April 10, 2017

Antonio J. Gracias
Lead Independent Director
Tesla, Inc.
3500 Deer Creek Road
Palo Alto, CA 94304
Attention: Corporate Secretary

Dear Mr. Gracias:

As global investors managing a combined US$721 billion in assets and substantial Tesla shareholders, we are writing to request a meeting to discuss areas in which Tesla's corporate governance may be strengthened. As long-term investors, we want Tesla to succeed and believe that the company will be most effective if it has the benefit of an updated board and some good governance standards in place. Two important initial steps the board should pursue are:

- Recruiting two new directors who do not have prior personal or professional relationships with Elon Musk; and
- Eliminating staggered board elections, which would permit shareholders to hold all directors accountable on an annual basis.

We expect that as companies make the transition to publicly traded status, the governance structures and practices in place at the time of the IPO will evolve to align with the company's changing strategy. However, Tesla's seven-member board is largely unchanged from its pre-IPO days. In fact, only one of the current directors has been appointed since the IPO in 2010. Several are early-stage investors who remain on the board even though the firms with which they are affiliated are no longer significant holders. As Tesla evolves from a pure electric vehicle producer to a clean energy company, the board's makeup needs to change to reflect its new business focus. Specifically, we believe Tesla needs a more diverse group of directors whose backgrounds and skills are more closely aligned with the company's current strategy.

Furthermore, directors should be held to a higher standard of independence given the conflicts of interest that permeate this board. While meeting the technical definition of independence, five of six current non-executive directors have professional or personal ties to Mr. Musk that could put at risk their ability to exercise independent judgement. A thoroughly independent board would provide a critical check on possible dysfunctional group dynamics, such as groupthink.

We also urge Tesla to move to a declassified board structure, requiring that all directors be re-elected on an annual basis. Annual director elections are an important means to increasing director accountability. This is also a fundamental governance practice that has been widely adopted among Tesla's peers and by companies in the S&P 500.

Tesla has achieved phenomenal growth to date, but the company finds itself at a defining moment in its development. The successful launch of the Model 3 is widely viewed as a critical milestone in helping the company reach profitability by bringing electric vehicles to the masses. With free cash flow hitting an all-time low of negative $1 billion in Q4 2016, Tesla's long promised goal of achieving sustained positive free cash flow seems far off. At the same time, the company faces many risks inherent in the execution of its strategy, including the resolution of production challenges in the face of expanding product lines, the successful integration of SolarCity, and increasing competition from traditional car manufacturers. Given the current context, we believe that, now more than ever, having a sound governance foundation will aid in guiding the company as it wrestles with these challenges.

We ask that you seriously consider the changes we suggest here and invite the board to discuss our requests with representatives of the undersigned investors. We would appreciate a response by April 24th. To coordinate a discussion, please contact: Etelvina Martínez at 202-721-6077 or etelvina.martinez@ctwinvestmentgroup.com.

Sincerely,

Michael Garland
Assistant Comptroller - Corporate Governance and Responsible Investment
Office of New York City Comptroller Scott M. Stringer, Bureau of Asset Management

Tim Goodman
Director
Hermes Equity Ownership Services

Mary Phil Guinan
Assistant Treasurer for Policy
Connecticut Retirement Plans & Trust Funds

Anne Sheehan
Director of Corporate Governance
California State Teachers' Retirement System

Dieter Waizenegger
Executive Director
CtW Investment Group