

TESLA: HARASSMENT AND DISCRIMINATION

1 ISSUE

The US electric car maker is contributing to the world's move to net zero. However, it has faced multiple allegations of racial discrimination and sexual harassment in its workplaces. Tesla recently paid out \$15m in damages in a discrimination case, with several more lawsuits ongoing.

Companies found to be failing to stamp out racial discrimination and sexual harassment can suffer substantial reputational, legal and operational risks. We've seen several large US companies experience large votes against incumbent directors over the poor handling of these issues. We've also witnessed a growing number of highly supportive shareholder proposals calling for enhanced disclosure of how companies are preventing abuse, discrimination and harassment.

These claims are worrying to investors in the company not just because of the distress to the people involved. They could affect the company's ability to recruit and retain employees. This in turn can harm corporate performance and have a financial impact through higher recruitment costs.

2 PROCESS

We supported the shareholder proposal filed by the Office of the New York State Comptroller. This called for the company to oversee the preparation of an annual public report to describe and quantify the effectiveness and outcomes of company efforts to prevent harassment and discrimination against protected classes of employees, such as women and different ethnic groups. We felt a report of this nature would supplement the notable steps being undertaken by the company and provide further reassurance to investors that the company was taking this seriously. We asked the board to improve the level of disclosure of how the company is managing and mitigating these risks.

3 OUTCOME

The proposal received 46.5% support. Although this wasn't quite high enough to pass, it confirmed that shareholders are highly interested in action to prevent harassment and discrimination, putting pressure on the company to ramp up disclosure about this. We will continue our engagement with the company in 2023 and expect this issue to be raised again at the 2023 AGM.



SUPPORT FOR REPORT ON HARASSMENT
AND DISCRIMINATION

46.5%