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Our letter to U.S. State Financial Officers:

As organizations representing millions of working people, we understand the importance of fair compensation. But we also understand our duty to protect workers' retirement assets from being misused or placed at risk. That's why we're sounding the alarm about Elon Musk's outrageous pay package at Tesla. We urge you to take action to address this and the broader governance issues surrounding it when Tesla holds its annual shareholder meeting later this year.

Tesla has still not published its proxy filing with the SEC, leaving investors in the dark as to what shareholders may ultimately be asked to vote on. But in a letter to shareholders, Tesla's board has indicated that they intend to ask for shareholder approval for another pay package for Musk. This comes as the Board awarded Musk an incredible "interim" pay package valued at roughly $29 billion. Should Tesla's board seek shareholder approval for another outrageously generous pay package, we urge you to use your power to visibly and vocally oppose it. In addition, we urge you to insist that Tesla board members demonstrate independence from Musk and adherence to corporate governance best practices, and oppose the re-election of any board members who fail to meet this simple standard.

<u>Background</u>

In 2018 Tesla's board proposed – and shareholders approved – a 10-year pay package for Elon Musk that was worth roughly $56 *billion* when it was approved in 2024. Following a shareholder lawsuit, Delaware Judge Chancellor Kathaleen St. Jude McCormick ruled in favor of the plaintiff and rejected the 2018 compensation plan. Chancellor McCormick concluded that shareholders were deprived of an independent board looking out for their best interests and were given insufficient information about key aspects of the process through which Musk's compensation was set.

Musk and Tesla appealed the decision but McCormick again rejected the appeal in December 2024. Tesla has appealed to the Delaware Supreme Court. While awaiting a resolution to the ongoing litigation, Tesla convened a special committee to consider a new package of stock options as well as alternative ways to compensate Musk for his prior work for the company should the Delaware Supreme Court reject their appeal. The recently announced "interim pay

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package" would take effect if Tesla loses its appeal of Judge McCormick's decision. Should Tesla prevail in court, Musk would receive even more outlandish compensation – valued at roughly $87 billion for his work over a 10-year period.

In addition, Tesla has recently taken extraordinary steps to insulate the company from accountability to shareholders. Last year the company reincorporated in Texas where they believed they would find a more favorable legal climate. Indeed, this year the Texas legislature approved, and Governor Abbott signed, legislation making it much harder for shareholders to bring derivative lawsuits, apparently to safeguard against any future litigation that could again block Musk's outlandish compensation plan.

"An Unfathomable Sum"

In rejecting Musk's initial pay package, Chancellor McCormick called it "an unfathomable sum." She was right then, and the same is true of Tesla's recently announced interim pay package for Musk. Whether Tesla wins its appeal in Delaware and Musk receives his original pay package or he receives the interim package, either way Musk will be not only the highest paid CEO in the world, he will be the highest paid CEO by orders of magnitude and in complete disregard of any rational basis for such excessive compensation.

Last year, the highest paid CEO in the country was Brian Jacobs, CEO of QXO Inc., who received over $189 million, according to the AFL-CIO's Executive Pay Watch report. Starbucks's Brian Niccol was 5th on the list with over $95 million, and Apple's Tim Cook was 13th with $74 million. As astronomically high as those paydays are, Musk's previously approved pay package is now worth about 25 times those three combined. In fact, should Musk and Tesla prevail in court, his annual pay would be worth more than the 250 highest paid CEOs *combined*.

Even acknowledging Tesla's impressive growth in value, the pay package proposed by Tesla's board is vastly larger than other companies with significantly larger market capitalization. The top 5 companies in market capitalization are Microsoft, Nvidia, Apple, Amazon, and Alphabet, worth a total of roughly $14.5 trillion. Tesla's market capitalization is currently slightly less than $1 trillion. Yet again, Musk's proposed pay package vastly outstrips the CEO compensation of the five most valuable companies in the world. Nvidia's CEO would need to work for 174 years

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to earn what Musk would make in a single year. For Alphabet's CEO (the parent company of Google), it would take 810 years.

No matter what comparison or benchmark is used, there is simply no plausible rationale for a pay package as outrageously generous as the one Tesla's board previously proposed for Musk.

A Fair Day's Pay for a Fair Day's Work

We're strong believers in a fair day's pay for a fair day's work. In the case of Elon Musk there is nothing fair about his proposed pay package *and* there is scant evidence of him putting in the work to earn it. In fact for most of the past year Musk spent little time at Tesla at all and instead focused his energy on various political crusades. These include the election of President Trump, for which he claims to be more or less solely responsible, the promotion of far-right political parties in Europe, and the creation and leadership of the "Department of Government Efficiency" (DOGE) which sought – unsuccessfully – to eliminate supposed government waste, but did dismantle critical federal agencies which might have impeded Musk's accumulation of wealth and power.

There's also no denying that Musk doesn't actually work for Tesla as a full time employee. Even before his time at DOGE, Musk's obligations to the multiple companies he leads means he spends far less time at any one of them than a typical CEO spends at the company they lead. In 2023 Musk told attendees of a Wall Street Journal CEO Council Summit that he works "predominantly one company on one day."

Furthermore, Musk's political activity and subsequent work in the Trump Administration has unquestionably damaged Tesla's reputation, particularly hurting the brand among the very consumers who are most open to its product. A poll conducted by the corporate accountability organization Eko in May showed that Musk's declining approval was clearly bleeding into the brand of the companies he leads, especially Tesla and especially among consumers who showed the most interest in potentially purchasing an electric vehicle. Tesla's favorability rating was dead last among "EV curious" consumers.

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The poll affirms what many of us already assumed: that Tesla's dismal first quarter sales numbers were not an anomaly. In the first three months of this year Tesla's sales fell 13% globally and fell behind BYD as the global leader in EV sales. And while Tesla's stock price has partially rebounded from its nadir this spring, the precipitous drop in stock over the first three months of this year eliminated nearly $800 billion in shareholder value largely attributable to the CEO's behavior. More recently Musk's online feud with President Trump caused another precipitous drop in share price, wiping out roughly $150 billion in value in a single day.

In any other company, if any employee, let alone the CEO of the company, acted in ways that were as harmful to the company as Elon Musk's behavior has been for Tesla, that employee would face consequences. But rather than rein in Musk, Tesla's board has coddled and enabled him.

Workers' capital should be invested in corporate accountability, not runaway inequality

Tesla has not filed its proxy statement. But the Board convened a special committee to consider Musk's compensation. The committee, consisting of two Board members including Board Chair Robyn Denholm, will consider alternative ways to compensate Musk for past work should Musk's appeal to the Delaware Supreme Court fail.

Should shareholders be asked to vote on another pay package for Musk when the AGM eventually is held, we urge you to use your voice and power as the steward of workers' capital to advocate for responsible corporate governance and against indefensibly generous CEO pay.

If you share these concerns, we urge you to use the time between now and Tesla's AGM to contact the money managers who manage any Tesla investments on your behalf to express your concerns. Ask managers how they voted on Musk's compensation package last year and notify those asset managers that you consider the pay package previously approved by shareholders to be at odds with long-term shareholder value. You may also consider taking steps to ensure that your funds retain full autonomy and control over the proxy voting for shares your funds hold.

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This analysis and recommendation is based exclusively on financial risk and reward calculations.

Thank you for your attention to this matter.

Signed,

American Federation of Teachers
Americans for Financial Reform
Communications Workers of America
Ekō
Greenpeace USA
MoveOn
Oil and Gas Action Network
Popular Democracy
Public Citizen
Working Families Party