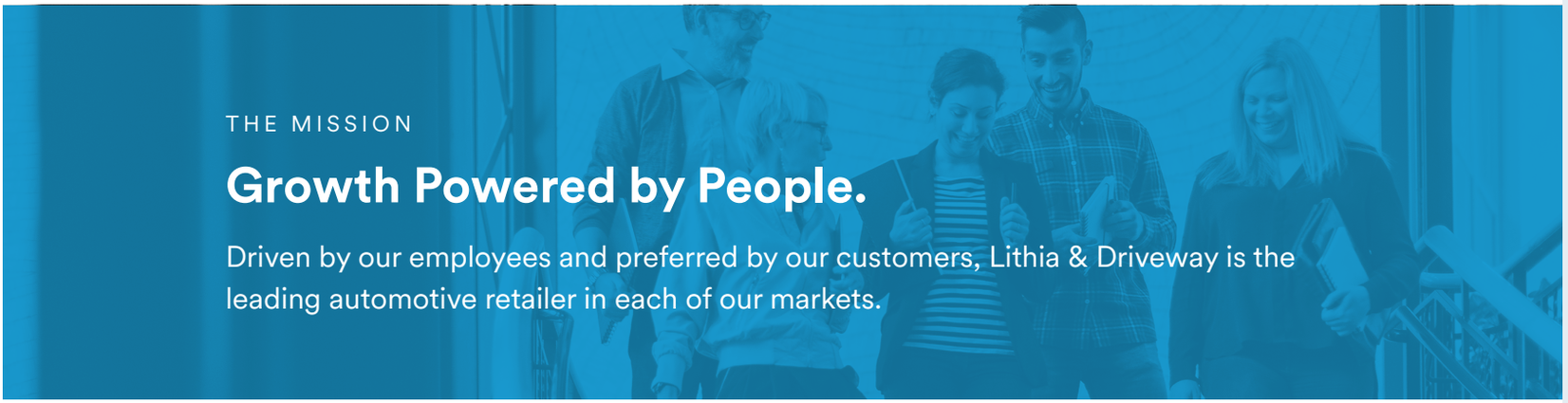


Sustainability Store Playbook

LITHIA&driveway



THE MISSION

Growth Powered by People.

Driven by our employees and preferred by our customers, Lithia & Driveway is the leading automotive retailer in each of our markets.

OUR VALUES

The fuel behind Lithia & Driveway

Earn Customers for Life

Create welcoming and trustworthy experiences for our customers.

Improve Constantly

Champion one another's growth to achieve more together.

Take Personal Ownership

Enjoy the freedom to make the right choices and own our results.

Have Fun!

Connect as a team through celebration, positivity, passion, and purpose.

Leading the modernization of personal transportation solutions wherever, whenever, and however consumers desire.

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As one of the largest global automotive retailers, we're leading the way on modernizing the personal mobility solutions for consumers wherever, whenever, and however they desire.

Part of that vision includes driving positive change with an operational focus on sustainability and owning the motto "what's good for the environment can be good for business."

This Store Playbook can help you create an operating plan that meets the sustainability benchmarks that are now a part of the Store Performance Scorecard.

Growth Powered by People!

Store Actions

As you *Take Personal Ownership* of local decisions and energies that determine your store's successes, please consider some of the practices discussed in this section of the Sustainability Strategy that can benefit your store, environment, and customers. These operational options align and support our three Sustainability Goals:

GOAL 1
Increase GreenCars on the Road

GOAL 2
Operate Sustainable Stores

GOAL 3
Extend Vehicle Lifecycles

By aligning your store's operations with these goals, store management and teams can begin to make strides in becoming a sustainability leader in the communities they serve.



GOAL 1

Increase GreenCars on the Road



Sales

- Become a sustainable mobility expert and increase share of hybrid, PHEV, and EVs
- Showcase home-charging solutions and other important add-ons to enhance consumer experience
- *Earn Customers for Life* with products and services that increase retention

Community

- Build partnerships with educational institutions
- Work with GreenCars to put on live activations

GOAL 2

Operate Sustainable Stores



Management & Facility

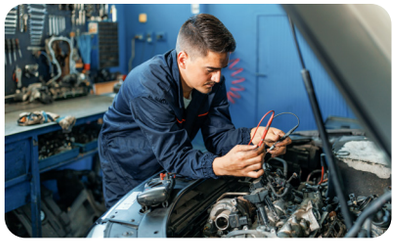
- Infuse sustainability into our Core Values
- Appoint a GreenCars Ambassador and an Energy Champion
- Leverage zero-cost and low-cost methods of energy reduction

Incremental Optimizations

- Participate in OEM Green Dealer Programs
- Take advantage of any recycling or landfill diversion options
- Reduce use of paper by automating office processes

GOAL 3

Extend Vehicle Lifestyles



Parts & Service

- Extend vehicle life by maximizing service retention
- Recycle all solvents and oil
- Ensure all tires are recycled
- Use a water reclamation system in car wash

Management & Facility

While our Sustainability Strategy exposes what is possible—and provides tools and support—stores retain the freedom to identify how their teams can contribute to our sustainability efforts and provide rewards and recognition for doing so. This freedom within a framework is about:

- Clearly defining and communicating goals, and
- Providing associates with the latitude to identify creative solutions and do what is needed to improve business efficiency.

Store Performance Scorecard

Starting in 2024, two sustainability-related metrics will appear on the Store Performance Scorecard (SPS):

1. **Energy Star Score—**This score ties directly to a store's efficiency, and tracking it over time reveals the results of efforts to sell vehicles more sustainably.
2. **Sustainable Vehicles Sold—**he share of sustainable vehicles sold, benchmaarked to regional or national averages, reveals a store's progress towards selling more sustainable vehicles.
3. **GreenCars Partnerships**—The level a store chooses to engage with GreenCars based on the GreenCars Certified Partner Program.

GreenCars Ambassadors

Consider appointing a team member as your store's in-house GreenCars Ambassador. This individual serves as the primary point of contact about green vehicles, government incentives, charging, and other topics. Their responsibilities would include:

- Participating in GreenCars training
- Representing your store and the GreenCars brand at live activations
- Serving as a subject matter expert for colleagues' and consumers' questions
- Acting as your store's sustainability advocate

An Energy Champion

An energy champion can be your store's liaison to the Lithia & Driveway Facilities Team and would help drive forward energy conservation measures locally.

Responsible for the store's energy footprint, the energy champion can do the following:

- Conduct site walks and collaborate with you and others to implement and monitor measures that reduce energy usage.
- Lead any internal communication at your store and also report back to the Facilities Team about the store's progress.
- Partner with you to review overall ensuring the flow of work through the departments is as efficient as possible.

At most small- and medium-sized stores, your GreenCars ambassador can also serve as an energy champion. In short, anyone who embodies a passion for saving energy and/or lowering costs is an ideal prospect. By having a passionate energy advocate at your store, you can make better use of your existing space to improve your team's efficiency and output while reducing your carbon footprint.



Key Actions to Saving Energy

Saving energy is easier than you think. You don't need a lot of technical knowledge, and if you do, our facilities and real estate teams are available to support you in the following ways:

- **Develop an Energy Policy** that is signed and approved by the general manager and communicated to all team members.
- **Identify Meters and Invoices** to gain regular access to energy consumption statistics.
- **Monitor and Target Energy Use** by reading meters regularly, tracking consumption, and identifying opportunities to *Improve Constantly*.
- **Conduct Regular Energy Walk-Throughs** during and after office hours to record opportunities to reduce energy consumption. An after-hours walk-through will reveal areas where energy is being wasted unnecessarily.
- **Implement Energy-Saving Measures** by producing a clear, written plan with priorities.
- **Engage Employees and the Public** by providing progress updates and soliciting feedback.

For the average dealership, electricity is almost 40% of total energy consumption but, because of its relatively high unit cost compared to gas, it's over 65% of total energy costs. Therefore, the key first priority is to reduce electricity consumption.

REMEMBER!

Energy management is good management of an easily measurable resource, which makes business sense.



Five Top Recommendations to Save Electricity

1. **Lighting—**When regular light bulbs and fluorescent tubes fail, replace them with more efficient equivalents, including upgrading to LED. LED lighting is still a major opportunity in our Parts & Service departments.

2. **Heating and Hot Water—**Replace hot air heaters with radiant heating in workshops and the parts department. Insulate pipework, calorifiers, valves, and flanges. Keep fabric in good repair. When it's time to replace hot water heaters, replace them with heat pump water heaters.

3. **Compressed Air—**Ensure air compressors are switched off overnight and regularly maintained. Adjust set points to 120 psi or below. Only use compressed air for tools, not for detailing. When it's time to replace air compressors, consider a VSD air compressor and locate in a large, open area for optimum performance.

4. **Control Settings and Intelligent Controls—**Confirm controls are set correctly for time, temperature, fan speed, and other factors. This applies to heating, hot water, lighting, electrical equipment and compressors. Install vending misers on vending machines. Turn off televisions overnight. Install plug load controls to automatically switch off screens when not being used. Install networked lighting controls, such as motion sensors.

5. **Monitoring Metrics—**Collect and monitor energy and other data. Set realistic targets for reduction. Detect and resolve anomalies in energy consumption. Act on your findings.

No-Cost Measures

Many actions to reduce energy consumption can save your store hundreds, if not thousands, of dollars annually without any additional cost. They simply require a bit of thought and conscious action. Here are some suggestions:

Air-Conditioning

- Reset AC settings in the offices, site, and showroom
- AC settings server room and offices
- Reduce fan speed

Lighting

- Reduce lighting levels in showroom, when possible
- Reduce lighting levels in offices, when possible
- Reduce lighting on sales canopy

Heating Controls

- Reset heating controls showrooms and offices
- Space heating controls settings
- Parts: space heating controls
- Main workshop heating controller
- Reset heating programs
- Use destratification fans

Air Compressor

- Use time controls on air compressors systems

Measures Requiring Low or Medium Investment

The Real Estate and Facilities Teams can also assist with identifying opportunities to reduce your energy consumption. These can include:

OPPORTUNITY	TYPICAL PAYBACK (IN YEARS)
Lighting	
Replace workshop lighting	2.4
Upgrade T12/T8 fluorescents to T5	1.5
Replace tungsten halogen lamps with LED equivalents	2.3
Replace metal halide or other discharge lamps with lower wattage equivalents and new control gear	1.0
Rewire circuits so lights parallel to windows can be switched off	1.0
Replace external metal halide lamps with compact fluorescents	2.0
Heating & Hot Water	
Replace warm air with gas radiant heating	0.8
Upgrade showroom roof insulation	3.4
Upgrade pipework insulation on heating distribution	0.7
Upgrade pipework insulation on heating distribution	6.1
Repair door seals/door closers	1.7
Seal external louvers	3.1
Reduce hot water temperature	0.4
Link workshop doors to heating controls	3.4
Reconfigure heating system	3.1
Replace boiler	5.8
Controls	
Fit TRVs to radiators	2.2
Fit spray taps in toilets	3.6
Timers on car park lights	0.01
Install workshop heating controls	2.0
Reconfigure showroom/office heating controls	0.1
Install presence detectors on lighting	2.3
Timers on office equipment	0.4
Computer power-down software	0.1
Install building energy management system	0.1
Install timers on beverage machines	0.05
Compressed Air	
Compressed air system maintenance – eliminate leaks	0.6
Compressed air system intake/discharge modification	4.3
Compressed air heat recovery	3.1
Compressed air system intake/discharge	9.9

> **Over 20% of a typical store's energy is consumed between the hours of 9pm and 5am and more than 30% is consumed between 7pm and 7am.**

Smart Building Systems

Our facilities consume a large amount of energy to support the showrooms, service centers, and offices. This is true even when they are not open for business. To help with this off-hour consumption, consider the following options:

1. **Smart Thermostats—**Implementing these for our stores' heating and cooling systems can help significantly reduce energy use when stores are closed, and can help our buildings react intelligently to changing environmental conditions.

2. **Smart-Building Systems—**Using machine learning, these systems are cost-efficient solutions that can reduce energy use, and also avoid expensive peak demand charges. They can also work hand-in-hand with a solar installation to maximize potential returns.

Solar Panel Systems

Depending on your store's location, it could also be a good candidate for the installation of a solar panel system. Because a solar system is a more complex installation that requires the installation of cells on your store's roof, plus supporting hardware and software, please work with the Real Estate Team and your regional president, who can support with analysis, planning, and installation.



Sales

To achieve our goal of selling more sustainable cars—improving prior performance as well as exceeding national benchmarks—our sales teams (1) need to be knowledgeable about products, charging, and financial incentives and (2) ready to embrace the transition towards more sustainable transportation. Here, we suggest ways you can make strides in this area:

GreenCars Online Training

GreenCars is a resource on everything about sustainable transportation. As an online knowledge center, the website provides a wide array of articles, tools, and data to educate consumers about green cars.

Because of its free, comprehensive content, you can encourage your store staff to *Take Personal Ownership* of their own education on sustainable vehicles by visiting the site—thus empowering them to deliver their knowledge to customers, prospects, and the wider community.

By doing so, you make stronger connections with consumers looking for a more sustainable ride and potentially increase your share of sustainable vehicles sold. Your teams will also be able to deliver a seamless sales and delivery experience.

In addition, the GreenCars Team provides even more timely, useful, and comprehensive educational content via live monthly webinars and self-serve modules that are available in the Learning Center (on the Spark homepage).

Test Drives

Research from J.D. Power and other industry groups shows that consideration and purchase of electric and hybrid vehicles increases significantly with first-hand experience.

Test drives play a key role in helping us sell more alternative-fuel vehicles because when consumers get behind the wheel themselves, they can truly understand how EVs offer a smooth, silent ride; incredible acceleration and performance; and the innovative technology.



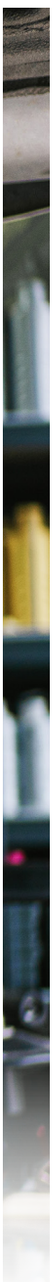
Parts & Service

Service departments support the maintenance of the vehicles we sell, ensuring each car and truck is operating at peak efficiency and producing a minimal environmental impact. They also recondition used vehicles so they can be sold again so we *Earn Customers for Life* while extending the life of every car.

Parts and service departments can eliminate waste, improve efficiency, and reduce our carbon impact. Implementing intelligent waste management and recycling procedures in our workshops and parts departments not only reduces our negative impact on the environment, but ensures clean, safe conditions for team members, and builds our stores' value in their communities.

While our focus is to reduce the amount of nonhazardous and hazardous waste we produce, sometimes waste cannot be avoided. In this case, our aim is to recycle as much of this unavoidable waste as possible. Proper recycling procedures are an essential pillar of our sustainability efforts at stores.





> **In 2021, approximately 18% of Lithia & Driveway's waste was diverted from landfills through recycling efforts in 2021. Together, we can *Improve Constantly* to increase that percentage.**

Recycling

Recycling is an easy sustainability win for most stores. Processes to properly recycle oil, batteries, and plastic are generally easy to implement, and can significantly reduce the amount of waste we generate.

It's our hope to recycle 100% of the oil used in our operations. Tracking systems are available to monitor the oil moving through our service departments, so this is an option for you to consider incorporating into a more sustainable store culture.

Water Conservation

Our workshops and carwashes are significant consumers of water. To maintain sustainable operations across our network—many of which are in water-stressed states—implementing water conservation measures is a key tool as we pursue positive change.

1. **Reduce our draw on community water systems.**
   This effort can be influenced by the installation of low-flow and motion-activated faucets to reduce unnecessary water consumption. We can all continue to seek out technology and strategies to minimize water consumption at the store level.

2. **Implement water-recycling procedures for our car washing.**
   These procedures could potentially save up to 90% in water usage compared to traditional car-washing methods, which throughout our network can contribute to saving millions of gallons of water annually.

Planning for the Future

As you consider future, sustainable-related upgrades and extensions, innovate strategies for how you can future-proof your service centers. As more and more drivers transition to an EV, workshops will need flexible open space for vehicles – "programming spaces" where EVs can be parked to receive software updates or other nonmechanical fixes. This ensures hoists and mechanical work bays are not tied up.

Mobile service should also be a consideration for EVs and other customer vehicles that do not need fluid changes or major mechanical work. The would allow us to create a faster, more convenient customer experience. A mobile tech paying a customer a visit in their driveway or at their office improves Customer Optionality, allowing our workshops and their productive bays to be maximized with the right kind of work.

Community

Positive change happens at the grassroots level, at every store and office, and the communities where we live and work. By evaluating and implementing partnerships, educational programs, and other sustainability-minded actions at your store, you can have a positive environmental impact, as well as position your store as a leader in sustainability and green vehicles.

Community Partnerships

Building your store's brand as a sustainability leader in your community takes persistence and patience. We know many of you already explore and expand partnerships with local businesses, clubs, utilities, and nonprofits to enrich and support your communities. These social sustainability efforts build goodwill and a broader base of advocates and potential customers.

Here are a few tips for building a strong social sustainability presence locally:

1. Offer the use of your store as a space for meetings and gatherings. This automatically generates showroom traffic with a group of people your store may not have met before.
2. Tie your community partnership into a tree-planting activation, making a positive impact in your local environment. (Reach out to the GreenCars team for a list of local Arbor Day Foundation affiliates.)
3. Poll your store teams to see what local clean-up events, conservation nonprofits, or sustainable efforts they would like to support and engage them in selecting new partnerships for the coming year. You not only inspire your employees community mindset, but you learn about potential new social and sustainability ideas

Store-Level Activations

Live activations are a great way for local residents to experience modern green vehicle technology and learn about the benefits of a green car. These events generate showroom traffic as well, allowing you the opportunity to sell more sustainable cars.

Examples of a live activation could be

- An educational event focused on explaining new EV technology
- An open house with community partners to support their causes

Two excellent time frames to host a live activation include Earth Day in April and National Drive Electric Week in September.



GreenCars Resources

The GreenCars Team offers branding items—including flags, license plate inserts, clothing, and giveaways—free of charge. The team also supports with ideation and building an event plan. For more information, go to greencars.com/store-resources.

Educational Programs

Your store can partner with a local school to help deliver targeted, useful education about sustainable mobility to local post-secondary students. Bringing your knowledge off the web and into your communities helps raise your store's profile as an approachable expert in electric, hybrid, and plug-in hybrid technology.

An educational partnership also enhances your store's credibility and connects you with young drivers who could become sales and service prospects—now or further down the road. You'll also be connecting with a rich network of prospective recruits to fill diverse roles at your store.

GreenCars Resources

The GreenCars Team offers a full set of resources and a detailed playbook to help you execute an educational partnership. They also provide support in developing materials, which can be delivered to the school, dealership, or another location.





Incremental Optimizations

Each store and operation within the Lithia & Driveway network is unique. Not all positive change is a result of a formal project or a dedicated team; in fact, some of the most meaningful changes come as the result of a small process change at the store level that turns into something larger.

That's why it's important to take a closer look at your store's team, facility, and individual processes to identify areas for further optimization. Whether it is changing how you handle non-operational waste or converting a paper process into an electronic one, there are indeed areas within your store that can be improved to reduce waste, increase efficiency, and improve the bottom line.

OEM Green Dealer Programs

If your manufacturer partner has a green dealer or environmental awards program, we encourage you to review its guidelines and consider participating.

These programs usually provide stores with a checklist of items that can be easily implemented in the areas of energy efficiency, waste management, water conservation, recycling, and environmentally responsible business operations.

Manufacturer green dealer programs also generally come with training, which can help support cultural changes at your store. Some programs also allow stores to apply for incentives from the manufacturer in the form of financial support or additional vehicle allocations. OEM partners can often provide marketing materials that can help position your store as a sustainability leader.

Enrolling in a manufacturer's green dealer program, following their best practices, and earning their recognition helps further our sustainability goals and contributes to a deeper and more productive relationship with the manufacturer.

REMEMBER!

For assistance exploring OEM Green Dealer Programs, contact Rehab Attia at rehabattia@lithia.com.

Recycling Office Waste

While our service centers present obvious opportunities for recycling, our offices generate a significant amount of waste that can be recycled as well.

Traditionally, we are good at recycling oil, batteries, plastic containers and scrap metal in our operations, but poor at recycling paper and "outside of the shop" materials.

Ensure that all paper waste is properly collected and recycled; third parties can also assist with secure receptacles for confidential documents.

LITHIA&driveway