# Lithia & Driveway's Task Force on Climate-Related Financial Disclosures 2026 Report

*Published – August 18, 2026*

# Task Force on Climate-Related Financial Disclosures 2026 Report

## Governance

### Board Oversight

Our TCFD report informs our Enterprise Risk Management leaders of the climate-related risks and opportunities for our organization. The Board then considers the climate-related risks and opportunities on a yearly basis within our established ERM process.

Our Board of Directors has delegated responsibility for certain areas of its risk oversight to its standing committees. The Board collaborates with management on developing the company's annual risk management plan and, as part of that process, helps management ensure that those risks and uncertainties are considered in ongoing operations and in the company's risk management plan.

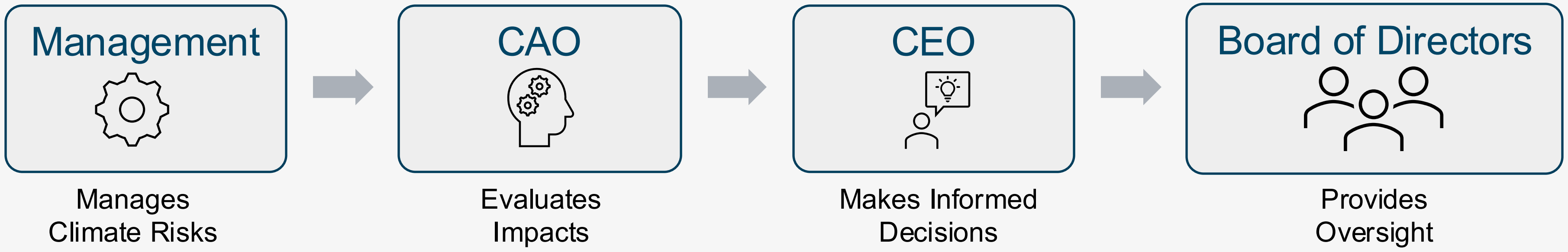
In addition, the Nominating and Governance Committee reviews and provides guidance to our Board and management on the Company's sustainability and climate-related policies and practices, as referred to the Committee by the Board. To ensure the Board has the opportunity to review and provide input, management will regularly prepare and present updates on the Company's environmental, social, and sustainability efforts, including related risks and issues important to our stakeholders. The Board will also review the Company's annual Corporate Sustainability Report with management.

### Management's Role

Management oversees climate-related risks and identifies opportunities, guided by our TCFD report, through strong internal controls and processes. Our Chief Administrative Officer (CAO) evaluates the Company's environmental dependencies, impacts, risks, and opportunities, and shares these insights with the Chief Executive Officer (CEO) to ensure climate considerations are part of executive decision-making. At least once a year, the CEO provides the Board with a comprehensive review of the Company's policies, practices, performance, and other matters that matter to our stakeholders.

Executive compensation includes certain success metrics related to material climate issues and mitigating the organization's effect on the environment.

GreenCars, our digital education center and marketplace for sustainable mobility, is our central vehicle for mitigating and managing climate risks, leveraging opportunities for sustainable growth, and fostering resilience in the face of environmental challenges.



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## Risk Management

### Process for Identifying Risks

Lithia evaluates climate-related risks and opportunities across its direct operations and its upstream and downstream value chain, including Tier 1 suppliers. Every two years, we conduct qualitative and quantitative assessments covering medium- and long-term time horizons.

We determine whether a risk could qualify as a substantive financial impact by assessing its likelihood of occurring within 5–10 years and estimating whether it could affect 10% or more of revenue. We consider many factors when making our determination on what is reasonably likely through a quantitative analysis that is done biennially. At present no risks meet this threshold, however we still disclose other relevant climate-related risks and monitor for changes on a biennial basis.

Through an engagement with a third-party vendor, we analyzed our exposure to the various types of transition risk (policy, market, reputation, and technology) and our physical risk exposure. For transition risk, three future carbon price scenarios were used from the International Energy Agency:

| Range | Low Price | Moderate | High Price |
|---|---|---|---|
| Scenario | IEA STEPS | IEA APS | IEA NZE |
| Temperature | 2.4°C | 1.7°C | 1.5°C |

To quantify physical risk exposure, nine climate hazards were identified based on CMIP6 and climate scenarios SSP2-4.5 and SSP5-8.5 were used over decadal intervals from the 2020s to the 2090s. SSP2-4.5 is expected to result in global average temperatures rising by 2.1-3.5 °C by 2100, while SSP5-8.5 is expected to result in global average temperatures rising by 3.3-5.7 °C by 2100.

Within our risk identification process, time horizons are grouped in the following: short-term is defined as 0–2 years, medium-term as 3–5 years, and long-term as 6+ years.

### Process for Managing & Integrating Risks

At present, climate-related risks across these time horizons are not considered material to our financial objectives, so they are not directly linked to strategic or financial planning. However, they are still incorporated into our internal planning processes to support ongoing organizational awareness and preparedness.

We considered many factors when making our determination on what is reasonably likely through a quantitative analysis that will be repeated biennially to incorporate any changes.

If identified, each material risk will be assigned to the sector where it has the greatest impact. For risks that affect multiple sectors, cross-sector collaboration and communication are already in place to ensure effective mitigation.

# CLIMATE-RELATED RISKS

| Risk Type | Climate-Related Risk Definition | Potential Financial Impact | Mitigation Strategy | Time Horizon |
|---|---|---|---|---|
| **Market (Transition)** | Risk of increased costs for key suppliers due to carbon pricing risk. | The Automobiles sector represents over 96% of our top 100 supplier spend and faces an estimated median EBITDA at risk of 3.9% by 2050, under a high 1.5°C scenario. | Lithia's GreenCars platform provides consumers with free, accessible information on low- and zero-emission vehicles, supporting increased EV adoption and the broader transition to a lower-carbon transportation sector.<br>Over time, this may help mitigate market and transition risks within Lithia's automotive supply chain as manufacturers adapt to evolving regulatory requirements and carbon pricing mechanisms. | Medium (3-5 years) to Long Term (6+ years) |
| **Policy (Transition)** | Risk of policy action to encourage low-carbon transition in direct operations or upstream supply chain (e.g. through carbon taxes). | Carbon pricing exposure estimated at $1.1B-$1.5B annually by 2030, increasing to as much as $2.7B by 2050 under the NZE scenario. More than 99% of exposure is attributable to Scope 3 emissions. | Lithia publicly reports Scope 1 and Scope 2 emissions and completed its inaugural Scope 3 inventory in 2023, providing visibility into emissions sources that account for approximately 99% of modeled carbon pricing risk.<br>The Company also pursues a long-term energy-efficiency strategy through investments in solar energy, renewable electricity, LED lighting upgrades, and operational efficiency initiatives designed to reduce emissions and limit exposure to future carbon pricing regulations. | Long-term (6+ years) |
| **Chronic (Physical)** | Risk of increased frequency and severity of temperature extremes generating financial impacts on company assets. | Extreme heat represents the largest physical risk, with modeled average annual losses of approximately $478M in the 2030s, increasing to $814M by the 2090s.<br>Increased temperature extremes could result in:<br>• HVAC Degradation<br>• Decreased Employee Productivity<br>• Increased Cooling Costs<br>• Business Interruption & Revenue Impact | Lithia regularly updates all of our facilities as needed. In addition, we track utility costs and usage at all of our sites and implement energy efficiency standards. | Medium (3-5 years) to Long-term (6+ years) |

## CLIMATE-RELATED OPPORTUNITIES

| Opportunity Type | Climate-Related Opportunity Definition | Potential Financial Impact | Realization Strategy | Time Horizon |
|---|---|---|---|---|
| **Low-Carbon Mobility & EV Growth** | Growing consumer demand for EVs and low-emission transportation solutions. | Increased sales opportunities, service revenue, and enhanced customer engagement. | Expand EV charging infrastructure, build EV service and maintenance capabilities, and utilize GreenCars to support consumer adoption of low- and zero-emission vehicles. These initiatives may increase vehicle sales opportunities, grow EV-related service revenue, strengthen relationships with OEM partners, and support long-term growth as demand for electrified transportation increases. | Short (0-2 years) to Medium Term (3-5 years) |
| **Energy Efficiency & Operational Excellence** | Reduced energy consumption and improved operational performance across dealership facilities. | Lower utility costs, lower emissions, and reduced exposure to future carbon pricing. | Leverage energy-efficiency and renewable energy initiatives across the dealership portfolio to reduce operating costs, improve asset performance, lower emissions, and mitigate exposure to future energy and carbon costs. These investments support long-term value creation through improved operational efficiency and increased business resilience. | Short (0-2 years) to Long Term (6+ years) |
| **Climate Leadership & ESG Positioning** | Strong climate disclosures and sustainability performance can strengthen relationships with investors, customers, and other stakeholders. | Strong climate performance, transparent disclosures, and demonstrated progress toward sustainability goals may strengthen relationships with customers, investors, OEM partners, and other stakeholders, supporting market share growth, brand value, and revenue opportunities over time. | Enhance climate governance, disclosures, emissions reporting, and sustainability initiatives to improve transparency, strengthen stakeholder confidence, support access to capital, and reinforce Lithia's reputation as a sustainable and resilient retailer. | Short (0-2 years) to Medium Term (3-5 years) |

# Task Force on Climate-Related Financial Disclosures 2026 Report

## Strategy

### Impact of Climate-Related Risks and Opportunities

The climate-related risk and opportunities identified in the table on page 3 have the potential to impact a wide range of Lithia's operations. From disruptions to our supply chain, increased costs of vehicles and parts, to financial impacts from increased climate hazards. Conversely, there are several business opportunities, including technological advances to implement renewable energy solutions and lower operating costs, and increasing our market share as the EV market expands to become the leading retailer in the space.

The risks and opportunities we've identified are not currently considered material to our financial objectives, so their time horizons are not tied to strategic or financial planning. However, they are incorporated into our broader organizational planning process. If in the future, a climate-related risk is identified as financially material or substantive then the impact to expenditures, annual budget, performance objectives, or acquisitions and divestitures will be identified and reported through all of the necessary reporting channels for our stakeholders.

### Resilience of Organization's Strategy

Lithia's climate strategy focuses on business-relevant goals and includes an evaluation of climate-related risks and opportunities across several climate scenarios. Under the high price, 1.5°C, scenario (IEA NZE) Lithia has the risk of increased supplier and operational costs. However, there is also the opportunityof increased demand for low and zero-emissions vehicles from our consumers. On the other hand, under a lower price, 2.4°C, scenario (IEA STEPS/SSP2-4.5) Lithia has a much lower carbon pricing risk, but this scenario could result in an increased risk of temperature extremes for a portion of our dealership locations resulting in increased cooling costs, revenue impact, and decreased employee productivity.

One of our primary strategic pathways to mitigate our discussed risks and realize the opportunities is through our GreenCars brand. We continue to invest and expand this source of education for our consumers to promote the adoption of electric vehicles and assist in the transition to a lower-carbon economy.

# Task Force on Climate-Related Financial Disclosures 2026 Report

## Metrics & Targets

### Targets Used to Manage Risks and Opportunities

Our goals, and progress towards those goals, can be found in detail in our Corporate Sustainability Report (CSR) along with both our GRI and SASB sustainability frameworks **here**. This report provides metrics on Scope 1, 2, and 3 GHG emissions, as well as our energy, water, and waste streams. These metrics support tracking progress toward environmental goals, including *Increasing GreenCars on the Road, Operating Sustainable Stores,* and *Extending Vehicle Lifecycles.*

Lithia reports historical Scope 1 and Scope 2 greenhouse gas emissions for the past five years and outlines the calculation methodologies in our CDP response. We also disclose a GHG intensity metric (Scope 1 and 2 emissions relative to total revenue) to support trend and performance analysis, along with base-year emissions for transparency and comparability across reporting periods.

All calculations follow recognized standards, including The Climate Registry's General Reporting Protocol, the Greenhouse Gas Protocol (Corporate, Public Sector, and Scope 2 Guidance), and U.S. EPA eGRID data. Scope 1 emission factors are sourced from The Climate Registry, while Scope 2 location-based factors are drawn from EPA eGRID and market-based factors from Green-e residual mix data. All methodology details can be found in our annual CDP questionnaire response.

| Metrics |
| --- |
| **Resource Use** |
| Electricity Consumption |
| Natural Gas Consumption |
| Water Consumption |
| **Emissions** |
| Scope 1 Direct GHG Emissions |
| Scope 2 Indirect GHG Emissions |
| Scope 3 Other Indirect GHG Emissions |
| **Operations** |
| Sustainable Vehicles Sold |
| EV Chargers Installed |
| Dealerships ENERGY STAR Certified |

# Disclaimers

## Forward-Looking Statements

Certain statements in this report constitute forward-looking statements within the meaning of the "Safe Harbor" provisions of the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, may be forward-looking statements, including statements related to Lithia Motors' (dba Lithia & Driveway's) climate and other sustainability-related strategies, plans, developments, targets, goals, and expectations. Lithia Motors cautions that forward-looking statements are subject to numerous assumptions, risks, and uncertainties, which change over time. Factors that may cause these results to differ include, among others, economic conditions, technological innovations, access to capital, natural disasters and adverse weather conditions, and legislative and regulatory changes, as well as the additional factors that are discussed in Lithia Motors's Annual Report on Form 10-K and Quarterly Reports on Form 10-Q, accessible on the SEC's website at www.sec.gov. Any forward-looking statement made by us in this report is based only on information currently available to us and speaks only as of the date on which it is made. Except as required by law, we undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise.

## Important Information about This Report

For purposes of this report, we use the Task Force on Climate-Related Financial Disclosures risk framework, which differs from our approach to disclosure of risks in our filings with the Securities and Exchange Commission (SEC). This report includes certain information about Lithia Motors and describes certain potential future events, which may be significant, but any significance should not be read as necessarily rising to the level of materiality or disclosure in our SEC filings.