



## Corporate Governance Guidelines

### I. Introduction

These Corporate Governance Guidelines are established by the Board of Directors of Tesla Motors, Inc. to provide a structure within which our directors and management can effectively pursue Tesla's objectives for the benefit of our stockholders. The Board intends these guidelines to serve as a flexible framework within which the Board may conduct its business, not as a set of binding legal obligations. These guidelines should be interpreted in the context of all applicable laws, Tesla's charter documents and other governing legal documents and Tesla policies, which shall prevail in the case of a conflict with these guidelines.

### II. Board Structure and Composition

1. Size of the Board. The authorized number of directors will be determined from time to time by resolution of the Board.
2. Board Membership Criteria. Tesla's Nominating and Corporate Governance Committee reviews and makes recommendations to the Board regarding the composition and size of the Board, determines the relevant criteria (including any minimum qualifications), and recommends to the Board the slate of nominees for election at the Annual Meeting of Stockholders or nominees for election to fill interim vacancies on the Board.
3. Director Independence. A majority of directors on the Board will be independent as required by the NASDAQ Stock Market. The Board also believes that it is often in the best interest of Tesla and its stockholders to have non-independent directors, including current and (in some cases) former members of management, serve as directors. Each independent director who experiences a change in circumstances that could affect such director's independence should deliver a notice of such change to Tesla's General Counsel.
4. Director Tenure. Directors are reelected every three years and the Board does not believe it should establish term limits because directors who have developed increasing insight into Tesla and its operations over time provide an increasing contribution to the Board as a whole.
5. Lead Independent Director. An important component of the Board's leadership structure is having a Lead Independent Director in place with broad authority to direct the actions of the independent directors and regularly communicate with the Chief Executive Officer.

### III. Principal Duties of the Board of Directors

1. To Oversee Management and Evaluate Strategy. The fundamental responsibility of the Board is to exercise their business judgment to act in what they reasonably believe to be the best interests of Tesla and its stockholders. It is the duty of the Board to oversee management's performance to ensure that Tesla operates in an effective, efficient and ethical manner. Additionally, the Board has responsibility for risk oversight, with reviews of certain areas being conducted by the relevant board committees.

Directors are expected to invest the time and effort necessary to understand Tesla's business and financial strategies and challenges. The basic duties of the directors include attending Board and committee meetings and actively participating in Board and committee discussions. Directors are also expected to make themselves available outside of board meetings for advice and consultation.

2. To Select the Chair and Chief Executive Officer. The Board will select the chairman of the Board and the chief executive officer in compliance with Tesla's Certificate of Incorporation and Bylaws.
3. To Evaluate Management Performance and Compensation. Periodically, the Compensation Committee will evaluate the performance of the chief executive officer and other executive officers and review and approve the compensation plans, policies and arrangements for such executives. It will also evaluate the compensation plans, policies and programs for officers and employees to ensure they are appropriate, competitive and properly reflect Tesla's objectives and performance.
4. To Review Management Succession Planning. The Nominating and Corporate Governance Committee will periodically review the succession planning for Tesla's executive officers, report its findings and recommendations to the Board, and work with the Board in evaluating potential successors to these executive management positions.

5. To Monitor and Manage Potential Conflicts of Interest. The Nominating and Corporate Governance Committee is responsible for considering questions of possible conflicts of interest of Board members and of corporate officers and reviewing actual and potential conflicts of interest of Board members and corporate officers. The Audit Committee will review and approve all related party transactions for which audit committee approval is required by applicable law or the rules of the NASDAQ Stock Market.

6. To Ensure the Integrity of Financial Information. The Audit Committee assists the Board in oversight of the integrity of Tesla's financial statements, Tesla's compliance with legal and regulatory requirements and Tesla's internal accounting and financial controls. The Audit Committee reports to the Board on a regular basis regarding such oversight.

7. To Monitor the Effectiveness of Board Governance Practices. The Nominating and Corporate Governance Committee will review and evaluate the effectiveness of the governance practices under which the Board operates and make changes to these practices as needed.

#### **IV. Board Procedures**

Directors are expected to prepare for, attend, and contribute meaningfully in all Board and applicable committee meetings in order to discharge their obligations. Consistent with their fiduciary duties, directors are expected to maintain the confidentiality of the deliberations of the Board and its committees.

1. Frequency of Board Meetings. Regular meetings of the Board shall be held at such times and places as determined by the Board. There will be at least four regularly scheduled Board meetings each year, but the Board will meet more often if necessary.

2. Other Commitments. Each member of the Board is expected to ensure that other existing and future commitments, including employment responsibilities and service on the boards of other entities, do not materially interfere with the member's service as director. Board members should not have more public company memberships than would allow them to effectively and productively be a member of Tesla's board.

3. Executive Sessions of Independent Directors. NASDAQ rules require independent Board members to regularly meet in executive session. The independent Board members shall meet regularly in executive session and at other times as necessary. Committees of the Board may also meet in executive session as necessary.

4. Board Access to Management. Members of the Board will have access to Tesla's management and employees as needed to fulfill their duties.

5. Code of Business Conduct and Ethics. Tesla has adopted a Code of Business Conduct and Ethics to provide guidelines for the ethical conduct by directors, officers and employees. The Code of Business Conduct and Ethics is posted on Tesla's website and directors, officers and employees are expected to be familiar with it and comply with it.

6. Engaging Experts. In performing its duties, the Board and each committee shall have the authority, at Tesla's expense, to retain, hire, and obtain advice reports or opinions from internal or external legal counsel and expert advisors, as they may deem necessary or appropriate, without consulting with, or obtaining approval from, management of Tesla in advance.

#### **V. Board Committees**

1. Number and Composition of Committees. The Board currently has the following standing committees: an Audit Committee, a Nominating and Corporate Governance Committee, and a Compensation Committee. From time to time the Board may form a new committee or disband a current committee. Each committee may create one or more subcommittees, and each subcommittee shall consist of one or more members of the committee. Each committee complies with the independence and other requirements established by applicable law and regulations, including SEC and NASDAQ rules.

2. Committee Appointments. Members of all standing committees are appointed by the Board. The Board determines the exact number of members and can at any time remove or replace a committee member.

3. Committee Proceedings. The Chair of each committee of the Board will, in consultation with appropriate committee members and members of management, and in accordance with the committee's charter, determine the frequency and length of committee meetings and develop the committee's agenda.

#### **VI. Director Orientation and Continuing Education**

Tesla provides an orientation program for new directors that includes written materials, oral presentations, and meetings with

senior members of management. The orientation program is designed to familiarize new directors with Tesla's business and strategy. The Board believes that ongoing education is important for maintaining a current and effective Board. Accordingly, the Board encourages directors to participate in ongoing education, as well as participation in accredited director education programs.

## **VII. Board Compensation**

The Compensation Committee has the responsibility to review and make recommendations to the Board with respect to compensation for service as a member of the Board or a Board committee.

## **VIII. Incentivizing Company Personnel**

Tesla believes that more closely aligning the interests of our directors, management and employees with those of our stockholders is important to promote accountability and prudence.

1. **Minimum Stock Ownership Requirement.** Each director and our Chief Executive Officer will be required to meet the following minimum stock ownership requirements: (i) each director shall own shares of Tesla stock equal in value to at least five times the annual cash retainer for directors (exclusive of retainer amounts for service as lead independent director or as a member or chair of a Board committee); and (ii) our Chief Executive Officer shall own shares of Tesla stock equal in value to at least six times his/her base salary. Our directors and Chief Executive Officer shall have five years from the later of (i) March 3, 2015 and (ii) the date each such person assumed his/her roles at Tesla to come into compliance with these ownership requirements. Compliance with the minimum stock ownership level will be determined on the date when the grace period set forth above expires, and annually on each December 31 thereafter, by multiplying the number of shares held by each director and Chief Executive Officer and the average closing price of those shares during the preceding month.
2. **Minimum Vesting Period for Time-Based Equity Awards.** No equity award as to which vesting or the lapse of a period of restriction occurs based solely on the passage of time that is granted to a "named executive officer" (as defined in Item 402 (a) of Regulation S-K promulgated under the Securities Act of 1933) may vest, or have a period of restriction that lapses, earlier than six (6) months from the date on which such vesting or lapse commences.
3. **Post-Vesting Holding Requirement for Equity Awards.** No named executive officer may sell, transfer, pledge, assign, or otherwise dispose of any shares of Tesla stock acquired pursuant to any stock option, restricted stock unit or other equity award granted by Tesla earlier than the date that is six (6) months after the date on which such award vests or the period of restriction with respect to such award lapses, as applicable.
4. **Equity Award Repricing.** Except with stockholder approval or as an adjustment made pursuant to certain fundamental corporate transactions, Tesla will not (a) lower or reduce the exercise price of an outstanding equity award, (b) cancel, exchange or surrender any outstanding equity award in exchange for cash or another award for the purpose of repricing the award; or (c) cancel, exchange or surrender any outstanding equity award in exchange for an award with an exercise price that is less than the exercise price of the original award.

## **IX. Clawback Policy**

The Board shall, in all appropriate circumstances, require reimbursement of any annual incentive payment or long-term incentive payment to an executive officer of Tesla where: (1) the payment was predicated upon achieving certain financial results that were subsequently the subject of a financial restatement of Tesla's financial statements; and (2) a lower payment would have been made to the executive based upon the restated financial results.

In each such instance, Tesla will, to the extent practicable, seek to recover from the individual executive the amount by which the individual executive's incentive payments for the relevant period exceeded the lower payment that would have been made based on the restated financial results.

## **X. Auditor Rotation**

The Audit Committee will ensure that the lead audit partner and the audit review partner be rotated every five (5) years as is required by SEC rules.

## **XI. Communications with Stockholders**

1. **Stockholder Communications to the Board.** Stockholders may contact the Board to provide comments, to report concerns including issues related to Tesla's accounting practices, internal controls, financial statements or auditing matters, or to ask questions at the following address:

Corporate Secretary  
Tesla Motors  
3500 Deer Creek Rd.  
Palo Alto, CA 94304

For more information regarding contacting the Board, please see [here](#).

2. Annual Meeting of Stockholders. Although Tesla does not have a formal policy regarding attendance by members of the Board of Directors at Tesla's annual meeting of stockholders, Tesla encourages directors to attend.

## **XII. Periodic Review of the Corporate Governance Guidelines**

These guidelines shall be reviewed periodically by the Nominating and Corporate Governance Committee and the Board will make appropriate changes based on recommendations from the Nominating and Corporate Governance Committee.

Last updated: March 3, 2015