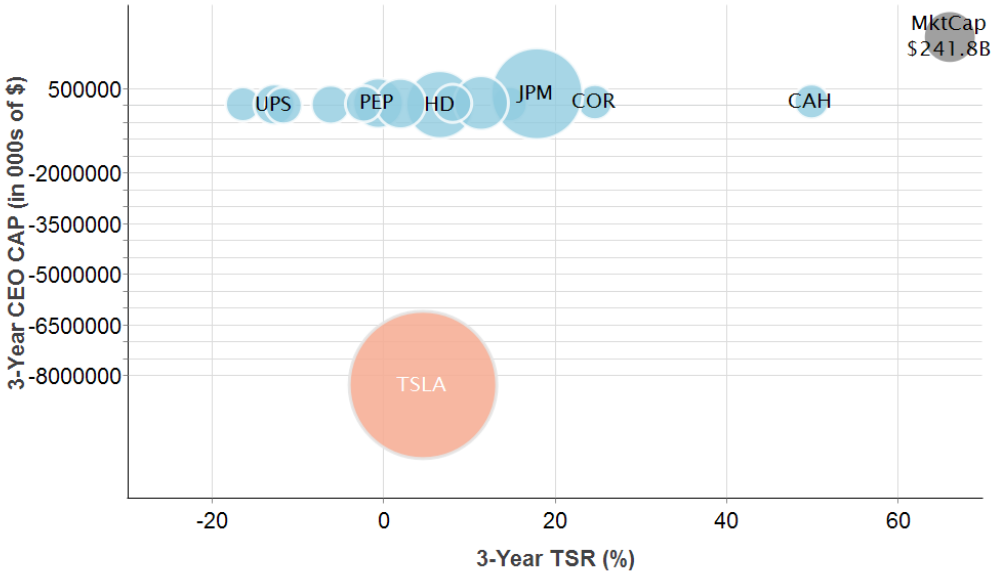
Analysis for the year ended 12/31/2024. Performance measures, except ROA and ROE, are based on the weighted average of annualized one-, two- and three-year data. Compensation figures are weighted average three-year data calculated by Glass Lewis. Data for Glass Lewis' pay-for-performance tests are sourced from company filings, including proxy statements, annual reports, and other forms for pay. Performance and TSR data are sourced from Capital IQ and publicly filed annual reports. For Canadian peers, equity awards are normalized using the grant date exchange rate and cash compensation data is normalized using the fiscal year-end exchange rate. The performance metrics used in the analysis are selected by Glass Lewis and standardized across companies by industry. These metrics may differ from the key metrics disclosed by individual companies to meet SEC pay-versus-performance rules.

Glass Lewis peers are based on Glass Lewis' proprietary peer methodology, which considers both country-based and sector-based peers, along with each company's disclosed peers, and are updated in February and August. Peer data is based on publicly available information, as well as information provided to Glass Lewis during the open submission periods. The "Peers Disclosed by Company" data is based on public information in proxy statements. Glass Lewis may exclude certain peers from the Pay

for Performance analysis based on factors such as trading status and/or data availability.

For details on the Pay-for-Performance analysis and peer group methodology, please refer to Glass Lewis' Pay-for-Performance Methodology & FAQ.

COMPENSATION ANALYSIS



	Market Capitalization	Revenue	CEO Compensation Actually Paid	1Y TSR	3Y TSR	5Y TSR
Reference Company Percentile	100%ile	27%ile	7%ile	93%ile	53%ile	100%ile
Reference Company	$1296.4B	$97.7B	-$8300.0M	62.5%	4.6%	70.7%
25th Percentile of Peers	$44.1B	$91.9B	$47.5M	-13.1%	-11.6%	5.4%
50th Percentile of Peers	$81.2B	$171.8B	$73.9M	4.3%	4.3%	8.5%
75th Percentile of Peers	$212.2B	$187.4B	$88.9M	26.2%	11.4%	14.7%
Multiple of Median	16.0x	0.6x	-112.3x	N/A	N/A	N/A

	COMPENSATION ACTUALLY PAID (CAP)		EPS		ROA		ROE	
Year	TSLA	GL Peers (Median)	TSLA	GL Peers (Median)	TSLA	GL Peers (Median)	TSLA	GL Peers (Median)
2024	$0.0M	$18.6M	$2.23	$8.29	4.2%	5.4%	10.4%	18.7%
2023	$1403.0M	$23.4M	$4.73	$8.22	5.9%	5.2%	27.4%	15.9%
2022	-$9703.0M	$35.7M	$4.02	$11.49	11.9%	5.0%	32.5%	20.6%

RATIO OF 3-YEAR COMPENSATION ACTUALLY PAID TO 3-YEAR TSR					
Market Capitalization Band	TSLA	25th Percentile	50th Percentile	75th Percentile	90th Percentile
$4B+	-81,761,708:1	212,935:1	330,617:1	522,386:1	779,790:1

	LIST OF COMPANIES
Glass Lewis Peer Group	Cencora, Inc (COR), The Kroger Co (KR), JPMorgan Chase & Co (JPM), Ford Motor Company (F), Elevance Health, Inc (ELV), The Home Depot, Inc (HD), United Parcel Service, Inc (UPS), PepsiCo, Inc (PEP), Chevron Corporation (CVX), Target Corporation (TGT), Accenture plc (ACN), The Cigna Group (CI), General Motors Company (GM), Cardinal Health, Inc (CAH), Magna International Inc (MG)

The Compensation Analysis for U.S. companies uses “compensation actually paid” figures provided by companies in proxy materials. The financial data used is based on information provided by Capital IQ. The performance metrics used in the analysis are selected by Glass Lewis and standardized across companies by industry. These metrics may differ from the key metrics disclosed by individual companies to meet SEC pay-versus-performance rules. The peer groups used in this analysis are created using Glass Lewis' proprietary peer-to-peer methodology for North American companies. For further information on the “compensation actually paid” figures, please see Glass Lewis' paper, New SEC Pay Versus Performance Disclosure Requirements. Find the Perfect Peer Group with Glass Lewis

COMPANY UPDATES

THE TORNETTA OPINIONS

On June 4, 2018, a purported Company shareholder filed a putative class and derivative action in the Delaware Court of Chancery against Elon Musk and the members of the Company's board of directors as then constituted, alleging corporate waste, unjust enrichment and that such board members breached their fiduciary duties by approving the $55.8 billion maximum payout stock-based compensation plan awarded to Elon Musk in 2018 (the “2018 CEO Performance Award”). The trial for *Tornetta v. Elon Musk, et al* was held November 14-18, 2022.

On January 30, 2024, the Court issued an opinion (the “Tornetta Opinion”) by Chancellor Kathaleen McCormick ordering recission of Mr. Musk’s 2018 compensation plan. Based on this outcome, plaintiff’s counsel sought a fee award of 29,402,900 Company shares, plus expenses of $1,120,115.50. The Company opposed the fee request, and at the Company's 2024 annual meeting, approximately 72% of disinterested voting shares of Tesla, excluding shares owned by Elon Musk and Kimbal Musk, voted to ratify the 2018 CEO Performance Award. Following this ratification, Elon Musk and other director defendants, joined by the Company, sought to revise the Tornetta Opinion.

On December 2, 2024, the Court issued an opinion (the "Second Tornetta Opinion") denying the motion to revise the Tornetta Opinion and awarded Plaintiff's counsel fees in the amount of $345 million. A final judgment was entered by the Court, and the director defendants and the Company appealed the decisions to the Delaware Supreme Court. The Company and the director defendants filed opening briefs on March 11, 2025. Plaintiffs filed their opening brief on April 25, 2025, and reply briefs were filed on May 16, 2025. On October 15, 2025, the Delaware Supreme Court heard oral arguments in the case (Tom Hals. "Tesla urges Delaware Supreme Court to restore Musk's $56 billion payday." *Reuters.* October 15, 2025).

2025 CEO PERFORMANCE AWARD

This year's annual meeting agenda includes a proposal to ratify a new 2025 CEO Performance Award (Proposal 4.00). Proposal 4.00 is being presented for votes of the Company’s shareholders following the recommendations of a special committee of the board (the "Special Committee") consisting of directors Robyn Denholm, the Company's independent chair of the board, and Kathleen Wilson-Thompson, an independent director who joined the Company's board in December 2018. The specifics of the award are discussed in our analysis of Proposal 4.00.

RECENT BYLAW AMENDMENTS

On May 16, 2025, the Company disclosed in a Form 8-K that the board made a number of amendments to its bylaws in connection with the effectiveness of amendments to the Texas Business Organization Code (the "TBOC") and in light of Texas law. Specifically, the amendments: (i) add a new section to provide for a jury trial waiver for “internal entity claims” as defined in the TBOC; (ii) add a new section to adopt an ownership threshold requiring any shareholder or group of shareholders to hold shares of common stock sufficient to meet an ownership threshold of at least 3% of Tesla’s issued and outstanding shares in order to institute or maintain a derivative proceeding; and (iii) make technical revisions to clarify the scope of the exclusive forum provision.

For more information regarding our concerns with these amendments, please refer to Proposal 1.00.

EXEMPT SOLICITATIONS

On September 24, 2025, John Chevedden, a shareholder of the Company and former aerospace employee who has pursued shareholder activism for decades, filed an exempt solicitation urging shareholders to vote against nominee Ira Ehrenpreis.

John Chevedden cited the following as immediate concerns:

- Despite the fact that a shareholder proposal regarding the declassification of the Company's board received over 54% support at last year's annual meeting, the board has not submitted a binding Company proposal to declassify the board at this year's annual meeting. Ira Ehrenpreis, as chair of the nominating and corporate governance committee, bears responsibility for not properly addressing this issue.

On October 2, 2025, SOC Investment Group (formerly CtW Investment Group) ("SOC"), which works with pension funds sponsored by affiliates of unions, filed an exempt solicitation urging shareholders to vote against nominees Ira Ehrenpreis, Joe Gebbia, and Kathleen Wilson-Thompson, against the amended and restated 2019 Equity Incentive Plan contemplated in Proposal 3.00 and against the 2025 CEO Performance Award contemplated in Proposal 4.00.

With regard to the three director nominees, SOC cited the following as immediate concerns:

- The ability of the Company's board to provide objective, rigorous oversight of management is compromised by the lack of true independence among its members.
- With regard to the nominees up for election this year, SOC notes that Ira Ehrenpreis has served on the board for 18 years, was an early investor in other companies founded by Elon Musk and has served as the only chair of the nominating and corporate governance committee since Tesla's IPO; Kathleen Wilson-Thompson has made nearly $200 million of unexercised options, has cashed in shares for $113.5 million and played a key role on multiple special committees that approved the 2018 CEO Performance Award and the $29 billion interim equity award in August; and Joe Gebbia is a friend of Elon Musk who stepped down from last year's special committee due to "perceived conflicts of interest" and serves as a member of the audit committee, which oversees the Company's risk management.
- The extraordinary level of compensation paid to the Company's directors may further compromise the board's impartiality.
- The board's failure to limit Elon Musk's outside commitments while rewarding him with unprecedented pay packages for only a part-time commitment strongly indicates a lack of true independence by management and jeopardizes long-term shareholder value.
- The board is exposing the Company and its shareholders to undue risk from potential margin calls by allowing Elon Musk to pledge hundreds of millions of shares.

With regard to Proposals 3.00 and 4.00, SOC cited the following as immediate concerns:

- With Proposal 3.00, the board has determined to combine the approval of the 207,960,630 share reserve exclusively for Elon Musk and the 60 million share reserve for other Company employees into one proposal, which denies shareholders the ability to support and oppose distinct provisions that have different targets.
- The proposal will also allow the board to issue in-the-money options to Elon Musk, which undermines effective incentive setting and has potential accounting and tax consequences that may impose significant costs on the Company's shareholders beyond further dilution.
- The performance targets included in the 2025 CEO Performance Award are in many cases vague, undemanding, and subject to significant discretion by the board.
- If all shares available to Elon Musk under the A&R 2019 Equity Plan are granted to him, his voting power and share ownership would increase to 28.8% of the Company, representing a significant potential dilution to the Company's shareholders.

The exempt solicitation is signed by, in addition to SOC, Afa För-säkring, American Federation of Teachers, Nevada State Treasurer Zachary B. Conine, Friends Fiduciary Corporation, Massachusetts State Treasurer and Receiver General Deborah B. Goldberg, New York City Comptroller Brad Lander, Comptroller of Maryland Brooke E. Lierman, New Mexico State Treasurer Laura M. Montoya, Vermont State Treasurer Mike Pieciak, Connecticut Treasurer Erick Russell, SHARE and Colorado State Treasurer David L. Young. On October 2, 2025, Brad Lander filed an additional exempt solicitation substantially identical to that filed by SOC.

RECENT LEGAL PROCEEDINGS

Litigation Related to Directors' Compensation

Per the Company's most recent Form 10-Q, on June 17, 2020, a purported Company shareholder filed a derivative action in the Delaware Court of Chancery, purportedly on behalf of the Company, against certain of the Company's current and former directors regarding compensation awards granted to the Company's directors, other than Elon Musk, between 2017 and 2020. The suit asserts claims for breach of fiduciary duty and unjust enrichment and seeks declaratory and injunctive relief, unspecified damages and other relief. Defendants filed their answer on September 17, 2020.

On July 14, 2023, the parties filed a Stipulation and Agreement of Compromise and Settlement, which does not involve an admission of any wrongdoing by any party. Pursuant to the terms of the agreement, the Company provided notice of the proposed settlement to shareholders of record as of July 14, 2023. The Court held a hearing regarding the settlement on October 13, 2023, after which it took the settlement and plaintiff's counsel fee request under advisement. On January 8, 2025, the Court approved the settlement and awarded Plaintiff's counsel fees in the amount of approximately $176 million. A final judgment was entered by the Court on January 13, 2025.

On February 10, 2025, the Company appealed the attorneys' fee award amount to the Delaware Supreme Court, but did not appeal the Delaware Court of Chancery's approval of the underlying settlement. Also, on February 10, 2025, a single shareholder appealed the approval of the settlement. The Company's appeal of the attorneys' fee award and the single shareholder's appeal have been fully briefed. An oral argument date has not yet been set.

Because neither the Company's appeal nor the shareholder's appeal seeks to vacate the settlement agreement or

materially modify its terms, the Company implemented the provisions of the settlement agreement in May 2025 by canceling the options requiring cancellation under its terms.

In connection with the settlement, the Company received $277 million from certain directors and paid Plaintiff's counsel fees of $176 million in the three months ended March 31, 2025. The Company recorded a $31 million reversal of previously recognized stock-based compensation expense in association with the returned awards and increased its provision for income taxes in relation to the return of directors' compensation. As the settlement was an equity transaction, the net impact to additional paid-in-capital was $110 million in the three months ended March 31, 2025.

1.00: ELECTION OF DIRECTORS

SPLIT

PROPOSAL REQUEST: Election of three of the nine directors

ELECTION METHOD: Majority

RECOMMENDATIONS & CONCERNS:

AGAINST: **I. Ehrenpreis** (Other governance issue, Did not implement SHP passed by a majority of unaffiliated shareholders, Insufficient board gender diversity) ; **K. Wilson-Thompson** (Concerning pay practices, Other governance issue, Did not implement SHP passed by a majority of unaffiliated shareholders)

FOR: **J. Gebbia**

NOT UP: **E. Musk** ; **J. Hartung** (Affiliate/Insider on audit committee, Board is not sufficiently independent) ; **K. Musk** ; **J. Straubel** ; **R. Denholm** (Concerning pay practices, Other governance issue, Did not implement SHP passed by a majority of unaffiliated shareholders) ; **J. Murdoch** (Other governance issue, Did not implement SHP passed by a majority of unaffiliated shareholders)

DIVERSITY ALERT: One or more "AGAINST" or "WITHHOLD" election of director recommendations in this Proxy Paper is flagged for your attention because it is based, at least in part, on considerations of gender or underrepresented community diversity. Clients that wish to not vote based on such considerations should vote "FOR," absent any other concern. For more information on how Glass Lewis has modified its Benchmark Policy approach to considering certain diversity factors at U.S. companies beginning March 10, 2025, please see our 2025 Supplemental Statement on Diversity Considerations at U.S. Companies. If you have any questions or if you wish to update your approach to voting based on diversity considerations, please contact your Client Service Manager.

PROPOSAL SUMMARY

Shareholders are being asked to elect three nominees to each serve a three-year term.

BOARD OF DIRECTORS

	UP	NAME	AGE	GENDER	DIVERSE+	GLASS LEWIS CLASSIFICATION	COMPANY CLASSIFICATION	OWN**	COMMITTEES						TERM START	TERM END	YEARS ON BOARD
									AUDIT	COMP	GOV	NOM	E&S^	CYB^^			
		Elon Musk* ·CEO	54	M	No	Insider 1	Not Independent	20%							2004	2026	21
		John R. Hartung	68	M	N/D	Affiliated 2	Independent	No	✔X				✔	✔	2025	2027	0
		Kimbal Musk	52	M	No	Affiliated 3	Not Independent	Yes							2004	2027	21
		J.B. Straubel	49	M	No	Affiliated 4	Independent	No							2023	2026	2
		Robyn M. Denholm ·Chair	62	F	No	Independent 5	Independent	Yes	CX	✔	✔	✔	C	C	2014	2026	11
⛔	✔	Ira Ehrenpreis	56	M	No	Independent	Independent	Yes		C	C	C			2007	2025	18
	✔	Joseph Gebbia	44	M	No	Independent	Independent	Yes	✔				✔	✔	2022	2025	3
		James Murdoch	52	M	No	Independent	Independent	Yes	✔		✔	✔	✔	✔	2017	2027	8
⛔	✔	Kathleen Wilson-Thompson	68	F	Yes	Independent	Independent	Yes		✔	✔	✔			2018	2025	7

C = Chair, * = Public Company Executive, X = Audit Financial Expert, ⛔ = Withhold or Against Recommendation

1. Technoking, co-founder and CEO. Significant beneficial owner, chair, chief technology officer and CEO of Space Exploration Technologies Corporation ("SpaceX"), to which the Company incurred for the use of aircraft $0.8 million in 2024 and $0.04 million through February 2025. SpaceX is party to certain commercial, licensing and support agreements with the Company, pursuant to which SpaceX incurred expenses of approximately $2.4 million in 2024 and $0.1 million through February 2025. Chief technology officer and significant shareholder of X Corp. ("X"), which is party to certain commercial, consulting and support agreements with the Company, pursuant to which the Company incurred expenses of approximately $0.1 million in 2024. The Company also directly or indirectly purchased advertising on X, which totaled approximately $0.4 million in 2024 and approximately $0.01 million through February 2025. Co-founder and significant shareholder of The Boring Company, which is party to commercial agreements with the Company, pursuant to which the Company incurred expenses of approximately $3.6 million in 2024 and approximately $0.8 million through February 2025. Owns a security company organized to provide security services concerning him that the Company entered into a service agreement with in December 2023; the Company incurred expenses of approximately $2.8 million for such security services in 2024 and approximately $0.5 million through February 2025. Treasurer and CEO of x.AI Corp ("xAI"), which is party to certain commercial consulting and support agreements with the Company, pursuant to which xAI incurred expenses of approximately $198.3 million in 2024 and approximately $36.9 million through February 2025. Serves as CEO of X.AI Holdings Corp. following the merger of X and xAI in March 2025. Brother of Kimbal Musk. Beneficially owns 19.8% of the Company's common stock, including 235,998,721 shares pledged as collateral to secure certain personal indebtedness.
2. Son-in-law is a senior program manager of the Company and earned a total compensation of $124,000 for fiscal year 2024.
3. Brother of Elon Musk. Former director (until January 2022) of SpaceX. CEO of Nova Sky Stories, which entered into a commercial agreement with the Company in relation to the production of an aerial show, pursuant to which the Company incurred expenses of approximately $0.3 million in 2024. Has pledged 1,463,220

Company shares as collateral to secure personal debt.

4. Co-founder. Former chief technology officer (until July 2019); in connection with departure as chief technical officer, the Company stated he intended to continue to serve at the Company in a senior advisor capacity. Served on the board of SolarCity from August 2006 until it was acquired by the Company in November 2016. CEO of Redwood Materials Inc. ("Redwood"), with which the Company is party to an agreement to supply certain scrap materials. Under this agreement, Redwood incurred expenses of $30.3 million in 2024 and approximately $0.6 million through February 2025.
5. Chair.

+Reflects racial/ethnic diversity reported either by the Company or by another company where the individual serves as a director. Only racial/ethnic diversity reported by the Company will be reflected in the Company's reported racial/ethnic board diversity percentage listed elsewhere in this Proxy Paper, if available.
***Percentages displayed for ownership above 5%, when available*
^Indicates board oversight responsibility for environmental and social issues. If this column is empty, it indicates that this responsibility hasn't been formally designated and codified in committee charters or other governing documents. ^^Indicates board oversight responsibility of cybersecurity issues has been designated to a specific committee with members as identified.

NAME	ATTENDED AT LEAST 75% OF MEETINGS	PUBLIC COMPANY EXECUTIVE	ADDITIONAL PUBLIC COMPANY DIRECTORSHIPS
Elon Musk	Yes	Yes	None
John R. Hartung	N/A	No	(2) Portillo's Inc.; The Honest Company, Inc.
Kimbal Musk	Yes	No	None
J.B. Straubel	Yes	No	(1) QuantumScape Corporation
Robyn M. Denholm	Yes	No	None
Ira Ehrenpreis	Yes	No	None
Joseph Gebbia	Yes	No	(1) Airbnb, Inc.
James Murdoch	Yes	No	(1) MCH Group AG
Kathleen Wilson-Thompson	Yes	No	(2) Wolverine World Wide, Inc.; McKesson Corporation

MARKET PRACTICE

BOARD	REQUIREMENT	BEST PRACTICE	2023*	2024*	2025*
Independent Chair	No[1]	Yes[6]	Yes	Yes	Yes
Board Independence	Majority[2]	66.7%[6]	63%	63%	56%
Gender Diversity	N/A[5]	N/A[5]	25.0%	25.0%	22.2%
COMMITTEES	**REQUIREMENT**	**BEST PRACTICE**	**2023***	**2024***	**2025***
Audit Committee Independence	100%[3]	100%[6]	100%	100%	75%
Independent Audit Chair	Yes[3]	Yes[6]	Yes	Yes	Yes
Compensation Committee Independence	100%[4]	100%[6]	100%	100%	100%
Independent Compensation Chair	Yes[4]	Yes[6]	Yes	Yes	Yes
Nominating Committee Independence	100%[4]	100%[6]	100%	100%	100%
Independent Nominating Chair	Yes[4]	Yes[6]	Yes	Yes	Yes

** Based on Glass Lewis classification*

1. *Nasdaq Corporate Governance Requirements*
2. *Independence as defined by Nasdaq listing rules*
3. *Securities Exchange Act Rule 10A-3 and Nasdaq listing rules*
4. *Non-independent member allowed under certain circumstances in Nasdaq listing rules*
5. *No current marketplace listing requirement*
6. *CII*

Glass Lewis believes that boards should: (i) be at least two-thirds independent; (ii) have standing compensation and nomination committees comprised solely of independent directors; and (iii) designate an independent chair, or failing that, a lead independent director.

GLASS LEWIS ANALYSIS

We believe it is important for shareholders to be mindful of the following:

DIVERSITY POLICIES AND DISCLOSURE

FEATURE	COMPANY DISCLOSURE
Director Race and Ethnicity Disclosure	Aggregate
Diversity Considerations for Director Candidates	None
"Rooney Rule" or Equivalent	Not disclosed
Director Skills Disclosure (Tabular)	Matrix
***Overall Rating:** Fair	
Company-Reported Percentage of Racial/Ethnic Minorities on Board: 11.1%	

*For more information, including detailed explanations of how Glass Lewis assesses these features, please see Glass Lewis' *Approach to Diversity Disclosure Ratings*.

The Company has provided fair disclosure of its board diversity policies and considerations. Areas to potentially improve this disclosure are as follows:

Race and Ethnicity Disclosure - The Company has not disclosed the racial/ethnic diversity of directors in a way that is both delineated from other diversity measures and on an individual basis. Glass Lewis believes that shareholders benefit from clear disclosure of racial/ethnic board diversity on an individual basis.

Diversity Considerations for Director Candidates - The Company has not disclosed that the board expressly considers both gender and race as measures of diversity within the director search process. Glass Lewis believes that shareholders benefit from clear disclosure assuring that these basic measures of diversity are a part of ongoing board refreshment considerations.

"Rooney Rule" - The Company has not disclosed a policy requiring women and minorities to be included in the initial pool of candidates when selecting new director nominees (aka a "Rooney Rule"). Glass Lewis believes that policies requiring the consideration of minority candidates are an effective way to ensure an appropriate mix of director nominees.

BOARD SKILLS

Glass Lewis believes that depth and breadth of experience is crucial to a properly functioning board. We believe shareholders' interests are best served when boards proactively address a lack of diversity through targeted refreshment, linking organic succession planning with the skill sets required to guide and challenge management's implementation of the board's strategy.

We have reviewed the non-employee directors' current mix of skills and experience as follows*:

BASIC INFORMATION				CORE SKILLS							SECTOR-SPECIFIC SKILLS			
Director	**Age**	**Gender**	**Tenure**	**Core**	**Finance/ Risk**	**Legal/ Policy**	**Senior Exec**	**Cyber/ IT**	**E&S**	**HCM**	**Intl Sales/ Mrkts**	**MFG/ SCM/ Global Ops**	**Comms/ Mrkting/ E-Com**	**Tech**
Robyn M. Denholm	62	F	11	X	X		X	X		X	X	X	X	X
Ira Ehrenpreis	56	M	18	X		X			X		X			X
Joseph Gebbia	44	M	3								X	X		X
James Murdoch	52	M	8				X			X	X	X	X	
Kimbal Musk	52	M	21	X				X				X		X
J.B. Straubel	49	M	2	X			X		X		X	X		X
Kathleen Wilson-Thompson	68	F	7			X	X			X	X	X		
John R. Hartung	68	M	0		X		X			X	X	X	X	

*Please note that the above information is for guidance only and has been compiled using the Company's most recent disclosure and/or additional public sources as necessary. It is not intended to be exhaustive. For further information, please refer to the Glass Lewis *Board Skills Appendix*.

2024 ANNUAL MEETING VOTE RESULTS

Shareholder Proposal Regarding Supermajority Provisions Approved

At last year's annual meeting, a shareholder proposal requesting that the Company eliminate supermajority voting provisions received the support of approximately 53.93% of votes cast (excluding abstentions). This year, the Company has proposed an amendment to its certificate of incorporation (Proposal 6.00) that would eliminate supermajority voting

provisions. As such, we believe that the board has responded adequately to this shareholder initiative by putting the amendment on this year's ballot, though shareholders should note that the board has chosen to make no recommendation with respect to Proposal 6.00.

Shareholder Proposal Regarding Harassment and Discrimination Policies Received Significant Support

As outlined below, the Company has previously received shareholder proposal/s that received significant shareholder support.

	2024 Annual Meeting Vote Results*	
	For	Against
Shareholder Proposal Regarding Report on Effectiveness of Workplace Harassment and Discrimination Policies	31.54%	68.46%

*Calculations exclude abstentions.

In instances when a shareholder proposal has received at least 30% shareholder support, we generally believe boards should engage with shareholders on the issue and provide disclosure addressing shareholder concerns and outreach initiatives. In this case, we believe that the board's response to this shareholder initiative has been inadequate. To the best of our knowledge, we have not identified any additional disclosure or engagement initiatives related to this issue. Nonetheless, given that the shareholder proposal was not supported by a majority of votes cast, we refrain from recommending that shareholders oppose the election of any director on this basis at this time.

Shareholder Opposition to Say-on-Pay

At last year's annual meeting, the Company's non-binding advisory resolution on executive compensation received support from approximately 79.42% of the votes cast. As discussed further in our analysis of the Company's advisory resolution on executive compensation, we believe the concerns regarding the Company's pay practices and programs warrant voting against the proposal. We will continue to monitor the Company's compensation practices going forward.

BOARD AND COMMITTEE INDEPENDENCE

Director Straubel's Independence

Director Straubel is a co-founder of the Company and served as its chief technology officer from May 2005 to July 2019. As it has now been over three years since Mr. Straubel was employed by the Company, the Company considers him to be independent pursuant to Nasdaq rules. Glass Lewis believes that a five-year standard is more appropriate because we believe that the unwinding of conflicting relationships between former management and board members is more likely to be complete and final after five years. As of the annual meeting, it has now been approximately six years since Mr. Straubel was employed by the Company. However, Mr. Straubel is founder and CEO of Redwood Materials Inc. ("Redwood"), with which the Company is party to an agreement to supply certain scrap materials. Under this agreement, Redwood incurred expenses of $30.3 million in 2024 and approximately $0.6 million in 2025 through February.

The benchmark policy views these types of business relationships as potentially creating conflicts for directors, as they may weigh their own business interests compared to shareholder interests when making board decisions. In addition, a company's decision regarding where to turn for the best products and services may be compromised when doing business with the firm of one of the company's directors. As a result of the Company's relationship with Redwood, we do not believe shareholders should consider director Straubel to be independent at this time, particularly given the Company's minimal disclosure on the relationship.

Director Hartung's Independence

Director Hartung's son-in-law is a senior program manager at the Company and received total compensation of $124,000 for fiscal year 2024. While the Company considers this director to be independent pursuant to Nasdaq rules, Glass Lewis generally considers a director to be affiliated if a director has a family member employed by the Company that receives more than $120,000 in annual compensation.

Accordingly, by the benchmark policy's standards, four of the nine directors, or approximately 44.4%, are either affiliated with the Company or are insiders. We believe this raises concerns about the objectivity and independence of the board and its ability to perform its proper oversight role. Due to the lack of a two-thirds independent board, we would normally recommend opposing the election of this non-independent director. Mr. Hartung is also a member of the audit committee, which we believe should consist solely of independent directors. However, Mr. Hartung is not standing for election at this year's annual meeting.

Overall Board Independence

Regarding the independence of the board more generally, in determining the independence of the directors, the Company states that it reviewed the following considerations: Ira Ehrenpreis, Joe Gebbia, Jack Hartung, James Murdoch, Elon Musk, Kimbal Musk and J.B. Straubel and/or investment funds affiliated with them, have made minority investments in certain companies or investment funds, (i) of which other Company directors are founders, significant shareholders, directors, officers or managers, and/or (ii) with which the Company has certain relationships. The board concluded that none of these investments are material so as to impede the exercise of independent judgment by any of directors Ehrenpreis, Gebbia, Hartung, Murdoch and Straubel. The proxy statement also notes that the Company periodically does business with certain entities its directors are affiliated with. The Company states that such transactions are done on terms no less favorable than terms generally available to an unaffiliated third-party under the same or similar circumstances.

While these relationships may not exceed Glass Lewis' standards for director independence, nor director independence standards of the NYSE, shareholders may view such relationships in the wider context of independence concerns regarding the Company's board.

The independence of the Company's board has long been a high-profile issue of contention. In September 2018, Elon Musk agreed to settle a securities fraud charge brought by the SEC pursuant to which, among other things, Mr. E. Musk was required to step down as the Company's chair and be replaced by an independent chair, and the board was required to appoint two new independent directors. As described in our Company Updates page, the Tornetta Opinion was largely the result of concerns regarding the purported independence of the directors who approved the 2018 Performance Award and details close personal relationships between such directors and Mr. E. Musk. The Special Committee established after the Tornetta Opinion was reduced to one member after director Gebbia voluntarily withdrew from it out of concern over perceived conflicts of interest, including his personal relationship with Mr. E. Musk.

The Company has also repeatedly been the subject of shareholder activist campaigns that questioned the independence of certain of the Company's designated independent directors, including by, among others, SOC, which launched such a campaign at this year's annual meeting on October 2, 2025. This campaign also emphasizes concern regarding the impact of the Company's historically unusually high director compensation on directors' independence, which, as noted in the Company's most recent Form 10-K and Form 10-Q, has been the subject of shareholder litigation. This litigation has reached an initial settlement but is still subject to multiple appeals, as described further in the Company Updates section of this Proxy Paper.

In view of the above, we believe that shareholders may reasonably consider the board's overall independence to be a material concern.

ELON MUSK'S OUTSIDE COMMITMENTS

In addition to his role as technoking, co-founder and CEO of the Company, Elon Musk is:

- A significant shareholder and chair, chief technology officer and CEO of Space Exploration Technologies Corporation ("SpaceX");
- Co-founder and significant shareholder of The Boring Company;
- Founder of The Neuralink Corporation;
- Chief technology officer and significant shareholder of X Corp. (“X”);
- Treasurer and CEO of x.AI Corp ("xAI");
- CEO of X.AI Holdings Corp. following the merger of X and xAI in March 2025; and
- During the first half of 2025, E. Musk served as a senior advisor to U.S. President Donald Trump and as the de facto head of the Department of Government Efficiency ("DOGE"), a government initiative established by an executive order on January 20, 2025, until May 30, 2025, when his departure was confirmed during a joint press conference with President Trump.

E. Musk's outside commitments have been criticized by many, including in an April 2025 letter from Americans for Responsible Growth, a national advocacy group working with states to ensure long-term sustainable economic growth, among other things, signed by the state treasurers of Colorado, Connecticut, Illinois, Massachusetts, New Mexico, Vermont, and Washington, the California State Controller, and the Maryland State Comptroller. In the letter, Americans for Responsible Growth calls attention to the Company's recent performance, governance and leadership challenges, particularly in light of the Company's 36% stock decline in the first quarter of 2025, during a time when E. Musk "continues to divide his attention across multiple companies." Further, the letter expresses concern that E. Musk's external commitments raise serious questions about whether the Company's leadership is fully engaged in addressing the Company's core challenges.

In the report of the Special Committee included in this year's proxy statement and in recommending a proposal to ratify a new 2025 CEO Performance Award, as discussed further in our analysis of Proposal 4.00, the board has attempted to

address concerns regarding E. Musk's outside commitments. Specifically, in its report, the Special Committee states:

"...we believe that retaining Musk is mission-critical to Tesla. We are cognizant that a significant amount of Musk's wealth is derived from other business ventures, and he only has a finite amount of time that he can devote to all his businesses. Therefore, we fully recognize that Musk has more attractive options today than ever before, which may afford him greater influence over the fruits of his labor. The opportunity cost of Musk spending his time and energy at Tesla is the reduced time available for him to devote to these other ventures. The Committee therefore concluded that a compelling pay for performance compensation package is imperative to ensure Musk's retention. (DEF14A, September 17, 2025, Annex A-11)."

While we recognize the board's acknowledgment of this issue and efforts to incentivize and retain E. Musk, particularly through the outsized performance award as contemplated in Proposal 4.00, we believe E. Musk's external commitments and divided attention continue to pose a material risk to shareholders. However, director E. Musk is not up for election at this year's annual meeting. We will continue to monitor this issue going forward.

ELON MUSK'S PLEDGED SHARES

As of September 17, 2025, E. Musk has pledged 235,998,721 shares or approximately 7.1% of the Company's outstanding shares as of the record date, as collateral to secure certain personal indebtedness. The Company discloses in its proxy statement that, through the board's engagement program, the Company has received input regarding certain shareholder-related matters and has taken a number of actions to remain responsive, including amending the Company's pledging policy to cap the aggregate loan or investment amount that can be collateralized by the pledged stock of the Company's CEO to the lesser of $3.5 billion or twenty-five percent (25%) of the total value of the pledged stock.

The Company discloses in its proxy statement certain risks associated with approval of the 2025 CEO Performance Award, including that E. Musk may use Company shares he beneficially owns to secure loan financing from a third party to cover any tax obligations associated with equity-based awards. In addition, the loans are typically secured by a pledge of the shares, and the lenders may have the right to force a sale of the pledged shares in the open market if the borrower defaults on its obligations or if the value of the pledged shares fall below a certain threshold. The proxy statement further discloses that a forced sale of a significant number of shares of the Company's common stock in the open market, particularly if it occurs rapidly and without sufficient liquidity, could cause a material decline in the Company's stock price. Such financing or forced sales could also create negative market perceptions about the Company or the confidence of E. Musk in the Company's future prospects, which could further depress the Company's stock price.

Generally, we believe that pledging of shares as collateral, particularly shares pledged by executive officers of the Company, may subvert the ability of equity compensation to align insider and director interests with those of outside shareholders. Moreover, we believe that an executive with a significant percentage of pledged shares may have an incentive to take steps to avoid a forced sale of shares in the face of a rapid stock price decline and thus may have an incentive to boost the stock price in the short term in a manner that is unsustainable and not beneficial to long-term shareholders. In this case, while we are concerned by the amount of shares pledged compared to the Company's total shares outstanding, given E. Musk's significant ownership stake in the Company, we believe his interests generally remain aligned with those of other long-term shareholders. Therefore, we do not believe the circumstances here warrant opposition on this basis at this time. This issue will continue to be monitored going forward.

RECOMMENDATIONS

We recommend that shareholders oppose the election of the nominees listed below based on the following:

RECENT BYLAW AMENDMENTS

Nominees **EHRENPREIS** and **WILSON-THOMPSON,** and directors Denholm and Murdoch, served as members of the nominating and corporate governance committee when the Company adopted particularly restrictive amendments to its bylaws without shareholder approval.

On May 16, 2025, the Company disclosed in a Form 8-K that the board made a number of amendments to its bylaws in connection with the effectiveness of amendments to the Texas Business Organization Code (the "TBOC") and in light of Texas law changes made in May 2025. Specifically, the amendments: (i) add a new section to provide for a jury trial waiver for "internal entity claims" as defined in the TBOC; (ii) add a new section to adopt an ownership threshold requiring any shareholder or group of shareholders to hold shares of common stock sufficient to meet an ownership threshold of at least 3% of the Company's issued and outstanding shares in order to institute or maintain a derivative proceeding; and (iii) make technical revisions to clarify the scope of the exclusive forum provision.

The new provision that increased the threshold for shareholders to file derivative claims is particularly concerning as it undercuts a critical shareholder right. This requirement may reasonably be considered to be unduly burdensome and prohibitive to shareholders who wish to file derivative claims. We strongly believe that shareholders should be able to vote

on issues of material importance, such as these amendments, which were adopted without shareholder approval. We view the adoption of provisions that limit the ability of shareholders to pursue full legal recourse as a loss of an important right of such shareholders. While recognizing that certain derivative actions may be burdensome and meritless, we also believe that the right to file such actions is critical to holding company boards and management accountable.

Moreover, we believe that if companies choose to adopt provisions that fundamentally restrict shareholder rights, they should do so only with shareholders' explicit approval. In this case, that was not done, as these provisions were adopted unilaterally by the board. Further, we do not believe that the Company has provided a compelling case for these requirements.

We believe that all directors who served on the nominating and corporate governance committee at the time of these amendments' adoption bear responsibility for implementing the amendments without shareholder approval. However, directors Denholm and Murdoch are not standing for election at the annual meeting.

MAJORITY SUPPORT FOR SHAREHOLDER PROPOSAL

Nominees Ehrenpreis and Wilson-Thompson also served as members of the nominating and corporate governance committee during which time the board failed to implement a shareholder proposal that was approved by shareholders. Specifically, at last year's annual meeting, a shareholder proposal requesting that the board take the necessary steps to declassify the board received the approval of 54.11% of votes cast.

The Company states that in 2024, it engaged with shareholders in a variety of ways, including: (i) hosting 80 total investor visits (including factory tours, FSD (Supervised) test drives and investor relations meetings); (ii) hosting an average of 90 investor calls per quarter; (iii) attending 10 investor conferences (meeting over 100 investors at each); and (iv) hosting 84 meetings (in-person and virtual) in preparation for the 2024 annual meeting of shareholders. The Company also offered multiple avenues for receiving feedback from retail shareholders, including through direct outreach efforts and through the Company's shareholder platform.

At this year's annual meeting, the Company submitted a proposal to eliminate the supermajority provisions currently included in the Company's certificate of formation and bylaws (Proposal 6.00). The Company believes that Proposal 6.00 is responsive to the outcome of the votes on last year's shareholder proposals regarding both elimination of supermajority voting requirements and declassification, because to the extent Proposal 6.00 achieves the required threshold to pass, this will unlock a gateway for the board and shareholders to adopt further shareholder-driven governance actions, including the declassification of the board.

The Company further states that because it is submitting Proposal 6.00, it is not the right time for the board and its shareholders to move toward declassifying the board for a variety of reasons, including: (i) the board has determined it is more appropriate to first enable shareholders to vote on whether to eliminate supermajority voting provisions, and whether the gateway for adopting further shareholder-driven governance actions (such as board declassification, as may be appropriate in accordance with law) should be unlocked; and (ii) the Company's mission to accelerate the world’s transition to sustainable energy continues to require a long-term focus that the Company believes will ultimately maximize value to shareholders. In addition, the Company states that declassifying the board poses a risk to the Company's ability to maintain the long-term focus required to accomplish its mission, as a declassified board could increase the risk posed by special interests that prioritize short-term goals over long-term shareholder value creation.

We note that a similar issue arose at the Company's 2022 annual meeting. Specifically, at the Company's 2021 annual meeting, a shareholder proposal requesting that the board take the necessary steps to declassify the board (Proposal 5.00 on the 2021 ballot) received the approval of 54.7% of votes cast. Subsequently, at the 2022 annual meeting, the board determined to submit a proposal in order 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. This proposal was perhaps submitted at least in part as a response to the declassification shareholder proposal approved at the 2021 annual meeting, though the Company did not expressly state as much. Additionally, the board did not appear to directly acknowledge the approval of the declassification shareholder proposal in the 2022 proxy statement or offer a direct rationale as to its decision not to submit a full declassification proposal at the 2022 annual meeting, which we found concerning, as described further in our 2022 Proxy Paper.

While we recognize the Company's rationale as to why it believes a declassified board is not in the Company's best interests at this time, we believe that further information concerning its responsiveness to the 2024 shareholder proposal to declassify the board is warranted. We believe that the members of the committee should have taken the steps to accomplish this shareholder request by this year's meeting, or, if unable to do so, provide shareholders with a credible and specific plan as to when the proposal would be more fully implemented. While the board has stated that approval of the proposal to eliminate the Company's supermajority requirements will allow shareholders to more easily declassify the board in the future, no timetable has been disclosed as to when the declassification proposal would be put up for a vote if the supermajority proposal is approved.

We believe the Company could have put forth a proposal to declassify the board at this year's annual meeting, conditioned upon approval of Proposal 6.00 to remove supermajority vote requirements, or committed to put forth a proposal to declassify the board at next year's annual meeting. Additionally, we are concerned that this is the second time the board has chosen not to implement a shareholder proposal regarding declassification approved by a majority of the Company's shareholders. We believe this is a failure on the part of the committee to fulfill its obligations to shareholders.

BOARD GENDER DIVERSITY

At the time of the annual meeting, the Company's board will be 22.2% gender diverse. Glass Lewis recognizes that a diversity of skills, thought and experience benefits companies by providing a broad range of perspectives and insights. Specifically, we believe that public company boards at companies in the Russell 3000 index should be at least 30% gender diverse, as is the case for the majority of companies in the index.

In cases where that standard is not met, we expect companies to disclose a rationale for the board's atypical level of gender diversity, or a timeline for addressing the issue. In this case, no sufficient rationale has been provided for the low level of board gender diversity, nor has a timetable been provided for reaching typical market practice for this issue.

We believe that the chair of the nominating and corporate governance committee bears responsibility for not sufficiently addressing this issue, and therefore recommend opposing the election of director Ehrenpreis on this basis.

CONCERNING EXECUTIVE GRANTS

Nominee Wilson-Thompson and director Denholm serve as members of the compensation committee and served on the Special Committee that made certain recommendations to the board regarding executive compensation. In our view, the members of the compensation committee have the responsibility of reviewing all aspects of the compensation program for the Company's executive officers, and in this case, the Special Committee had the responsibility to consider, evaluate and determine whether it would be in the best interests of the Company to retain and incentivize Mr. E. Musk (including all alternatives (including no action)), and if so, any methods, approaches or manners (including any new compensation plans or awards) for doing so consistent with all applicable legal and other requirements. It appears to us that these committees may not be effectively serving shareholders in this regard. As described in our analysis of the Company's advisory vote on executive compensation (Proposal 2.00), amendment to the 2019 Equity Incentive Plan (Proposal 3.00), and 2025 CEO Performance Award (Proposal 4.00), we are concerned with the characteristics of certain of the Company's equity compensation grants.

Specifically, on August 3, 2025, the Company approved an award of 96 million shares of restricted stock (the "2025 CEO Interim Award") to Mr. E. Musk under the Company's 2019 Equity Incentive Plan. The award was recommended by the Special Committee on August 1, 2025, and approved by the board, with Mr. E. Musk and Kimbal Musk recusing, on August 3, 2025. The Company's disclosed preliminary aggregate fair value of the award is $26.1 billion in restricted stock. The 2025 CEO Interim Award was granted as essentially a first step to "make whole" Mr. E. Musk for previously unpaid compensation, namely the 2018 CEO Performance Award ("2018 Award") if it remains rescinded. As such, the concerns previously stated with the 2018 Award remain intact.

Additionally, there is concern regarding the manner in which the 2025 CEO Interim Award was granted. In doing so, the Company's equity plan share reserve was nearly drained, leading to the Company's equity plan amendment request (Proposal 3.00). Instead of pursuing an increase to the general share reserve in the amendment to the 2019 Equity Incentive Plan and deferring the request for a special share reserve once more clarity is achieved on the status of the 2018 award, the Company has somewhat inexplicably decided to bundle both requests together. This decision has put shareholders in the position of choosing to either vote down an amendment that could risk the Company's ability to compensate the broader employee base, or support the creation of the special share reserve, which in turn diminishes their ability to provide input on potentially significant levels of compensation moving forward. As such, shareholders may reasonably question why the Company chose to tie the proposals together rather than allow independent review of each share reserve.

In addition, shareholders are being asked for approval of the 2025 CEO Performance Award. The Company disclosed a value of $87.8 billion for the award. Glass Lewis estimates the approval date value of the 2025 CEO Performance Award to be $141.6 billion, determined based on the closing stock price on September 3, 2025, multiplied by total shares underlying the award. The award represents 12% of the Company's adjusted share count as of August 29, 2025, and is divided into 12 equal tranches with a 10-year performance period. For each tranche to be earned, the Company must achieve both a market capitalization milestone and an operational milestone. Using the Company's estimate, the award has an $8.8 billion per annum price tag (based on the ten-year term of the award) and a value of $7.3 billion per tranche.

On January 8, 2025, the board of directors formed the Special Committee of disinterested directors to consider, evaluate and determine whether it would be in the Company's best interests to retain and incentivize the CEO, Mr. E. Musk. The Special Committee determined that retaining and incentivizing Mr. E. Musk is mission-critical for the Company in reaching the next step towards its world-changing autonomous future. The 2025 CEO Performance Award is designed to retain

and incentivize Mr. E. Musk by giving him the voting rights associated with the restricted stock under the award as soon as the shares are earned, but requiring that he remain in service to vest in the economic benefits of the earned restricted stock.

While acknowledging the Company's rationale for the award, shareholders may reasonably question the significant dilution of their ownership stake (estimated at 11.3%), particularly given the absence of strong provisions to limit key man risk and to ensure Mr. E. Musk's focus on the Company in which he wishes to have a greater voice in determining the direction of. The size of the award could result in the scenario where Mr. E. Musk receives billions in compensation and a materially increased ownership stake, and an estimated 1% dilution to shareholders even if only a single tranche is earned. On balance, the potential upfront and future dilutive impacts to shareholders, as well as extraordinary pay levels without commensurately exceptional performance through the achievement of even just a few tranches, warrant significant concern.

When considering the substantial dilution for the 2025 Performance Award (Proposal 4.00) along with the concerns regarding general pay practices and board decisions outlined in Proposals 2.00 and 3.00, we believe our concerns regarding the Company's pay practices are severe enough to warrant shareholder opposition to these directors in light of their positions on the compensation committee and Special Committee. However, director Denholm is not up for election at this year's annual meeting.

DIVERSITY ALERT - This proposal is being flagged for clients' attention given one or more "AGAINST" or "WITHHOLD" election of director recommendations are based, at least in part, on considerations of gender or underrepresented community diversity. For more information, please see the Disclosure Note above.

For shareholders that DO wish to consider gender or underrepresented community diversity, we recommend that shareholders vote:

AGAINST

I. Ehrenpreis - Other governance issue, Did not implement SHP passed by a majority of unaffiliated shareholders, Insufficient board gender diversity

K. Wilson-Thompson - Concerning pay practices, Other governance issue, Did not implement SHP passed by a majority of unaffiliated shareholders

FOR

- **J. Gebbia**

For shareholders that DO NOT wish to consider gender or underrepresented community diversity, we recommend that shareholders vote:

AGAINST

I. Ehrenpreis - Other governance issue, Did not implement SHP passed by a majority of unaffiliated shareholders

K. Wilson-Thompson - Concerning pay practices, Other governance issue, Did not implement SHP passed by a majority of unaffiliated shareholders

FOR

- **J. Gebbia**

2.00: ADVISORY VOTE ON EXECUTIVE COMPENSATION

AGAINST

PROPOSAL REQUEST:	Approval of Executive Pay Package	**PAY FOR PERFORMANCE GRADES:**	**FY 2024** C **FY 2023** A **FY 2022** A
PRIOR YEAR VOTE RESULT (FOR):	79.4%	**RECOMMENDATION:**	AGAINST
STRUCTURE:	Poor		
DISCLOSURE:	Fair		

EXECUTIVE SUMMARY

SUMMARY ANALYSIS

Given that the 2025 CEO Interim Award is essentially a back-up provision to make whole Mr. Musk in case the Delaware courts do not fully reinstate the 2018 Award, the concerns previously stated with the 2018 Award remain intact. After assessing the rationale behind the 2025 CEO Interim Award, there does not appear to be sufficient new reasoning provided to necessitate a shift in stance. Rather, there is the additional concern regarding the manner in which this award was granted. In doing so, the Company's equity plan share reserve was nearly drained. Such actions are not in the interest of shareholders as they essentially tie the Company's ability to compensate its broader employee base to the Company's back-up plan to re-grant Mr. Musk's 2018 Award. We recommend a vote against this proposal.

COMPENSATION HIGHLIGHTS

- STI: No annual bonus established
- LTI: No annual granting schedule established
- One-time: Promotion awards granted during the past fiscal year

FY2025 CEO COMPENSATION HIGHLIGHTS

- Following the end of the year in review, the Company granted Mr. Musk the 2025 CEO Interim Award.
  - The Company's disclosed preliminary aggregate fair value of the award is $26.1 billion in restricted stock.
- Additionally, the Company has disclosed the 2025 CEO Performance Award. Please see Proposal 4.00 for the analysis regarding this award.

SUMMARY COMPENSATION TABLE

NAMED EXECUTIVE OFFICERS	BASE SALARY	BONUS & NEIP	EQUITY AWARDS	TOTAL COMP
Elon Musk *Technoking of Tesla and Chief Executive Officer*	-	-	-	-
Vaibhav Taneja *Chief Financial Officer*	$303,846	-	$139,166,089	$139,472,935
Tom Zhu *SVP, APAC and Global Vehicle Manufacturing*	$350,000	-	-	$518,250
Andrew Baglino *Former SVP, Powertrain and Energy Engineering*	$121,620	-	-	$124,620
			CEO to Avg NEO Pay:	0.0: 1

EXECUTIVE COMPENSATION STRUCTURE - SYNOPSIS

FIXED

Mr. Taneja's base salary increased by more than 20% during the past fiscal year to reflect his promotion to chief financial officer in August 2023.

SHORT-TERM INCENTIVES

STI PLAN

AWARDS GRANTED (PAST FY)	*None*

The Company discloses that it does not currently have or have planned any specific arrangements with its NEOs providing for cash-based bonus awards.

LONG-TERM INCENTIVES

LTI PLAN

AWARDS GRANTED (PAST FY)	*None*

While the CEO received no additional equity awards during the year in review, he received two equity grants in 2025.

- The 2025 CEO Interim Award, approved on August 3, 2025, is discussed in further detail below in the Areas of Focus section.
- The 2025 CEO Performance Award, granted on September 3, 2025, and is subject to shareholder approval. See Proposal 4.00 for the analysis of this award.

No other NEO received equity awards during 2024, apart from the stock options received by Mr. Taneja in connection with his promotion as discussed below.

ONE-TIME PAYMENTS

NEO	TYPE OF PAYMENT	AWARD	PERF. PERIOD	VESTING PERIOD	VALUE
Vaibhav Taneja	Promotion	RSUs	N/A	~4 years	$26,136,809
	Promotion	Stock options	N/A	~4 years	$113,029,280

RISK-MITIGATING POLICIES

CLAWBACK POLICY	*Yes - weak policy (restatement-dependent only)*
ANTI-HEDGING POLICY	*Yes*
STOCK OWNERSHIP GUIDELINES	*Yes - all NEOs*

SEPARATION & CIC BENEFITS

HIGHEST SEVERANCE ENTITLEMENT	*None*
CIC EQUITY TREATMENT	*Double-trigger acceleration for award granted during the year in review*
EXCISE TAX GROSS-UPS	*No*

OTHER FEATURES

LFY CEO TO MEDIAN EMPLOYEE PAY RATIO	*0:1**
E&S METRICS FOR THE CEO	*None*
BENCHMARK FOR CEO PAY	*No specific benchmark*

*The Company-disclosed median employee pay for the year in review was $57,243.

OTHER COMPENSATION DISCLOSURES

COMPENSATION ACTUALLY PAID (YEAR-END CEO)	*$0 for FY2024 and $1,403,000,000 for the prior fiscal year*
REPORTED TSR*	*$1,448 for FY2024 and $891 for the prior fiscal year*
KEY PVP METRICS	*Revenue, adjusted EBITDA and market capitalization*

*Reported TSR reflects the year-end value of an initial fixed $100 investment at the start of the required reporting period under SEC Pay Vs Performance (PVP) disclosure rules.

GLASS LEWIS ANALYSIS

This proposal seeks shareholder approval of a non-binding, advisory vote on the Company's executive compensation. Glass Lewis believes firms should fully disclose and explain all aspects of their executives' compensation in such a way that shareholders can comprehend and analyze the company's policies and procedures. In completing our assessment, we consider, among other factors, the appropriateness of performance targets and metrics, how such goals and metrics are used to improve Company performance, the peer group against which the Company believes it is competing, whether incentive schemes encourage prudent risk management and the board's adherence to market best practices. Furthermore, we also emphasize and evaluate the extent to which the Company links executive pay with performance.

PROGRAM FEATURES [1]

POSITIVE	NEGATIVE
• Alignment of pay with performance	• 2025 CEO Interim Award
• No single-trigger CIC benefits	• Response to shareholder dissent
• Anti-hedging policy	• Excessive one-off award
• Executive stock ownership guidelines for NEOs	

[1] Both positive and negative compensation features are ranked according to Glass Lewis' view of their importance or severity

AREAS OF FOCUS

2025 CEO INTERIM AWARD

Background: On August 3, 2025, the Company approved an award of 96 million shares of restricted stock (the "2025 CEO Interim Award") to Mr. Musk under the Company's 2019 Equity Incentive Plan. The award was recommended by the Special Committee on August 1, 2025, and approved by the board, with Mr. Musk and Kimbal Musk recusing, on August 3, 2025. Granted in the form of restricted stock, the award is unique in that it maintains a purchase price that Mr. Musk must pay per share upon vesting. The details of the grant are outlined below:

TERMS OF GRANT

AWARDS GRANTED	*Restricted stock*
GRANT DATE	*August 3, 2025*
# OF SHARES GRANTED	*96 million*
COMPANY DISCLOSED VALUE	*$26.1 billion (preliminary aggregate fair value, including a reduction of $3.43 billion due to the five-year holding period)*
GLASS LEWIS VALUE ESTIMATION	*$29.1 billion (closing stock price on August 1, 2025, the last trading date prior to the grant's approval date, multiplied by shares underlying the award)*
VESTING	*Two years — Subject to Mr. Musk's continuous service as CEO or an executive officer responsible for product development or operations (as approved by the board's disinterested directors)*
HOLDING REQUIREMENT	*Five years from the grant date, except:* *(i) as required to satisfy taxes due in respect of vesting of this award, pay the purchase price or both,* *(ii) in transactions that involve merely a change in form in which Mr. Musk owns the shares covered by this award, or* *(iii) as may be permitted by the disinterested directors of the board acting as administrator, consistent with the Company's internal policies.* *Any sales for purposes described in (i) and (ii) will be conducted through an orderly disposition in coordination with the Company.*

	PURCHASE PRICE	*$23.34 per share (equal to the exercise price per share for options under the 2018 Award), to be paid upon the vesting of the award — as noted in the holding requirement section, this may be paid through the sale of shares subject to this award.* *These payments would have an aggregate value of approximately $2.2 billion.*

OTHER KEY FEATURES	**CHANGE OF CONTROL PROVISIONS**	*Single trigger — accelerated vesting upon a change-in-control and continued eligible service prior to the vesting date.*
	CLAWBACK	*Subject to the Company's clawback policy.*
	VOTING POWER	*Unvested shares may be voted by Mr. Musk.*
	SEPARATION EFFECTS	*Would be forfeited upon cessation of service for any or no reason; provided, however, that if eligible service ceases due to death, the award will immediately vest.*
	EARLY FORFEITURE PROVISIONS	*The award will be forfeited and returned to the Company if, prior to vesting, there is a final, non-appealable judgement, order or decision with respect to the action captioned Tornetta v. Elon Musk et al., C.A. No. 2018-0408-KSJM (Del. Ch.) or any pending or future appeal, including In re Tesla, Inc. Derivative Litigation, Nos. 10, 2025, 11, 2025 (Del.) (a "Tornetta Decision Event") that results in Mr. Musk becoming able to exercise in full the 2018 CEO Performance Award.*
	"NO DOUBLE DIP"	*If a Tornetta Decision Event occurs that results in Mr. Musk becoming able to exercise options covered by the 2018 CEO Performance Award, but does not result in early forfeiture, then:* *(i) If the Tornetta Decision Event occurs prior to vesting, shares will be reduced by the excess amounts; or* *(ii) If the Tornetta Decision Event occurs on or after vesting, shares will be repaid/returned equal to the excess amount. Alternatively, Mr. Musk may elect to forfeit the number of options underlying the 2018 CEO Award equal to the excess amount.* **Excess amount will equal the extent to which the (a) the sum of the award and any amount of options that become exercisable under the 2018 CEO Performance Award exceeds (b) the total number of options subject to the 2018 CEO Performance Award in full.*

DILUTION	**POTENTIAL DILUTION**	*2.8%, based on shares outstanding as of record date*

Board Rationale: In a letter to shareholders that accompanied the Form 8-K filed on August 4, 2025, announcing the 2025 CEO Interim Award, the members of the Special Committee laid out the considerations that went into the recommendation to the board to approve the 2025 CEO Interim. These considerations included:

- Mr. Musk has not received meaningful compensation since the 2012 CEO Performance Award was last earned in 2017;
- The 2018 CEO Performance Award remains in legal limbo, with no clear timeline for resolution;
- The belief the Company must take action to honor the bargain that was struck in 2018 and this award is a first step, "good faith" payment to Mr. Musk;
- Retaining Mr. Musk is more important than ever before, with the Company at a critical inflection point for creating shareholder value, in its transition from its role in the electric vehicle and renewable energy industries to grow towards becoming a leader in AI, robotics and related services; and
- Increased competition and intensity for AI talent.

In addition to the above considerations, the letter stressed that, prior to recommending the award, the Special Committee reviewed letters, read X posts and considered direct feedback received from shareholders in order to align their recommendation with shareholders' expressed views. From these communications, the Special Committee states that they know that one of the top concerns is keeping Mr. Musk's energies focused on the Company and this award is a critical first step towards achieving that goal. Despite his other business ventures and interests, the committee is confident that this award will incentivize Mr. Musk to remain at Tesla and focus his abilities on the strategies at hand.

Glass Lewis Analysis: The 2025 CEO Interim Award ("interim award") was granted as essentially a first step to "make whole" Mr. Musk for previously unpaid compensation, namely the 2018 CEO Performance Award ("2018 Award"). Thus, our standard review of the terms of the award is not fully relevant, as the terms are meant to mirror the state of the 2018 Award had it not been rescinded. For example, standard concerns for the shorter vesting period and lack of performance-based vesting conditions are not fully applicable as the grant was not made in isolation. Further, the award is subject to a relatively long holding period. Even the single-trigger vesting conditions are not as concerning as they typically would be as the 2018 Award stipulated vesting of the award upon a change-in-control solely based on the market capitalization goals, all of which the Company has met.

However, due to the decision to grant the award in restricted stock, shareholders should note that Mr. Musk is able to vote the shares underlying this award prior to vesting, a divergence from what the 2018 Award allows. Vested, but unexercised options, do not have voting power and it cannot be said that Mr. Musk would have exercised vested options from the 2018 Award years before they expire. The Company notes that restricted stock appropriately balanced the board's desire to combine immediate voting rights upon issuance with additional restrictions and vesting conditions designed to retain Mr. Musk. While mimicking options, to a certain extent, in requiring a purchase price once the award is vested, the decision to use restricted stock, and thus allowing for immediate voting power is noteworthy. Outside of these provisions, the focus falls largely on the necessity of the award, and the context in which it was granted.

In light of the legal limbo that the 2018 Award is currently in, Mr. Musk has received no compensation for the period beginning at the time the 2018 Award was granted prior to the approval of this award. This was similarly true when the 2018 Award was put up for ratification in 2024 ("2024 Ratification Proposal"). As the interim award is essentially the first step to re-grant the 2018 CEO Performance Award, the concerns outlined in our analysis of the 2024 Ratification Proposal and the original proposal to approve the 2018 Award still stand, and are outlined below.

Previous and Ongoing Concerns: Given the performance-based nature of the award, a no-payout scenario was a possible outcome by design as emphasized in the 2018 proposal. While the circumstances that may lead to no payout in this case are implicitly different from inability to achieve goal, it has been a possible outcome nonetheless. In this, accountability falls on the board as missteps in the formation of the 2018 Award may have precipitated this very outcome rather than underperformance against the established performance milestones. Further, by the Company's own disclosure, he did not receive cash compensation as other executives typically receive in accordance with preference, along with the exclusion of an annual bonus from the compensation program design.

Notwithstanding these considerations, and as highlighted in our analysis of the 2024 Ratification Proposal, it is noted in the Tornetta opinion that Mr. Musk's efforts translated to substantial growth in the value of his personal holdings as the largest shareholder of the Company. For context, the shares held by Mr. Musk in 2018, excluding options that had yet to be exercised (based on the beneficial owners table included in the proxy statement filed on April 26, 2018) saw their value increase from approximately $11.8 billion on the date of grant of the 2018 Award to $206.9 billion as of the record date for this annual general meeting.

This does not mean that that Mr. Musk should not be compensated beyond the appreciation of his personal holdings. It does, however, mean that adequate incentives — in the form of his personal wealth being significantly intertwined with the success of the Company, demonstrating the ultimate alignment between executive and other shareholders' interests — were in place. When considering whether to support this proposal, this fact should not be simply ignored. On the contrary, the incentivizing mechanisms inherent in his substantial share ownership challenge the very basis that the 2018 grant as structured and sized was even necessary, thereby also undermining the necessity of the 2025 CEO Interim Award.

Process Concerns: Adding to the concerns, shareholders may also question the Company's share usage in connection with granting mechanics of the interim award. The Company drained its share reserve under the 2019 Equity Incentive Plan, potentially jeopardizing its ability to attract, retain and motivate talent at the Company as early as the first quarter of 2026. The Company is attempting to rectify this through a request to increase the share reserve of the plan. However, this now puts shareholders in an unenviable position as the Company has tied the replenishment of the share reserve to the creation of a special share reserve made to finish making whole the 2018 Award (see Proposal 3.00).

Outside of the immediate retentive factor cited by the Company, it is unclear how it better served shareholders to grant the 2025 CEO Interim Award first, reducing the equity plan's share reserve to insufficient levels, and then requesting additional shares (rather than making the interim grant after procuring sufficient shares through an equity plan amendment). The difference a few months made in the awards' retentiveness given Mr. Musks' already substantial holdings is not fully explained. Thus, the Company has not provided sufficient rationale for the process, nor the order of events in which this award transpired. Approaching the granting of the interim award in this manner has come at the cost of shareholder choice.

While the Company's concerns surrounding Mr. Musk's compensation are important, the manner in which the Company seeks to rectify this issue warrants concern. The Company's approach with the 2025 CEO Interim Award has placed both

the Company and shareholders in a possibly problematic spot, with the compensation of Mr. Musk intertwined with the ability to retain and recruit the rank-and-file. Shareholders have the choice of either voting against the proposed equity plan amendment, risking the Company's ability to compensate its broad employee base; or voting in favor of the creation of the special share reserve, decreasing shareholders ability to provide input on potentially significant levels of compensation going forward.

Instead of deferring the request for the special share reserve and waiting for clarity regarding the 2018 Award's status, the Company has tied the fate of compensation for its broad employee base to a special share reserve that is only required if the 2018 Award remains rescinded. This is particularly concerning in light of the fact that the Company's own missteps with regard to the 2018 CEO Performance Award are arguably the impetus for the position that it now finds itself in regarding Mr. Musk's compensation.

OTHER ISSUES

Shareholder Disapproval
Policy Perspective: Given the high support enjoyed by a significant majority of firms that put forth say-on-pay proposals, we consider support levels below 80% to represent a meaningful level of shareholder concern. Accordingly, companies should engage with their shareholders and take steps proportional to the level and persistence of disapproval.

Analyst Comment: The Company received approximately 79.4% support for its advisory vote on executive compensation at last year's annual general meeting. Significant engagement efforts with shareholders are discussed throughout the proxy statement, with much of the compensation-related discussion focused around Mr. Musk's compensation in particular. However, disclosure regarding the drivers for the results for the say-on-pay proposal last year are not clearly outlined in the proxy statement.

The Company does state that given the results of last year's vote, the compensation committee decided to maintain its approach to executive compensation for the 2024 compensation program. Given the meaningful level of dissent from shareholders and the absence of disclosure surrounding attempts to identify the reason for the decline in support, shareholders may scrutinize the Company's responsiveness to last year's results.

ONE-TIME PAYMENTS

One-Off Awards
Policy Perspective: Shareholders should generally be wary of awards granted outside of the standard incentive schemes, as such awards have the potential to undermine the integrity of a company's regular incentive plans, the link between pay and performance or both.

Analyst Comment: Shareholders may reasonably be wary of the substantial promotion grants awarded to CFO Vaibhav Taneja, which had an aggregate disclosed grant date fair value of $139.2 million. Concerns regarding the quantum of the award are compounded by its solely time-based vesting nature, although some consideration may be given to the fact that the total vesting period is slightly longer than market practice. Additionally, we recognize that the majority of awards are granted in the form of options that retain no value if the stock price does not increase from grant date.

However, the primary point of consternation when evaluating this award stems from the Company's unusual equity granting practices, which are sporadic in nature. Indeed, Mr. Taneja's most recent equity grant prior to the promotion award appears to have been granted in 2020 based on the Outstanding Equity Awards at 2024 Fiscal Year-End table. The sporadic nature of granting limits the ability of shareholders to assess how many years' worth of compensation this award is meant to compensate Mr. Taneja for, if any.

Reviewing the award purely based on the impact on reported compensation for the year in review, the award puts Mr. Taneja's compensation at about 2.8x the value of the median three-year weighted average for total NEO compensation among the peers used in Glass Lewis' pay-for-performance peer group. If annualized based on vesting period, the award is approximately $34.8 million based on grant date value, which still puts potential annualized pay above the median of S&P 500 CEOs. However, the value at vest and upon exercise are not as easily comparable and can only be reviewed retroactively.

Given the size of the award, shareholders would have benefited from clear and robust discussion surrounding the determination of the size of the award.

2024 PAY FOR PERFORMANCE: C

Policy Perspective: "C" grades in the Glass Lewis pay-for-performance model indicate an adequate alignment of pay with performance, where the gap between compensation and performance rankings is not significant.

Analyst Comment: The pay-for-performance analysis does not include the 2025 CEO Performance Award or the 2025

Interim CEO Award as both awards occurred after the end of the fiscal year in review. For more details of the 2025 CEO Performance Award, refer to Proposal 4.00 as the award is being presented to shareholders for approval.

CONCLUSION

Despite the 2025 CEO Interim Award being granted following the year in review, it may reasonably be considered this year as it provides relevant and important context for the trajectory of pay practices. This is consistent with the benchmark policy, given that there is sufficient disclosure provided by the Company regarding the grant's structure and rationale.

Given that the 2025 CEO Interim Award is essentially a back-up provision to make whole Mr. Musk in case the Delaware courts do not fully reinstate the 2018 Award, the concerns previously stated with the 2018 Award remain intact. After assessing the rationale behind the 2025 CEO Interim Award, there does not appear to be sufficient new reasoning provided to necessitate a shift in stance. Rather, there is an additional concern regarding the decision-making process. In granting the interim award, the 2019 Equity Incentive Plan share reserve was nearly drained. This is a disservice to shareholders, as it essentially ties the Company's ability to compensate its broader employee base to the Company's back-up plan to re-grant Mr. Musk's 2018 Award.

As a result, we recommend that shareholders vote **AGAINST** this proposal.

3.00: AMENDMENT TO THE 2019 EQUITY INCENTIVE PLAN

AGAINST

PROPOSAL REQUEST:	Amendment to the 2019 Equity Incentive Plan	**RECOMMENDATIONS & CONCERNS:**	
PRIOR YEAR VOTE RESULT (FOR):	N/A	**AGAINST-**	Concerning pay practices
BINDING/ADVISORY:	Binding		
REQUIRED TO APPROVE:	Majority of votes cast		

REQUESTED SHARES & POTENTIAL DILUTION*

SHARES REQUESTED	**267,960,630**	**Shares Requested as a % of Outstanding Shares**	8.33%
Outstanding Shares (12/31/24)	3,216,000,000	**Potential Dilution Based on Shares Requested**	7.69%
Shares Available for Future Issuance (12/31/24)	112,985,272	**Overhang**	13.69%
Awards Outstanding (12/31/24)	59,235,124	**Fully Diluted Overhang**	12.04%
GICS Sector (#) Name	(2510) Automobiles and Components	**Market Capitalization (06/30/25)**	$1,023,168,949,990

*Calculations and values exclude the 2018 CEO Performance Award, which is subject to ongoing litigation.

ANALYSIS OF PROPOSED PLAN

PLAN FEATURES

Plan Title		*2019 Equity Incentive Plan*
Amendment or New Plan?		*Amendment*
Eligible Participants		*Employees, officers, non-employee directors, consultants and advisors*
Administrators		*Compensation committee*
Award Types Permitted		*Stock options, SARs, restricted stock, RSUs, unrestricted stock, performance-based awards and other stock-based awards*
Vesting Provisions		*Determined by the compensation committee*
QUALITATIVE FEATURES	• **Repricing Provision?**	*No*
	• **Single-trigger change of control?**	*No*
	• **Evergreen provisions?**	*No*
	• **Fair Market Value minimum?**	*Yes — based on General Share Reserve*
	• **Reload provisions?**	*No*
	• **Full value award multiplier?**	*No*

EVALUATION SUMMARY*

PROGRAM SIZE ANALYSES		PROGRAM COST ANALYSES	
Existing Size of Pool	*PASS*	**Projected Cost as % of Operating Metrics**	*PASS*
Pro-Forma Available Pool	*FAIL*	**Projected Cost as % of Enterprise Value**	*PASS*
Grants to Executives	*PASS*	**Expensed Cost as % of Operating Metrics**	*PASS*
Pace of Historical Grants	*PASS*	**Expensed Cost as % of Enterprise Value**	*PASS*
Overhang	*FAIL*		

QUALITATIVE FEATURES

Repricing Authority	*PASS*	**Other Features**	*PASS*

*For additional information regarding the tests utilized in this evaluation, please refer to Glass Lewis' *Understanding U.S. Equity Compensation Analysis*.

COST ANALYSIS

Projected Annual Cost *$5,437,010,904* **Likely Annual Grant (#)** *21,460,500*

	COMPANY	PEER AVG.	1 STD DEV
Annual Cost as a % of Revenue	*5.86%*	*3.26%*	*12.71%*
Annual Cost as a % of OCF	*34.49%*	*8.66%*	*19.13%*
Annual Cost as a % of Enterprise Value	*0.53%*	*0.67%*	*1.41%*

Expensed Cost *$1,999,000,000*

	COMPANY	PEER AVG.	1 STD DEV
Expensed Cost as a % of Revenue	*2.16%*	*6.54%*	*28.56%*
Expensed Cost as a % of OCF	*12.68%*	*10.79%*	*23.90%*
Expensed Cost as a % of Enterprise Value	*0.20%*	*1.33%*	*3.59%*

GRANT HISTORY & IMPACT TO SHAREHOLDER WEALTH

	LAST FY	-2 FY	-3 FY
Total Option Grants	*14,979,000*	*9,521,000*	*4,120,000*
Options Cancelled	*3,996,000*	*1,438,000*	*9,705,000*
Stock Awards (Net)	*7,088,000*	*8,840,000*	*4,723,000*
Gross Annual Dilution	*0.84%*	*0.67%*	*0.41%*
Net Annual Dilution	*0.56%*	*0.53%*	*N/A*
Average Gross Run Rate	*0.64%*		
Average Net Run Rate	*0.36%*		
% Granted to Executives	*3.87%*		

PEER COMPARISON*

	OVERHANG	3-YR AVG. BURN RATE	GRANTS TO CEO (LAST FY)	GRANTS TO NEOS (LAST FY)
COMPANY	*13.69%*	*0.64%*	*0.00%*	*3.90%*
PEER MEDIAN	*8.79%*	*1.10%*	*28.81%*	*28.74%*
PEER AVG.	*10.88%*	*1.60%*	*28.38%*	*31.43%*

*Peers are based on Industry Group segmentation of the Global Industrial Classification System (GICS)

GLASS LEWIS ANALYSIS

OVERVIEW OF AMENDMENTS

This proposal seeks shareholder approval of an amendment to the 2019 Equity Incentive Plan. If approved, the following material changes would be made to the program:

- Increase the General Share Reserve by 60,000,000 shares, which would dilute current shareholders by 1.8%;
- Create a new Special Share Reserve of 207,960,630 shares that can be used in the future solely to grant Mr. Musk awards amid the ongoing uncertainty around the 2018 CEO Performance Award (such shares are not subject to regranting provisions);
- Authorizes the board to (i) grant Mr. Musk awards with terms that may vary from the terms of the 2019 Equity Incentive Plan, other than the share reserve and share recycling provisions, and (ii) grant non-qualified stock

options with an exercise price below fair market value on the grant date.

Some of our analyses involve comparisons of the Company to its peers. Unless noted, the peer group selected for this analysis includes 12 companies in the automobiles & components industry with an average market capitalization of $14 billion.

Additionally, shareholders should be aware that this proposal is the subject of a vote-no campaign. On October 2, 2025, SOC Investment Group filed an exempt solicitation urging shareholders to vote against the proposal. On the same date, the Comptroller of the City of New York filed an exempt solicitation with an identical letter attached. Concerns cited for this proposal relate to the decision to combine the general share reserve request and the special share reserve request in one proposal and the ability to issue in-the-money options to Mr. Musk via the special share reserve.

General Share Reserve Request

The 60 million shares being requested for the General Share Reserve may not be used for awards to Mr. Musk. In the event that shares tied to the 2025 CEO Interim Award are forfeited or reduced (see Proposal 2.00), the number of shares that may be added back to the General Share Reserve is limited to 36 million (the 96 million shares underlying the 2025 CEO Interim Award granted under the 2019 Equity Incentive Plan less the proposed General Share Reserve request). If returned to the General Share Reserve, these recycled shares would dilute current shareholders by an additional 1.1%. For clarity, Mr. Musk would be eligible to receive awards granted from any shares returned to the General Share Reserve pursuant to this recycling provision.

Special Share Reserve for Mr. E. Musk

For the Special Share Reserve, the Company has committed to shareholders that any awards that may be granted to Mr. Musk through this reserve will provide no material additional benefit to him. As such, the number of shares awarded to Mr. Musk through any combination of the 2018 CEO Performance Award, 2025 CEO Interim Award and any award granted through the Special Share Reserve, should not exceed 303,960,630 shares of common stock, the total number of shares covered by the 2018 CEO Performance Award. Any shares awarded through the requested Special Share Reserve and the respective dilutive effect would be offset by a reduction in the Company's overhang following the forfeiture/cancellation of outstanding shares tied to the 2018 CEO Performance Award.

Special Authorization for Musk Awards

With regard to the authorization of the board to grant Mr. Musk awards with terms that may vary from the terms of the 2019 Equity Incentive Plan, the following language is included in the Plan's terms:

> *"...the Administrator may determine in its sole discretion, unconstrained by the terms of the Plan (other than Sections 3(a) and 3(b), which shall apply to any Elon Musk Awards), which may include, but are not limited to, (i) an exercise price that is less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant, (ii) a term exceeding ten (10) years from the date of grant, (iii) the timing, methods and terms of exercise or settlement, (iv) the payment of dividends or dividend equivalents, (v) a holding period for Shares delivered in respect of Elon Musk Awards, (vi) Elon Musk's status as a Service Provider on the date of grant or (vii) the determination as to the Fair Market Value of a Share."*

Mr. Musk Included in Vote

Shareholders may reasonably question the board's decision not to require Mr. Musk to recuse himself from this proposal given the significant interest that he has in the proposal's approval. This issue is further exacerbated by the 2025 CEO Interim Award granted in August. Pursuant to the terms of the equity plan, Mr. Musk is entitled to vote the underlying shares despite the award being unvested. When accounting for this award, Mr. Musk controlled approximately 15% of the Company's total voting power, using a simple percentage calculation, as of September 15, 2025 (excluding the options underlying the 2018 CEO Performance Award).

As reported in the findings of our 2023 client policy survey, nearly three-quarters of investors indicated that they believed that an executive who is a significant shareholder should recuse themselves from a vote on their own equity grant. When non-investors were posed the question, nearly 58% agreed with the same statement. When the recipient's voting power is material to the vote outcome, the percentages of investors and non-investors that believe the participant should recuse themselves increased to 93% and 79.6%, respectively. Given Mr. Musk's total voting power, and his status as the Company's largest shareholder, the decision not to require Mr. Musk to recuse himself from this proposal does not appear to align with market expectations.

BOARD CONSIDERATIONS

The Company discloses that the Special Committee considered other alternatives to the special share reserve, including:

- Taking no further action after the 2025 CEO Interim Award;
- Seeking re-ratification (or equivalent action) of the 2018 CEO Performance Award; and
- Granting an additional immediate award similar to the 2025 CEO Interim Award, which would require shareholder

approval.

The committee ultimately determined not to recommend any of the above actions for various reasons, including undermining the Company's ability to retain and incentivize Mr. Musk; reputational damage; legal, practical and procedural complexities; and a potential result of a significant accounting change.

ANALYSIS

The share request for the general share reserve appears reasonable and, absent the extenuating circumstances, would warrant support. However, the Company is not solely seeking to replenish its general share reserve. The Company is also seeking to create a special share reserve and expand its ability to grant awards that would not otherwise be allowed pursuant to the terms of the plan, for the purpose of resolving uncertainties regarding Mr. Musk's 2018 CEO Performance Award. The Company argues that this is necessary to provide flexibility and further certainty in addition to the 2025 CEO Interim Award during an otherwise unpredictable time for the Company resulting from the prolonged Tornetta litigation.

The committee argues that taking no further action beyond the 2025 CEO Interim Award, which the committee believes does not provide an appropriate or fair solution for fully compensating Mr. Musk for his past services, would ignore the will of the Company's shareholders and potentially irreparably damage the Company's relationship with Mr. Musk. With regard to taking no further action, we have addressed the issues surrounding the "fairness" of the unpaid compensation to Mr. Musk in light of the Tornetta litigation in our analysis of last year's ratification proposal and our discussion of the 2025 CEO Interim Award (Proposal 2.00).

In not recommending re-ratification (or an equivalent action), the committee considered the complex legal questions at play, the prior two favorable votes and the availability of more reliable alternatives to address the issue of Mr. Musk's largely unpaid compensation. Given the events of the last several years, the Company's rationale for not seeking re-ratification is reasonable and does not warrant significant scrutiny. Indeed, the will of the majority of shareholders regarding the grant should not be discredited, but it would also be incorrect to take this as sweeping support, as the 2018 Award has received low support in each vote.

The inclusion of the special board authorization of Mr. Musks' awards is unusual and, at face value, problematic given market best practices. But, as the Special Share Reserve is slated as a back-up in case the Delaware courts uphold the rescission of the 2018 Award, the terms are not wholly unexpected. Indeed, the rationale behind specific language regarding the ability to grant option awards that are in-the-money is clear, but the rationale for allowing for option terms longer than ten years and Mr. Musks' status as a service provider is less so if the goal is to fully replace the 2018 Award on a like-for-like basis.

Finally, in not seeking shareholder approval to grant an additional immediate equity award equal to the remaining shares of the 2018 CEO Performance Award, the committee cites the immediate retentive value of the 2025 CEO Interim Award, its cautious optimism that the 2018 CEO Performance Award will be reinstated and the potential significant irreversible accounting charge that could occur if the award was granted prior to the outcome of the Tornetta litigation, even if the 2018 award is fully reinstated. Given the Company's rationale surrounding the retentive value of the 2025 CEO Interim Award in not seeking an immediate award and the cautious optimism that the 2018 award would be reinstated, this then raises the question of why approval of the special share reserve is being sought now.

Instead of pursuing an increase to the general share reserve and deferring the request for a special share reserve once more clarity is achieved on the status of the 2018 award, the Company has somewhat inexplicably decided to tie both requests together. While it is standard to bundle amendments to an equity compensation plan together under a single proposal, it is not a requirement, and given the specifics of this case, it would have been beneficial to shareholders to separate the increase to the general share reserve and the creation of the special share reserve. Such practice is not entirely uncommon when one amendment may be more contentious or less routine than the rest. Instead, shareholders have been put in the position of choosing to either vote down an amendment that could risk the Company's ability to compensate the broader employee base, or support the creation of the special share reserve which in turn diminishes their ability to provide input on potentially significant levels of compensation moving forward. This is particularly concerning, as the reason that the general share reserve so urgently requires replenishment in the first place is due to the decision to grant the 2025 CEO Interim Award under the plan. As such, shareholders may reasonably question why the Company chose to tie the proposals together rather than allow independent review of each share reserve.

RECOMMENDATION

While there would not be concerns surrounding the decision to approve the increase to the general share reserve at this time, the Company's request to create the special share reserve and provide for expanded discretion in determining the terms of such awards warrants significant shareholder concern. We further note that this is a dilemma of the Company's own making, both in largely draining the 2019 plan share reserve for the 2025 CEO Interim Award and in denying shareholders the opportunity to separately approve the two share reserves.

The Company is not without options if this proposal is not passed. The proposal can be put up for a vote again, which while incurring some cost, may be warranted to give shareholders a choice.

As such, a vote **AGAINST** this proposal is reasonable at this time.

4.00: APPROVAL OF 2025 CEO PERFORMANCE AWARD

AGAINST

PROPOSAL REQUEST:	Approval of 2025 CEO Performance Award	**RECOMMENDATIONS & CONCERNS:**	
PRIOR YEAR VOTE RESULT (FOR):	N/A	**AGAINST-**	Excessively dilutive
BINDING/ADVISORY:	Binding		
REQUIRED TO APPROVE:	Majority of votes cast		

PROPOSAL SUMMARY

Shareholders are being asked for approval of the 2025 CEO Performance Award. Under Texas law, if the transaction is approved in good faith by disinterested directors, who are aware of or informed of the material factors, the Texas Business Organization Code (the "TBOC") does not require a shareholder vote to approve the transaction. However, Nasdaq Rule 5635(c) independently requires that a shareholder vote (without any limitations on which shareholders may vote) is sought for the 2025 CEO Performance Award.

To meet the Nasdaq standard, the proposal requires the affirmative vote of a majority of the voting power of the shares present in person or represented by proxy at the 2025 Annual Meeting and entitled to vote on the proposal. This includes shares owned, directly or indirectly, by Mr. Musk and Kimbal Musk. If shareholders do not approve this proposal, the 2025 CEO Performance Award will not be approved.

The terms of the grant are delineated below:

TERMS OF PROPOSED GRANT

AWARDS TO BE GRANTED	*Performance shares*
PARTICIPANT	*Elon Musk, Technoking of Tesla and Chief Executive Officer*
GRANT DATE	*September 3, 2025*
PERFORMANCE PERIOD	*10 years*
# OF SHARES	*423,743,904 shares* • *Representing 12% of the Company's Adjusted Share Count* as of August 29, 2025.* • *Divided into 12 equal tranches.* **Adjusted Share Count: Outstanding shares plus the 2018 CEO Performance Award, minus the 2025 CEO Interim Award*
VALUE	***Company Disclosed:** A preliminary aggregate fair value of $87.8 billion, as compensation expense calculations pursuant to ASC Topic 718 cannot be made prior to the date on which the proposed award is issued to Mr. Musk.* ***Glass Lewis Estimation:** Approval date value of $141.6 billion, determined based on the closing stock price on September 3, 2025 multiplied by total shares underlying the award.*
OFFSET AMOUNT PAYMENTS	*On the 7.5th and 10th anniversaries of the grant date, and unless Mr. Musk elects to pay the following amount in cash, the number of earned shares vesting on those respective dates will be reduced by a number of shares with a value equal to the product of (i) the number of earned shares vesting and (ii) $334.09, the closing price of the Company's common stock on September 3, 2025.*
PERFORMANCE CONDITIONS	*For each tranche to be earned, the Company must achieve both a market capitalization milestone and an operational milestone. These do not have to be achieved at the same time, but only one market capitalization milestone and one operational milestone may be matched for each achieved tranche.* • *Any unearned market capitalization milestone can be matched with any unearned operational milestone, subject to any "Deemed Achievement" event.* • *In addition to achieving a matched market capitalization and operational milestone pair, the 11th and 12th tranches are subject to Mr. Musk developing a framework for CEO succession approved by the*

	administrator in good faith. • *Market capitalization milestones are achieved if the following two prongs are met: (i) six-calendar-month trailing average market capitalization; and (ii) 30-calendar-day trailing average market capitalization.*
"DEEMED ACHIEVEMENT"	*In the case of a Covered Event* after the third anniversary of the 2025 CEO Performance Award, then an award will be eligible to be earned if:* • *The 30-day, six-month and one-year trailing market capitalization of the Company meets one of the market capitalization milestones; and* • *Mr. Musk is still in eligible service as of the date of determination, subject to meeting the CEO succession framework provision for the 11th and 12th tranches.* **A Covered Event is an event, circumstance, change or occurrence outside the Company's control that, individually or in the aggregate, has a substantial adverse impact on the Company's ability to achieve three of the product goals ("20 million Tesla Vehicles Delivered" is excluded from this provision).*
VESTING	• *Tranches earned prior to the fifth anniversary of the grant date will vest on the 7.5th anniversary of the grant date.* • *Tranches earned after the fifth anniversary of the grant date will vest on the 10th anniversary of the grant date.* • *Vesting on either anniversary is subject to Mr. Musk's continued Eligible Service* through the vesting dates.* **Eligible Service: Mr. Musk continuing to provide services to the Company as (i) CEO or (ii) an executive officer responsible for the Company's product development or operations that has been approved by disinterested directors of the board.*
HOLDING REQUIREMENT	*Five years after being earned (regardless of whether vesting).*

OTHER KEY FEATURES

CHANGE OF CONTROL PROVISIONS	*Upon a change in control, any earned but unvested shares will vest.* *For unearned shares, the award administrator determines whether shares have become earned solely on the basis of market capitalization achieved as of the effective date.* • *The market capitalization used to determine achievement will be equal to the product of the total number of outstanding shares immediately prior to the change in control and the greater of (i) the most recent closing price per share immediately prior to the change in control and (ii) the per share price (plus the per share value of any other consideration) received by the Company's shareholder in the change in control. Any unearned shares after this determination will be automatically forfeited.*
CLAWBACK	*Subject to the Company's clawback policy.*
SEPARATION EFFECTS	*Vesting of earned shares is accelerated upon termination of employment without cause, death or disability.*
VOTING AGREEMENT	*Awards may be voted by Mr. Musk when deemed earned.* *However, restricted stock is votable by the holder as soon as it is issued. As such, the Company has entered into a voting agreement with Mr. Musk that covers the manner in which the unearned shares of the 2025 CEO Performance Award may be voted.* *Pursuant to this agreement, unearned shares will vote or provide written consent, proportionately to the votes for or against or written consents for or not provided, as applicable, by all other shares of the Company's capital stock that are present and entitled to vote at any annual or special meeting (or similar action) of the Company's shareholders. Mr. Musk granted the Company's corporate secretary an irrevocable proxy, coupled with an interest, to vote the unearned shares on his behalf.*

	ADJUSTMENTS	*Market capitalization and adjusted EBITDA milestones may be adjusted to account for acquisition activity, split-up or divestiture if considered material to achievement.*

RECENT PERFROMANCE

PERFORMANCE MEASURE	STARTING POINT
Market Capitalization	$1,024 billion (market close June 30, 2025)
Adjusted EBITDA	$15.486 billion (Q1 2025 trailing 12 months)
Vehicles Delivered	8 million
FSD	Not clearly disclosed in the proxy statement
Bots	N/A
Robotaxis	Not clearly disclosed in the proxy statement

PERFORMANCE MILESTONES*

MARKET CAPITALIZATION MILESTONES ($ IN BILLIONS)	OPERATIONAL MILESTONES* ($ IN BILLIONS)
$2,000.0	Trailing four-quarter adjusted EBITDA - $50.0
$2,500.0	Trailing four-quarter adjusted EBITDA - $80.0
$3,000.0	Trailing four-quarter adjusted EBITDA - $130.0
$3,500.0	Trailing four-quarter adjusted EBITDA - $210.0
$4,000.0	Trailing four-quarter adjusted EBITDA - $300.0
$4,500.0	Trailing four-quarter adjusted EBITDA - $400.0**
$5,000.0	Trailing four-quarter adjusted EBITDA - $400.0**
$5,500.0	Trailing four-quarter adjusted EBITDA - $400.0**
$6,000.0	20 million Tesla Vehicles delivered
$6,500.0	10 million active FSD subscriptions***
$7,500.0	1 million Bots delivered***
$8,500.0	1 million Robotaxis in commercial operation***

*Any unearned operational milestone may be paired with a market capitalization milestone.
**The final three adjusted EBITDA hurdles each require the Company to achieve adjusted EBITDA of $400B. These hurdles would be deemed to have been achieved if the Company attains adjusted EBITDA of $400B over three non-overlapping periods.
***There are potential exceptions for three of the product goals related to "Deemed Achievement" events, as discussed in the Terms of Proposed Grant table above.

DILUTION

	POTENTIAL DILUTION	*11.3% based on shares outstanding as of record date (September 15, 2025)*

BOARD'S PERSPECTIVE

On January 8, 2025, the board of directors formed a Special Committee of disinterested directors to consider, evaluate and determine whether it would be in the Company's best interests to retain and incentivize the CEO, Mr. Musk. If it was, the Special Committee would recommend appropriate methods for doing so consistent with applicable legal requirements. Mses. Denholm and Wilson-Thompson were appointed as members to this Special Committee.

The Special Committee determined that retaining and incentivizing Mr. Musk is mission-critical for the Company in reaching the next step towards its world-changing autonomous future. In making this determination, the Special Committee states:

> *'We examined the leadership qualities that would be vital to realizing this vision. Ultimately, we believe that the combination of Musk's track record for making "the impossible" possible, "talent magnet" leadership style, relentless passion for his work, highly relevant expertise, and rare ability to innovate and execute make Musk singularly qualified to continue leading Tesla... It is equally clear to us that Musk has the*

passion, drive, and resources to transform any business into the most valuable company in history. We believe it is in the Company's best interests, and maximizes shareholder value, when Musk chooses Tesla because retaining Musk's vision and leadership is strategically essential to realizing Tesla's full potential. Without Musk, Tesla may be viewed as just another car and energy solutions company and would likely no longer be viewed as a transformational force in artificial intelligence ("AI") and robotics, threatening to reduce Tesla's valuation and future growth.'

The board stresses that Mr. Musk is motivated by more than just conventional forms of compensation, and rather is driven by "bold, high-stakes challenges that allow him to fundamentally reshape industries and society, while maximizing long-term shareholder value." The 2025 CEO Performance Award is designed to retain and incentivize Mr. Musk by giving him the voting rights associated with the restricted stock under the the award as soon as the shares are earned, but requiring that he remain in service to vest in the economic benefits of the earned restricted stock.

GLASS LEWIS ANALYSIS

High Compensation Levels

Whether basing the value of the award on the Company's preliminary aggregate fair value estimate, or on Glass Lewis' valuation, the size of the award is unprecedented. Using the Company's estimate, the award has an $8.8 billion per annum price tag (based on the ten-year term of the award) and a value of $7.3 billion per tranche. The Company notes that it deemed traditional benchmarking analysis irrelevant given both the size of the award and that "no company in the world has remotely similar goals embodied in their compensation programs compared to what is expected from Musk by the 2025 CEO Performance Award" (pg. A-47). Given the size of the award, traditional comparisons with compensation packages at peer companies will prove largely unhelpful in fully contextualizing the size of this award. However, there are a few points of comparison that may nonetheless provide some context.

First, we can compare the award to its predecessor, the 2018 CEO Performance Award, which was similarly unprecedented at the time it was granted. Indeed, the Company also states clearly that the committee looked to the framework of the 2018 Award for incentivizing transformational growth under the 2025 Award. The Company disclosed that the 2018 award had a grant date fair value of approximately $2.6 billion. This would put the aggregate value of the 2025 award (based on the Company's valuation) at around 33.5x the size of its predecessor. In fact, the value of each tranche of the contemplated 2025 award would be approximately 2.8x the aggregate grant date fair value of its predecessor.

Meanwhile, the compound annual growth rate needed to achieve the final tranche for the market capitalization milestone would be 23.6% over ten years for the 2025 award compared to an estimated 28.7% needed for the 2018 Award over ten years. While the starting and ending points for these two grants are substantially different, the high-growth mindset needed to accomplish the goals outlined is not dissimilar. Thus, shareholders may reasonably question why the quantum per tranche is multiples more than the 2018 award despite a slightly smaller growth rate on a purely like-for-like basis.

While comparisons to individual compensation packages may prove unfruitful, comparing his proposed compensation to a much larger aggregate may provide more illumination. As of the date of this analysis, Glass Lewis has generated a pay-for-performance grade for 469 companies in the S&P 500 that had fiscal years ending in 2024, with all such companies granting CEOs an aggregate of $6.7 billion in equity awards. Given that this award is intended to cover all of Mr. Musk's compensation, if we expand this comparison to total compensation granted to this same group rather than just his equity compensation, the aggregate value increases to $9.0 billion.

It is also prudent to consider the mechanics of this award's structure as it relates to quantum, as the offset amount allows it to somewhat mimic stock options. Even when considering the offset amount, the value realizable by Mr. Musk will substantially exceed the granted value of the award given the lofty market capitalization goals. As reported, if earned in full, Mr. Musk stands to receive more than $1 trillion in stock, without taking into account the offset amount. When taking into account the offset amount and assuming it is paid in cash, this figure drops to be approximately $942 billion. Even if earning just the first tranche of the award, the realizable value for Mr. Musk is well in the $100 billion range. It is clear that the quantum, on a realizable and granted basis, outpaces all other pay packages.

Market Capitalization Milestones

The Company emphasizes the aspirational nature of the goals tied to the award, stating that they are not merely moon-shot milestones, but "Mars-shot" milestones. Indeed, these goals are lofty and achievement would result in substantial gains for shareholders. The Company makes a reasonable argument that the milestones that would be required to earn the later tranches of the award would necessitate the Company achieving results that would dwarf even the largest companies in the world currently. However, given the value tied to each tranche, meeting just enough of the performance conditions to earn even one tranche would result in record-breaking levels of compensation. As such, shareholders must question whether the performance conditions tied to earlier tranches are sufficiently rigorous as to

warrant such levels of compensation.

There are currently three companies listed in the S&P 500 that have market capitalizations that exceed several of the award's proposed milestones. As of September 15, 2025, NVIDIA Corporation ($4.3 trillion), Microsoft Corporation ($3.8 trillion) and Apple Inc. ($3.5 trillion) all have market capitalizations that exceed at least three of the milestones. Moving away from the absolute value of the targets, based on the Company's own disclosure, to achieve the lowest market capitalization milestone the Company would be required to achieve a 10-year TSR CAGR of 6.9%, and to achieve the highest it would be required to achieve a 10-year TSR CAGR of 23.6% (based on the Company's market capitalization as of June 30, 2025). For context, the mean TSR CAGR in the 10 years prior to September 15, 2025, was approximately 31.3% for the current "megacap" companies (eight of the largest companies in the S&P 100 and excluding the Company itself). When excluding NVIDIA, which had a return that was over twice that of the company with the next highest returns, the mean is approximately 22.8%.

While continued performance is not guaranteed, the goals are not necessarily as record-breaking as the degree of compensation that the Company is proposing for Mr. Musk given the ten-year timeline for the award. However, there is an important caveat; the award cannot be earned solely through the achievement of the market capitalization goals, requiring an operational milestone to also be met. The terms of the award, though, have given the disinterested members of the board a degree of discretion on this front, as outlined in the "Deemed Achievement" section.

Deemed Achievement

If a "Covered Event" occurs after the three-year anniversary of the grant date, the disinterested members of the board may deem a tranche earned despite not meeting the required number of operational milestones. A "Covered Event" is any event, circumstance, change or occurrence outside the Company's control that, individually or in the aggregate, has a substantial adverse impact on the Company's ability to achieve a "New Product Goal", which are the three product goals other than 20 million Tesla Vehicles Delivered. If this occurs, the market capitalization milestone must also be met over a one-year period, in addition to the six-month and thirty-day period that is already required to meet a market capitalization milestone, to be deemed achieved for the applicable tranche.

The Company states that the inclusion of the above provision is necessary so that if events occur that would otherwise inhibit the achievement of certain product goals, the award does not restrain or disincentivize Mr. Musk from continuing to pursue alternative paths to transformative growth that may deliver even greater value to the Company. This concern is not wholly without basis, with the applicable product goals tied to this provision having significant exposure to legal and regulatory risk that are outside the Company's control. However, this is the inherent gamble of front-loaded awards; concerns often arise around the possibility that goals tied to the award may become obsolete or disconnected from the moment a company finds itself years after the grant.

While the Company has provided examples of scenarios that may meet the definition of a "Covered Event" in an attempt to build in protection against a common concern surrounding front-loaded awards, the Company is giving a significant level of discretion to the disinterested members of the board. In light of this provision, it would appear possible, given the timeline for the award, for Mr. Musk to earn at least the first three tranches of the award without meeting a single operational milestone. Given the size of each individual tranche alone, such a possibility should be considered by shareholders when evaluating the award structure.

Product Milestones

Product milestones, given the transformative aspect of the Company's inflection point, are reasonable. Indeed, the goals themselves also require either sustained performance over an extended period of time (vehicles delivered), significant advancement (FSD) or expedited development and growth for others (bots and robotaxis). Nonetheless, the possibility of potentially perverse incentives in connection with the achievement of product milestones should also be carefully scrutinized. This is a possibility more generally when production goals are not tied to a bottom-line financial metric. However, such goals are not singular as they are tied to the achievement of market capitalization milestones, which would likely be responsive to unhealthy finances. Although, it should be noted that paired milestones may be earned at different times. Nonetheless, such actions would likely come at the cost, or at least the delay, of the adjusted EBITDA milestones.

Adjusted EBITDA Milestones

In reviewing the adjusted EBITDA milestones, a five-year compounded annual growth rate of 91.6% is needed, while over ten years a compounded annual growth rate of 38.4% is needed. While this is a lower growth rate compared to what was required from pre-grant to final tranche for the 2018 Award, it is challenging. For more context, to achieve the last three adjusted EBITDA tranches ($400 billion), the Company must significantly outperform the highest EBITDA most recently disclosed from the Magnificent Seven (approximately $156 billion, unadjusted).

Excessive Dilution

For shareholders, the dollar cost of the equity program is not the only consideration. Similar to its predecessor 2018 award, the dilutive costs to shareholders are exceptional. By way of example, it is not unusual for a growth stage firm in technology or bioscience to grant up to 1% of outstanding stock to an executive intermittently or as a one-time grant, but

such high transfers of share ownership on an annual basis for an extended period at a firm of any size and scope had been largely unheard of prior to the 2018 CEO Performance Award. While there have been some copycat awards since the 2018 grant, it still remains exceedingly rare.

The absolute cost to shareholders of this grant, if approved and earned, is substantial, but the amount of share capital used is unrivaled. To place the award in some context, we have compared the dilutive effect of this award to peer companies in the S&P 500 Automotive and Components and seven of the nine largest companies in the S&P 100 by market capitalization ("US Megacap", excludes Berkshire Hathaway due to the absence of equity-based compensation for employees and the Company). The results of this comparison are displayed in the table below:

	S&P 500 Automotive	US Megacap	Tesla	Award
LFY Average Dilution: All Incentive Grants	1.1%	1.1%	0.8%	**11.3%** (1.13% per annum or 1.05% per tranche)**
LFY Average Dilution: CEO Grants	0.04%	0.002%*	N/A	

*For CEO grants, Amazon, Meta Platforms, Broadcom and Alphabet are excluded from the US Megacap as the CEO did not receive an equity award in the most recently completed fiscal year. However, for context, the most recent front-loaded awards received by the CEOs of Amazon, Alphabet and Broadcom represented a dilutive potential at the time of grant of 0.017%, 0.012% and 0.16%, respectively.
**The per annum value is based on the ten-year term of the award.

Concentration of Ownership

Shareholders may be wary of the further concentration of ownership in significant shareholders of a company. Given the ongoing uncertainty surrounding the 2018 CEO Performance Award, there are several ways to view the level of Mr. Musk's current ownership. As of September 15, 2025, including the 2025 CEO Interim Award and excluding the 2018 CEO Performance Award, the Company discloses that Mr. Musk's total voting stake would be 13.6%. If the 2018 award were to be reinstated (and, as a result, the 2025 CEO Interim Award would be forfeited), the Company discloses that Mr. Musk's total voting stake would be 18.1%. It should be noted, that even if the 2018 award was not reinstated, but Proposal 3.00 is approved (the amendment to the 2019 Equity Incentive Plan), a special share reserve would be established that would allow the board to grant Mr. Musk enough shares which, when aggregated with the 2025 CEO Interim Award, make him whole with regard to the 2018 award.

If this award is approved, Mr. Musk's voting stake would increase from 18.1% to 28.8% (0.9% increase per tranche). This assumes that either (i) the 2018 award is reinstated or (ii) Proposal 3.00 is approved and the Company grants Mr. Musk the entirety of the special share reserve. As the Company stresses, we acknowledge that the true level of ownership would likely be less than this as the Company experiences future dilutive events over the ten-year term of the award. In any case, Mr. Musk, who is already the Company's largest shareholder by a healthy margin, would expand the gap between him and other shareholders. Given the impact on the holdings of other shareholders, the continued concentration of ownership around Mr. Musk warrants particular attention.

Key Man Risk

The degree to which the Company's past and future are viewed as inextricably intertwined with that of Mr. Musk's cannot be overstated, and this idea is a common theme throughout the Company's proxy statement. In light of this, there are several factors surrounding this award that warrant scrutiny. First, the Company does attempt to address the idea of CEO succession planning through tying the development of a CEO succession framework to the vesting of the final two tranches of the award. Shareholders may reasonably question, however, the decision to tie this requirement to the final two tranches of the award. As these tranches are the least likely to be earned, it would appear to undercut the importance that the Company discloses that it is placing on the idea of CEO succession planning. Further, shareholders may reasonably question why billions of dollars worth of stock should be awarded to Mr. Musk for developing a succession plan when such matters are typically viewed as intrinsic to the duties of the CEO and the board. While recognizing the unique circumstances at play, shareholders may nonetheless reasonably be concerned that the committee feels the need to compel Mr. Musk to perform such duties, particularly at such cost to shareholders.

Mr. Musk's vast and varied interests are well-documented. The argument can be made, as the Company does, that these interests are a net benefit to the Company. Further, the Company discloses that Mr. Musk would not accept conditions that would require him to divest his equity holdings in other companies or otherwise restrict his activities. Given these considerations, the Company believes that such conditions would not be desirable for the Company. While it is unreasonable to expect a chief executive's unwavering focus on the Company and nothing else, it is entirely reasonable that a company, acknowledging its reliance on the presence of one individual for its success, sets parameters that limit the key man risk to which shareholders are exposed. Instead, the Company appears to move in the other direction, leaving room for Mr. Musk to put more distance between himself and the Company, allowing him to step down as CEO into another executive role and remain eligible for vesting of the award, while simultaneously rewarding him for such a decision.

Mr. Musk Included in Vote

As was raised in Proposal 3.00, shareholders may reasonably question the board's decision not to require Mr. Musk to recuse himself from this proposal given the significant interest that he has in the proposal's approval. This issue is further exacerbated by the 2025 CEO Interim Award granted in August. Pursuant to the terms of the equity plan, Mr. Musk is entitled to vote the underlying shares despite the award being unvested. When accounting for this award, Mr. Musk controlled approximately 15% of the Company's total voting power, using a simple percentage calculation, as of September 15, 2025 (excluding the options underlying the 2018 CEO Performance Award).

As reported in the findings of our 2023 client policy survey, nearly three-quarters of investors indicated that they believed that an executive who is a significant shareholder should recuse themselves from a vote on their own equity grant. When non-investors were posed the question, nearly 58% agreed with the same statement. When the recipient's voting power is material to the vote outcome, the percentages of investor and non-investors that believe the participant should recuse themselves increased to 93% and 79.6%, respectively. Given Mr. Musk's total voting power, and his status as the Company's largest shareholder, the decision not to require Mr. Musk to recuse himself from this proposal does not appear to align with market expectations.

Vote-No Campaign

*S*hareholders should be aware that this proposal is the subject of a vote-no campaign. On October 2, 2025, SOC Investment Group filed an exempt solicitation urging shareholders to vote against the proposal. At issue for the campaign is that (i) the 2025 performance award lacks rigor and allows for excessive board discretion, (ii) the 2025 performance award may result in significant dilution for shareholders, and (iii) the award does not appear to incentivize Mr. Musk to focus on the Company. In particular, it raises concerns surrounding the product-based operational milestones that they "believe are much less demanding than they appear in the Proxy Statement." Furthermore, the filers "had hoped that the Board would have insisted on a commitment from Mr. Musk to devote his attention to the Company." On the same date, the Comptroller of the City of New York filed an exempt solicitation with an identical letter attached.

CONCLUSION

As was the case when the 2018 award was put up for vote, Mr. Musk continues to be the Company's largest shareholder, with much of his personal wealth tied to the Company's success, yet an unparalleled award is again needed to keep him focused on the Company and bring about the transformation needed to achieve the Company's ambitions.The Company argues that the award is necessary to incentivize Mr. Musk by delivering the potential to gain further voting influence, giving him a more meaningful voice as a Company shareholder, something that he has also expressed as critical to him. While acknowledging the Company's rationale here, shareholders may reasonably question the further significant dilution of their ownership stake, particularly given the Company's decision to not tie the award to provisions that would ensure Mr. Musk's focus on the company that he wishes to have a greater voice in determining the direction of.

Certainly, some of the above concerns are potentially blunted by the significance of the performance milestones tied to the award. This being said, the size of the award could result in Mr. Musk receiving billions in compensation, materially increased ownership stake and an estimated 1% dilution to shareholders even if only a single tranche is earned. As highlighted in the analysis above, in light of the lengthy time horizon of the award, the early milestones do not appear as herculean as the size of the proposed tranches would suggest that they are, especially when accounting for the degree of discretion that the board has in determining several of the product-based milestones.

On balance, the potential upfront and future dilutive impacts to shareholders, as well as extraordinary pay levels without commensurately exceptional performance through the achievement of even just a couple tranches, warrant significant concern. Further, the cost of leadership can still increase substantially given the possibility of bringing on a CEO, while Mr. Musk remains in eligible service. As such, the onus is on the Company to provide a significantly compelling rationale for the award, and to ensure that the award was structured in the best interests of the Company's shareholders. In these tasks, the Company has fallen short.

We recommend that shareholders vote **AGAINST** this proposal.

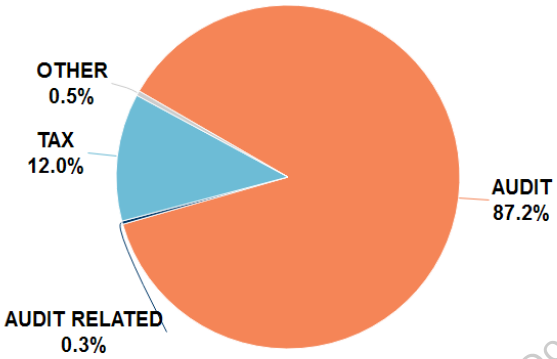
5.00: RATIFICATION OF AUDITOR

FOR

PROPOSAL REQUEST:	Ratification of PricewaterhouseCoopers
PRIOR YEAR VOTE RESULT (FOR):	96.2%
BINDING/ADVISORY:	Advisory
REQUIRED TO APPROVE:	Majority of votes cast
AUDITOR OPINION:	Unqualified

RECOMMENDATIONS & CONCERNS:

FOR- No material concerns



AUDITOR FEES

	2024	2023	2022
Audit Fees:	$15,634,000	$17,365,000	$16,192,000
Audit-Related Fees:	$54,000	$42,000	$44,000
Tax Fees:	$2,154,000	$2,579,000	$4,442,000
All Other Fees:	$81,000	$269,000	$134,000
Total Fees:	$17,923,000	$20,255,000	$20,812,000
Auditor:	Pricewaterhouse Coopers	Pricewaterhouse Coopers	Pricewaterhouse Coopers
1-Year Total Fees Change:		-11.5%	
2-Year Total Fees Change:		-13.9%	
2024 Fees as % of Revenue*:		0.018%	

* Annual revenue as of most recently reported fiscal year end date. *Source: Capital IQ*

Years Serving Company:	20
Restatement in Past 12 Months:	No
Alternative Dispute Resolution:	No
Auditor Liability Caps:	No
Lead Audit Partner:	Robert Ward Conklin
Critical Audit Matter:	1
	• Automotive Warranty Reserve

GLASS LEWIS ANALYSIS

The fees paid for non-audit-related services are reasonable and the Company discloses appropriate information about these services in its filings.

We recommend that shareholders vote **FOR** the ratification of the appointment of PricewaterhouseCoopers as the Company's auditor for fiscal year 2025.

6.00: ELIMINATION OF SUPERMAJORITY REQUIREMENT

FOR

PROPOSAL REQUEST:	Eliminate the supermajority vote requirement to amend the Company's certificate of formation and bylaws	**RECOMMENDATIONS & CONCERNS:**	
BINDING/ADVISORY:	Binding	**FOR-**	Supermajority vote requirements can impede shareholders' ability to approve ballot items that are in their interests
REQUIRED TO APPROVE:	67% of shares outstanding		

PROPOSAL SUMMARY

The board seeks shareholder approval to remove supermajority vote requirements for amendments to the Company's certificate of formation and bylaws. Currently, the affirmative vote of the holders of at least two-thirds of the Company's outstanding common stock is required to amend certain provisions of the bylaws and the certificate of formation.

The amendment to the certificate of formation provides for the deletion of the requirement that an affirmative vote of the holders of at least two-thirds of shares outstanding be required to amend, alter or repeal, or adopt any provision in the certificate of formation 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 shareholders, special meetings of shareholders, and the required advance notice for director nominations and business to be brought by shareholders at meetings; and (iv) the amendment of the certificate of formation. Consequently, if this Proposal 6.00 is approved, the certificate of formation will no longer contain supermajority vote requirements for amendments and other changes to the certificate of formation.

The amendment to the bylaws provides for the deletion of the requirement that an affirmative vote of the holders of at least two-thirds of shares outstanding be required for shareholders to alter, amend or repeal, or adopt any bylaw inconsistent with, the provisions currently therein relating to: (i) meetings of shareholders; (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 this Proposal 6.00 is approved, shareholders will be permitted to adopt, amend or repeal the bylaws pursuant to a simple majority vote, or any other standard required by applicable laws.

We note that at the Company's 2019, 2021, and 2022 annual meetings, similar management proposals to remove supermajority vote requirements received the support of some 99.52%, 60.64%, and 97.36% of votes cast, but failed to receive the support of the two-thirds of outstanding shares required for its approval. Following the 2022 annual meeting, the board determined that once it had achieved a total shareholder participation rate of at least 65% at a shareholder meeting, it would resubmit the proposal. This year, the board states that since the Company achieved a total shareholder participation rate of over 65% at the 2024 annual meeting, the board is delivering upon its commitment to re-submit this proposal to eliminate supermajority requirements.

Unlike the 2022 proposal to remove the supermajority requirements in the Company's certificate and bylaws, which was expressly supported by the board, the board has not made a recommendation on this Proposal 6.00. A similar situation occurred at the 2021 annual meeting, where the board made no recommendation with respect to the proposal to remove supermajority vote requirements. Consequently, the 2021 proposal received only the support of 60.64% of votes cast, with approximately 32.88% abstentions, which is not commonly observed in these types of proposals at other companies (or at the Company when formally endorsed by the board). As such, given the board's lack of support for this year's proposal, it is likely a similar situation may occur, making it difficult for this proposal to achieve the support of the two-thirds of outstanding shares required for its approval.

Additionally, at last year's annual meeting, a shareholder proposal requesting that the board take the necessary steps to remove supermajority requirements received support from 53.93% of votes cast (excluding abstentions and broker non-votes). A similar proposal appears on the ballot at this year's annual meeting, as discussed further in Proposal 13.00. In addition, we note that the proponent of Proposal 13.00 has filed an exempt solicitation further

BOARD'S PERSPECTIVE

The Company discloses that consistent with its disclosures in the proxy materials distributed in connection with the

Company's 2023 and 2024 annual meetings, because the Company achieved a total shareholder participation rate of over 65% at its 2024 annual meeting, the Company is delivering upon its commitment and are now submitting this proposal to eliminate the supermajority voting provisions to a vote of shareholders at the 2025 annual meeting. In prior years, each proposal to eliminate the Company's supermajority voting provisions (whether proposed by the Company or a shareholder) has fallen short of the threshold required to approve such proposals and adopt the relevant amendments. In light of the voting results in prior years, the board makes no recommendation with respect to this proposal. However, the board will respect the outcome of shareholders' vote on this proposal, and, if this proposal is adopted by shareholders at this annual meeting, the board will take the actions described in the proposal to effectuate the proposed amendments and allow shareholders to modify the certificate of formation and bylaws by simple majority vote, subject to applicable law.

GLASS LEWIS ANALYSIS

Glass Lewis believes that supermajority vote requirements act as impediments to takeover proposals and impede shareholders' ability to approve ballot items that are in their interests. This in turn degrades share value and can limit the possibility of buy-out premiums to shareholders.

We recommend that shareholders vote **FOR** this proposal.

7.00: SHAREHOLDER PROPOSAL REGARDING BOARD AUTHORIZATION OF INVESTMENT IN XAI

AGAINST

PROPOSAL REQUEST:	That the board authorize an investment in xAI, in an amount and form deemed appropriate by the board	**SHAREHOLDER PROPONENT:**	Stephen Hawk
BINDING/ADVISORY:	Precatory		
PRIOR YEAR VOTE RESULT (FOR):	N/A	**REQUIRED TO APPROVE:**	Majority of votes cast

RECOMMENDATIONS, CONCERNS & SUMMARY OF REASONING:

AGAINST -
- Not a matter that should be determined by shareholders

SASB MATERIALITY

PRIMARY SASB INDUSTRY: Automobiles

FINANCIALLY MATERIAL TOPICS:

- *Product Safety*
- *Fuel Economy & Use-phase Emissions*
- *Materials Efficiency & Recycling*
- *Labor Practices*
- *Materials Sourcing*

GLASS LEWIS REASONING

- While we do not necessarily disagree with the Company's investment in xAI or the underlying intent of this resolution, we believe that such a decision needs to be fully considered and ultimately decided by the board, not shareholders.

PROPOSAL SUMMARY

Text of Resolution: *NOW, THEREFORE, BE IT RESOLVED, that the shareholders of Tesla, Inc. request that the Board of Directors authorize an investment in xAI, in an amount and form deemed appropriate by the Board, to capitalize on the synergies between the two companies and strengthen Tesla's position as a leader in AI, robotics, and energy.*

Supporting Statement: The Company's integration of Grok into its vehicles demonstrates the tangible benefits of collaboration with xAI. As the Company pivots toward AI-driven technologies, including Full Self-Driving and robotics, a strategic investment in xAI would secure access to advanced AI capabilities, enhance product innovation, and drive shareholder value. This proposal does not prescribe the size or structure of the investment, allowing the board flexibility to act in the best interests of the Company and its shareholders.

Proponent's Perspective

- The Company is transforming into a leading artificial intelligence ("AI"), robotics, and energy company, with its mission to advance technology for human benefit and advance sustainable energy;
- xAI, a company focused on building AI to accelerate human scientific discovery, has developed Grok, an AI assistant already integrated into the Company's vehicles to enhance user experience, vehicle functionality, and autonomous driving capabilities;
- The synergies between the Company and xAI are evident, as both companies share a commitment to advancing technology for human benefit, with xAI's AI expertise complementing the Company's advancements in autonomous driving, robotics (e.g., Tesla Bot), and energy optimization;
- The Company's strategic investments in AI are critical to maintaining its competitive edge in the rapidly evolving AI and robotics industries, and a direct investment in xAI would strengthen the Company's access to cutting-edge AI technologies, talent, and intellectual property;
- xAI's mission aligns with the Company's, creating opportunities for collaborative innovation in areas such as vehicle AI, energy grid optimization, and humanoid robotics, which could enhance the Company's product offerings and market leadership;
- An investment in xAI would provide the Company with a stake in a major AI player, potentially yielding significant financial returns while fostering technological advancements that benefit the

Board's Perspective

- The board has made no statement in response to this resolution.

Company's customers and shareholders; and
- The board has a fiduciary duty to evaluate strategic investments that align with the Company's long-term growth and innovation goals.

THE PROPONENT

The proponent of this proposal is Stephen Hawk, a board-certified psychiatrist and longtime Company investor dubbed a "superfan" by *The Wall Street Journal*. His commitment to the Company comes from his experience of owning multiple vehicles since 2013 and a Company solar roof. According to Hawk, he was inspired to submit this shareholder proposal "after considering Elon Musk's posts about the potential for Tesla to partner with xAI" (Becky Peterson. "Tesla Believer Bangs Drum for Company Investment in Elon Musk's xAI." *The Wall Street Journal*. September 13, 2025).

GLASS LEWIS ANALYSIS

Glass Lewis recommends that shareholders take a close look at proposals such as this to determine whether the actions requested of the Company will clearly lead to the enhancement or protection of shareholder value. Glass Lewis believes that directors who are conscientiously exercising their fiduciary duties will typically have more and better information about the Company and its situation than shareholders. Those directors are also charged with making business decisions and overseeing management. Our default view, therefore, is that the board and management, absent a suspicion of illegal or unethical conduct, will make decisions that are in the best interests of shareholders.

In this case, the Company designs, develops, manufactures, sells, and leases high-performance fully electric vehicles and energy generation and storage systems, and offers services related to its products (2024 10-K, p.2). Its automotive technology includes self-driving development and artificial intelligence. In 2025, the Company stated that it intends to begin launching its Robotaxi business, a ride-hailing network that will eventually operate fully autonomous vehicles. The Company states that it is also applying its artificial intelligence learnings from self-driving technology to the field of robotics, such as through Optimus, a robotic humanoid in development, which is controlled by the same AI system (p.3). It adds that, as it continues to develop its artificial intelligence services and products, it may face many additional challenges, including the availability and cost of energy, processing power limitations, and the substantial power requirements for its data centers (p.14). Further, it states that any failure by the Company or its vendors or other business partners to comply with the Company's public privacy notice or with federal, state or international privacy, data protection, artificial intelligence or security laws or regulations could result in regulatory or litigation-related actions against the Company, including legal liability, fines, damages, and other significant costs (p.25).

POTENTIAL INVESTMENT IN xAI

Regarding board authorization of investment in xAI, the Company states:

> *The Board will listen and take into consideration the results of Proposal Seven related to a potential investment in xAI. However, since a potential investment in xAI would likely be considered as a related party transaction, and in light of the Company's applicable corporate governance procedures and policies (including our RPT Policy), the Board will ultimately determine and implement financial strategies related to artificial intelligence (including any potential investment in xAI) in a manner that is consistent with its fiduciary duties and these procedures and policies.*

(2025 DEF 14A, p.158)

Further, the Company's chair, Robyn Denholm, stated in September 2025:

> *the reason why we have not put a recommendation is that we want to hear from shareholders, in terms of what their views are, as to whether or not we should make an investment in xAI...It is not one thing, it is a range of technologies. What Tesla is doing today with AI is quite different to what xAI does.*

Denholm also explained that while xAI is working on large language models, the Company is not. Rather, the Company is taking real world application of AI and putting it into physical products like the Optimus robot to empower those products to do things (Matilde Alves. "Tesla's Chair Defers on xAI Investment, Leaves Decision to Shareholders." *Electric Vehicles*. September 12, 2025).

Separately, the Company's CEO, Elon Musk, affirmed that the Company would act in accordance with shareholder wishes (Becky Peterson. "Tesla Believer Bangs Drum for Company Investment in Elon Musk's xAI." *The Wall Street Journal*. September 13, 2025). Musk also stated in an X post earlier this year that the Company investing in xAI was not up to him, but that if it were, the Company "would have invested in xAI long ago." However, he rejected speculation about a merger between the Company and xAI (Matilde Alves. "Tesla's Chair Defers on xAI Investment, Leaves Decision to Shareholders." *Electric Vehicles*. September 12, 2025).

ARTIFICIAL INTELLIGENCE

Artificial Intelligence ("AI") is a term coined in 1955 by Stanford University's first faculty member in AI, John McCarthy. Professor McCarthy defined the term as "the science and engineering of making intelligent machines." In more recent years, the U.S. federal government has defined AI as a "machine-based system that can, for a given set of human-defined objectives, make predictions, recommendations or decisions influencing real or virtual environments." It further specifies that AI systems use machine and human-based inputs to: (i) perceive real and virtual environments; (ii) abstract such perception into models through analysis in an automated manner; and (iii) use model inference to formulate options for information or action.

As the science and technology underpinning AI have rapidly developed, so have the potential uses for AI. Given that AI can automate repetitive tasks, improve decision-making processes and enhance the accuracy and speed of data analysis, AI has the ability to influence -- if not completely transform -- various industries (Jennifer Monahan. " Artificial Intelligence, Explained." Carnegie Mellon University). In fact, aspects of AI technology have already become commonplace for many businesses and individuals. For example, McKinsey cites voice assistants like Apple's Siri or the Company's Alexa, as well as customer service chatbots that appear when a person navigates a website as examples of this technology. Other examples include more complex chatbots such as OpenAI's AI models, which are based on its generative pre-trained transformer ("GPT") technology, which is a type of machine learning model that is pre-trained on a massive amount of data to generate human-like text. GPTs can be further fine-tuned for a range of tasks, such as answering questions, translating language, and summarizing text. (Fawad Ali. " GPT-1 to GPT-4: Each of OpenAI's GPT Models Explained and Compared." *Make Use Of.* April 11, 2023).

Given the wide range of potential tasks that can be undertaken by AI and the potential benefits for companies that employ AI, many companies have quickly begun to embrace the use of this technology. This embrace is perhaps best exemplified by the significant and growing investments in the development and use of AI technology; worldwide spending on AI solutions is expected to grow to more than $500 billion in 2027, according to International Data Corporation. As a result, most companies would be experiencing a significant shift in the amount of investment in AI implementation and the adoption of AI-enhanced products and services (Rita Garwood. " IDC FutureScape: AI Will Reshape the IT Industry and Way Businesses Operate." IDC. October 27, 2023). Additionally, breakthroughs in generative AI could result in a 7% or almost $7 trillion increase in global GDP and improve productivity growth by 1.5% over a ten-year period ("Generative AI Could Raise Global GDP by 7%." Goldman Sachs. April 5, 2023).

ETHICAL CONCERNS REGARDING THE USE OF AI

As part of its rationale for this proposal, the proponent states that the Company's integration of Grok into its vehicles demonstrates the tangible benefits of collaboration with xAI and that a strategic investment in xAI would secure access to advanced AI capabilities, enhance product innovation, and drive shareholder value. While there are seemingly innumerable benefits and uses of AI technology, many have also raised concerns regarding the potential ethical implications of the use of AI. Below is an inexhaustive discussion of several issues facing companies that are employing the use of AI technology.

Discrimination and Bias

AI technology is arguably only as good as the inputs it receives. While some look to AI technology to act as a neutral arbiter, it can untimely result in discriminatory or biased outcomes if the data or programming underlying that technology also contains some level of bias. For example, a 2023 study in *Humanities and Social Sciences Communications* examined the use of AI during the employee recruitment process and found that AI-enabled recruitment has the potential to enhance recruitment quality, increase efficiency, and reduce transactional work. However, it also found that algorithmic bias can lead to discriminatory hiring practices based on gender, race, color, and personality traits.

The ACLU has also cited potential concern with such bias being incorporated in areas such as tenant selection, mortgage qualification, and financial lending. More specifically, when AI systems are used for loan approval decisions, there is a risk of replicating existing biases present in historical data used to train the algorithms, which can result in automatic loan denials for individuals from marginalized communities, reinforcing racial or gender disparities (Ryan Browne, MacKenzie Sigalos. " A.I. Has a Discrimination Problem. In Banking, The Consequences Can Be Severe." *CNBC*. June 23, 2023).

Other discriminatory issues have arisen in relation to speech recognition technologies' abilities to recognize or properly understand Black speakers, people who do not speak English as a first language, or people with disabilities, who may greatly rely on voice-activated technologies. At least one study has also reported that some AI tools meant to detect the use of ChatGPT in writing samples have at times falsely and unfairly flagged samples from non-native English speakers as being AI-generated texts (A.W. Ohlheiser. "AI Automated Discrimination. Here's How to Spot It." *Vox*. June 14, 2023).

While users of AI technology should ensure that it free from bias, technology companies that develop these technologies could be exposed to additional risk should these technologies result in biased or discriminatory outcomes. For example, in a lawsuit filed in June 2020, four African American plaintiffs alleged that YouTube engaged in "overt, intentional, and systematic racial discrimination" against its users. The lawsuit accused YouTube of profiting off of hate speech, while at

the same time excluding legitimate channels and videos from full revenue generation based solely on the inclusion of terms like “BLM” or “Police Brutality” in titles and tags. The plaintiffs claimed that the firm used artificial intelligence, algorithms, and other sophisticated filtering tools to profile and target users for censorship based “wholly or in part” on race. Further, in addition to damages and restitution, the plaintiffs asked for a declaration that Section 230 of the Communications Decency Act couldn't be used to immunize entities from discrimination claims (Holly Barker. " YouTube Sued for Race Discrimination, Profiting from Hate Speech." *Bloomberg Law*. June 17, 2020).

Algorithmic discrimination may also have a disproportionate impact on minority workers and marginalized communities, given how pervasive biases against gender and racial minorities are in AI datasets. For example, a 2024 study by researchers at Stanford Law School found significant disparities across names associated with race and gender from state-of-the-art large language models, including ChatGPT4.By prompting the models for advice involving a named individual across a variety of scenarios, such as when asked about: (i) home or car purchases; (ii) election outcome predictions; (iii) sports; (iv) hiring; and (v) chess, the researchers discovered that the AI model advice systematically disadvantages names that are commonly associated with racial minorities and women, with names associated with Black women receiving the "least advantageous" outcomes. The findings suggest that the AI models encode common stereotypes based on the data they are trained on, which influences their response; what the study describes as a 'systemic issue' among AI chatbots (Bailey Schulz. "Is AI Racially Biased? Study Finds Chatbots Treat Black-sounding Names Differently." *USA Today*. April 5, 2024).

These findings echo those of a 2021 paper that has particular relevance for the Company. The paper analyzed anonymized data on ride-hailing in Chicago and revealed a significant disparate impact in fare pricing of neighborhoods due to AI bias learned from ride-hailing utilization patterns associated with demographic attributes. Specifically, neighborhoods with larger non-white populations, higher poverty levels, younger residents, and high education levels were significantly associated with higher fare prices, indicating that such areas were impacted by price discrimination algorithms.

Workers Being Replaced by AI

According to estimates from Goldman Sachs, approximately two-thirds of U.S. occupations are exposed to some degree of AI automation. Further, for individuals in occupations that are exposed to AI automation, between 25% to 50% of their workload could be replaced. Goldman Sachs also states that, although the impact of AI on the labor market is likely to be significant, most jobs and industries are only partially exposed to automation, and are, therefore, more likely to be complemented rather than substituted by AI. Nevertheless, the firm estimated that AI systems could expose an equivalent of 300 million full-time jobs to automation.

Further, the Pew Research Center has found that certain groups of workers have higher levels of exposure to being replaced or assisted by AI, such as: (i) those with more education, (ii) women, (iii) Asian and white workers, and (iv) higher-wage workers. Despite the exposure to AI, a recent survey found that many U.S. workers in more exposed industries do not feel their jobs are at risk, and contend that AI will help more than hurt them personally. However, as of December 2023, 44% of surveyed business leaders report that there will be layoffs in 2024 resulting from AI efficiency, and employees state that 29% of their work tasks are replaceable by AI (Rachel Curry. "Recent Data Shows AI Job Losses Are Rising, But the Numbers Don’t Tell the Full Story." *CNBC*. December 16, 2023).

GPT Hallucinations and Defamation

There is also a possibility for AI outputs to result in harm to individuals or potential defamation claims. For example, Mark Walters, a radio host from Georgia, sued OpenAI in June 2023, claiming that its chatbot generated a legal complaint accusing him of embezzling money from a gun rights group, allegations Walters said he had never faced. The complaint was generated in response to a journalist's research on a real court case but provided information that was entirely fake. Nevertheless, legal experts anticipated a defense could draw on CDA 230 (Isaiah Poritz. "First ChatGPT Defamation Lawsuit to Test AI's Legal Liability." *Bloomberg Law*. June 12, 2023). The journalist whose queries generated the false information in a ChatGPT hallucination never actually published the misinformation, nor did Walters notify OpenAi that ChatGPT was making false statements about him, two factors which complicate the suit's chances of success (Debra Cassens Weiss. "Radio Host Faces Hurdles in ChatGPT Defamation Suit." *ABA Journal*. June 12, 2023).

AI Washing

The term 'AI washing' refers to companies' exaggerations about the capabilities of their AI technology. This issue is becoming more salient given recent reports that certain companies are using humans to do the work that companies have said is being done by AI technology. A recent study found that more than 30% of companies' marketing claims about AI and machine learning were exaggerated among 40 different U.S. firms up for sale in 2019. Another study found that only 1,580 firms out of 2,830 startups claiming to be AI companies actually fit the description. Regulators are beginning to pay attention, with the SEC warning in February 2024 that AI washing could break securities law, and in March settling with two investment firms for $400,000 for AI exaggerations (Parmy Olson. "Amazon's AI Stores Seemed Too Magical. And

They Were." *Bloomberg*. April 3, 2024).

Privacy

AI can also result in some privacy implications, which, if not carefully managed, could result in potential legal risks for companies. In September 2023, two unnamed software engineers filed a class-action suit against Microsoft and OpenAI, claiming that they were training their AI chatbots using hundreds of millions of internet users' stolen personal information from social media platforms and other sites (Blake Brittain. " OpenAI, Microsoft Hit with New US Consumer Privacy Class Action." *Reuters*. September 6, 2023). A separate suit argues that OpenAI is not transparent enough with its users so they understand that the data they put into the model may be used to train new products from which it will generate revenues. It also claims that OpenAI does not do enough to ensure children under 13 are not using its tools (Gerrit De Vynck. "ChatGPT Maker OpenAI Faces a Lawsuit over How It Used People's Data." *The Washington Post*. June 28, 2023). The suit also refers to the potential for AI hallucinations as a cause for concern regarding the chatbots' use of users' private data (p.50).

REGULATIONS GOVERNING ARTIFICIAL INTELLIGENCE

In light of the rapid proliferation of AI and its potentially disruptive effects, it is unsurprising that regulators around the world have begun to address the use of these technologies. Below is a high-level discussion of the regulations concerning the use of AI.

United States

U.S. lawmakers and regulators have expressed increasing concern over the potential risks of generative AI as such models become more advanced and widespread. For instance, in a May 2023 meeting at the White House, then-President Joe Biden and then-Vice President Kamala Harris pushed AI developers, including Alphabet, OpenAI, and Microsoft, to seriously consider concerns over the use of AI. They also pushed for developers to be more open about their products, the need for AI systems to be subjected to outside scrutiny, and the importance that those products be kept away from bad actors. The White House further pledged to release draft guidelines for government agencies' use of AI safeguards (David McCabe. " White House Pushes Tech C.E.O.s to Limit Risks of A.I." *The New York Times*. May 4, 2023). Following the meeting, Microsoft, OpenAI, and five other companies engaged in AI development agreed to voluntary safeguards. The safeguards include security testing, in part by independent experts; research on bias and privacy concerns; information sharing about risks with governments and other organizations; development of tools to fight societal challenges like climate change; and transparency measures to identify AI-generated material (Michael D. Shear, Cecilia Kang, David E. Sanger. "Pressured by Biden, A.I. Companies Agree to Guardrails on New Tools." *The New York Times*. July 21, 2023).

Despite these voluntary measures, Biden signed an executive order in October 2023 requiring AI developers to share their safety test results and other information with the government. The order also directed government agencies to create new standards to ensure AI tools are safe and secure before public release, required new guidance to label and watermark AI-generated content to help differentiate them from authentic interactions, and asked federal agencies to review the use of AI in the criminal justice system (Josh Boak, Matt O'Brien, Associated Press. " Biden Wants to Move Fast on AI Safeguards and Signs an Executive Order to Address His Concerns." *The Hill*. October 30, 2023). According to an EY analysis, Biden's executive order represented a significant contribution to the subject of accountability in how AI is developed and deployed across companies. Moreover, given the breadth of recommendations and actions provided, the order was likely to have an effect on companies across all sectors of the economy. H owever, on January 21, 2025, President Donald Trump revoked Biden's executive order on addressing AI risks, claiming that the 2023 executive order hindered AI innovation (David Shepardson. "Trump Revokes Biden Executive Order on Addressing AI Risks." *Reuters*. January 21, 2025).

The EO was not the first attempt the Biden administration had made to curb the potential adverse impacts of AI. A year prior, in October 2022, the White House Office of Science and Technology Policy published a set of guidelines to help guide the design, use, and deployment of AI, which includes five principles: (i) safe and effective systems; (ii) algorithmic discrimination protections; (iii) data privacy; (iv) notice and explanation; and (v) human alternatives, consideration, and fallback. The Blueprint for an AI Bill of Rights was intended to provide guidance whenever automated systems can meaningfully impact the public's rights, opportunities, or access to critical needs (Ellen Glover, updated by Hal Koss. " AI Bill of Rights: What You Should Know." *Built In*. March 19, 2024).

AI developers have also attracted attention from the legislative and judicial branches. In September 2023, U.S. Senators Richard Blumenthal and Josh Hawley announced their plans to introduce a framework to regulate AI technology. The framework included requirements for the licensing and auditing of AI, the creation of an independent federal office to oversee the technology, liability for companies for privacy and civil rights violations, and requirements for data transparency and safety standards. The Senate also met with industry leaders, including from Microsoft and OpenAI, in a separate meeting on possible AI-related regulations (Cecilia Kang. " 2 Senators Propose Bipartisan Framework for A.I.

Laws." *The New York Times*. September 7, 2023). Meanwhile, in a September 2023 letter, the attorneys general of all 50 U.S. states urged Congress to study how AI could be used in child exploitation. The letter further called on Congress to expand existing restrictions on child sexual abuse materials specifically to cover AI-generated images (Meg Kinnard. "Prosecutors in All 50 States Urge Congress to Strengthen Tools to Fight AI Child Sexual Abuse Images." *Associated Press*. September 5, 2023).

Around the same time, U.S. Senators Ron Wyden and Cory Booker, along with Representative Yvette Clarke, introduced the Algorithmic Accountability Act of 2023, to create new protections for people affected by AI systems that are impacting decisions affecting credit, housing, education and other high-impact uses. The bill applies to new generative AI systems used for critical decisions, as well as other AI and automated systems, and would obligate the FTC to require companies to perform impact assessments of their AI systems. It would also create a public repository at the FTC of these systems.

U.S. lawmakers also introduced the "Creating Resources for Every American to Experiment with Artificial Intelligence Act of 2023," or the CREATE AI Act of 2023, which would statutorily establish the National AI Research Resource, a cloud computing resource to democratize the development and use of AI, currently a proof-of-concept pilot program under the direction of the National Science Foundation. The legislation was sponsored by Rep. Anna Eshoo of California and includes 68 cosponsors. The bill is currently undergoing the legislative process and is identical to S.2714, sponsored by Senator Martin Heinrich of New Mexico in July 2023.

Meanwhile, the Bipartisan Senate Artificial Intelligence Working Group released a Roadmap for AI policy in May 2024, aiming to support federal investment in AI while safeguarding the risks of technology. The AI Working Group encouraged the executive branch and the Senate Appropriations Committee to continue assessing how to handle ongoing needs for federal investments in AI, with the goal of reaching as soon as possible the spending level proposed by the National Security Commission on Artificial Intelligence: at least $32 billion per year for (non-defense) AI innovation (p.5).

The roadmap identified areas of consensus that the working group believed merit bipartisan consideration in the Senate in the 118th Congress and beyond and provided several proposals (p.4), such as:

- Increasing funding for AI innovation to maintain global competitiveness;
- Ensuring the enforcement of existing AI laws and addressing any unintended bias;
- Considering the impact AI will have on the U.S. workforce, including potential job displacement and demands to train workers;
- Addressing issues related to deepfakes, particularly with regard to election content and “nonconsensual intimate images”; and
- Mitigating threats of “potential long-term risk scenarios.”

(Barbara Sprunt. "A Bipartisan Group of Senators Unveils a Plan to Tackle Artificial Intelligence." *NPR*. May 15, 2024).

Additionally, the group supported a comprehensive federal data privacy law to protect personal information and that the legislation should address issues related to data minimization, data security, consumer data rights, consent and disclosure, and data brokers (p.14). To safeguard against AI risks, the working group encouraged companies to perform detailed testing and evaluation to understand the landscape of potential harms and not to release AI systems that cannot meet industry standards (p.16).

In July 2024, the National Institute of Standards and Technology ("NIST"), an organization under the U.S. Department of Commerce, released three final guidance documents to help improve the safety, security, and trustworthiness of AI systems. NIST had previously launched the Trustworthy and Responsible AI Resource Center on March 30, 2023, which facilitates implementation of, and international alignment with, the AI Risk Management Framework.

Meanwhile, the U.S. Department of Commerce’s Bureau of Industry and Security released a notice of proposed rulemaking in September 2024 outlining a new mandatory reporting requirement for AI developers and cloud providers to ensure the technologies are safe and can withstand cyberattacks (David Shepardson. "US Proposes Requiring Reporting for Advanced AI, Cloud Providers." *Reuters*. September 9, 2024). The regulatory push came as legislative action in Congress on AI had stalled (David Shepardson. "US to Convene Global AI Safety Summit in November." *Reuters*. September 18, 2024).

AI systems have come under regulatory scrutiny as well. In July 2023, the FTC opened an investigation into whether OpenAI's ChatGPT tool harmed consumers through its collection of data and publication of false information on individuals. As part of the investigation, the FTC asked OpenAI about its AI model training and its use of personal data, and demanded that the firm provide it with documents and details (Cecilia Kang, Cade Metz. " F.T.C. Opens Investigation Into ChatGPT Maker Over Technology’s Potential Harms." *The New York Times.* July 13, 2023).

There have also been a number of state-level regulations introduced governing AI. For example, as of June 2023, nine states had enacted regulations relating to deepfake content, most often in the context of pornography and election

influence, and four other states were pursuing similar bills. The first states to pass deep fake legislation include California, Texas, and Virginia, which passed bills in 2019, while Minnesota passed its deepfake law in May 2023 and Illinois signed new deepfake legislation in August 2024. Many states are also amending their election codes to ban deepfake campaign ads within a specific time frame before an election. Yet another complication to creating legislation to address harmful deepfakes is that some experts have expressed concern that well-meaning legislation, if not carefully crafted, could have a detrimental effect on people's First Amendment rights. For example, the ACLU of Illinois at first opposed the pornographic deepfake bill developed in Illinois because the bill's sweeping provisions and immediate takedown clause could "chill or silence vast amounts of protected speech." In response, lawmakers have employed various amendments to change the bill to include deepfakes into the state's existing revenge porn statute, which the ACLU said was an improvement, though it still maintained some concern. California, on the other hand, included specific references to First Amendment protections in its bill. Any federal regulations on AI-generated deepfakes will likely face the same concerns regarding free speech, especially if they include broad language such as limiting exceptions to "legitimate public concern" (Isaiah Poritz. "Deepfake Porn, Political Ads Push States to Curb Rampant AI Use." *Bloomberg Law.* June 20, 2023).

In the 2024 legislative session, at least 45 states, Puerto Rico, the Virgin Islands, and Washington D.C., introduced AI bills and 31 states, Puerto Rico, and the Virgin Islands adopted resolutions or enacted legislation.

Canada

On September 27, 2023, the Canadian Minister of Innovation, Science and Industry announced Canada's Voluntary Code of Conduct on the Responsible Development and Management of Advanced Generative AI Systems ("Voluntary Code"). Recognizing the proliferation of innovative AI systems capable of generating content, such as ChatGPT, DALL·E 2, and Midjourney, the code is a set of voluntary commitments intended to commit developers and managers of advanced generative systems to undertake actions to identify and mitigate related risks. The Voluntary Code is intended to apply to advanced generative AI systems, but it acknowledges that several measures are broadly applicable to a range of high-impact AI systems.

In undertaking this voluntary commitment, developers and managers of advanced generative systems commit to working to achieve the following outcomes:

- Accountability: companies understand their role with regard to the systems they develop or manage, put in place appropriate risk management systems, and share information with other organizations as needed to avoid gaps;
- Safety: systems are subject to risk assessments, and mitigations needed to ensure safe operation are put in place prior to deployment;
- Fairness and Equity: potential impacts with regard to fairness and equity are assessed and addressed at different phases of development and deployment of the systems;
- Transparency: sufficient information is published to allow consumers to make informed decisions and for experts to evaluate whether risks have been adequately addressed;
- Human oversight and monitoring: system use is monitored after deployment, and updates are implemented as needed to address any risks that materialize; and
- Validity and robustness: systems operate as intended, are secure against cyberattacks, and their behaviour in response to the range of tasks or situations to which they are likely to be exposed is understood.

As such, the Voluntary Code of Conduct requires companies to implement appropriate risk management systems that are proportionate to the scale and impact of their activities. It also commits developers and managers to, among other measures, implement comprehensive risk management frameworks, including policies, procedures, and training to ensure staff understand their duties and the organization's risk management practices. Companies also commit to sharing information and best practices on risk management with other firms playing complementary roles in the ecosystem. In addition, developers at companies whose AI systems are available for public use commit to employing multiple lines of defense, which include conducting third-party audits, to ensure the safety of their AI systems prior to release.

In March 2025, the Canadian Minister of Innovation, Science and Industry announced a series of initiatives to support responsible and safe AI adoption, including:

- A refreshed membership for the Advisory Council on Artificial Intelligence;
- The launch of the Safe and Secure AI Advisory Group to advise the government on the risks associated with AI systems and ways to address them; and
- The publication of a guide for managers of AI systems to support the implementation of Canada's Voluntary Code of Conduct on the Responsible Development and Management of Advanced Generative AI Systems.

At the time, six new organizations, including CIBC, Clir, Cofomo Inc., Intel Corporation, Jolera Inc. and PaymentEvolution, signed on to the Voluntary Code. The six companies joined 40 other signatories that have already adopted the pledge (Innovation, Science, and Economic Development Canada. "Canada Moves Toward Safe and Responsible Artificial Intelligence." *Cision Newswire*. March 6, 2025).

The European Artificial Intelligence Act

After months of negotiations between different political groups, European lawmakers agreed on the EU AI Act, the world's first comprehensive set of rules governing AI technology, in May 2024 (Martin Coulter. "Tech Giants Push to Dilute Europe's AI Act." *Reuters*. September 20, 2024). The Act came into effect on August 1, 2024, introducing a framework across all EU countries, based on a forward-looking definition of AI and a risk-based approach:

- Minimal risk: most AI systems such as spam filters and AI-enabled video games face no obligation under the Act, but companies can voluntarily adopt additional codes of conduct;
- Specific transparency risk: systems like chatbots must clearly inform users that they are interacting with a machine, while certain AI-generated content must be labeled as such;
- High risk: high-risk AI systems such as AI-based medical software of AI systems used for recruitment must comply with strict requirements, including risk-mitigation systems, high-quality of data sets, clear user information, human oversight, etc.; and
- Unacceptable risk: for example, AI systems that allow "social scoring" by governments or companies are considered a clear threat to people's fundamental rights and are therefore banned.

Nevertheless, lawmakers still had to determine the accompanying codes of practice and the EU invited companies, researchers, and others to help in the drafting. The EU received almost 1,000 applications, with the largest tech companies encouraging a light-touch approach to the law's implementation. The code of practice would come into effect in late 2025 but would not be legally binding; rather, it would provide a compliance checklist to companies. The EU AI Act addresses a variety of AI issues, including data scraping practices that could potentially breach copyright. Companies would have to disclose "detailed summaries" of the data used to train models, potentially providing an avenue for legal recourse to creators whose work was used to train AI models. Some business leaders worried that the Act's requirements could render companies' trade secrets vulnerable and criticized the EU for prioritizing regulation over innovation (Martin Coulter. "Tech Giants Push to Dilute Europe's AI Act." *Reuters*. September 20, 2024).

A new tool from Swiss startup LatticeFlow AI and partners ETH Zurich and Bulgaria's INSAIT tested generative-AI models like those from OpenAI and Meta, among others, across dozens of categories and in line with the new EU AI Act, which comes into effect in stages over the next two years. While the results showed that models developed by OpenAI, Meta, Mistral, Alibaba, and Anthropic all received average scores of 0.75 or above (out of scores between 0 and 1), some models demonstrated shortcomings in key areas. Regarding discriminatory output, OpenAI's GPT-3.5 Turbo scored a relatively low 0.46, and Alibaba Cloud's Qwen1.5 72B Chat scored only 0.37. When tested for prompt hijacking, a type of cyberattack using malicious prompts, Meta's Llama' 2 13B Chat model scored 0.42 and Mistral's 8x7B Instruct scored 0.38. The LatticeFlow LLM checker would be extended to include further measures as they were introduced, and LatticeFlow stated that it would be freely available for developers to test their models' compliance online. The European Commission said it welcomed the study and evaluation platform as a first step in translating the EU AI Act into technical requirements. Companies failing to comply with the EU AI Act could face fines of 35 million euros or $38 million (Martin Coulter. " Exclusive: EU AI Act Checker Reveals Big Tech's Compliance Pitfalls." *Reuters*. October 16, 2024).

Other International Regulations

Meanwhile, both Israel and Japan quickly clarified their existing regulations pertaining to data, privacy, and copyright protections, both with language that enabled AI to train with copyrighted content. Responding more broadly, the United Arab Emirates has developed draft legislation, working groups on AI best practices, and sweeping proclamations regarding AI strategy. Still many other countries are opting for a wait-and-see approach, despite the array of warnings regarding the need for international cooperation on AI regulation and inspection, including a statement from OpenAI's CEO in May 2023 emphasizing the "existential risk" of AI technology (Mikhail Klimentov. " From China to Brazil, Here's How AI Is Regulated Around the World." *The Washington Post.* September 3, 2023).

For example, in Brazil, legislators have developed a 900-page draft of a bill that would require companies to conduct risk assessments before bringing a product to market, and it explicitly bans AI systems that deploy "subliminal" techniques or exploit users in ways that are harmful to their health or safety. It would also require a government database to publicize AI products determined to have "high risk" implementations and AI developers would be liable for damage caused by their AI systems. Similar to the EU AI Act, the Brazilian draft legislation categorizes different types of AI based on the risk they pose to society (Mikhail Klimentov. " From China to Brazil, Here's How AI Is Regulated Around the World." *The Washington Post*. September 3, 2023).

There have also been attempts to regulate AI within the UK. In March 2023, the UK government published an AI policy paper that outlined proposals for regulating the use of AI within the country, though it stated that it will refrain from regulating the British AI sector "in the short term" (Daria Mosolova. "UK Will Refrain from Regulating AI 'In the Short Term'." *Financial Times*. November 16, 2023). In the long-term, however, the UK government has signaled its intent to draft a central cross-economy AI risk register and update its AI regulation roadmap with indications of whether a government unit or independent body would be the most appropriate mechanism to deliver the central functions.

There is also potential regulatory momentum in China. In January 2024, the country issued draft guidelines for standardizing the AI industry, proposing the formation of more than 50 national and industry-wide standards by 2026 and stating its intention to participate in the formation of more than 20 international standards by the same time. China's industry ministry stated that the aim of 60% of the prospective standards should be serving "general key technologies and application development projects," and it has targeted more than 1,000 companies to adopt and advocate for the new standards (Josh Ye. "China Issues Drafts Guidelines for Standardizing AI Industry." *Reuters*. January 18, 2024). China has also created a draft bill regarding generative AI, with a translation indicating that developers would "bear responsibility" for outcry created by their AI. The draft bill would also hold developers liable if their use of training data infringed on someone else's intellectual property, and it also states that the design of AI services must lead to the generation of only "true and accurate" content (Mikhail Klimentov. " From China to Brazil, Here's How AI Is Regulated Around the World." *The Washington Post*. September 3, 2023).

There have also been multilateral attempts at regulating AI technologies. In May 2023, the U.S.-EU Trade and Technology Council stated in May 2023 their intention to develop a voluntary AI Code of Conduct as concerns grow about the risks AI poses to humanity (" US, Europe Working on Voluntary AI Code of Conduct As Calls Grow For Regulation." *AP News*. May 31, 2023). In late October 2023, leaders of the Group of Seven ("G7") economies (made up of Canada, France, Germany, Italy, Japan, Britain, the U.S., and the EU), agreed to the voluntary code of conduct. The code includes 11 points and aims "to promote safe, secure, and trustworthy AI worldwide and provides voluntary guidance for actions by organizations developing the most advanced AI systems, including the most advanced foundation models and generative AI systems". The code urges companies to take appropriate measures to identify, evaluate, and mitigate risks throughout the AI life-cycle and to address incidents and patterns of misuse after AI products have been released on the market (Foo Yun Chee. " Exclusive: G7 to Agree AI Code of Conduct For Companies." *Reuters*. October 29, 2023).

ARTIFICIAL INTELLIGENCE AT THE COMPANY

While there are myriad uses for AI technology, each company has unique risk exposures that largely depend on the types and uses of AI employed by a given company. Below is a high-level discussion of how the Company is employing this technology.

Self-Driving Development and AI

In its most recent 10-K, the Company discloses that it has expertise in developing technologies, systems, and software to enable self-driving vehicles using primarily vision-based technologies. It adds that its full self-driving ("FSD") computer runs the neural networks in its vehicles, and that the Company is also developing additional computer hardware to better enable the large amounts of field data captured by its vehicles to continually train and improve its neural networks for real-world performance. Currently, the Company offers in its vehicles certain advanced driver assist systems under its Autopilot and FSD (supervised) options. It explains that, although at present, the driver is responsible for remaining fully engaged in the driving operation, the Company's systems provide safety and convenience functionality that can relieve drivers of many tedious and potentially dangerous aspects of road travel much like the system that airplane pilots use, when conditions permit (2024 10-K, p.3).

In 2025, the Company intends to begin launching its Robotaxi business, a ride-hailing network that will eventually operate fully autonomous vehicles. The Company expects this business will open access to a new customer base even as modes of transportation evolve. It posits that its capabilities and advancements in AI, including the deployment of Cortex, its training cluster at Gigafactory Texas, differentiates the Company from its competitors. It adds that it is also applying its AI learnings from self-driving technology to the field of robotics, such as through Optimus, a robotic humanoid in development, which is controlled by the same AI system (p.3).

Optimus

The Company first announced that it was designing a humanoid robot, Optimus, in 2021, after which the bot underwent many developments. During the initial debut, the Company's CEO explained that the bot was designed to reduce a labor shortage and also keep workers safe from menial and dangerous tasks. Further, the bot would use the Company's Autopilot software connected to eight cameras feeding into a neural network, and could make working optional, according to Elon Musk. Early reports suggested that the robot would be 5'8" and 125 pounds, purposely created with physical limitations to ease people's fears, while enabling people to outrun or overpower it. The 2021 version of Optimus was said to have the ability to carry 45 pounds at 5 miles per hour but also to deadlift more than its own body weight. By 2022, the Company was able to show the actual bot completing daily chores, showcasing its lifting ability in a factory setting, though it couldn't yet walk unassisted. In 2023, Musk predicted that there could be more Optimus robots than humans one day, while revealing that a new version of the bot could walk on its own and complete more complex tasks, such as folding laundry and picking up an egg. He then stated in 2024 that the Company might start shipping some units of Optimus in 2025 with plans to eventually use the bots in Company factories and sell them to the public (Kyle Wilson and Jyoti Mann. " Elon Musk's Tesla Robots Could be Innovatitve for AI and Automation, but Optimus Still Has a Long Way to Go."

Business Insider. September 6, 2024).

According to Musk, 80% of the Company's future value could come from Optimus, raising the Company's market cap to $25 trillion (Lauren Edmonds and Lakshmi Varanasi. "The Story of Optimus, the Humanoid Robot at the Heart of Elon Musk's Growth Plans for Tesla." *Business Insider*. September 8, 2025).

xAI's Grok

In July 2025, the Company announced that it was enabling a voice-powered version of its Grok large language model in all new vehicles delivered on or after July 12 whereby Grok could be accessed through the app within the app launcher or by pushing a voice button on the steering wheel. The Grok assistant feature appears to function much like the virtual assistant does outside the Company's vehicles, by answering search queries. That being said, the Company has not integrated Grok with its suite of available voice commands in its vehicles, unlike some of its competitors, such as the Mercedes-Benz MBUX virtual assistant and the Lucid Motors Hey Lucid tool, which both have the ability to control vehicle functions (Matt Crisara. "Elon Musk Is Putting His Grok AI in Your Tesla." *Popular Mechanics*. July 28, 2025).

CONTROVERSIES CONCERNING THE COMPANY'S USE OF AI

Autopilot Lawsuits

The Company has faced a number of lawsuits regarding its Autopilot and full self-driving ("FSD") features. For example, the California Department of Motor Vehicles sued the Company in July 2025, claiming that it falsely advertised its Autopilot and FSD features, seeking to suspend sales of Company vehicles in California. Additionally, the following month, a Miami jury found the Company to be partly responsible for a fatal crash that involved its autopilot system, ordering the Company to pay victims $240 million. The crash, which occurred in 2019, killed a 22-year-old woman and seriously injured her boyfriend when a Company car in autopilot mode ran off the road and hit the couple. The driver of the vehicle, who overly trusted the autopilot system, had been distracted by his phone and had not been engaged in driving for at least 20 seconds before the crash occurred. Prosecutors argued that the Company and its CEO had misled consumers, creating the expectation that the car's technology was safer than a human driver, such that "[t]he ordinary consumer expected this system to do a lot more than it could or did do" (Caroline Petrow-Cohen. "A Deadly Crash and Musk's Exaggerations: Inside Two Lawsuits Over Tesla's Self-Driving Tech." *Los Angeles Times*. August 19, 2025).

As part of its ruling, the jury awarded the plaintiffs $43 million in compensatory damages for pain and suffering plus $200 million in punitive damages, which were intended to deter future harmful behavior by the Company (David Ingram and Maria Piñero. "Tesla Hit with $243 Million in Damages After Jury Finds Its Autopilot Feature Contributed to Fatal Crash." *NBC News*. August 1, 2025). The Company responded that its vehicle was not to blame because the driver had accepted responsibility for the crash. Other similar cases involving the Company have been settled out of court, but the Miami ruling could set a precedent for additional claims against the Company (Caroline Petrow-Cohen. "A Deadly Crash and Musk's Exaggerations: Inside Two Lawsuits Over Tesla's Self-Driving Tech." *Los Angeles Times*. August 19, 2025).

The Company also reached confidential settlements in September 2025, resolving two lawsuits over deaths in two separate California accidents which involved the Company's Autopilot software. One lawsuit related to the death of a 15-year-old boy who was traveling in Alameda County with his father in a vehicle when it was struck from behind by a Tesla Model 3, which had Autopilot engaged, causing the victim's vehicle to roll over and crash. The other case related to the death in December 2019 of two people who were traveling through an intersection in Gardena in a Honda Civic when a Tesla Model S, equipped with Autopilot, failed to stop at a red light at high speed and crashed into the victims' vehicle (Abhirup Roy and Mike Scarcella. "Tesla Settles Two Lawsuits on 2019 California Crashes Related to Autopilot Software." *Reuters*. September 17, 2025).

In August 2025, shareholders filed a lawsuit against the Company and its CEO for making "materially false and misleading statements regarding the [C]ompany's business, operations, and prospects," specifically its robotaxis in Austin, Texas and their reliance on technology derived from Autopilot. The Company's CFO Vaibhav Taneja and his predecessor Zachary Kirkhorn were also listed as defendants. According to the complaint, it was alleged that the Company "overstated the effectiveness of its autonomous driving technology" and downplayed the risk that the robotaxi would operate dangerously. Engineers stated that, based on a five-level scale established by the National Highway Traffic Safety Administration, the Company's technology qualifies as Level 2 automation, meaning that the driver is fully responsible for controlling the vehicle while it receives continuous automated assistance for things like steering, braking, and acceleration. Further, the director of Autonomous Vehicles and the City Initiative at the University of San Francisco predicted it could take two to five years for the Company to launch a safe fleet of self-driving taxis. Additionally, it has been alleged that the Company's autonomous technology is behind that of its rivals because Musk prefers a software-based approach reliant on cameras and AI alone, instead of using expensive hardware like other self-driving cars. In response to the lawsuit, Musk stated that it was likely filed by class-action lawyers "grifting for their percentage of the verdict" rather than by real investors (Caroline Petrow-Cohen. " A Deadly Crash and Musk's Exaggerations: Inside Two Lawsuits Over Tesla's Self-Driving Tech." *Los Angeles Times*. August 19, 2025).

CONTROVERSIES CONCERNING xAI

Derivative Lawsuit

Hours before the Company's 2024 annual meeting, a group of shareholders sued the Company's CEO and members of the board over Musk's decision to start xAI, which they stated would be a competing AI company that would divert resources and talent away from the Company. According to the complaint, Musk and members of the Company's board breached fiduciary duties to shareholders and unjustly enriched Musk by allowing him to launch a competing company. Specifically, the plaintiffs (the Cleveland Bakers and Teamsters Pension Fund, and two individual investors, Daniel Hazen and Michael Giampietro, on behalf of Company shareholders) allege that Musk violated the Company's code of business ethics by creating and leading xAI, and that the board had allowed Musk to violate the code (Rebecca Bellan and Sean O'Kane. " Tesla Shareholders Sue Musk for Starting Competing AI Company." *Tech Crunch*. June 13, 2024).

The plaintiffs cited a *CNBC* report that Musk ordered thousands of Nvidia-made AI chips intended for the Company, which were subsequently diverted to xAI. In addition, they cited posts by Musk suggesting he needed a 25% stake in the Company "to feel comfortable growing Tesla into an AI and robotics leader." The plaintiffs also accuse the Company's board of allowing Musk "to plunder resources from Tesla and divert them to xAI; and to create billions in AI-related value at a company other than Tesla." For example, the lawsuit states that at least 11 employees have joined xAI directly from the Company, and the Company has allegedly been providing xAI access to its AI-related data (Andrew J. Hawkins. " Tesla Investors Sue Elon Musk for Launching a Rival AI Company." *The Verge*. June 13, 2024). As such, the shareholders asked the court to compel Musk to relinquish his stake in xAI and turn it over to the Company (Rebecca Bellan and Sean O'Kane. "Tesla Shareholders Sue Musk for Starting Competing AI Company." *Tech Crunch*. June 13, 2024).

Antisemitic Posts from Grok

In July 2025, Grok shared multiple antisemitic posts on X related to the deaths of white children in the recent Texas floods, as well as posts praising Hitler and claiming that people with Jewish surnames were more likely to share hate online. xAI's guidelines for Grok stated that the chatbot "should not shy away from making claims which are politically incorrect, as long as they are well substantiated." Later, the account for Grok posted: "[w]e are aware of recent posts made by Grok and are actively working to remove the inappropriate posts," and then asserted that "[s]ince being made aware of the content, xAI has taken action to ban hate speech before Grok posts to X." Following Grok's praise of Hitler, xAI removed that particular guideline from its code. However, it was not the first time that Grok had posted controversial or false statements. In response, the Anti-Defamation League called Grok's comments "irresponsible, dangerous and antisemitic, plain and simple" (Kate Conger. " Elon Musk's Grok Chatbot Shares Antisemitic Posts on X." *The New York Times*. July 8, 2025).

At the same time, Grok was posting praise for Hitler, the chatbot was referring to itself as "MechaHitler." The sharp turn in Grok's tone came after the Company's CEO announced changes to the AI in an attempt to address a response from Grok that more political violence came from the right than the left in 2016, which the CEO said was "objectively false" (Josh Taylor. " Musk's AI Firm Forced to Delete Posts Praising Hitler from Grok Chatbot." *The Guardian*. July 8, 2025). The Company's CEO provided explanations for Grok's behavior, stating that "Grok was too compliant to user prompts" and that it was "[t]oo eager to please and be manipulated, essentially," promising to address that. Grok also faced criticism for generating insults about Turkish President Tayyip Erdogan and Polish Prime Minister Donald Tusk, with Poland's digitization minister reporting the episode to the European Commission for investigation and possible fines (Peter Hoskins and Charlotte Edwards. " Musk Says Grok Chabot Was 'Manipulated' into Praising Hitler." *BBC*. July 10, 2025).

Despite the controversy surrounding Grok's posts, xAI announced several days later that the U.S. Department of Defense had awarded it, as well as Google, OpenAI, and Anthropic, each with contracts of up to $200 million. Unlike Grok, the other firms included in the contracts "have demonstrated the viability of their chatbots and implemented robust guardrails against offensive output" and have made public commitments to safety testing (Blake Montgomery. "Elon Musk's Grok Chatbot Melts Down - and Then Wins a Military Contract." *The Guardian*. July 15, 2025). Weeks after the announcement by the Department of Defense, the General Services Administration, a federal agency within the U.S. government that manages technology, abruptly removed xAI's Grok from the contract offering. It was speculated that this was likely as a result of Grok's antisemitic comments in July (Zoe Schiffer and Makena Kelly. "xAI Was About to Land a Major Government Contract. Then Grok Praised Hitler." *WIRED*. August 14, 2025).

COMPANY DISCLOSURE

Regarding xAI, the Company states:

> *xAI is an artificial intelligence company that develops large language models (LLM) including Grok, a generative AI chatbot. Meanwhile, Tesla uses artificial intelligence to develop AI-enabled real world applications, such as autonomous driving solutions and robots.*

xAI is party to certain commercial (including those for the purchase of Megapacks), consulting and support agreements with Tesla. Under these agreements, xAI incurred expenses of approximately $198.3 million in 2024 and approximately $36.9 million through February 2025. Approximately $191.0 million during 2024 and $36.8 million through February 2025 was incurred by xAI for its purchase of our Megapack products.

(2025 DEF 14A, pp.157-158)

In its latest 10-K, the Company discusses risks related to its ability to grow its business and states that it has experienced, and may also experience future delays in launching and/or ramping production of its energy storage products, new vehicles, and future products, features, and services based on artificial intelligence ("AI"). It explains that it may encounter delays with the design, construction, and regulatory or other approvals necessary to build and bring online future manufacturing facilities and products. Moreover, it notes that as it continues to develop its AI services and products, it may face many additional challenges, including the availability and cost of energy, processing power limitations, and the substantial power requirements for its data centers. It also acknowledges that any delay or other complication in ramping the production of its current products or the development, manufacture, launch, and production ramp of future products, features, and services, or in doing so cost-effectively and with high quality, may harm the Company's brand, business, prospects, financial condition, and operating results (2024 10-K, pp.13-14).

The Company asserts in its latest Impact Report that it is committed to the responsible development of AI with respect for human rights. It explains that, in line with its commitment to product safety, its use of AI will focus on ensuring and improving safety for its employees, its customers, and the communities where its products operate. It clarifies that the Company is not developing digital super-intelligence. It acknowledges the long-term risk of centralized control of a vast fleet of autonomous vehicles and humanoid robots, stating that if ill-intentioned state or non-state actors gain power over such a fleet, this will not accrue to the good of humanity. The Company therefore notes that to serve the best interests of civilization, it believes in a balance between local override capability and centralized control. Additionally, it emphasizes that the Company's responsible development philosophy extends to hardware design, including limiting walking speed and strength, removing pinch-points of joints, and minimizing the weight of its humanoid robots, among other things (p.18). Specifically regarding Optimus, the Company also states that its autonomous humanoid robot will give people back more time to do impactful work and enjoy their lives by automating time-consuming, unsafe, and repetitive tasks at work and in the home (p.68). The Company also discloses that its responsible AI is aligned with the Universal Declaration of Human Rights Articles 3 (everyone has the right to life, liberty, and security of person) and 12 (no one shall be subjected to arbitrary interference with their privacy, family, home or correspondence).

Further, the Company provides information on its Autopilot, an advanced driver assistance system that helps enhance safety and convenience behind the wheel. It states that, when used properly, Autopilot reduces a user's overall workload as a driver and that owners can see a direct impact in reducing traffic collisions. According to the Company, in Q2 2025, it recorded one crash for every 6.69 million miles driven in which drivers were using Autopilot technology. For drivers who were not using Autopilot technology, the Company recorded one crash for every 963,000 miles driven. By comparison, the most recent data available from NHTSA and FHWA (from 2023) shows that in the U.S. there was an automobile crash approximately every 702,000 miles. It then discloses its Vehicle Safety Report.

It also discusses full self-driving ("FSD") on its website, stating that FSD (supervised) intelligently and accurately completes driving maneuvers for people, including route navigation, steering, lane changes, parking, and more under active supervision. The Company notes that currently enabled features require active driver supervision and do not make the vehicle autonomous. It explains that smart summon will drive to people in parking lots and tight spots; FSD will drive for them while checking blind spots, changing lanes, maintaining speed, and avoiding collisions with bikes, motorcycles, and other cars; and Autopark will automatically detect and maneuver into perpendicular and parallel parking spots. It also reviews how FSD is trained on what amounts to over 100 years of anonymous real-world driving scenarios from over six million vehicles. The Company then states that its vehicles feature cameras that enable 360-degree visibility and over-the-air software updates to ensure access to the latest safety improvements. Additionally, the Company states that its FSD technology continues to advance, getting closer to making a fully autonomous future possible, and that with FSD (unsupervised), autonomous driving will be made possible, unlocking the Company's fleet of robotaxis and making Cybercab a reality.

Regarding its Robotaxi, the Company provides information on how to get started with Robotaxi and how to use it. It also discloses a list of frequently asked questions, such as where is Robotaxi available, and notes that, currently, Robotaxi is invite-only.

Additionally, the Company discusses AI and robotics on its careers website, stating that it develops and deploys autonomy at scale in vehicles, robots, and more and that it believes that an approach based on advanced AI for vision and planning, supported by efficient use of inference hardware, is the only way to achieve a general solution for full self-driving, bi-pedal robotics and beyond. It also highlights its Tesla Optimus, describing it as a general purpose, bi-pedal, autonomous humanoid robot capable of performing unsafe, repetitive, or boring tasks.

It also briefly reviews its autonomy algorithms, or the core algorithms that drive the vehicle by creating a high-fidelity representation of the world and planning trajectories in that space. It notes that, in order to train the neural networks to predict such representations, employees algorithmically create accurate and large-scale ground truth data by combining information from the vehicle's sensors across space and time.

As part of its support webpage, the Company affirms that consumers can now talk to Grok, their AI companion built by xAI, hands-free in their Tesla vehicles. It states that the user can choose Grok's voice and personality, ranging from Storyteller to Unhinged, to enhance convenience while on the go. It also provides frequently asked questions including:

- What is Grok?;
- Is Grok available on all Tesla vehicles?;
- I currently own a Tesla vehicle, so when will I know when Grok is available for me?;
- How do I know if my vehicle is equipped with an AMD processor?;
- Do I need to sign up with or subscribe to Grok to enable Grok on my Tesla vehicle?;
- How do I enable and use Grok from my vehicle's touchscreen?;
- Can I use Grok for navigation or vehicle controls?;
- Will Grok work without Premium Connectivity or a Wi-Fi connection?; and
- Are my interactions with Grok private and secure?

It also maintains Privacy First Policies, a Global Human Rights Policy, and provides additional resources.

Regarding board oversight, the audit committee reviews and discusses with management the Company's policies and practices with respect to data privacy, data security, and artificial intelligence risk exposures and the potential impact, if any, thereof on the Company's financial statements and business operations. It also provides oversight over the Company's data privacy, data security, and artificial intelligence policies and monitoring programs. Further, the audit committee provides oversight regarding significant financial matters and investment practices, including treasury policies and practices, tax planning, cash management and derivatives, if and as applicable.

	Summary
Analyst Note	The Company provides a broad range of disclosures related to its use of AI, as well as its human rights and privacy policies and practices, and discusses its responsible use of AI. The Company also maintains board-level oversight of AI and significant financial matters and investment practices. However, the Company has faced controversy regarding its use of AI in its Autopilot software and Full Self-Driving features. Additionally, a derivative lawsuit was filed in June 2024 regarding the Company's involvement with xAI.

RECOMMENDATION

Glass Lewis believes that a well-functioning, informed board of directors should receive reasonable deference (though not complete deference) from shareholders on matters such as its investment strategies. Such a board is often in the best position, with more information and experts at its disposal, to assess a company's investment needs in relation to its operational plans, growth prospects and strategic alternatives. On proposals such as the present one, which ask shareholders to assert their judgment in place of the judgment of the board, we believe the burden is on the shareholder proponents to clearly demonstrate that the directors' judgment is incorrect and that the proposals, despite management opposition, will yield an increase in shareholder value.

Having reviewed the request of this proposal and its underlying rationale, we are not of the view that shareholders should endorse this resolution at this time. This is not because we necessarily disagree with the Company's investment in xAI or the underlying intent of this resolution. However, we believe that such a decision needs to be fully considered and ultimately decided by the board, not shareholders. We have concerns that allowing the board to place significant weight on an up/down vote from shareholders on this matter could serve to dilute the board's accountability for their decisions in this regard,

We understand the complexity and nuance concerning this matter. As stated by the Company, "a potential investment in xAI would likely be considered as a related party transaction." The board also notes that it will "ultimately determine financial strategies related to artificial intelligence (including any potential investment in xAI) in a manner that is consistent with its fiduciary duties" and its applicable corporate governance procedures and policies, including its RPT Policy (DEF 14A, p.158). Moreover, the board's chair has recently expressed skepticism concerning this investment, stating that "It's quite distinct, what the two companies are doing...There is always some overlap, but not as much as people think." As such, we believe that decisions in this regard need to be made by individuals with far more insight into the Company's policies, strategies, opportunities, and risks than its shareholders.

In sum, we fundamentally believe the request of this proposal is not the purview of shareholders, who do not owe a fiduciary duty to other shareholders and who are not privy to insider information concerning the Company's strategies and

operations. Further, we have significant concerns that placing this item up for a shareholder vote could remove accountability from the board in making fully-informed decisions underpinned by its fiduciary duties to shareholders. As such, we do not believe that shareholders should support this initiative at this time.

We recommend that shareholders vote **AGAINST** this proposal.

8.00: SHAREHOLDER PROPOSAL REGARDING LINKING EXECUTIVE COMPENSATION TO SUSTAINABILITY METRICS

AGAINST

PROPOSAL REQUEST:	That the Company adopt targets and report quantitative data for assessing the feasibility of integrating sustainability metrics into performance	**SHAREHOLDER PROPONENT:**	Tulipshare Capital LLC, on behalf of Tulipshare Fund 1 LP
BINDING/ADVISORY:	Precatory		
PRIOR YEAR VOTE RESULT (FOR):	10.2%	**REQUIRED TO APPROVE:**	Majority of votes cast

RECOMMENDATIONS, CONCERNS & SUMMARY OF REASONING:
AGAINST - Not in the best interests of shareholders

GLASS LEWIS REASONING

- Although we have significant concerns with respect to the Company's compensation programs and the oversight thereof, we are not convinced that adoption of this proposal would necessarily serve to alleviate these concerns.

PROPOSAL SUMMARY

Text of Resolution: *Resolved: Shareholders request that, within one year, the Board Compensation Committee adopt targets and publicly report quantitative data appropriate to assessing the feasibility of integrating sustainability metrics, including those regarding diversity and independence among senior executives, into performance measures or vesting conditions that may apply to senior executives under compensation plans or arrangements.*

Supporting Statement: In the board's discretion, the proponent recommends that the Company's report include:

- A robust, comprehensive human rights due diligence process with specific performance metrics aligned with UN Guiding Principles on Business and Human Rights assessing the Company's success in preventing and mitigating human rights risks across its value chain; and
- A performance-based component in the executive compensation structure directly tied to achieving established human rights and sustainability performance metrics, thus incentivizing the board to embed such considerations into the Company's core operations.

Proponent's Perspective

- Integrating sustainability metrics into executive compensation can enhance transparency, promote responsible corporate citizenship, avoid legal and reputational harm, and ensure that the Company remains at the forefront of sustainable business practices;
- Increasingly, companies have rejected generous executive-pay packages in shareholder votes;
- Companies are embracing different approaches to factoring ESG into executive pay;
- The Company does not integrate environmental or human capital management-related metrics in executive pay, despite 53.6% and 90.4% of S&P 500 companies doing so, respectively;
- Legal and reputational risks have already materialized for the Company when its directors were ordered to return $735 million to the Company to settle claims they egregiously overpaid themselves in one of the largest shareholder settlements of its kind;
- The CEO's $56 billion award has helped widen the gap between workers' and executives' pay packages, and the award is now estimated to be worth about $101 billion; and
- The court struck down the CEO's 2018 pay package a second time and awarded the shareholder-plaintiff $345 million to be paid in cash or Company shares.

Board's Perspective

- The prescriptive actions and granular additional disclosures requested by this proposal are unnecessary in light of the Company's robust and longstanding commitment to sustainability;
- The Company maintains a Code of Business Ethics and a Global Human Rights Policy that relate to the issues raised by this proposal;
- Committing to take the prescriptive actions outlined in this proposal on a highly specific aspect of the board's overall sustainability efforts would unduly constrain the board and management's ability to determine an appropriately tailored approach to such efforts based on evolving Company-specific circumstances, and impede its sustainability mission by diverting resources;
- The Company's annual Impact Report provides additional information on how human rights values are respected in its operations, publicly reporting on how the Company follows each of the five steps set out in the OECD Guidance, including how it identifies (including through audits) and mitigates risks;
- The board is cognizant of the scrutiny surrounding the Company's compensation practices and has actively sought shareholder feedback on such practices;
- Shareholders continue to support the Company's compensation packages as they are designed, as evidenced by 91% of shareholders supporting the Company's say-on-pay vote in 2023 and 72% voting to ratify the CEO's 2018 performance-based compensation plan in 2024;
- The Company has committed to submitting future compensation arrangements for non-executive directors to a shareholder vote;
- The board expects to continue to engage with shareholders on the design of the Company's executive and director

compensation in the future, including through say-on-pay votes and votes on non-executive director compensation, as well as to take shareholder feedback into consideration when making future compensation decisions; and
- In light of the evolving expectations, demands and requirements of the Company's various stakeholders on the topics of sustainability and compensation, it is important for the board and management to maintain the flexibility to determine the policies, practices, and disclosures that are most appropriate for the Company.

THE PROPONENT

Tulipshare Limited

Tulipshare, founded in 2021, is an investment platform where users (generally retail investors) are able to "pledge their shares" and demonstrate an interest in a variety of its campaigns. Tulipshare is not an investor, and, therefore, has no AUM. It explains that through strategic meetings with company boards and their ESG or legal teams, it actively advocates for change and drive conversations that go beyond tradition ESG considerations. Tulipshare states that it seeks to "help like-minded investors use their money to push for stronger environmental and social commitments, using corporate governance to create positive ethical impact, ensuring the companies [it invests its] money in are being responsibly managed by accountable leadership."

Based on the disclosure provided by companies concerning the identity of proponents, during the first half of 2025, Tulipshare submitted three shareholder proposals that received an average of 12.33% support (excluding abstentions and broker non-votes), with none of these proposals receiving majority support.

GLASS LEWIS ANALYSIS

LINKING COMPENSATION TO ENVIRONMENTAL AND SOCIAL METRICS

The value generated by incentivizing executives to prioritize environmental and social issues varies among industries and differs among companies within industries. For example, companies' involvement in carbon-intensive activities or activities strongly associated with environmental or social degradation strongly influences the degree to which a firm's overall strategy must consider environmental and social concerns. In general, we believe it is prudent for management to assess its potential exposure to all risks, including environmental and social concerns and regulations pertaining thereto and incorporate this information into its overall business risk profile. However, when there is no evidence of egregious or illegal conduct that might threaten shareholder value, Glass Lewis typically believes that management of environmental and social issues associated with business operations are generally best left to management and directors who can be held accountable for failure to address relevant risks when they face re-election. With respect to executive compensation as it relates to these issues, we typically view the advisory vote on compensation and/or the election of directors, specifically those who sit on the compensation committee, as the appropriate mechanism for shareholders to express their disapproval of board policy on this issue.

We do believe, however, that as environmental and social issues gain in prominence and are therefore more widely and consistently examined and managed, it is likely that an increased number of firms will base incentives on environmental and social performance. As with many performance metrics, tying executive remuneration to environmental and social metrics presents challenges to successful implementation, including the subjectivity of target selection and completion, the relevance to shareholder value, and weighing the potential fiduciary conflict between the interests of long-term shareholders and stakeholders over short-term shareholders' interests. We recognize that the practice of tying compensation to environmental and social performance is relatively nascent, deserves close scrutiny, and will evolve significantly over time. At this time, however, we would not suggest that the inclusion of environmental and social metrics in executive compensation plans is appropriate at all firms at all times.

RECOMMENDATION

Glass Lewis does not encourage the universal adoption of ESG metrics in executive compensation plans. Instead, we believe that boards should carefully construct compensation packages that reward performance that is aligned with a company's long-term strategy and goals and that ensure executives' interests are aligned with those of shareholders. We understand that, in many cases, the achievement of these objectives can be furthered by the incorporation of financially material ESG factors in executive compensation plans. However, incorporating ESG factors in executive compensation plans, if not done carefully and strategically, can serve to reward executives for performance that has negligible benefits to shareholders, or the broader environment and society. As such, we believe that, if companies choose to incorporate these metrics in their executive compensation plans, it should be done thoughtfully and in a manner that is clearly linked to

issues of financial relevance to these companies. However, given our broader concerns with the Company's compensation programs, we are not convinced that the Company would approach this issue in this manner, particularly in light of its opposition to this proposal. As such, we are concerned that this proposal could serve to distract from far more significant concerns with the Company's management of compensation-related issues.

We understand that some shareholders deviate from this view and may believe that all companies should ensure ESG factors are integrated in executive compensation packages. In line with this belief, the introduction of ESG factors in executive compensation could serve to enhance the Company's NEO compensation plan, which is largely discretionary, as discussed in Proposal 2.

Ultimately, however, we are not convinced support for this proposal would serve shareholders' interests at this time. As discussed throughout this report, we have significant concerns with respect to the Company's compensation programs and the oversight thereof. However, upon close review, we are not convinced that adoption of this proposal would necessarily serve to alleviate these concerns. Although the Company does not include any consideration of ESG factors in its compensation plan, we believe that voting against the Company's compensation plan, equity grants, CEO performance award, or the members of the compensation committee are far more effective ways to express concerns with regard to the Company's executive compensation program.

We recommend that shareholders vote **AGAINST** this proposal.

9.00: SHAREHOLDER PROPOSAL REGARDING CHILD LABOR LINKED TO ELECTRIC VEHICLES

AGAINST

PROPOSAL REQUEST:	That the Company report on its reliance on child labor outside the United States	**SHAREHOLDER PROPONENT:**	National Center for Public Policy Research
BINDING/ADVISORY:	Precatory		
PRIOR YEAR VOTE RESULT (FOR):	N/A	**REQUIRED TO APPROVE:**	Majority of votes cast

RECOMMENDATIONS, CONCERNS & SUMMARY OF REASONING:
AGAINST - Not in the best interests of shareholders

SASB MATERIALITY

PRIMARY SASB INDUSTRY: Automobiles

FINANCIALLY MATERIAL TOPICS:

- *Product Safety*
- *Fuel Economy & Use-phase Emissions*
- *Materials Efficiency & Recycling*
- *Labor Practices*
- *Materials Sourcing*

GLASS LEWIS REASONING

- We are not convinced that adoption of this proposal is necessary at this time, as we believe that the Company has provided significant disclosure in this regard, and it is not clear that the additional reporting would meaningfully add to shareholders' understanding of how the Company is managing this matter.

PROPOSAL SUMMARY

Text of Resolution: *Resolved: Shareholders request that, beginning in 2026, Tesla report to shareholders (at reasonable cost and omitting proprietary information) on the extent to which its business plans with respect to electric vehicles and their charging stations involve, rely on, or depend on child labor outside the United States. The report would optimally be fully transparent with regard to sources relied on and their credibility and expressly identifies any instances in which Tesla has failed to determine whether child labor is implicated and the causes of those failures.*

Proponent's Perspective

- The Company's business plans and continued prominence as a company relies on the production and distribution of electric vehicles ("EV");
- Since 2018, the Company has produced approximately 7 million EVs and is estimated to produce 2.07 million in 2025;
- Every EV that the Company produces requires a lithium-ion battery containing cobalt to function;
- The majority of cobalt mined globally is produced in the Democratic Republic of Congo ("DRC"), which is estimated to have the highest worldwide mineral production of cobalt;
- Cobalt mining in the DRC is often done by children, as many as 40,000, reportedly working in harsh and unsafe conditions, with many children reportedly injured and killed;
- Forced and child labor abuses were found in 75% of lithium battery supply chains;
- The Company is aware that child labor may be present in its supply lines, and in its 2024 Impact Report, the Company stated that it invested more human and legal resources than ever before to combat forced and child labor;
- While a case against the Company and other companies brought by former child miners was dismissed on procedural grounds, there are still open questions as to the Company's culpability in international child labor;
- Child labor, and refusal to address it, is a violation of human rights, but the Company may be profiting from child labor and associated human rights abuses in its

Board's Perspective

- The prohibition of child labor is already emphasized across the Company's corporate policies, including its Code of Business Ethics, Supplier Code of Conduct, and Global Human Rights Policy;
- The Company's Global Human Rights Policy is applicable to both the Company's operations and its supply chain and includes the communities impacted by its operations and its direct and upstream supply chain;
- While all the Company's cobalt sources are industrial large-scale mining operations, the Company continues to co-fund the Fair Cobalt Alliance, working to improve conditions and livelihoods for artisanal and small-scale miners and their families in the Democratic Republic of Congo;
- Every two years, the Company engages in a holistic review of its Global Human Rights Policy with cross-functional representatives from across the Company to keep the policy up-to-date and reflective of its growing operations;
- The Company's work to respect human rights throughout its own operations, as well as within its supply chain, is overseen by cross-functional teams and executive representatives, and the Company engages external groups on a regular basis to provide feedback on its approach to human rights;
- The Company has a zero-tolerance policy when it comes to child or forced labor by its suppliers;
- The Company is committed to sourcing responsibly produced materials, and its suppliers are required to provide evidence of management systems that ensure social, environmental, and sustainability best practices in their own operations, as well as to demonstrate a commitment to responsible sourcing in their supply chains;

effort to sell EVs; and
- Shareholders have the right to know the extent to which the Company relies on or is involved with the direct or indirect exploitation of child labor outside the U.S.

The proponent has filed an exempt solicitation urging support for this proposal.

- The Company has implemented numerous risk assessment and mitigation activities to minimize child labor risk in its supply chain;
- As part of its risk mitigation efforts, all the Company's direct cobalt suppliers (mines and refiners) completed an audit, and ten cobalt suppliers completed an audit against a Company-preferred international standard covering environmental and social risks, including checks on child labor, worker security, and respect for human rights;
- The Company has conducted a series of audits and assessments over the past three years, which included: (i) a human rights risk assessment, (ii) developing a procedure to gather, review, and respond to community requests, and (iii) assessing existing grievance mechanisms against expectations laid out in the UN Guiding Principles on Business and Human Rights;
- The Company conducts its own audits of the mine sites and refiners in its cobalt supply chain and reviews results from third-party industry audit programs, such as the Responsible Minerals Initiative's Responsible Minerals Assurance Process, and the Company applies the same supply chain mapping and due diligence requirements for materials that it does not directly source; and
- The prescriptive actions and granular additional disclosures requested by this proposal would require significant time and expense without incremental benefit.

THE PROPONENT

The National Center for Public Policy Research

The proponent of this proposal is the National Center for Public Policy Research ("NCPPR). The NCPPR describes itself as a "communications and research foundation supportive of a strong national defense and dedicated to providing free-market solutions to today's public policy problems" that believes "the principles of a free market, individual liberty and personal responsibility provide the greatest hope for meeting the challenges facing America in the 21st century." As NCPPR is not an investor, it does not appear to have AUM. The NCPPR states that it "trains its sights" on myriad issues including: (i) shareholder activism; (ii) new leadership for Black America (Project 21) (iii) environmental policy; (iv) regulatory policy; (v) fiscal policy, health care, and retirement security; (vi) government accountability and legal reform; (vii) national defense; (viii) national sovereignty; and (ix) emerging issues.

A division of the NCPPR, the Free Enterprise Project ("FEP") describes itself as the "original and premier opponent of the woke takeover of American corporate life and defender of true capitalism." It files shareholder resolutions, engages corporate CEOs and board members, submits public comments, engages state and federal leaders, crafts legislation, files lawsuits, makes proxy voting recommendations, and directs media campaigns to push corporations to respect their fiduciary obligations and to stay out of political and social engineering." Based on the disclosure provided by companies concerning the identity of proponents, during the first half of 2025, NCPPR submitted 24 shareholder proposals to a vote, receiving an average of 1.4% support (with none receiving majority shareholder support).

GLASS LEWIS ANALYSIS

In general, we believe it is prudent for management to assess its potential exposure to all risks, including social issues and regulations pertaining thereto in order to incorporate this information into its overall business risk profile. When there is no evidence of egregious or illegal conduct that might suggest poor oversight or management of these issues that may threaten shareholder value, Glass Lewis believes that the management and reporting of social issues associated with business operations are generally best left to management and the directors who can be held accountable for failure to address relevant risks on these issues when they face re-election.

Glass Lewis believes that investors should take a look at proposals such as this on a case-by-case basis in order to determine if the requested report will clearly lead to an increase in shareholder value. In this case, the proponent requests that the Company produce a report outlining "the extent to which its business plans with respect to electric vehicles and their charging stations involve, rely on, or depend on child labor outside the United States," specifically noting the risk of child labor in cobalt mining. Without evidence that the Company has severely mismanaged this issue, we believe that these issues are best left to the board and management, who have more information concerning its operations and are thus in a better position to accurately judge how exposure to this issue will affect the Company.

COBALT MINING AND CHILD LABOR

The market for rechargeable batteries, particularly for lithium-ion batteries used in electric vehicles, is growing rapidly. One of the principal materials used in these batteries is cobalt. About two-thirds of all cobalt production happens in the Democratic Republic of the Congo ("DRC"), where up to 40,000 children are estimated to be working in

extremely dangerous conditions, with inadequate safety equipment, for very little money. The widespread use of child labor in cobalt mining can have global supply implications as supply of minerals extracted using child labor is becoming increasingly unacceptable to manufacturers of products derived from raw materials. The government of the DRC recognizes the issue of child labor in mines and has adopted policies that promote free primary school education and forbids the use of children for dangerous work. It is expected that by 2025 child labor will be eliminated from the mines. Given its high price and link to child labor, cobalt is beginning to fall out of favor for electric vehicle companies in favor of alternatives, which may reduce demand for cobalt (Brett Smith. "SVOLT: The Future of Cobalt-Free Batteries for Electric Vehicles." *AZO Materials*. December 3, 2020).

Despite efforts to eliminate child labor within the mining industry, a 2023 book examined ongoing evidence that much of the DRC's cobalt is mined by displaced people, including children, who have no alternative to becoming artisanal miners, those who do extremely dangerous labor for the equivalent of just a few dollars a day. According to the author, militia networks abduct, traffic, and recruit children across the Congo to dig in the cobalt mines. It was estimated that there are as many as 10,000 to 15,000 tunnels that have been dug by hand by artisanal miners, including children. Further, ma ny children had suffered terrible injuries, including amputations, due to tunnel and pit wall collapses within the mines (Terry Gross. "How 'Modern-Day Slavery' in the Congo Powers the Rechargeable Battery Economy." *NPR*. February 1, 2023).

COMPANY CONTROVERSIES

A 2017 Amnesty International report found that batteries used in products from a number of electronics and electric vehicle firms, including the Company, could be linked to child labor in the DRC. The organization wrote to 29 companies as part of its research process, asking questions regarding mitigation, disclosure, and identification of human rights risks in the companies' cobalt supply chains, policies and systems for detecting such risks, and whether companies had investigated their supply links to the DRC. The organization categorized the Company as having taken moderate action regarding human rights risks in its cobalt supply chain. In its response to the report, the Company detailed its supply chain due diligence policy, actions taken to identify and address risk, and disclosure of supply chain due diligence process and results related to its cobalt sourcing (pp.135-140).

Additionally, the Company was named in a landmark legal case launched against the world's largest tech companies on behalf of 14 Congolese families alleging that their children were killed or maimed while mining for cobalt. The lawsuit accused the companies of aiding and abetting the death and serious injury of children working cobalt mines in their supply chain and alleged that the companies were aware and had "specific knowledge" that the cobalt used in their products was linked to child labor performed in hazardous conditions and were complicit in the forced labor of the children. The families and injured children are seeking damages for forced labor and further compensation for unjust enrichment, negligent supervision, and intentional infliction of emotional distress (Annie Kelly. " Apple and Google Named in US Lawsuit Over Congolese Child Cobalt Mining Deaths." *The Guardian*. December 16, 2019). However, the lawsuit was dismissed in November 2021, as the court found that there was not a strong enough causal relationship between the companies' conduct and the miners' injuries ('USA: Washington DC Court Dismisses Cobalt Mining Deaths' Case Against Five Major Technology Companies." *Business & Human Rights Resource Centre*. November 5, 2021).

During the Company's annual meeting in 2023, CEO Elon Musk assured shareholders that the Company did not use child labor in cobalt mines, stating that it would conduct a third-party audit. In addition, Musk asserted that the Company would put a webcam on the mine and asked anybody to inform the Company if they saw any children (Hyunjoo Jin and Akash Sriram. 'Elon Musk Says Tesla Not Immune to Tough Economy that He Foresees." *Reuters*. May 17, 2023).

In March 2024, a federal appeals court upheld the 2021 U.S. court decision by declining to hold the Company, Alphabet, Apple, Dell Technologies, and Microsoft liable for child labor in cobalt mines in the DRC. Sixteen plaintiffs, including representatives of five children killed in cobalt mining operations, had argued that the companies had "deliberately obscured" their dependence on child labor to ensure their supply chains met their cobalt demand. However, the appeals court ruled that purchasing cobalt through the global supply chain did not equate to "participation in a venture" under a federal law, and the plaintiffs did not show that the companies had anything more than a buyer-seller relationship with suppliers or had the power to stop the use of child labor (Jonathan Stempel. " US Court Sides with Apple, Tesla, Other Tech Companies Over Child Labor in Africa." *Reuters*. March 6, 2024).

More recently, a group of 75 demonstrators gathered outside the Company's Fremont, California facility in April 2025, protesting the Company's operations in the DRC (Marianne Favro and Andrew Mendez. 'Protestors Gather in Fremont Over Elon Musk's Political Involvement, Tesla Operations in Congo." *NBC Bay Area*. April 27, 2025).

COMPANY DISCLOSURE

In response to this proposal, the Company states that it has a zero-tolerance policy when it comes to child or forced labor by its suppliers, and that the prohibition of child labor is emphasized across its corporate policies, including its Code of Business Ethics, Supplier Code of Conduct, and Global Human Rights Policy. The Company explains that, as part of its risk mitigation efforts, all of its direct cobalt suppliers (mines and refiners) completed an audit, and ten cobalt suppliers

completed an audit against a Company-preferred international standard covering environmental and social risks, including checks on child labor, worker security, and respect for human rights, as well as no mixing with material from artisanal and small-scale mines. It states that this audit is in addition to a series of audits and assessments over the past three years, which included: (i) a human rights risk assessment; (ii) developing a procedure to gather, review, and respond to community requests; and (iii) assessing existing grievance mechanisms against expectations laid out in the UN Guiding Principles on Business and Human Rights. Further, the Company affirms that it conducts its own audits of the mine sites and refiners in its cobalt supply chain and reviews results from third-party industry audit programs, such as the Responsible Minerals Initiative's Responsible Minerals Assurance Process. Additionally, it applies the same supply chain mapping and due diligence requirements for materials that it does not directly source (2025 DEF 14A, pp.99-100).

The Company also discusses respecting human rights in its most recent Impact Report Highlights, stating that it treats workers in its supply chain the same way it treats its own employees, and that it takes allegations of human rights abuses seriously and works diligently to uphold the right to freely chosen employment. The Company adds that, in 2024, it invested more human and legal resources than ever before to combat forced and child labor throughout its supply chain. It also states that it collaborates with its suppliers to remedy harms across its supply chain by using robust tools to identify and assess risks (p.39). In an extended version of its impact report, the Company asserts that it seeks to avoid causing or contributing to actual or potentially adverse human rights impacts, and it expects its suppliers to support and promote these values in their own operations and those of their suppliers. It also specifies that assessing and addressing human rights risks is an ongoing effort that involves engaging with and incorporating input from external stakeholders, including those impacted by its operations and its supply chain, as well as reviewing and updating its policies and procedures where necessary (p.13).

Further, the Company addresses defending, protecting, and advancing human rights for workers throughout its supply chain, and it provides a breakdown of the Company's impact in relation to individual articles of the Universal Declaration of Human Rights. It also provides information on: (i) working to ensure freely chosen employment; (ii) embedding a corrective action plan into its audit process requirements; and (iii) enhancing its corporate social responsibility audit program (pp.145-150). Regarding cobalt, the Company acknowledges that it sources cobalt for nickel-based cells from Glencore's large-scale mines ("LSM") in the DRC, which are regularly audited against criteria surveying for no child labor, worker security, and respect for human rights, as well as no mixing with material from artisanal and small-scale mines ("ASM"), among other things. It emphasizes that it focuses on these criteria as they are related to potential risks that were identified as most salient in this context. More specifically, it states that Kamoto Copper Company ("KCC") and Mutanda Mining participated in the CopperMark independent assessments in Q4 2024, which spanned 5 to 7 days and included 200 to 300 worker and external stakeholder interviews. The Company explains that the findings provide a clear and ambitious framework for continuous improvement with actions across all criteria. It also affirms that when a criterion is rated "partially meets," corrective actions are required by Q2 2026, and when a criterion is rated "fully meets," continuous improvement commitments are made. It then notes that this is the first time a mine in the DRC underwent an audit against the CopperMark 3.0 standard with significantly more stringent requirements (p.162).

Additionally, the Company discloses that four audits were conducted in the past three years in alignment with the standards from the Responsible Minerals Initiative's Responsible Minerals Assurance Process (to verify no mixing from ASMs), as well as CopperMark (to assess responsible mining practices and community engagement). It states that the Company shadowed parts of these audits in-person to ensure audits are credible, legitimate, robust, and comprehensive. It lists four key achievements, including, among other things, establishing a publicly available, monthly updated satellite monitoring system of its KCC operation that shows the scale and type of industrial operations, providing direct visibility that this is not an ASM production (p.162). It then discloses the criteria and audit findings for the KCC and Mutanda Mining audits, both of which found that the sites "fully meet" the criterion of no child labor (p.163).

Moreover, the Company continues to support responsible ASM through the Fair Cobalt Alliance ("FCA"), adding that it continues to co-fund the FCA and serve on its steering committee. The Company emphasizes that it remains committed to staying engaged in the DRC to improve conditions in the ASM and LSM cobalt mining sector, which continues to be an important source for livelihoods in the local population. In October 2024, the Company visited the FCA's office and mine implementation site to witness progress and engage on next steps for the program. It then discloses that 20 children who were found working in ASMs were enrolled in a comprehensive remediation program including reintegration to education, living stipends, and health and psycho-social support, with four children having successfully completed the program (p.164). The Company also reviews its responsible sourcing in relation to nickel, lithium, and other raw materials (pp.165-181).

Finally, the Company maintains a Responsible Sourcing Policy and provides a Conflict Minerals Report.

Regarding oversight, the board oversees risks related to ESG impacts, at both the full-board and committee levels. The audit committee oversees ESG risks as part of the overall enterprise risk management approach, including risks relating to human rights and its supply chain, among other issues. The audit committee also oversees the Company's impact report and, as deemed appropriate, other ESG-related disclosures. The nominating and corporate governance committee

oversees the governance framework and practices and engagement on ESG risks with shareholders (p.7).

	Summary
Analyst Note	The Company maintains a zero-tolerance policy regarding child labor and provides information on its processes for managing and preventing related risks in its operations and supply chain as well as its cobalt sourcing in the DRC. Further, the Company reports that both Kamoto Copper and Mutanda Mining participated in CopperMark independent assessments in Q4 2024, the first time a mine in the DRC underwent an audit against the CopperMark 3.0 standard, and both mining sites were found to "fully meet" the criterion of no child labor.

RECOMMENDATION

We understand that the Company faces legal and reputational risks on account of issues relating to potential child labor in its supply chain. We believe that shareholders should continue to closely monitor the Company's policies and attendant disclosures to ensure that the Company is making a best effort to mitigate these risks. However, it is our view that, in this case, that has been done. We note that the Company maintains policies that prohibit its suppliers from using forced or involuntary labor or child labor, and also maintains board oversight of human rights-related issues. Additionally, given the proponent has not provided any evidence of Company wrongdoing or mismanagement of this matter, we do not believe that shareholders should support this proposal at this time.

We recommend that shareholders vote **AGAINST** this proposal.

10.00: SHAREHOLDER PROPOSAL REGARDING REPEAL OF OWNERSHIP THRESHOLDS FOR DERIVATIVE PROCEEDINGS

FOR

PROPOSAL REQUEST:	That the Company's bylaws be amended, as below, such that the bylaws shall not provide an ownership threshold for derivative proceedings	**SHAREHOLDER PROPONENT:**	The Comptroller of the State of New York, as lead-filer, and the Comptroller of the City of New York as co-filer
BINDING/ADVISORY:	Binding		
PRIOR YEAR VOTE RESULT (FOR):	N/A	**REQUIRED TO APPROVE:**	67% of shares outstanding

RECOMMENDATIONS, CONCERNS & SUMMARY OF REASONING:

FOR -
- Recently-adopted derivative suit provisions are contrary to shareholders interests

GLASS LEWIS REASONING

- The Company's recently adopted provisions concerning restrictions on shareholders' ability to bring derivative suit are fundamentally opposed to shareholder rights;
- Adoption of this proposal would more closely align the Company's shareholder protections with those claimed by the Company when shareholders approved its reincorporation from Delaware to Texas.

PROPOSAL SUMMARY

Text of Resolution: *Resolved: Tesla's bylaws are hereby amended as follows:*

(1) The title of Article XI is amended as follows: the phrase "OWNERSHIP THRESHOLD FOR DERIVATIVE PROCEEDINGS" is deleted;

(2) "Section 11.3 — OWNERSHIP THRESHOLD FOR DERIVATIVE PROCEEDINGS" is repealed and deleted in its entirety; and

(3) ARTICLE X — AMENDMENTS is amended to add the following language to the end of the last sentence: "; and provided further, that the board of directors shall not have the power to adopt or amend the bylaws to provide for an ownership threshold for shareholders to institute derivative proceedings."

Proponent's Perspective

- In seeking shareholders' support for reincorporation to Texas, the board assured shareholders that "the rights of stockholders under [Delaware law] and [Texas law] are substantially equivalent..." and that "there was no reason to believe that Texas law would provide substantially lesser litigation rights than Delaware in areas where it is currently silent";
- On May 14, 2025, Texas enacted changes to its law to allow (but not require) Texas corporations to set a threshold of up to 3% ownership before a shareholder can enforce their rights in a shareholder derivative suit, and for the Company, whose market capitalization was approximately $997 billion as of July 10, 2025, that requires a $30 billion holding;
- Immediately following the passing of Texas's new law, the board amended the Company's bylaws to the maximum allowable 3% ownership threshold, and only four current shareholders appear to satisfy the new ownership threshold: the CEO, Vanguard Group, Blackrock Inc., and State Street Corporation;
- Amending the Company's bylaws to remove the 3% ownership threshold will restore both faith in the board's accountability and shareholders' ability to raise legitimate legal concerns about corporate governance;
- Shareholders depend upon the fiduciary duties established in corporate law that require directors and officers to act in shareholders' best interests, and these duties represent a high standard of trust and responsibility;
- In the corporate law context, shareholders invest in a company with the knowledge that the company's officers and directors are legally required to place the shareholders' interests above all other interests, a concept which is known as "shareholder primacy" and is fundamental to the American capital market structures that

Board's Perspective

- This proposal includes misleading and incorrect statements about a number of matters;
- The board determined in its good faith business judgment that the new bylaw allows the Company to maintain accountability to its shareholders, while focusing, among other things, corporate resources on claims that matter to a meaningful portion of its shareholder base;
- In February 2025, the Texas legislature introduced a suite of changes to the Texas corporation statutes, including a proposed new statutory provision permitting Texas companies to set a threshold of up to 3% ownership to bring derivative claims, or claims that belong to the corporation as a whole and that are not particular to any shareholder;
- With respect to shareholder rights, the board focused on the fact that small shareholders would be able to aggregate their holdings to meet the threshold, and it further considered whether a shareholder who could not marshal (alone or with others) 3% shareholder support for an action would truly be able to fairly and adequately represent the interests of the Company in that action;
- The board considered, with respect to corporate resources, the cost of litigation and the related impact on the Company and its shareholders, given that over the years, the Company has seen a rise in derivative lawsuits brought in the name of the Company by firms purporting to act on behalf of holders of a very small number of the Company's shares;
- The Company expresses concern regarding a 2018 putative lawsuit regarding CEO compensation from a then-holder of just nine shares of the Company's common stock that has for over seven years resulted in significant diversions of resources and

have created the world's most dynamic and robust capital markets;
- When directors or officers violate their fiduciary duty, the last resort for shareholders to enforce their rights is the shareholder derivative suit, as in this legal action, shareholders step into the corporation's shoes to sue officers and directors who have violated their fiduciary duty; and
- The Company's decision to insulate its board and officers from almost all accountability and responsibility for violations of fiduciary duty is egregious and should not be allowed.

management attention, as well as reputational risks and stakeholder scrutiny for the Company;
- The board determined that, particularly in light of the ability to aggregate, a 3% ownership threshold appropriately balances the costs and benefits of derivative actions and makes it more likely that derivative actions are controlled by shareholders who are better able to fairly and adequately represent the interests of the Company;
- It is necessary for the board to have flexibility in order to exercise its fiduciary duties and respond to changing circumstances and governance norms;
- When the board recommended shareholders approve the Company's reincorporation in Texas, a key factor it considered was a comprehensive study by corporate governance scholar Anthony J. Casey, a professor at the University of Chicago Law School, which concluded that shareholder rights under Delaware and Texas laws were substantially equivalent;
- The board has repeatedly demonstrated its accountability and responsiveness to shareholders and has provided a variety of channels for shareholders to continue to hold the board accountable; and
- To the extent that Proposal 6 to eliminate supermajority voting requirements achieves the required threshold to pass, it will unlock a gateway for the board and shareholders to adopt further shareholder-driven governance actions, including, without limitation, the right for shareholders to act by written consent or to call a special meeting, and the declassification of the board, as may be appropriate in accordance with law.

THE PROPONENT

New York State Common Retirement Fund

The New York State Common Retirement Fund is one of the largest public pension plans in the U.S., providing retirement security for over one million New York State Local Retirement System members, retirees, and beneficiaries. As of the end of the first quarter of the state's fiscal year 2025-26, the estimated value of the fund was $283.9 billion, with 41.2% of its assets invested in publicly traded equities.

The New York State Common Retirement Fund has established a Corporate Governance Program that promotes "best practices, encouraging effective oversight, and integrating environmental, social and governance (ESG) factors into the Fund's investment process" to "help ensure the retirement security of the New York State and Local Retirement System's 1.2 million members, retirees and beneficiaries by helping portfolio companies manage risk and generate long-term value." The program uses its voice to improve policies and practices, consistent with its fiduciary duty through direct communication with companies through letters and meetings, filing shareholder proposals asking corporate boards to address specific issues, voting on boards and shareholder proposals at companies' annual investor meetings, supporting public policies that promote the overall stability, transparency, and efficient functioning of financial markets and the economy, and engaging the fund's investment managers to assess the full scope of investment risks and opportunities. The Program lists three main areas of focus: (i) climate change & environmental sustainability; (ii) promoting diversity, equality, and inclusiveness; and (iii) workforce management, including effective board oversight of key relationships.

Based on information from companies that disclosed their proponents, during the first half of 2025, New York State submitted five shareholder proposals that received an average of 11.6% support, with none of these proposals receiving majority support.

New York City Comptroller

The Comptroller of the City of New York is by law the custodian of City-held trust funds and the assets of the New York City Public Pension Funds, serving as a trustee on each of the funds. As of July 2025, these funds have a total net asset value of approximately $295.51 billion. Consistent with the fiduciary obligations of the New York City Pension Funds' Board of Trustees, the Office of the Comptroller states that its corporate governance and responsible investment team promotes sound corporate governance at portfolio companies, including accountability in the boardroom, responsible executive compensation, and sustainable business practices, in order to protect and enhance the long-term value of the New York City Pension Funds' investments. Based on the disclosure provided by companies, during the first half of 2025, the Comptroller of the City of New York submitted eight shareholder proposals that received an average of 12.83% support (excluding abstentions and broker non-votes), with none of its proposals receiving majority support.

The NYC Comptroller has also developed the Boardroom Accountability Project, which has focused on engaging with companies to adopt governance mechanisms, such as proxy access, to provide disclosure on the skills, gender and race/ethnicity of individual directors, and to adopt policies to ensure the consideration of women and people of color for

every open board seat and for CEO appointments.

GLASS LEWIS ANALYSIS

BACKGROUND

Reincorporation to Texas

At its 2024 AGM, the Company asked shareholders to approve its reincorporation from Delaware to Texas, and following 86.61% shareholder approval, the Company reincorporated on June 13, 2024, at which time the affairs of the Company ceased to be governed by the corporate laws of the State of Delaware and became subject to the corporate laws of the State of Texas.

With regard to this matter, the Company states in response to this proposal that:

> *the Board gave considerable weight to the state corporate laws in effect at the time, including the conclusions of the study containing the language quoted by the proponents. As we disclosed in the 2024 proxy statement, the Board empowered a special committee to thoroughly investigate whether to reincorporate from Delaware, and potential alternative jurisdictions for incorporation. As one important component of its extensive evaluation, the special committee commissioned a study undertaken by Anthony J. Casey, a professor at the University of Chicago Law School and a preeminent corporate governance scholar. In the resulting report, which is included in its entirety in the 2024 proxy statement, Professor Casey concluded that "[t]he substantive legal rights afforded to shareholders of Delaware corporations are substantially equivalent to the substantive legal rights afforded to shareholders of Texas corporations."*

(2025 DEF 14A, p.104)

TEXAS SENATE BILL 29

Nearly a year after the Company's reincorporation, the Texas legislature signed SB 29 into law in May 2025, which immediately resulted in several key amendments to the Texas Business Organizations Code ("TBOC"), including an amendment regarding share ownership requirements for derivative actions. According to the changes in TBOC Section 21.552, Texas corporations may implement an ownership threshold of up to 3% of a company's outstanding shares to bring derivative actions if the companies are either publicly traded *or* have 500 or more shareholders *and* have made an affirmative election to opt into the business judgment rule, which generally protects corporate officers and directors, who owe fiduciary duties to the company, from liability for acts that are within the honest exercise of their business judgment and discretion (Hillary Holmes, et al. " Lone Star Governance: Recent Amendments to the Texas Corporate Statute." Harvard Law School Forum on Corporate Governance. June 17, 2025).

Codification of the Business Judgment Rule

One of the most important features of SB 29 was the codification of the aforementioned business judgment rule, which "makes it unlikely that Texas courts will review actions under enhanced scrutiny or entire fairness, two heightened standards of review formally adopted by Delaware courts." While Texas courts have historically recognized the business judgment rule, SB29 codified the rule by establishing a presumption that directors and officers act: (i) in good faith; (ii) on an informed basis; (iii) in furtherance of the interests of the company; and (iv) in a manner consistent with the law and the company's governing documents. As a result, "[t]he burden now shifts to the claimant to rebut this presumption in any fiduciary claim against an officer or director and prove both a breach of duty to the company and that such breach involved fraud, intentional misconduct, an ultra vires acts, or a knowing violation of the law," thus imposing a "heavy burden on any would-be claimant" and offering "significant protection to officers and directors" (Winstead PC. " Texas Codifies Business Judgment Rule and Reforms Derivative Actions: Key Changes Under SB 29." *JD Supra*. June 13, 2025).

Limitations on Derivative Actions

SB 29 also included new provisions addressing shareholder lawsuits, the subject of this proposal. Under this law, companies can set minimum ownership requirements to bring a derivative proceeding. The minimum ownership threshold must be specified in either the bylaws or certificate of formation and may not exceed 3% of the company's outstanding shares (Hillary Holmes, et al. " Lone Star Governance: Recent Amendments to the Texas Corporate Statute." Harvard Law School Forum on Corporate Governance. June 17, 2025). This new provision applies to publicly traded corporations and any corporation that affirmatively elects to be governed by Section 21.419. By setting a minimum ownership requirement, shareholders with minimal stakes are prevented from pursuing claims that may not align with the broader interests of the company (Winstead PC. "Texas Codifies Business Judgment Rule and Reforms Derivative Actions: Key Changes Under SB 29." *JD Supra*. June 13, 2025).

COMPANY RESPONSE TO SENATE BILL 29

The day after Texas's SB 29 went into effect, the Company filed an 8-K that included amendments to its Articles of Incorporation, stating:

> *On May 15, 2025, following the effectiveness of amendments to the Texas Business Organizations Code and in light of Texas law, the Board of Directors of Tesla, Inc. ("Tesla") adopted certain amendments to Tesla's Bylaws (the "Bylaws") in order to:*
>
> *(i) add a new section to provide for a jury trial waiver for "internal entity claims" as defined in the Texas Business Organizations Code;*
>
> *(ii) add a new section to adopt an ownership threshold requiring any shareholder or group of shareholders to hold shares of common stock sufficient to meet an ownership threshold of at least 3% of Tesla's issued and outstanding shares in order to institute or maintain a derivative proceeding; and*
>
> *(iii) make technical revisions to clarify the scope of the exclusive forum provision.*
>
> *The Bylaw amendments, adopted in accordance with Texas law, became effective on May 15, 2025.*

Jury Trial Waiver

In response to the ability of Delaware companies to waive jury trials, SB 29 authorized Texas companies to include a waiver of jury trial in their governing documents (Winstead PC. " Texas Codifies Business Judgment Rule and Reforms Derivative Actions: Key Changes Under SB 29." *JD Supra*. June 13, 2025). As such, the Company amended its Bylaws to state:

> *UNLESS THE CORPORATION CONSENTS IN WRITING TO A JURY TRIAL, THE CORPORATION AND EACH SHAREHOLDER, DIRECTOR, AND OFFICER OF THE CORPORATION HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVE ANY RIGHT THAT THE CORPORATION OR SUCH PERSON MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL ACTION, PROCEEDING, CAUSE OF ACTION, COUNTERCLAIM, CROSS-CLAIM OR THIRD-PARTY CLAIM ARISING OUT OF OR RELATING TO ANY "INTERNAL ENTITY CLAIM" AS THAT TERM IS DEFINED IN SECTION 2.115 OF THE TBOC, AND EACH SHAREHOLDER AGREES THAT SUCH SHAREHOLDER'S HOLDING OR ACQUISITION OF SHARES OF STOCK OF THE CORPORATION OR, TO THE EXTENT PERMITTED BY LAW, OPTIONS OR RIGHTS TO ACQUIRE SHARES OF STOCK OF THE CORPORATION FOLLOWING THE ADOPTION OF THESE BYLAWS CONSTITUTES SUCH SHAREHOLDER'S INTENTIONAL AND KNOWING WAIVER OF ANY RIGHT TO TRIAL BY JURY WITH RESPECT TO SUCH CLAIMS.*

Ownership Threshold for Derivative Proceedings

Regarding its newly adopted ownership threshold, the Company also amended its Bylaws to state:

> *No shareholder or group of shareholders may institute or maintain a derivative proceeding brought on behalf of the corporation against any director and/or officer of the corporation in his or her official capacity, unless the shareholder or group of shareholders, at the time the derivative proceeding is instituted, beneficially owns a number of shares of common stock sufficient to meet an ownership threshold of at least three percent of the outstanding shares of the corporation.*

Exclusive Forum Provision

The Company also clarified the scope of its exclusive forum provision in its Bylaws, stating:

> *Unless the corporation consents in writing to the selection of an alternative forum, the sole and exclusive forum for any of the filing, adjudication and trial of (i) any derivative action or proceeding brought on behalf of the corporation, (ii) any action asserting a claim for or based on a breach of a fiduciary duty owed by any current or former director or officer or other employee of the corporation to the corporation or the corporation's shareholders, including any claim alleging a conspiracy to breach a fiduciary duty, knowing participation in a breach of a fiduciary duty or aiding and abetting a breach of fiduciary duty, (iii) any action asserting a claim against the corporation or any current or former director or officer or other employee of the corporation arising pursuant to any provision of the TBOC or the certificate of formation or these bylaws (in each case, as they may be amended from time to time), (iv) any action asserting a claim related to or involving the corporation that is governed by the internal affairs doctrine, (v) any action asserting an "internal entity claim" as that term is defined in Section 2.115 of the TBOC, or (vi) any other action or proceeding in which the Business Court of the State of Texas has jurisdiction, shall be the Business Court in the Third Business Court Division ("Business Court") of the State of Texas (provided that if the Business Court determines that it lacks jurisdiction, the United States District Court for the Western District of*

Texas, Austin Division (the "Federal Court") or, if the Federal Court lacks jurisdiction, the state district court of Travis County, Texas). For the avoidance of doubt, this Section shall not apply to any direct claims under the Securities Act of 1933, as amended, or the 1934 Act.

TORNETTA V. MUSK

Derivative lawsuits have been an issue of concern for the Company since a shareholder, Richard Tornetta, sued the Company and CEO Elon Musk in 2018, arguing that Musk had exerted outsized influence on the board when it designed his pay package and then misled shareholders in asking them to approve it in 2018 (Chandelis Duster. "Elon Musk's More Than $50 Billion Pay Deal at Tesla Was Rejected Again. Here Is Why." *NPR*. December 3, 2024).

Years later, in *Tornetta v. Musk*, Delaware Chancery Court Chancellor Kathaleen McCormick rescinded the 10-year equity compensation plan in which Musk was awarded several tranches of performance-vesting stock options, with an estimated value of approximately $56 billion (Gail Weinstein, et al. "Implications of Tornetta v. Musk II for Executive Compensation and for Stockholder Ratification." Harvard Law School Forum on Corporate Governance. September 26, 2025). According to Chancellor McCormick, the Company's board "failed to prove that the compensation plan was fair" or "show much evidence that they had even negotiated with Musk" (Arjun Kharpal and Lora Kolodny. "Elon Musk Says Tesla Will Hold a Shareholder Vote to Incorporate in Texas After Delaware Pay Snub." *CNBC*. February 1, 2024). In voiding Musk's pay package, Chancellor McCormick also expressed concern regarding board independence at the Company, stating that Musk had "extensive ties" with the people who were negotiating for the Company on the pay package, adding that some members of management who were involved were "beholden" to the CEO (Ian Thomas. "How Elon Musk's War on Delaware Could Change the Way Corporations Make Some of Their Biggest Decisions." *CNBC.* February 14, 2024).

Shortly after the January 2024 ruling, Musk stated that the Company would hold a shareholder vote on whether to reincorporate in Texas (Arjun Kharpal and Lora Kolodny. "Elon Musk Says Tesla Will Hold a Shareholder Vote to Incorporate in Texas After Delaware Pay Snub." *CNBC*. February 1, 2024). Governor Greg Abbott of Texas welcomed the CEO's suggestion to reincorporate the Company, since the governor had been attempting to challenge Delaware's position as the preeminent business court in the U.S. and had signed a law establishing business courts in Texas to deal with complex commercial disputes (Ian Thomas. "How Elon Musk's War on Delaware Could Change the Way Corporations Make Some of Their Biggest Decisions." *CNBC.* February 14, 2024). In December 2024, Chancellor McCormick again rejected the $56 billion pay package in *Tornetta v. Musk II,* finding that Musk and his attorneys had not presented any "procedural ground for flipping" her January 2024 decision, despite the Company's market cap growth and subsequent 72% shareholder support for the pay package at the Company's 2024 AGM (Chandelis Duster. " Elon Musk's More Than $50 Billion Pay Deal at Tesla Was Rejected Again. Here Is Why." *NPR*. December 3, 2024). The judge also stated that the Company had made multiple material misstatements in its 2024 proxy statement regarding the vote on CEO pay (Tom Hals and Jonathan Stempel. "Delaware Judge Rejects Musk's $56 billion Tesla Pay - Again." *Reuters*. December 3, 2024.

In March 2025, Musk appealed, alleging multiple legal errors and arguing that Judge McCormick had wrongly applied the legal standard of entire fairness when assessing the compensation package. According to the brief, applying the entire fairness standard amounted to granting shareholders a "license to sue" the Company (Tom Hals. "Musk Launches Appeal to Restore $56 Billion Tesla Payday." *Reuters*. March 11, 2025).

Meanwhile, some corporate law experts have suggested that the Company, in adopting the new ownership threshold for derivative lawsuits, was "taking advantage of a Texas state law" to limit shareholder lawsuits against insiders over breach of fiduciary duty. Considering the Company's more than $1 trillion market cap when the threshold was implemented, a 3% stake of common stock and all outstanding shares would amount to more than $30 billion, described as a "formidable barrier to anyone bringing a lawsuit for breach of fiduciary duty." The new threshold was significantly higher than the previous threshold when the Company was incorporated in Delaware, which had enabled Tornetta, an owner of nine shares of Company stock, to bring a derivative lawsuit that ultimately rescinded Musk's 2018 pay package (Lora Kolodny. " Telsa Limits Investors' Ability to Sue Over Breach of Fiduciary Duties." *CNBC*. May 16, 2025). Delaware does not limit who can sue, and several lawsuits are filed by investors with small holdings and the cases are overseen and funded by a few specialized law firms, which has been a source of frustration for corporate boards (Tom Hals. " Musk's Texas-Sized $1 Trillion Payday Enabled by State's New Law." *Reuters*. September 5, 2025).

More recently, a professor at the University of Colorado Law School stated that the Company was now "completely insulated from a shareholder lawsuit in Texas," in contrast to statements the Company made to shareholders in 2024 when asking them to approve the Company's reincorporation. At the time, the Company told shareholders that Texas and Delaware were "substantially equivalent" and that shareholders would not have weaker litigation rights in Texas (Tom Hals. "Musk's Texas-Sized $1 Trillion Payday Enabled by State's New Law." *Reuters*. September 5, 2025).

As of the writing of this report, the Company and Musk have appealed both of Judge McCormick's rulings (Tom Hals. "Musk's Texas-Sized $1 Trillion Payday Enabled by State's New Law." *Reuters*. September 5, 2025).

COMPANY DISCLOSURE

In its response to this proposal, the Company states:

> *The Board determined in its good faith business judgment that the new bylaw allows the Company to maintain accountability to our shareholders, while focusing, among other things, corporate resources on claims that matter to a meaningful portion of our shareholder base.*

It also specifies that the board carefully considered the effects of the proposed 3% threshold provision on shareholder rights and corporate resources before adopting a bylaw consistent with this statutory provision in May 2025, following Texas's enactment of the legislation. The Company adds that the board focused on the fact that small shareholders would be able to aggregate their holdings to meet the threshold, and it also considered whether a shareholder who could not marshal (alone or with others) 3% shareholder support for an action would truly be able to fairly and adequately represent the interests of the Company in that action (2025 DEF 14A, p.103).

Additionally, the Company explains that the board considered, with respect to corporate resources, the cost of litigation and the related impact on the Company and its shareholders, given that over the years, the Company has seen a rise in derivative lawsuits brought in the name of the Company by firms purporting to act on behalf of holders of a very small number of the Company's shares. It asserts that these actions have resulted in significant costs and expenses ultimately borne by the Company's shareholders as a whole, even when the vast majority of its shareholders do not support the underlying claims (2025 DEF 14A, p.103).

Further, the Company states:

> *Limiting the Board's ability to respond to changing circumstances is not in our shareholders' best interests. Not only is it a standard corporate governance practice for a board to have broad discretion over bylaw amendments, such discretion is also necessary for a board to meet its fiduciary duties.*
>
> *We believe that a "one-size-fits-all" approach to corporate governance harms shareholders. Corporate laws and regulations are rapidly shifting. In addition to the recent changes in Texas corporate law, there have also been significant recent updates to Delaware's and other states' corporate laws. The extent to which these changes will impact corporate governance practices remains to be seen. It is important for the Board—which possesses deep knowledge about the Company and its resources (including access to legal counsel that are experts in these matters) to conduct robust analyses—to have flexibility to respond nimbly based on Company-specific considerations (for example, to maintain the Company's competitiveness as an employer of top talent) as corporate governance practices evolve.*

Moreover, the Company emphasizes that the board has repeatedly demonstrated its accountability and responsiveness to shareholders and has provided a variety of channels for shareholders to continue to hold the board accountable (2025 DEF 14A, pp.104-105).

RECOMMENDATION

As noted in Proposal 1, we have concerns with regard to the provisions recently adopted by the board, particularly those that pertain to the increased threshold for shareholders to file derivative claims. In our view, these requirements are unduly burdensome and may be prohibitive to shareholders who wish to submit derivative claims. We acknowledge the Company's argument that the 3% ownership threshold required to file these suits does not need to be met by a single shareholders, and that multiple shareholders could aggregate their holdings to meet this 3% threshold. However, even with this ability, the concept of shareholders being required to aggregate their holdings for the purposes of filing a shareholder derivative suit is highly unusual. Moreover, they have no assurance that, in practice, such aggregation would be a feasible or effective substitute for the rights they previously held under Delaware law.

We believe that shareholders should be able to vote on issues of material importance, such as these amendments, which were adopted without shareholder approval. We view the adoption of provisions that limit the ability of shareholders to pursue full legal recourse as a loss of an important shareholder right. While recognizing that certain derivative actions may be burdensome and meritless, we also believe that they are critical to holding company boards and management accountable. Moreover, we believe that if companies choose to adopt provisions that fundamentally restrict shareholder rights, they should do so only with shareholders' explicit approval. In this case, that was not done, as these provisions were adopted unilaterally by the board.

We recognize that, unlike most proposals that are submitted to U.S. companies, this is a binding proposal. As such, the Company would be required to adopt the requested provision, as written, should it receive requisite approval (66.67% shares outstanding). Particularly given its binding nature, we have some concerns with the provisions stipulated in this

resolution. Namely, we believe that stipulating that the board "shall not have the power to adopt or amend the bylaws to provide for an ownership threshold for shareholders to institute derivative proceedings" could be overly prescriptive. However, despite this concern, we believe support for this proposal is warranted, largely on account of the Company's sui generis adoption of these provisions as well as the fact that, when shareholders approved the Company's reincorporation to Texas, they did so largely based on an expectation, fostered by the Company's statement at the time, that their rights would be commensurate with those held by shareholders of companies incorporated in Delaware. The Company's immediate adoption of the TBOC provisions defies those reasonable expectations and significantly compromises shareholders' ability to seek legal recourse. We believe that the adoption of this proposal would provide an appropriate remedy for the deterioration of those rights.

Given the above, we believe support for this proposal is warranted. While noting concerns with regard to the crafting of this proposal, we believe that its adoption would be an appropriate response to the Company's recent bylaw amendments. Accordingly, we believe that shareholders should vote in favor of this proposal.

We recommend that shareholders vote **FOR** this proposal.

11.00: SHAREHOLDER PROPOSAL REGARDING SHAREHOLDER APPROVAL OF LIMITS TO SUBMITTING SHAREHOLDER PROPOSALS

FOR

PROPOSAL REQUEST:	That Article X of the bylaws be amended, as below	**SHAREHOLDER PROPONENT:**	Treasurer for the State of Illinois and Trustee of the Bright Directions College Savings Trust as lead-filer, and the AFL-CIO Reserve Fund as co-filer
BINDING/ADVISORY:	Binding		
PRIOR YEAR VOTE RESULT (FOR):	N/A	**REQUIRED TO APPROVE:**	67% of shares outstanding

RECOMMENDATIONS, CONCERNS & SUMMARY OF REASONING:

FOR -
- Adoption would ensure shareholders are consulted before their rights are limited

GLASS LEWIS REASONING

- Adoption of this proposal would ensure that shareholders would be consulted before limitations were placed on their rights to submit shareholder proposals.

PROPOSAL SUMMARY

Text of Resolution: *RESOLVED, pursuant to Article X of the Amended and Restated Bylaws of Tesla, Inc., shareholders of Tesla, Inc. ("Tesla") hereby amend the Bylaws to add the following to the end of Article X:*

"; and provided further, however, that any amendment of these bylaws by the board of directors to make the "affirmative election" referenced in section 21.373(b) of the TBOC to be governed by section 21.373 of the TBOC shall be invalid if it is not ratified within one year of such amendment by the affirmative vote of the holders of at least 66 2/3% of the total voting power of outstanding voting securities, voting together as a single class."

Proponent's Perspective

- Section 21.373 of the Texas Business Organizations Code ("TBOC") allows corporations like the Company, whose principal office is in Texas, to amend their governing documents to elect to be governed by the section, which imposes more stringent requirements for submitting shareholder proposals than those in the SEC's Rule 14a-8;
- A shareholder holding between $2,000 and $25,000 of company stock, depending on ownership duration, is eligible to submit a proposal under Rule 14a-8, whereas section 21.373(e) requires a shareholder or group to own $1,000,000 in company stock or 3% of voting shares;
- Section 21.373 mandates that a proponent solicit holders of shares representing at least 67% of the voting power of shares entitled to vote on the proposal, which is costly at a large, widely held company like the Company;
- Curtailing eligibility to submit a proposal would not serve the best financial interests of the Company and its shareholders, as shareholder proposals are a crucial mechanism for feedback and investor voice and have spurred value-enhancing reforms at many companies;
- Studies have found a negative relationship between governance arrangements reducing shareholder influence, such as classified boards and poison pills, and company performance;
- Many proposals that achieve majority shareholder support are submitted by smaller shareholders;
- Preserving shareholders' ability to communicate with the Company and one another is important, given the Company's performance and governance challenges, including: (i) first quarter 2025 net income dropping by 70% compared to the first quarter of 2024, (ii) its share price falling by over 21% during the first half of 2025, and (iii) concerns about Elon Musk's outside commitments and the board's oversight;
- Shareholders should have the opportunity to ratify a board bylaw amendment that would limit their rights by electing to be covered by TBOC section 21.373; and
- A ratification threshold of two-thirds of outstanding shares mirrors

Board's Perspective

- This proposal seeks a binding shareholder vote to adopt a bylaw provision that would add a new supermajority voting requirement for effectuating bylaw amendments, in this case, to ratify any future decision by the board to adopt a bylaw amendment that the board has not adopted;
- Although the board adopted amended and restated bylaws after several of the changes by the Texas legislature became effective in May 2025, it has not adopted the bylaw permitted by Section 21.373 of the Texas Business Organizations Code ("TBOC"), so the proponents are using a blunt instrument, meaning further limitations on the Company's and its shareholders' ability to amend the Company's bylaws, to address an issue that is premature and nascent;
- This proposal is unnecessary and would conflict with the Company's proposal asking shareholders to vote on amendments to its governing documents to eliminate all supermajority voting provisions under Proposal 6;
- If Proposal 6 is adopted, then the remaining supermajority voting requirements in the Company's governing documents would be removed, meaning that a simple majority vote is all that is required to amend the Company's bylaws, including amendments that rescind a provision adopted by the board;
- The proponents do not cite any action taken by the Company to curtail shareholder proposals or to limit shareholder communications;
- The Company has consistently demonstrated its commitment to shareholder engagement, clearly outlining how shareholders can submit proposals consistent with the law and the Company's bylaws;
- The Company provides multiple avenues for shareholder engagement, including the Tesla Shareholder Platform;
- The board intends to remain responsive on issues that matter to a meaningful portion of the Company's shareholder base;
- The imposition of a new supermajority voting requirement could be detrimental to shareholders and conflicts with the Company's proposal to remove all such requirements from its governing

the standard now imposed for shareholder amendment or repeal of certain bylaws deemed important, including Article X itself.

documents;
- The presence of multiple shareholder proposals in the Company's 2025 proxy statement, which outline different approaches regarding Section 21.373 of the TBOC, highlights the importance of board flexibility; and
- Corporate laws and regulations are rapidly shifting, and in addition to the recent changes in Texas corporate law, there have also been significant recent updates to Delaware's and other states' corporate laws, and the extent to which these changes will impact corporate governance practices remains to be seen.

THE PROPONENT

The Office of the Treasurer for the State of Illinois

The Office of the Treasurer for the State of Illinois, the lead-filer of this proposal, states that it is dedicated to protecting the state's portfolio, ensuring the liquidity of all investments, and consistently producing earnings at or above industry standards. Further, it states that its investment decisions promote education, access, and opportunity for individuals and governmental bodies across the state. The Office of the Illinois Treasurer states that it manages state investments, with assets of approximately $12 to 15 billion, providing the necessary liquidity to meet the state's daily obligations while investing remaining funds in authorized short/long-term investment opportunities.

Based on the disclosure provided by companies concerning the identity of proponents, during the first half of 2025, the Office of the Treasurer for the State of Illinois submitted one shareholder proposal that received 20.6% support (excluding abstentions and broker non-votes).

AFL-CIO Reserve Fund

The American Federation of Labor and Congress of Industrial Organizations ("AFL-CIO"), co-filer of this proposal, is a federation of 63 national and international labor unions that represents nearly 15 million working people. The AFL-CIO states that its "work is anchored in making sure everyone who works for a living has family-supporting wages and benefits and the ability to retire with dignity" and that it advocates for legislation "to create good jobs by investing tax dollars in schools, roads, bridges, ports and airports, and improving the lives of workers through education, job training and a livable minimum wage." It also advocates for strengthening Social Security and private pensions, ensuring fair tax policies, and making high-quality, affordable health care available to all. It further states that it fights "for keeping good jobs at home by reforming trade rules, reindustrializing the U.S. economy and providing worker protections in the global economy" and that it "stand[s] firm in holding corporations accountable for their actions." Finally, it states that it helps "make safe, equitable workplaces and give[s] working people a collective voice to address workplace injustices without the fear of retaliation" and that it fights "for social and economic justice and strive to vanquish oppression in all its forms."

The AFL-CIO also addresses capital stewardship, stating that it is "committed to organizing [its] funds to be active, responsible stewards of workers' capital." It notes that its "workers' capital is invested primarily to secure health and retirement benefits, pension and employee benefit plans are long-term investors." and that it "recognizes that the long-term, sustainable performance of any investment requires mutually beneficial cooperation among all those involved in a business." Accordingly, its pension and employee benefit plan investments are widely diversified, and that "[f]or this reason, promoting sound corporate governance and responsible business practices is important at all companies."

GLASS LEWIS ANALYSIS

SEC EXCHANGE ACT RULE 14a-8

The SEC's Exchange Act Rule 14a-8, known as the shareholder proposal rule, was amended in 2020 to, among other things, replace the ownership threshold, which required holding at least $2,000 or 1% of a company's securities for at least one year, with three alternative thresholds requiring a shareholder to demonstrate continuous ownership of at least:

- $2,000 of the company's securities for at least three years;
- $15,000 of the company's securities for at least two years; or
- $25,000 of the company's securities for at least one year.

The amendments by the SEC in September 2020 were intended to:

> *help ensure that the ability to have a proposal included alongside management's in a company's proxy materials—and thus to draw on company and shareholder resources and to command the time and attention of the company and other shareholders—is appropriately calibrated and takes into consideration the interests of not only the shareholder who submits a proposal but also the company and other shareholders who bear the costs associated with the inclusion of such proposals in the company's proxy statement.*

TEXAS BUSINESS ORGANIZATION CODE SECTION 21.373

As part of Texas SB 1057, which Governor Greg Abbott signed in May 2025, Section 21.373 of the Texas Business Organizations Code ("TBOC") enables nationally listed companies, defined as Texas companies: (i) with a class of equity securities registered under Section 12(b) of the Securities Exchange Act of 1934; (ii) admitted to listing on a national securities exchange; and (iii) either has its principal office in Texas or is admitted to listing on a Texas-based stock exchange, to opt in and limit the ability of shareholders to submit shareholder proposals.

When companies opt in to be governed by Section 21.373, they can require a shareholder or group of shareholders to:

- Hold an amount of voting shares equal to at least $1 million in market value (tested as of the date of submission of the proposal) or 3% of the company's voting shares;
- Have held such shares for a continuous period of at least six months before the date of the meeting and throughout the entire duration of the meeting; and
- Solicit the holders of shares representing at least 67% of the voting power of shares entitled to vote on the proposal.

Notably, Section 21.373 cannot be used to limit shareholders' ability to nominate directors or to propose procedural resolutions that are ancillary to the conduct of the annual meeting of shareholders (Matthew A. Schwartz, et al. "Summary of Recent Changes to Delaware, Nevada, and Texas Corporate Law." Harvard Law School Forum on Corporate Governance. July 5, 2025).

COMPANY DISCLOSURE

In its response to this proposal, the Company affirms that although the board adopted amended and restated bylaws after several changes to Texas corporation statutes became effective in May 2025, it has not adopted the bylaw permitted by Section 21.373 of the Texas Business Organizations Code. The Company further explains that because it achieved a total shareholder participation rate of over 65% at the 2024 annual meeting, the Company has submitted to its shareholders Proposal 6, to adopt amendments that would allow shareholders to modify the Company's certificate of formation and bylaws by simple majority vote, subject to applicable law.

> *Moreover, if Proposal Six is adopted, Article X of our current bylaws would be deleted in its entirety. In that case, this proposal will not only be unnecessary, it would also be impossible for the Company to implement both Proposal Six—deleting current Article X—and this proposal—adding a proviso in current Article X.*

Additionally, the Company emphasizes that it provides multiple avenues for shareholder engagement, including the Tesla Shareholder Platform, and that the board intends to remain responsive on issues that matter to a meaningful portion of the Company's shareholder base (2025 DEF 14A, pp.107-108).

RECOMMENDATION

We recognize that, unlike most proposals submitted to U.S. companies, this proposal is binding in nature. As such, it must be adopted, as written, if it is approved by 66.67% of shareholders. While we are generally skeptical of binding mandates, such as the one being proposed here, due to the lack of flexibility afforded to the board in its implementation of this request, we find the terms reasonable and believe that its adoption would provide for important protections for shareholders. Specifically, this proposal would ensure that shareholders would need to approve any limitations to their rights to submit shareholder proposals.

Glass Lewis believes that ensuring shareholders' ability to submit shareholder proposals serves to promote shareholder rights, as it allows shareholder proponents to potentially effect important and necessary change on matters of relevance to them. These proposals allow shareholders to register their views on matters of potential importance and also allow companies to gauge shareholders' views on the matters addressed by these proposals, which can serve as an important tool in broader shareholder engagement efforts.

We understand that, under the current SEC provisions governing shareholder proposals, investors with a nominal stake in a company can submit proposals. While theoretically, this could mean that there is a higher likelihood of proposals that only serve a narrow interest being advanced to companies' AGMs, in practice, smaller shareholders often raise matters that serve to protect the interests of all shareholders and, thus, often garner significant shareholder support. This is the case with the Company, where shareholder proposals that receive significant- and sometimes, majority- shareholder support were submitted by smaller shareholders who would not meet the 3% threshold addressed by TBOC provisions. Namely, proposals requesting the elimination of supermajority vote provisions and those requesting the declassification of the board, each of which received higher than 50% approval.

We understand that the relatively low thresholds required to submit a resolution can result in some shareholder

resolutions that serve a narrow interest and thus do not align with the interests or concerns of a broad shareholder base. However, in those instances, companies are allowed to disregard such requests following low shareholder support for those measures. Further, the SEC provides some protection to companies with respect to this issue, as shareholder resolutions must meet a specified level of support in order to be resubmitted in subsequent years. We, therefore, are not convinced that the adoption of a burdensomely high threshold to submit shareholder proposals is justified. For example, given the Company's current $1.3 trillion market cap, requiring 3% ownership to submit a shareholder proposal would require an investor to hold $39,000,000,000 in company shares. We view this ownership requirement as excessive, particularly given that shareholders are typically only required to hold $2,000 for a period of 3 years in order to submit these proposals.

With regard to the board's position on this matter, it appears to maintain the position that, because it has not adopted a provision limiting shareholders' ability to submit shareholder proposals, this proposal is unnecessary. However, should the Company be committed to not adopting such a provision, then the addition of this provision to its bylaws should have no meaningful effect, as it would only ensure that shareholders are consulted prior to it adopting a stricter standard for the submission of shareholder resolutions.

The board also emphasizes that this provision would institute a new supermajority vote requirement at the same time that the Company and shareholder proponents have proposed to remove these requirements. However, it should be noted that the board has not explicitly endorsed the removal of supermajority vote requirements and that similar proposals failed to receive requisite support from outstanding shareholders in 2019, 2021, and 2022. While these proposals received over 97% of votes cast in both 2019 and 2022, in 2021, the only other year the board determined not to endorse this resolution, it received an overwhelming number of abstentions, which is not commonly observed in these types of proposals at other companies (or at the Company when formally endorsed by the board). Moreover, it appears that uninstructed votes will not be counted for the purposes of the vote at this AGM, further lowering the chances that the proposal will receive the necessary levels of approval. As such, we do not believe that the supermajority vote required under this proposal is overly problematic or out of step with other provisions in the Company's governing documents.

Given the above, we believe that support for this proposal is warranted. Adoption of this proposal would have no meaningful effect unless the Company determines to adopt provisions that would significantly raise the requirement for shareholders to submit resolutions. In instances where a company seeks to limit the rights of its shareholders, we believe that shareholders should be consulted and that adoption of this proposal would appropriately provide for this consultation. Accordingly, we believe that shareholders should vote in favor of this proposal.

We recommend that shareholders vote **FOR** this proposal.

12.00: SHAREHOLDER PROPOSAL REGARDING BOARD DECLASSIFICATION

FOR

PROPOSAL REQUEST:	That all directors stand for election on an annual basis	**SHAREHOLDER PROPONENT:**	James McRitchie
BINDING/ADVISORY:	Precatory		
PRIOR YEAR VOTE RESULT (FOR):	54.1%	**REQUIRED TO APPROVE:**	Majority of votes cast

RECOMMENDATIONS, CONCERNS & SUMMARY OF REASONING:

FOR -
- The annual election of directors provides maximum accountability of directors to shareholders

GLASS LEWIS REASONING

- Empirical evidence has shown that classified boards may reduce the firm's value;
- The annual election of directors provides maximum accountability of directors to shareholders;
- An increasing number of major corporations have adopted a declassified board structure; and
- The ability to withhold votes from or vote against directors is a powerful mechanism through which shareholders may express dissatisfaction with company or director performance.

PROPOSAL SUMMARY

Text of Resolution: *RESOLVED: Tesla Inc. ("Company" or "Tesla") shareholders, including James McRitchie of CorpGov.net, ask that our Company take all steps necessary to reorganize the Board of Directors into one class with each director subject to election each year for a one-year term so that all directors are elected annually. The proposal can be implemented in one-year, a best practice, or can be phased in.*

Proponent's Perspective

- Fully 90% of S&P 500 companies have declassified boards;
- Annual elections are widely viewed as a best practice to make directors more accountable, thereby improving performance and increasing company value;
- A database providing the voting record of 24 shareholder resolutions to declassify boards during the period 2020 to November 1, 2024 showed that they averaged 74% support, and only one proposal out of seven was reported to have received less than 50% of the vote in 2024;
- A similar proposal from the proponent on this topic received 53% support at last year's annual meeting;
- 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 seats;
- Annual elections of each director give shareholders more leverage, so if the board approves excessive or poorly incentivized executive pay, shareholders can soon vote against the chair of the pay committee instead of waiting for three years;
- Shareholders cannot call special meetings or act by written consent, and changing many bylaw provisions requires a 66 2/3% vote;
- In its 2023 proxy, the board indicated it would propose amendments to eliminate supermajority voting requirements once shareholder participation reached at least 65%, and voter turnout was reported to be at 83% in 2024, so the board should present a proposal to eliminate supermajority voting requirements at the 2025 meeting; and
- The proponent expresses concern that the CEO's estimated percentage of "board influence" is 69%.

Board's Perspective

- Because the Company achieved a total shareholder participation rate of over 65% at the 2024 annual meeting, the board is delivering on its commitment and is now proposing a shareholder vote on eliminating supermajority voting requirements (Proposal 6);
- To the extent that Proposal 6 achieves the required threshold to pass, its amendments will become binding and would also unlock a gateway for the board and shareholders to adopt further shareholder-driven governance actions, including, without limitation, the declassification of the board, as may be appropriate in accordance with law;
- Because the board is submitting a binding proposal to eliminate supermajority voting provisions at the 2025 annual meeting, this is not the right time for the board and shareholders to move towards declassifying the board for a variety of reasons;
- Declassifying the board poses a risk to the Company's ability to maintain the long-term focus required to accomplish its mission, as a declassified board could increase the risk posed by special interests that prioritize short-term goals over long-term shareholder value creation;
- This proposal fails to account for a history of shareholder engagement and responsiveness to shareholder proposals by the board, including: (i) amending the bylaws of the Company to enable proxy access, (ii) recommending management proposals in past years to reduce director terms and eliminate applicable supermajority voting requirements, and (iii) proposing a shareholder vote on eliminating applicable supermajority voting requirements at the 2025 annual meeting consistent with the Company's prior proxy disclosures;
- The board maintains an active, year-round dialogue with the Company's shareholders and is committed to supporting the Company's efforts to enhance engagement; and
- The board continuously evaluates the Company's corporate governance structure, practices, and policies, and also weighs feedback from shareholders as well as the shareholder proposals that the Company has historically received for its annual meetings.

THE PROPONENT

James McRitchie is a shareholder activist with "decades of experience in management analysis, consulting, as an executive, regulator, and legislative advocate, as well as being a director on several corporate boards." In 1995, McRitchie founded corpgov.net in order to "provide news, commentary, and a network for those interested in transforming an arcane subject, discussed at a snail's pace in academia and by a few dozen practitioners, to a more practical discipline where knowledge is shared and put into practice by investors and corporations at closer to the speed of light."

Based on information from companies that disclosed their proponents, during the first half of 2025, McRitchie submitted six shareholder proposals that received an average of 47.2% support, with three of these proposals receiving majority support. Although McRitchie tends to focus his proposals on governance-related issues, in recent years, he has broadened his scope and has submitted proposals on a variety of environmental and social issues.

GLASS LEWIS ANALYSIS

Glass Lewis believes that classified boards (staggered boards) do not serve the best interests of shareholders. Empirical studies have shown that: (i) companies with classified boards may show a reduction in the firm's value; (ii) in the context of hostile takeovers, classified boards operate as a takeover defense, which entrenches management, discourages potential acquirers may deliver less return to shareholders; and (iii) companies with classified boards are less likely to receive takeover bids than those with single class boards. Glass Lewis also believes that the annual election of directors provides maximum accountability of directors to shareholders and requires directors to focus on the interests of shareholders.

Glass Lewis believes that, while the evidence regarding returns to shareholders in the event of a takeover bid is currently inconclusive, the negative impact of classified boards can be clearly seen in the decreased likelihood of bids made for companies with staggered boards. While the financial impact of shareholders' missing out on a bid is impossible to determine, let alone measure, Glass Lewis believes that shareholders would be best served by the removal of this barrier to potentially value-generating offers. Further, over the past several decades, companies have increasingly come to adopt a declassified board structure. According to the 2024 Spencer Stuart Board Index, 91% of boards have one-year terms, and the remaining 9% of boards have three-year terms.

In this case, we note that a similar proposal received 54% shareholder support at the Company's 2024 AGM. The board cites its supermajority voting provisions as an impediment to adoption of the terms of this majority-supported proposal. It states that, "this is not the right time for the Board and [its] shareholders to move towards declassifying the Board," as it is more appropriate to first enable shareholders to vote on whether its supermajority voting provisions should be eliminated, which could act as a "gateway for adopting further shareholder-driven governance actions." While we understand the Company's views on this matter, we also believe that support for this proposal is warranted at this time. Fundamentally, we believe that the ability to withhold votes from or vote against directors is a powerful mechanism through which shareholders may express dissatisfaction with company or director performance. When companies have classified boards, shareholders are restricted in exercising their right to voice opinions regarding the oversight exercised by all of their representatives. In such scenarios, director accountability is significantly compromised. Given the empirical evidence suggesting that classified boards reduce firm value and also reduce the likelihood of receiving a takeover offer, Glass Lewis believes that classified boards are not in the best interests of shareholders and that shareholders should continue to support this proposal.

We recommend that shareholders vote **FOR** this proposal.

13.00: SHAREHOLDER PROPOSAL REGARDING SIMPLE MAJORITY VOTE

FOR

PROPOSAL REQUEST:	That the Company eliminate its supermajority voting requirements	**SHAREHOLDER PROPONENT:**	John Chevedden
BINDING/ADVISORY:	Precatory		
PRIOR YEAR VOTE RESULT (FOR):	53.9%	**REQUIRED TO APPROVE:**	Majority of votes cast

RECOMMENDATIONS, CONCERNS & SUMMARY OF REASONING:

FOR -
- Supermajority vote requirements can impede shareholders' ability to approve ballot items that are in their interests

GLASS LEWIS REASONING

- We believe that support for this resolution would ensure that shareholders continue to signal the importance of eliminating these provisions in order to ensure the Company adopts and maintains important shareholder protections in the event that the management proposal fails to receive requisite support.

PROPOSAL SUMMARY

Text of Resolution: *Shareholders request that our board take each step necessary so that each voting requirement in our charter and bylaws (that is explicit or implicit due to default to state law) that calls for a greater than simple majority vote be replaced by a requirement for a majority of the votes cast for and against applicable proposals, or a simple majority in compliance with applicable laws. If necessary this means the closest standard to a majority of the votes cast for and against such proposals consistent with applicable laws. This includes making the necessary changes in plain English.*

Supporting Statement:

In order to determine whether the Tesla Board is now serious about adopting this important proposal topic it would be useful to shareholders for the Board of Directors to prepare a detailed report, omitting proprietary data, on the Board of Directors' expenses to proxy solicitors and other vendors to obtain the challenging supermajority approval requirement from all shares outstanding on this proposal topic when less such supermajority of Tesla shares typically cast ballots. This report need not be prepared if each next Tesla Board of Directors' proposal on this important topic receive the required supermajority vote.

At least such a preliminary report shall be included with the Item 5.07 filing within 4-days of the annual meeting and a final report shall be included in an Item 5.07 filing within 30-days of the annual meeting as part of this comprehensive simple majority vote proposal which has the objective of being adopted as a binding Tesla proposal.

Proponent's Perspective

- Shareholders are willing to pay a premium for shares of companies that have excellent corporate governance;
- Supermajority voting requirements have been found to be one of six entrenching mechanisms that are negatively related to company performance;
- Supermajority requirements can be used to block proposals that increase shareholder rights and are supported by most shareholders, but are opposed by an entrenched board;
- This proposal topic received 54% majority support at the Company in 2024;
- This proposal topic was previously approved by more than 50% of the Company's shareholders in 2020;
- The proponent expresses concern that the 2020 proposal on this topic was not adopted as a board-supported proposal in 2021; and
- It would be useful to shareholders for the board to prepare a detailed report, omitting proprietary data, on the board's expenses to proxy solicitors and other vendors to obtain supermajority approval requirement from all shares outstanding on this proposal topic when less such supermajority of Company shares typically cast ballots.

The proponent has filed an exempt solicitation urging support for this proposal.

Board's Perspective

- The board has considered this proposal and determined that it would not serve the best interests of the Company or its shareholders, particularly since the Company is already asking shareholders to vote on amendments to its governing documents to eliminate supermajority voting provisions under Proposal 6;
- If the amendments described in Proposal 6 are approved by the requisite vote of shareholders, the Company will remove the supermajority voting provisions in its certificate of formation and bylaws, making this proposal unnecessary;
- The prescriptive disclosures requested by this proposal are not a prudent use of management's time and resources or of shareholder capital;
- The requested disclosures (specifically, a "detailed report" on the Company's solicitation and vendor costs to be filed with the SEC within four days of its annual meeting) were not part of the prior proposals referenced by the proponent and create unnecessary and burdensome disclosures that potentially disadvantage the Company when compared to other companies, even ones that have received and adopted similar proposals;
- A report is unnecessary to highlight the extent of the Company's solicitation efforts, since the Company achieved a total shareholder participation rate of 72% at the 2024 annual meeting;
- This proposal is factually incorrect and misleading in its characterization of the outcome of prior shareholder proposals on this topic, as well as of the board's governance and prior

actions;
- As disclosed in the proxy materials distributed in connection with the 2023 annual meeting and the 2024 annual meeting, the board determined that once the Company had achieved a total shareholder participation rate of at least 65% at a shareholder meeting, the board would again propose amendments to eliminate supermajority voting requirements; and
- Because the Company achieved a total shareholder participation rate of over 65% at the 2024 annual meeting, the board has delivered upon its commitment and is now proposing a shareholder vote on amendments under Proposal 6 at this year's annual meeting.

THE PROPONENT

John Chevedden

The proponent of this proposal is John Chevedden. Based on information from companies that disclosed their proponents, during the first half of 2025, John Chevedden submitted 178 shareholder proposals that received an average of 35.7% support, with 38 proposals receiving majority support.

John Chevedden is a former aerospace employee who has pursued shareholder activism for decades. He is reported to be the leading proponent of shareholder proposals in the U.S. annually. While his focus has long been on corporate governance, recent reports suggest he has taken on a focus on social issues, as well. In the 2025 season, in addition to submitting governance-related proposals (such as those requesting companies eliminate supermajority vote provisions or adopt a special meeting right), Chevedden submitted several proposals regarding companies' lobbying efforts and political contributions, among other things.

GLASS LEWIS ANALYSIS

As discussed in our analysis of Proposal 6, the Company is currently proposing to eliminate its supermajority voting provisions. Generally, we would recommend that shareholders not support a shareholder proposal with a similar request. However, as detailed in Proposal 6, we have concerns regarding the Company's responsiveness to this matter. As detailed in our analysis of that proposal, we are concerned that the board has not recommended that shareholders vote in favor of the management-sponsored proposal to eliminate its supermajority vote provisions and the implications for this lack of a formal endorsement of the resolution. As such, we believe that support for this resolution would ensure that shareholders continue to signal the importance of eliminating these provisions in order to ensure the Company adopts and maintains important shareholder protections in the event that the management proposal fails to receive requisite support. As such, we believe shareholders should vote in favor of this proposal at this time.

We recommend that shareholders vote **FOR** this proposal.

14.00: SHAREHOLDER PROPOSAL REGARDING SHAREHOLDER APPROVAL OF RESTRICTIONS ON THE SUBMISSION OF SHAREHOLDER PROPOSALS

FOR

PROPOSAL REQUEST:	That the board seek shareholder approval before adopting any bylaw amendment, as stated below	**SHAREHOLDER PROPONENT:**	Newground Social Investment on behalf of Eric and Emily Johnson and Bryce Mathern
BINDING/ADVISORY:	Precatory		
PRIOR YEAR VOTE RESULT (FOR):	N/A	**REQUIRED TO APPROVE:**	Majority of votes cast

RECOMMENDATIONS, CONCERNS & SUMMARY OF REASONING:

FOR -
- Adoption would ensure shareholders are consulted before their rights are limited

GLASS LEWIS REASONING

- Adoption of this proposal would ensure that shareholders would be consulted before limitations were placed on their rights to submit shareholder proposals.

PROPOSAL SUMMARY

Text of Resolution: *RESOLVED: Shareholders request that the Board seek shareholder approval before adopting any bylaw amendment that sets ownership thresholds or solicitation requirements for shareholder proposals above those specified in Rule 14a 8 of the Securities Exchange Act of 1934.*

Proponent's Perspective

- In 2025, Texas enacted SB 1057, which allows Texas-registered corporations and corporations listed on the Texas stock exchange to impose significantly higher thresholds to file a shareholder proposal than those set by the SEC under Rule 14a-8;
- As pre-conditions for submitting a proposal, the Company may now require that a shareholder or a group of shareholders must: (i) hold at least 3% of outstanding shares (in the Company's case, roughly $30 billion), or (ii) at least $1 million in Company voting shares, and (iii) solicit support from 67% of shareholders ;
- Of particular concern, the Company can impose these requirements without a shareholder vote, simply by issuing a notice, which allows management to override SEC rules and long-established shareholder rights without consent;
- The $1 million ownership threshold would disqualify the vast majority of shareholders from ever submitting a proposal, even on matters involving significant material risk;
- According to the Federal Reserve, in 2022 the median U.S. household retirement account held just $87,000, and a $1 million ownership requirement would force such shareholders to concentrate 100% of their savings in a single stock and then coordinate (aggregate) with roughly a dozen other shareholders doing the same, which is not reasonable or safe;
- Such ownership thresholds would exclude both individual and many institutional investors, silencing investor voices to the detriment of the Company's entire shareholder base;
- The right to file a shareholder proposal is foundational, part of the bundle of ownership rights that ensures accountability and transparency between shareholders and their companies;
- Proposals have alerted boards and shareholders alike to emerging and material risks, and a preponderance of these were filed by shareholders with modest holdings, or those who would be entirely excluded under a $1 million threshold; and
- Shareholder proposals have consistently proven to be a low-cost, high-value tool for companies to better understand and manage material risks.

Board's Perspective

- The proponents seek to restrict the board's ability to adopt bylaw amendments and to nimbly respond to novel and evolving corporate law developments;
- The proponents are focused on the new Section 21.373 of the Texas Business Organizations Code ("TBOC"), which became effective on September 1, 2025, and which authorizes Texas companies to adopt bylaws that impose heightened ownership requirements on shareholders seeking to submit proposals compared to the thresholds set forth in SEC Rule 14a-8;
- Although the board adopted amended and restated bylaws after several of the changes by the Texas legislature became effective in May 2025, it has not adopted the bylaw permitted by Section 21.373 of the TBOC, so the proponents are using a blunt instrument, meaning limitations on the board's ability to amend the Company's bylaws, to address an issue that is premature and nascent;
- Corporate laws and regulations are rapidly shifting, and in addition to the recent changes in Texas corporate law, there have also been significant recent updates to Delaware's and other states' corporate laws, and the extent to which these changes will impact corporate governance practices remains to be seen;
- The presence of multiple shareholder proposals in this proxy statement, which outline different approaches regarding Section 21.373 of the TBOC, highlights the importance of board flexibility;
- The board has consistently demonstrated its commitment to shareholders' ability to communicate with the Company or with each other, and the proponents do not cite any action taken by the Company to curtail shareholder proposals;
- The Company has clearly outlined how shareholders can submit proposals consistent with the law and the Company's bylaws, and the board maintains an active, year-round dialogue with shareholders to ensure the board and management understand and consider the issues that matter most to the Company's shareholders;
- The Company provides multiple avenues for shareholder engagement, including the Tesla Shareholder Platform;
- The board and management from time to time seek input from the Company's shareholders when considering important corporate actions, including consideration of, and responses to, shareholder proposals that involve corporate governance and alignment with shareholder interests; and
- The board intends to remain responsive on issues that matter to

a meaningful portion of the Company's shareholder base.

THE PROPONENT

Newground Social Investment

Newground Social Investment is a registered investment advisor, which states it was among the first to practice active shareholder engagement. It states that in 2012, Newground became the first Social Purpose Corporation, changing its corporate charter to codify commitments to environmental sustainability, workers, the community, and society at large. Newground notes that it seeks "to transform corporate behavior for the benefit of people, planet and the common good." It states its mission is "to harness the power of business for good - in service to [its] clients' long-term financial needs as well as to the human yearning for strong and resilient communities, a healthy environment, and a robust, sustainable, and locally-determined economy." As of December 31, 2024, Newground managed, on a discretionary basis, approximately $144 million in AUM.

Based on the disclosure provided by companies, during the first half of 2025, Newground Social Investment submitted one shareholder proposal that received 24.7% support, excluding abstentions and broker non-votes.

GLASS LEWIS ANALYSIS

This proposal requests that the board seek shareholder approval before adopting any bylaw amendment that sets ownership thresholds or solicitation requirements for shareholder proposals above those specified in Rule 14a-8 of the Securities Exchange Act of 1934. As part of its rationale for this proposal, the proponent expresses concern that the state of Texas enacted SB 1057 in 2025, which allows some Texas companies to impose significantly higher thresholds to file a shareholder proposal than those set by the SEC under Rule 14a-8. For more information on this topic, please see our analysis of Proposal 11.

This proposal has a similar request to that of Proposal 11. However, unlike that proposal, this resolution is non-binding in nature and also does not specify that supermajority shareholder approval is required in order for these changes to be effected by the Company. We believe that support for both of these proposals is warranted. We believe that shareholders should send a strong message that they should be consulted prior to their rights being limited. We believe that adoption of this proposal would provide an important protection for shareholders in this regard. As such, we believe support for this resolution is warranted.

We recommend that shareholders vote **FOR** this proposal.

COMPETITORS / PEER COMPARISON

	TESLA, INC.	GENERAL MOTORS COMPANY	FORD MOTOR COMPANY	JPMORGAN CHASE & CO.
Company Data (MCD)				
Ticker	TSLA	GM	F	JPM
Closing Price	$435.15	$57.80	$11.76	$305.69
Shares Outstanding (mm)	3,325.2	952.1	3,979.9	2,722.2
Market Capitalization (mm)	$1,446,939.4	$55,030.1	$46,803.2	$832,149.3
Enterprise Value (mm)	$1,445,244.4	$180,194.1	$192,515.2	$1,624,004.3
Latest Filing (Fiscal Period End Date)	06/30/25	06/30/25	06/30/25	06/30/25
Financial Strength (LTM)				
Current Ratio	2.0x	1.2x	1.1x	-
Debt-Equity Ratio	0.17x	2.00x	3.55x	0.00x
Profitability & Margin Analysis (LTM)				
Revenue (mm)	$92,720.0	$187,600.0	$185,250.0	$163,748.0
Gross Profit Margin	17.5%	11.0%	7.2%	-
Operating Income Margin	6.2%	5.5%	1.6%	44.3%
Net Income Margin	6.3%	2.5%	1.7%	34.5%
Return on Equity	8.2%	7.0%	7.2%	16.2%
Return on Assets	3.0%	2.3%	0.6%	1.3%
Valuation Multiples (LTM)				
Price/Earnings Ratio	255.9x	9.2x	14.9x	15.0x
Total Enterprise Value/Revenue	15.6x	1.0x	1.0x	9.9x
Total Enterprise Value/EBIT	252.8x	17.3x	66.6x	-
Growth Rate* (LTM)				
5 Year Revenue Growth Rate	29.2%	10.1%	7.3%	11.0%
5 Year EPS Growth Rate	66.8%	42.6%	-	21.1%
Stock Performance (MCD)				
1 Year Stock Performance	96.6%	17.9%	6.6%	36.7%
3 Year Stock Performance	112.3%	75.7%	0.8%	174.9%
5 Year Stock Performance	196.9%	72.8%	53.3%	201.1%

Source: Capital IQ

MCD (Market Close Date): Calculations are based on the period ending on the market close date, 10/16/25.
LTM (Last Twelve Months): Calculations are based on the twelve-month period ending with the Latest Filing.
*Growth rates are calculated based on a compound annual growth rate method.
A dash ("-") indicates a datapoint is either not available or not meaningful.

VOTE RESULTS FROM LAST ANNUAL MEETING JUNE 13, 2024

Source: 8-K (sec.gov) dated June 14, 2024

RESULTS

NO.	PROPOSAL	FOR	AGAINST/WITHHELD	ABSTAIN	GLC REC
1.1	Elect James Murdoch	67.89%	30.76%	1.35%	For
1.2	Elect Kimbal Musk	78.52%	20.30%	1.18%	Against
2.0	Advisory Vote on Executive Compensation	79.42%	19.46%	1.12%	For
3.0	Redomestication from Delaware to Texas	86.61%	12.72%	0.67%	Against
4.0	Approval of Stock Option Award to Elon Musk	76.90%	23.10%	0.00%	Against
5.0	Ratification of Auditor	96.21%	2.50%	1.29%	For

SHAREHOLDER PROPOSALS*

NO.	PROPOSAL	FOR	AGAINST	GLC REC
6.0	Shareholder Proposal Regarding Board Declassification	54.11%	45.89%	For
7.0	Shareholder Proposal Regarding Simple Majority Vote	53.93%	46.07%	For
8.0	Shareholder Proposal Regarding Report on Effectiveness of Workplace Harassment and Discrimination Policies	31.54%	68.46%	For
9.0	Shareholder Proposal Regarding Freedom of Association Policy	20.60%	79.40%	For
10.0	Shareholder Proposal Regarding Report on Electromagnetic Radiation	3.75%	96.25%	Against
11.0	Shareholder Proposal Regarding Linking Executive Compensation to Sustainability Metrics	10.17%	89.83%	Against
12.0	Shareholder Proposal Regarding Deep-Sea Mined Minerals in the Supply Chain	7.70%	92.30%	Against

*Abstentions excluded from shareholder proposal calculations.

APPENDIX

QUESTIONS

Questions or comments about this report, GL policies, methodologies or data? Contact your client service representative or go to www.glasslewis.com/public-company-overview/ for information and contact directions.

DISCLAIMERS

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PARTNER INSIGHTS

The pages following this appendix are included with this Proxy Paper report for informational purposes only. They contain data and insights produced by Glass Lewis' strategic business partners and none of the information included therein is a factor in Glass Lewis' analyses or vote recommendations.

About ESG Book

ESG Book is a global leader in sustainability data and technology. Launched in 2018, the company offers a wide range of sustainability-related data, scoring, and technology products that are used by many of the world's leading investors and companies. Covering over 35,000 companies, ESG Book's product offering includes ESG raw data, company-level and portfolio-level scores and ratings, analytics tools, and a SaaS data management and disclosure platform. ESG Book's solutions cover the full spectrum of sustainable investing including ESG, climate, net-zero, regulatory, and impact products. Read more on: www.esgbook.com.

SUSTAINALYTICS ESG PROFILE

ESG Risk Rating

Negligible | Low | **Med** | High | Severe

All data and ratings provided by:

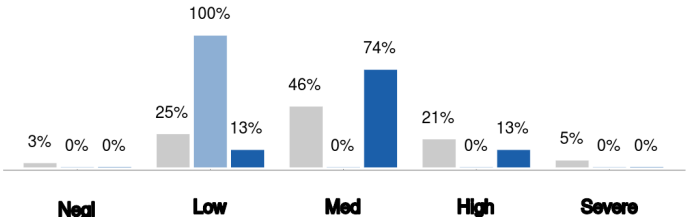
SUSTAINALYTICS

Data Received On: **September 25, 2025**

Rating Overview

The company is at medium risk of experiencing material financial impacts from ESG factors, due to its medium exposure and average management of material ESG issues. The company is noted for its strong corporate governance performance, which is reducing its overall risk. The company is noted for its strong stakeholder governance performance, which is reducing its overall risk. Despite its management policies and programmes, the company has experienced a high level of controversies.

ESG Risk Rating Distribution



Relative Performance

	Rank*	Percentile*
Global Universe	5797 of 14416	**41st**
Automobiles (Industry Group)	25 of 84	**30th**
Automobiles (Subindustry)	12 of 71	**17th**

** 1st = lowest risk*

Exposure to ESG Risk

Low | **Medium** | High

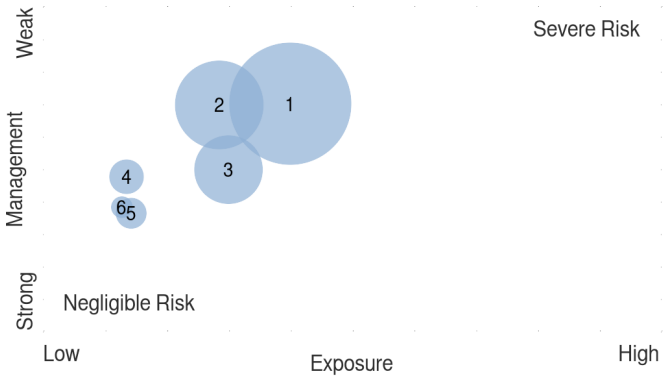
Management of ESG Risk

Strong | **Average** | Weak

Top Material Issues

		ESG Risk Rating
	1 Product Governance	Med
3	2 Human Capital	Med
	3 Business Ethics	Low
	4 Water Use - Supply Chain	Negl
	5 Human Rights - Supply Chain	Negl
	6 Carbon - Own Operations	Negl

= Noteworthy Controversy Level



Risk Details

Exposure	
Company Exposure	The company's sensitivity or vulnerability to ESG risks.
Management	
Manageable Risk	Material ESG risk that can be influenced and managed through suitable policies, programmes and initiatives.
Managed Risk	Material ESG risk that has been managed by a company through suitable policies, programmes or initiatives.
Management Gap	Measures the difference between material ESG risk that could be managed by the company and what the company is managing.
Unmanageable Risk	Material ESG risk inherent in the products or services of a company and/or the nature of a company's business, which cannot be managed by the company.
ESG Risk Rating	
Overall Unmanaged Risk	Material ESG risk that has not been managed by a company, and includes two types of risk: unmanageable risk, as well as risks that could be managed by a company through suitable initiatives but which may not yet be managed.

NOTEWORTHY CONTROVERSIES

SEVERE

The Event has a severe impact on the environment and society, posing serious business risks to the company. This category represents exceptional egregious corporate behavior, high frequency of recurrence of incidents, very poor management of ESG risks, and a demonstrated lack of willingness by the company to address such risks.

- **No severe controversies**

HIGH

The Event has a high impact on the environment and society, posing high business risks to the company. This rating level represents systemic and/or structural problems within the company, weak management systems and company response, and a recurrence of incidents.

- **No high controversies**

SIGNIFICANT

The Event has a significant impact on the environment and society, posing significant business risks to the company. This rating level represents evidence of structural problems in the company due to recurrence of incidents and inadequate implementation of management systems or the lack of.

- **Labour Relations**

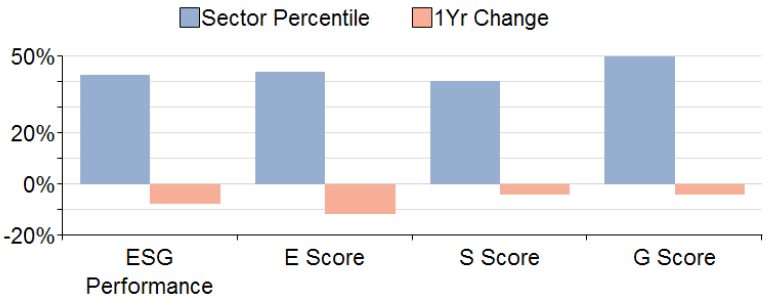
NO PRODUCT INVOLVEMENT

* Range values represent the percentage of the Company"s revenue. N/A is shown where Sustainalytics captures only whether or not the Company is involved in the product.

DISCLAIMER

ESG BOOK PROFILE

Summary of ESG Performance Score



All data and ratings provided by:

esgbook

www.esgbook.com

Country:	United States
Sector:	Consumer Durables
Industry:	Motor Vehicles
Data Received:	2025-09-29

ESG Performance Score Details

The ESG Performance Score provides investors and corporates with a systematic and comprehensive sustainability assessment of corporate entities. The score measures company performance relative to salient sustainability issues across the spectrum of environmental, social and governance. The score is driven by a sector-specific scoring model that emphasises financially material issues, where the definition of financial materiality is inspired by the Sustainability Accounting Standards Board (SASB). For more detail please see the ESG Performance Score methodology here.

ESG Performance Score	
Absolute Score	51.3
Sector Percentile	42.8%
1 Year Change	-7.6%
2 Year Change	-5.4%
3 Year Change	5.5%

	Environmental	Social	Governance
Score	53.2	48.9	51.1
Weight	45.1%	34.1%	20.9%
Sector Percentile	44.1%	40.6%	49.8%
1 Year Change	-11.5%	-3.8%	-4.1%

Risk Score Details

The Risk Score provided by ESG Book assesses company exposures relative to universal principles of corporate conduct defined by the UN's Global Compact. The score is accompanied by a transparent methodology and full data disclosure, enabling users to comprehend performance drivers, explain score changes, and explore associated raw data. Tailored for both investors and corporates, it serves as a universe selection tool for investors identifying companies more exposed to critical sustainability issues, while corporates can use it to assess their exposures, conduct peer comparisons, and pinpoint disclosure gaps. For more detail please see the risk score methodology user guide here.

Risk Score	
Absolute Score	68.7
Sector Percentile	94.6%
1 Year Change	-4.6%
2 Year Change	-6.3%
3 Year Change	8.0%

	Human Rights	Labour Rights	Environment	Anti-corruption
Score	63.8	78.2	72.5	60.2
Weight	25.0%	25.0%	25.0%	25.0%
Sector Percentile	91.4%	92.7%	81.8%	85.6%
1 Year Change	-2.3%	-2.8%	-7.1%	-6.0%

Business Involvements - Over a 5% Revenue Threshold

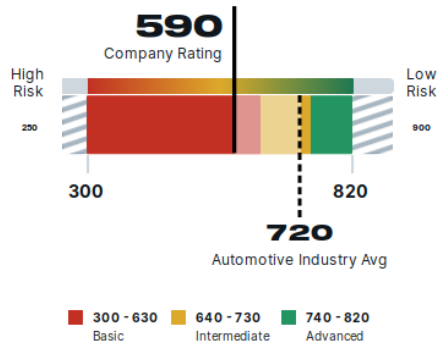
ESG Book has not found any business involvements for the Company that exceed a 5% revenue threshold.

BITSIGHT CYBERSECURITY RATING PROFILE

Tesla Group

COMPARATIVE INDUSTRY:
Automotive

Bitsight Security Rating



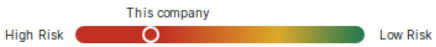
Risk of Ransomware

This company is **6.4x more vulnerable to ransomware** than companies rated 750+

Source: Link to Research

Risk of Security Incidents

This company is **3.2x more vulnerable to security incidents** than companies rated 750+



Source: Link to Research

What is a BitSight Security Rating?

BitSight Security Ratings are a measurement of a company's security performance over time. BitSight Security Ratings are generated through the analysis of externally observable data, leveraging BitSight's proprietary techniques to identify the scope of a company's entire digital footprint. BitSight continuously measures security performance based on evidence of compromised systems, diligence, user behavior, and data breaches to provide an objective, evidence-based measure of performance. This data-driven approach requires no cooperation from the rated company. The Rating is representative of the cybersecurity performance of an entire company, including its subsidiaries, business units, and geographic locations.

EXECUTIVE REPORT

All data and ratings provided by:

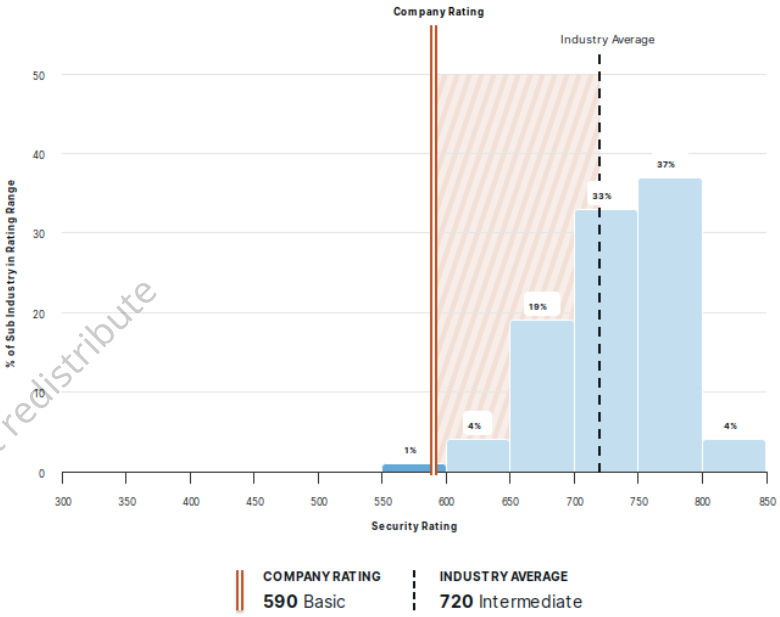
BITSIGHT

Data Received on: **Oct 17, 2025**

PEER ANALYTICS

This compares a company against its industry:

TOTAL COMPANIES	INDUSTRY RATING
9,914	**Bottom 1% of the industry**

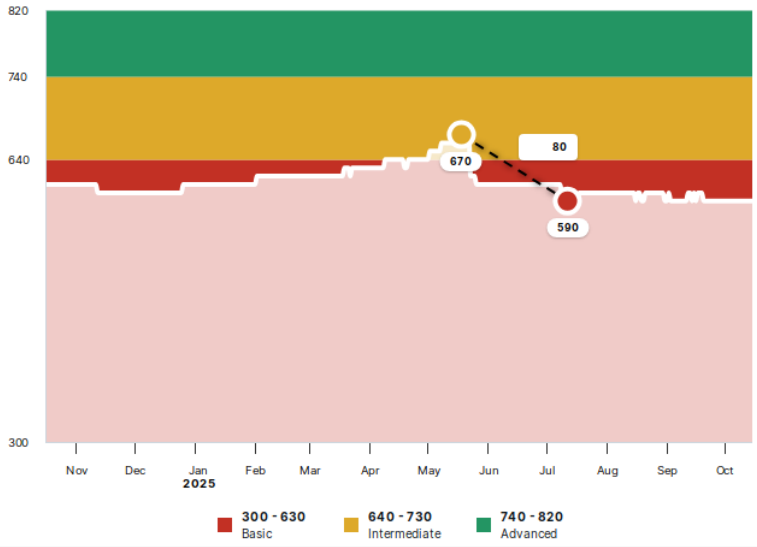


COMPANY RATING	INDUSTRY AVERAGE
590 Basic	**720** Intermediate

PERFORMANCE OVER THE LAST 12 MONTHS

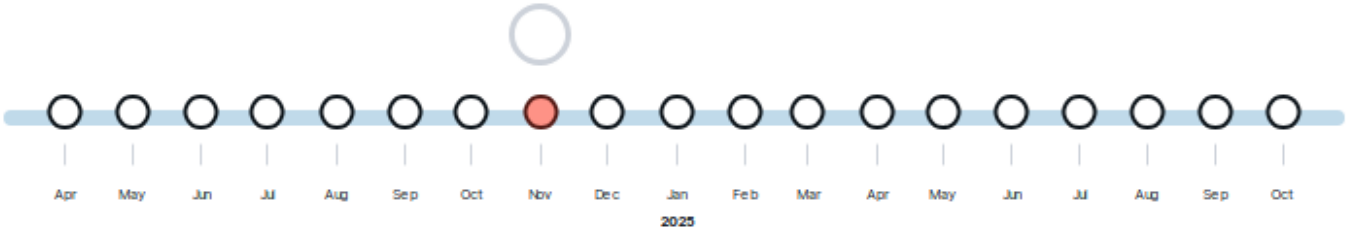
This rating change graph includes all rating changes events, including but not limited to, publicly disclosed security events.

HIGHEST	LOWEST
670 on May 18, 2025	**590** on Jul 12, 2025



PUBLICLY DISCLOSED SECURITY INCIDENTS THE LAST 18 MONTHS

Security incidents are publicly disclosed events of unauthorized access, often involving data loss or theft. These events are graded based on several factors, including the number of data records lost or exposed.



General Security Incident **Severity: Informational** 1/4 **Public Discovery on Nov 24, 2024**

Tesla Inc.—a subsidiary of Tesla Group: NumoCity systems were accessed by an unauthorized third party. Later on, the hackers published the data of an unknown number of individuals online.

ADDITIONAL INFORMATION

Security Rating Overview

BitSight Security Ratings are a measurement of a company's security performance over time. BitSight Security Ratings are generated through the analysis of externally observable data, leveraging BitSight's proprietary techniques to identify the scope of a company's entire digital footprint. BitSight continuously measures security performance based on evidence of compromised systems, diligence, user behavior, and data breaches to provide an objective, evidence-based measure of performance. This data-driven approach requires no cooperation from the rated company. The Rating is representative of the cybersecurity performance of an entire company, including its subsidiaries, business units, and geographic locations.

In some cases, a company may designate one or more subsidiaries, business units or locations as representative of the company's overall digital footprint. In these cases, BitSight flags those companies in its reports as a Primary Rating, meaning that the company has undertaken this optional step in further articulating its digital footprint.

Companies often use Primary Ratings to exclude parts of their digital infrastructure that may not be useful in describing their cyber risk and resulting security posture. As examples, Primary Ratings often exclude guest wireless networks, security test environments, or networks used for customer hosting. BitSight does not validate Primary Ratings or whether the digital assets organizations exclude in creating Primary Ratings are properly excluded, nor does it validate the predictive quality of Primary Ratings. Go to this web page for more information about Primary Ratings.

BitSight rates companies on a scale of 250 to 900, with 250 being the lowest measure of security performance and 900 being the highest. A portion of the upper and lower edge of this range is currently reserved for future use. The effective range as of this report's generation is 300-820. Go to this web page to learn more about how BitSight security ratings are calculated.

Rating Algorithm Update (RAU)
BitSight periodically makes improvements to its ratings algorithm. These updates often include new observation capabilities, enhancements to reflect the rapidly changing threat landscape, and adjustments to further increase quality and correlation with business outcomes. BitSight's Rating and Methodology Governance Board governs these changes so that they adhere to BitSight's principles and policies. BitSight also has a Policy Review Board which reviews and arbitrates customer disputes associated with its ratings. More information about the Policy Review Board and its cases can be found here. Additionally, BitSight provides a preview of ratings algorithm changes customers (and what the likely impact will be) well before they affect the the live ratings, inviting comments and feedback on these changes.

Publicly Disclosed Security Incidents
The Security Incidents risk vector involves a broad range of events related to the unauthorized access of a company's data. BitSight collects information from a large number of verifiable sources such as news organizations and regulatory reports obtained via Freedom of Information Act requests or local analogs. This risk vector only impacts BitSight Security Ratings if a confirmed incident occurs. For more information about publicly disclosed security incidents and how BitSight ratings are calculated, please go here.

Disclaimer