

Impact Report 2019

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Introduction

The very purpose of Tesla's existence is to accelerate the world's transition to sustainable energy. In furtherance of this mission, we are excited to publish our second annual Impact Report. Transparency and disclosure are important for our customers, employees, and shareholders, which is why we have expanded the Impact Report's content this year.

While many environmental reports focus on emissions generated by the manufacturing phase of products and future goals for energy consumption, we highlight the totality of the environmental impact of our products today. After all, the vast majority of emissions generated by vehicles today occur in the product-use phase—that is, when consumers are driving their vehicles. We believe that providing information on both sides of the manufacturing and consumer-use equation provides a clearer picture of the environmental impact of Tesla products, and we have done so this year largely through a lifecycle analysis detailed in this report.

Tesla aims to continue to increase the proportion of renewable energy usage at our factories in an effort to minimize the carbon footprint for every mile traveled by our products and their components in our supply chain. All of the factories that we built from the ground-up, such as Gigafactory Nevada and Gigafactory Shanghai, and our forthcoming Gigafactories in Berlin and North America, are designed from the beginning to use energy from renewable sources.

Making a significant and lasting impact on environmental sustainability is difficult to achieve without securing financial sustainability for the long term. We generated positive Free Cash Flow (operating cash flow less capex) of more than \$1 billion for the first time in 2019. We believe the notion that a sustainable future is not economically feasible is no longer valid.



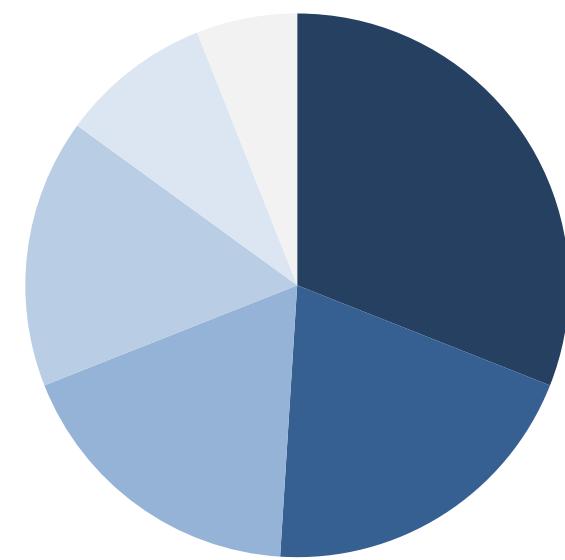
Mission & Tesla Ecosystem

Climate change is reaching alarming levels in large part due to emissions from burning fossil fuels for transportation and electricity generation. In 2016, carbon dioxide (CO₂) concentration levels in the atmosphere exceeded the 400 parts per million threshold on a sustained basis - a level that climate scientists believe will have a catastrophic impact on the environment. Worse, annual global CO₂ emissions continue to increase and have approximately doubled over the past 50 years to over 43 gigatons in 2019. The world's current path is unwise and unsustainable.

The world cannot reduce CO₂ emissions without addressing both energy generation and consumption. And the world cannot address its energy habits without first directly reducing emissions in the transportation and energy sectors. We are focused on creating a complete energy and transportation ecosystem from solar generation and energy storage to all-electric vehicles that produce zero tailpipe emissions.

Since the onset of shelter-in-place orders and travel restrictions due to COVID-19, we have seen dramatic increases in air quality across the planet, as well as projections for CO₂ emissions to drop in excess of 4% in 2020 compared to pre-COVID-19 levels, according to researchers. Because these improvements in air quality and reductions in CO₂ are a result of a global economic disruption and not due to systemic changes in how we produce and consume energy, they are not expected to be sustained absent intervention. However, these changes have shown us the positive impacts of reduced pollution in a very short period of time. At Tesla, we believe that we all have an unprecedented opportunity to learn from this disruption and accelerate the deployment of clean energy solutions as part of a recovery for all economies throughout the world, and we will actively continue to advocate for the realization of these long-term changes.

Global Greenhouse Gas (GHG) Emissions by Economic Sector



■ Electricity & Heat Production*	31%
■ Agriculture, Forestry & Other Land Use	20%
■ Industry	18%
■ Transportation*	16%
■ Other Energy	9%
■ Buildings	6%

*Tesla-related sectors. Source: World Resources Institute

According to the Global Carbon project, when fully tallied, total carbon emissions from 2019 are expected to hit another record high of over 43 gigatons for the year. Energy use through electricity and heat production (31%) and transportation (16%) are significant drivers of these GHG emissions.