Letter to Shareholders

Dear Fellow Shareholders,

Given your overwhelming support at last year's shareholder meeting, we have now aligned our corporate home with our operational home in the State of Texas. It is clear to us that moving to Texas was the right choice for Tesla and for all of you. Here, we benefit from a corporate governance framework that enables boards to listen to, and act in accordance with, the will of shareholders, keeps them accountable to shareholders, and facilitates the bold decision-making necessary to drive extraordinary innovation. We have a platform for our big ideas and even bigger ambitions to grow and evolve, culminating in a revolutionary vision for humanity's future and Tesla's role in bringing that future to life.

In our first year as a Texas corporation, Tesla delivered in a wide range of areas. To name just a few: we delivered our 8 millionth vehicle, deployed more than 37 GWh of energy storage from Q3 2024 through the end of Q2 2025 and launched our new Model Y in four factories across three continents. At the same time, in June of this year, we launched our first Robotaxis in the streets of Austin, Texas, and, in July of this year, signed a landmark deal with Samsung to facilitate future chip production nearby. In addition, the Board has taken meaningful steps toward delivering on our past compensation deal with Elon, which you, our shareholders, have previously — and overwhelmingly — approved twice, by granting him the 2025 CEO Interim Award. Now, we are laying the foundation for our next decade of growth by rolling out our ambitious vision and securing our leadership to deliver against that vision.

Sustainable Abundance: A Singular Vision for Our Collective Future

A few days ago, Elon unveiled an inspiring next chapter for Tesla with Master Plan, Part IV, which is focused on creating a Sustainable Abundance for all. While these ambitions are tailored for a new age of transformational real-world technologies powered by AI, the foundational ideals upon which they are built are the same ones that gave rise to the first Master Plan that Elon unveiled almost 20 years ago. We are, and have always been, a company that thinks bolder, acts faster and strives for a better future. Master Plan, Part IV builds on that, by reimagining labor, mobility and energy and bringing AI into the physical world through products and services like FSD, Optimus and Robotaxi.

Growth that may seem impossible today can be unlocked with new ideas, better technology and greater innovation. By introducing innovative and affordable technologies at scale, Tesla can help bring about a society that democratizes autonomous goods and services. As a result, Sustainable Abundance represents a long-term vision, putting us at a critical inflection point not just as a company, but as a society.

We believe that Elon's singular vision is vital to navigating this critical inflection point. We also recognize the formidable nature of this undertaking and as a result, the importance of having a leader who is not only willing and capable but eager to meet this challenge.

Simply put, retaining and incentivizing Elon is fundamental to Tesla achieving these goals and becoming the most valuable company in history. So, the Board appointed us to establish a special committee of the Board, and thereafter we began a rigorous, seven-month process that involved evaluating numerous novel compensation structures designed to align extraordinary long-term shareholder value with incentives that will drive peak performance from our visionary leader. Now, we are building upon the chassis of the wildly successful performance and shareholder value Elon delivered under the innovative 2018 CEO Performance Award program and have customized it for today's Tesla to create a better world for everyone, including you, our shareholders.

A Super Ambitious Incentive Package for a Pioneering, Ambitious and Unique CEO

Last month, when we delivered the news about the Interim Award, we told you that our work was ongoing. We have since concluded a robust process and are ready to unveil a longer-term CEO compensation strategy. Based on our recommendations as the special committee, the Board, with Elon and Kimbal recusing themselves, have unanimously recommended that you as shareholders:

1. Approve an amendment and restatement of Tesla's 2019 Equity Incentive Plan that would:
    a. provide a special share pool to empower the Board to fulfill our promises to Elon for what he is still owed under the 2018 CEO Performance Award; and
    b. replenish the employee incentive pool by 60,000,000 shares, so that Tesla may continue to attract and retain our amazing employees in this unprecedented time of talent competition.
2. Approve a new 2025 CEO Performance Award that uniquely challenges Elon to guide Tesla through a new phase of unprecedented growth by rewarding him — only if he delivers (once again) extraordinary financial returns for you, the shareholders, and remains at Tesla in a leadership role for many years to come.

The 2025 CEO Performance Award: Learning from Our Past, Building Towards a More Profitable Future for Tesla and a Better Future for Us All

Tesla does not currently have a long-term CEO performance award in place to retain and incentivize Elon to focus his energies on Tesla and lead us through this pivotal moment in our history. It's time to change that.

We're asking you to approve the 2025 CEO Performance Award. In designing the new performance award, we explored numerous alternatives. Ultimately, the new award aims to build upon the success of the 2018 CEO Performance Award framework, which ensured that Elon was only paid for performance delivered and incentivized to guide Tesla through a period of meteoric growth. The 2025 CEO Performance Award similarly challenges Elon to again meet a series of even more aspirational goals, including operational milestones focused on reaching Adjusted EBITDA targets (thresholds that are up to 28 times higher than the 2018 CEO Performance Award's top Adjusted EBITDA milestone) and rolling out new or expanded product offerings (including 1 million Robotaxis in commercial operation and delivery of 1 million AI Bots), all while growing the company's market capitalization by *trillions* of dollars.

Yes, you read that correctly: **in 2018, Elon had to grow Tesla by billions; in 2025, he has to grow Tesla by trillions — to be exact, he must create nearly $7.5 trillion in value for shareholders for him to receive the full award.**

In addition to these unprecedented performance milestones, the 2025 CEO Performance Award also includes innovative structural features, born out of the special committee's considered analysis, and extensive shareholder feedback. These features include supercharged retention (at least seven and a half years and up to 10 years to vest in the full award), structural protections to minimize stock price volatility due to administration of this award and, thereafter, incentives for Elon to participate in the Board's continued development of a framework for long-term CEO succession. If Elon achieves all the performance milestones under this principle-based 2025 CEO Performance Award, his leadership will propel Tesla to become **the most valuable company in history.**

Vote for the Board of Directors Team and Governance Framework Designed for Success and Protective of Shareholder Rights

This year has also seen Tesla achieve meaningful corporate governance milestones, including the addition of a new independent director and Audit Committee member, Jack Hartung, whose wealth of complex public company expertise strengthens and complements a Board positioned to handle the challenges facing Tesla. Meanwhile, as we always have, we are listening *and responding* to our shareholders and this year's proxy includes a host of governance updates, numerous shareholder proposals as well as a management proposal to eliminate supermajority voting requirements.

While we believe Elon is the only person capable of leading Tesla at this critical inflection point, changing the world is neither an overnight process nor the work of a single person. So, we also want your help in securing the team and strategy needed to achieve goals that others will perceive as impossible but that we know are possible for Tesla. Accordingly, we have put forward a slate of proposals intended to create the conditions Tesla needs for its next phase of transformative growth, from director reelections to proposals from our shareholders.

The directors up for reelection this year include three extremely talented and experienced members of our Board: Ira Ehrenpreis, Joe Gebbia and Kathleen Wilson-Thompson. These extraordinary directors bring a wealth of experience, insights and visions to the team.

- Ira has tirelessly served as a fortifying leader and mentor, helping steer Tesla through previous phases of exceptional growth and challenge while leading Tesla's implementation of a governance framework designed for success — something we know he is best positioned to do in this next phase of growth.
- Joe is a visionary tech founder himself, leading Airbnb — one of the most successful tech companies — from startup to public company, making it a household name with worldwide operations.
- Kathleen has brought her decades of world-class public-company executive experience, including as an HR professional, to the forefront of our most challenging governance matters over the past two years, serving on both this year's special committee and last year's special committee, making her a vital voice as we navigate new challenges and opportunities.

This mix of skills is what makes our Board so adept at navigating uncharted territory, and what we believe will be crucial to overcoming these exciting but challenging opportunities.

But the real reason Tesla has been so successful is the fact that our best team members are all of you. Tesla has the most engaged shareholders of any public company. We are in Texas because it provides a more predictable corporate governance framework that allows us to hear from you as the people who know Tesla best — those who have actual stakes in the future of Tesla.

On this basis, our proxy statement contains a number of shareholder proposals. Our Board has included its views, and we look forward to discussing them with you.

As the Special Committee of the Board, we appreciate your time and scrutiny and understand that your decisions at this year's meeting are among the most important choices that we have ever asked of you, our shareholders:

- Will you choose, again, to retain and incentivize Elon to lead Tesla through our next chapter?
- Will you provide Elon with the right Tesla board members to work alongside him, pursuing the worthy and world-reshaping ambitions of Master Plan, Part IV?
- Will you support Tesla on a pathway to becoming the most valuable company in history?

While these questions are simple, your answers will have a profound impact on the future of Tesla and the world we live in.

Thank you for your continued support of Tesla.

Very truly yours,

Robyn Denholm & Kathleen Wilson-Thompson

Members of the Special Committee of the Board of Directors