Triodos Investment Management

TESLA MOTORS INC

MEETING DATE	Tue, 06 Jun 2017 14:30 pm	TYPE	AGM	ISSUE DATE	Fri, 19 May 2017
MEETING LOCATION	Computer History Museum , 1401 N. Shoreline Blvd., Mountain View, CA 94043 OR www.tesla.com/2017shareholdermeeting				
CURRENT INDICES	PIRC Global				
SECTOR	Motor vehicles and passenger car bodies				

	PROPOSALS	ADVICE
1.01	**Re-elect Brad W. Buss** Non-Executive Director. Not considered independent as he is the former CFO of SolarCity, where Mr. Musk, the Company's CEO and Chairman, served as Chairman until its acquisition by the Company in November 2016. There is insufficient independent representation on the Board.	**Oppose**
1.02	**Re-elect Robyn M. Denholm** Independent Non-Executive Director. She is chair of the Audit committee which is not fully independent which Triodos does not support.	**Oppose**
1.03	**Re-elect Stephen T. Jurvetson** Non-Executive Director. Not considered independent as he is a managing director of Draper Fisher Jurvetson ("DFJ"). Through its funds, DFJ is a significant stockholder of SpaceX and Mr. Jurvetson is a director of SpaceX. Tesla and certain Tesla directors have relationships with SpaceX. There is insufficient independent representation on the Board.	**Oppose**
2	**Advisory Vote on Executive Compensation** The Company has submitted a proposal for shareholder ratification of its executive compensation policy and practices. The voting outcome for this resolution reflects the balance of opinion on the adequacy of disclosure, the balance of performance and reward and the terms of executive employment. The Company does not have a fixed annual bonus programme nor does it offer a long-term incentive programme. The Executives are granted one-off equity awards and bonuses on a discretionary basis. Mr McNeill was the only Executive to receive a cash bonus during the year, which was determined by the achievement of specific customer-related metrics. Equity can be awarded in the form of stock options and stock awards. The Company does not have an established set of criteria for granting equity awards; instead the Compensation Committee exercises its judgement and discretion, in consultation with the Chief Executive Officer, and considers, among other things, the role and responsibility of the named executive officer, competitive factors, the amount of stock-based equity compensation already held by the named executive officer, and the cash-based compensation received by the named executive officer, to determine the level of equity awards that it approves. Executive compensation is aligned with companies of a similar market capitalisation, but is not aligned with peer group averages. During the year, the CEO, Mr Musk, received $1,340,103,920 from exercising stock options, and Mr Straubel received $22,978,915. Mr Field also received $4,641,246 realised on vesting of stock awards. These payouts are considered highly excessive. Despite the lack of fixed variable incentive programme, which is welcomed, the Compensation Committee awards various incentives on a discretionary basis. This raises serious concern as there is a high possibility for abuse of these awards. The compensation rating is: DD. Based on this rating, Triodos opposes this resolution.	**Oppose**

3 **Approve the Frequency of Future Advisory Votes on Executive Compensation** **1**

The Company is providing shareholders with an advisory vote on whether the advisory vote on executive compensation should be held every one, two or three years. The Board is required by Section 951 of The Dodd-Frank Wall Street Reform and Consumer Protection Act to offer this vote on the frequency of a say-on-pay proposal not less than every six years, although they have the option to offer this proposal more often.

The Board of Directors recommends an annual vote. It is considered that an annual vote on executive compensation is best practice for companies. Executive compensation comprises both fixed and variable pay elements, with the variable including share based incentive awards and cash bonuses over which the compensation committee have discretion. Decisions affecting the quantum and design of variable pay are made annually by the committee and it is therefore appropriate that shareholder approval is sought at the maximum frequency permitted by the new legislation. Contentious compensation payments and issues could occur in the intervening years between votes, if the frequency is less than annually. Triodos recommends a one year frequency.

4 **Appoint the Auditors** **Oppose**

PwC proposed. Non-audit fees represented 0.39% of audit fees during the year under review and 0.30% on a three-year aggregate basis. This level of non-audit fees does not raise serious concerns about the independence of the statutory auditor. The current auditor has been in place for more than seven years. There are concerns that failure to regularly rotate the audit firm can compromise the independence of the auditor.

Triodos opposes this resolution.

5 **Shareholder Resolution: Declassify the Board** **For**

Proposed by: Connecticut Retirement Plans and Trust Fund.

Shareholders of Tesla Motors, Inc. urge the board of directors to take the necessary steps (excluding those steps that must be taken by shareholders) to eliminate the classification of Tesla's board and to require that all directors stand for election annually. The declassification should be completed in a manner that does not affect the unexpired terms of directors.

Proponent's Supporting Argument: The Proponent argues that the election of directors is the most powerful way shareholders influence Tesla's strategic direction. Currently, the board is divided into three classes and each class serves staggered three-year terms. Because of this structure, shareholders may only vote on roughly one-third of the directors each year. The staggered term structure of Telsa's board is not in the best interest of shareholders because it reduces accountability and is an unnecessary anti-takeover device. Shareholders should have the opportunity to vote on the performance of the entire Board of Directors each year.

Board's Opposing Argument: The Board is against this proposal as providing directors with staggered three-year terms, the current Board structure allows the directors to maximize the interests of the Company andstockholders over the long-term, without being distracted by special interests that seek only short-term returns. The staggered Board structure has facilitated a number of key decisions which might have appeared counter-intuitive to some, but which have set up the Company to achieve long-term success. Additionally the Company is still at a point in its development where it may experience significant short-term swings in the price of stock that are unrelated or disproportionate to long-term prospects. A staggered board structure reduces the risk of hostile and potentially abusive takeover tactics that seek to divert us from our long-term mission.

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 2 - Advisory Vote on Executive Compensation

The Company has achieved: a below average level of disclosure; and a below average balance for rewards.

Disclosure: D- The Company does not have a fixed annual bonus programme nor does it offer a long-term incentive programme. The Executives are granted one-off equity awards and bonuses on a discretionary basis. Mr McNeill was the only Executive to receive a cash bonus during the year, which was determined by the achievement of specific customer-related metrics. Equity can be awarded in the form of stock options and stock awards. The Company does not have an established set of criteria for granting equity awards; instead the Compensation Committee exercises its judgement and discretion, in consultation with the Chief Executive Officer, and considers, among other things, the role and responsibility of the named executive officer, competitive factors, the amount of stock-based equity compensation already held by the named executive officer, and the cash-based compensation received by the named executive officer, to determine the level of equity awards that it approves.

Balance: D- Executive compensation is aligned with companies of a similar market capitalisation, but is not aligned with peer group averages. During the year, the CEO, Mr Musk, received $1,340,103,920 from exercising stock options, and Mr Straubel received $22,978,915. Mr Field also received $4,641,246 realised on vesting of stock awards. These payouts are considered highly excessive. Despite the lack of fixed variable incentive programme, which is welcomed, the Compensation Committee awards various incentives on a discretionary basis. This raises serious concern as there is a high possibility for abuse of these awards.

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