

LITHIA MOTORS, INC.

CORPORATE GOVERNANCE GUIDELINES

The Nominating and Governance Committee of the Board of Directors (the “**Board**”) has developed, and the Board has adopted, the following Corporate Governance Guidelines (the “**Guidelines**”) to assist the Board in the exercise of its duties and responsibilities to represent the best interests of the Company and its shareholders. These Guidelines are intended to serve as a flexible framework within which the Board may conduct its business, rather than a restrictive set of rules or legally binding obligations. These Guidelines should be interpreted and applied within the context of the Company’s Bylaws, Articles of Incorporation and applicable state and federal laws and regulations relating to corporate governance.

DIRECTOR RESPONSIBILITIES

General Responsibilities. The shareholders elect the Board to oversee the shareholders’ interest in the long-term overall success of the business. The Board serves as the ultimate decision-making body of the Company, except for those matters reserved to or shared with the shareholders. The Board selects and oversees the members of senior management, who are charged by the Board with conducting the business of the Company.

The directors’ core responsibility is to exercise their business judgment to act in what they reasonably believe to be in the best interests of the Company and its shareholders. Directors must fulfill their responsibilities consistent with their fiduciary duties to the shareholders, in compliance with all applicable laws and regulations. The Board oversees management’s activities in connection with proper safeguarding of the assets of the Company, maintenance of appropriate financial and other internal controls, and compliance with applicable laws and regulations and proper governance. The Board recognizes that shareholders’ long-term interests will be advanced by responsibly addressing the concerns of other stakeholders essential to the Company’s success, including customers, employees, dealers, suppliers, government officials and the public at large.

Management conducts the business of the Company under the oversight of the Board. The roles of the Board and management are distinct. The CEO and under the CEO’s leadership the officers and employees of the Company, develop and implement the Company’s business strategy. The members of the Board act as advisers and counselors to the CEO and senior management. In performing its general oversight function, the Board reviews and assesses the Company’s strategic and business planning as well as management’s approach to addressing significant risks and challenges facing the Company. As part of this function, the Board reviews and discusses reports regularly submitted to the Board by management with respect to the Company’s performance, as well as significant events, issues and risks that may affect the Company’s business or financial performance. In performing its oversight function, the Board and its members maintain frequent, active and open communication and discussions with the CEO and the management of the Company.

Director Indemnification. The directors are entitled to (a) have the Company purchase reasonable directors’ and officers’ liability insurance on their behalf, (b) the benefits of indemnification to the fullest extent permitted by law and the Company’s Articles of Incorporation,

Bylaws and any indemnification agreements, and (c) exculpation as provided by state law and the Company's Articles of Incorporation.

BOARD COMPOSITION

Size of the Board. The Company's Bylaws provide that the Board will be not less than five nor more than nine directors, as may be deemed appropriate by the Board. The Board, through its Nominating and Governance Committee, will periodically review the membership of the Board to determine its appropriate size and composition and recommend such changes to the Board for consideration.

Majority of Independent Directors. A majority of the Board will be comprised of independent directors satisfying the definition of independence set forth in NYSE listing standards and applicable SEC regulations as well as other factors, including business and personal relationships with management that will contribute to effective oversight and independent decision-making by the Board. However, this requirement will not prevent the Board from taking valid action, if, because of a temporary vacancy or vacancies on the Board, there are fewer than the required number of independent directors. The Nominating and Governance Committee will recommend candidate(s) to fill vacancies as quickly as is reasonably possible. The Nominating and Governance Committee will make the initial determination of whether a member is independent and refer that final decision to the Board.

Director Independence. In conjunction with its annual review of the composition of the Board, the Nominating and Governance Committee annually reviews the independence of each director or nominee by reviewing all transactions and relationships between each such person, or any member of the director's immediate family, and Lithia, its consolidated subsidiaries and affiliates, and management. These transactions and relationships are reviewed in the context of the specific independence standards enumerated in the NYSE listing standards and SEC regulations, as well as other business and personal relationships that could compromise the independent judgment of each director or nominee. Rather than ascribe to categorical standards for determining independence, the Nominating and Governance Committee will review and evaluate the specific facts and circumstances relating to each transaction and relationship to determine whether it is a material relationship that could compromise the judgment of a director. The Nominating and Governance Committee reports its determination regarding director independence to the Board for a final determination. For a director to be deemed "independent" within the meaning of the NYSE rules, the Board must affirmatively determine that the director has no material relationship with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company). The Board will disclose its determination that a director is independent in the Company's annual proxy statement.

Management Directors. The Company's Chief Executive Officer ("*CEO*") will be nominated annually to serve on the Board.

Designation of the Chair. At the annual meeting of the Board of Directors, the Board will elect a Chair. Both independent directors and management directors will be eligible for election as the Chair.

Designation of the Lead Independent Director. If the Chair of the Board is not an independent director, the independent directors will select an independent director to serve as the Lead Independent Director. If the Chair of the Board is an independent director, the independent directors may choose to select a Lead Independent Director from one of the independent directors. If a Lead Independent Director is selected, the Lead Independent Director will be responsible for coordinating the activities of the independent directors, which will include periodically organizing and conducting separate meetings or sessions of the independent directors, together with such other activities and responsibilities designated from time to time.

Selection of Board Nominees. Each year, the Nominating and Governance Committee will review the composition of the Board and the qualifications of eligible candidates for election in that year, including all current Board members. The Board will consider potential nominees submitted by shareholders in accordance with such policies and procedures approved by the Nominating and Governance Committee. After consultation with the CEO and the Chair, the Nominating and Governance Committee will recommend candidates to the Board for election by the shareholders at the annual shareholders meeting.

Director Qualifications. The Company's policy is to encourage the selection of directors who as a group will possess diverse skills and knowledge, including in such areas as finance, marketing, management and technology, as well as automotive retailing, that will contribute to the Board's overall effectiveness and the Company's overall corporate goals and responsibility to its shareholders. From time to time the Nominating and Governance Committee will review the appropriate skills, talents and other characteristics required of Board members in the context of the current makeup of the Board.

Term Limits. A director will no longer be considered independent if the director serves more than 15 years on the Board.

Retirement. No person may serve as an independent director over the age of 79.

Directors Who Change Job Responsibility; Retirement. If a director retires or materially changes the director's principal occupation or business association, the director will either obtain prior approval from the Board or tender a resignation letter to the Chair or Nominating and Governance Committee Chair, which in either case will provide the Nominating and Governance Committee the opportunity to review the director's continued service on the Board under these changed circumstances and the continued appropriateness of membership on the Board and any committees.

Membership on Other Boards. If a director is a member of the Company Audit Committee, the director will not serve on more than two other public company audit committees; and if a director is an active member of the board of directors of more than three other public companies, then the Nominating and Governance Committee, when performing its annual review of the composition of the Board, will take into consideration the competing time requirements of the director in fulfilling the director's duties as a member of the Board.

A director who accepts a position as a director or its equivalent with another for-profit organization should promptly advise the Board of that circumstance. The Chair, CEO or a

committee Chair should discuss with the Board an offer of such a position and obtain Board approval before accepting the position.

BOARD COMMITTEES

Committees; Reports. The Board will have a standing Audit Committee, Nominating and Governance Committee and Compensation Committee, each with respective responsibilities as delineated in the committee charters approved by the Board. The Board, in its sole discretion, may establish other committees to aid the Board in its oversight responsibilities. At each regular Board meeting, the committee Chair, or a designated member of the committee, will give a report, either in writing or orally, of the committee's material activities and on all matters acted upon by the committee at any meeting or by consent action taken since the preceding Board meeting.

Committee Member Selection. The Nominating and Governance Committee, after consultation with the CEO and Chair of the Board and after considering the desires of individual members, will recommend to the full Board the appointment of certain members to each committee, endeavoring to match the function of the committee and its respective needs for expertise with individual skills and experience of the appointees to such committee. The Nominating and Governance Committee will recommend one member of each committee to the Board for approval as the chair of that committee. The Nominating and Governance Committee will consider committee and chair succession and rotation when making its recommendations. The membership of the Audit, Compensation and Nominating and Governance Committees will be comprised solely of independent directors as required by the securities regulations and NYSE listing standards.

Audit Committee Financial Expert. The Nominating and Governance Committee will identify and recommend to the Board for approval, at least one Audit Committee member who qualifies as an "audit committee financial expert" as that term is defined by SEC Regulations.

Retention of Independent Advisors. The Board and any committee may retain outside consultants, experts and advisors as the Board or committee deems necessary to assist in evaluating any matter before, or the responsibilities of, the Board or committee.

BOARD AND COMMITTEE MEETINGS

Scheduling of Meetings. Board meetings and committee meetings, as required, will be scheduled in advance with in-person Board and committee meetings scheduled for every quarter at the Company's principal executive office or such other location as the Board may approve. Four additional Board meetings will be scheduled by teleconference between in-person meetings. Special meetings may be called only in accordance with the Bylaws. All Board members are expected to attend all regularly scheduled quarterly Board and committee meetings in person.

Agenda and Materials. The Board Chair, in consultation with the CEO and the Lead Independent Director, will be primarily responsible for preparing the agenda for each Board meeting. Each committee Chair will be primarily responsible for preparing the agenda for each applicable committee meeting. Individual directors and committee members are encouraged to suggest items for inclusion on the agendas. Prior to each meeting, appropriate written informational and background materials will be provided to each Board member. Each member

is expected to review the agenda and related materials prior to the meeting. The Board will have the authority to meet in executive sessions to discuss certain matters without distribution of written materials.

Independent Directors' Discussions. The independent members of the Board will meet separately without management directors in regularly scheduled sessions occurring at least quarterly and at other times as determined by the Board Chair (if independent), the Lead Independent Director or at the request of any two directors, to discuss such matters the independent directors consider appropriate. The Company's independent auditors, outside counsel, internal auditor, finance staff and other officers may be invited to attend these meetings.

Board Presentations. From time to time, management may be requested to make presentations before the Board to provide additional insight into matters being discussed or to provide the Board with reports that will enhance the flow of meaningful financial and business information to the Board. Except in special circumstances, all reports or presentations will be accessible to the Board members prior to the scheduled meeting.

Executive Officer Attendance. Except as otherwise may be determined by the Chair, the Board or the CEO, the Company welcomes the attendance of executive officers at all Board meetings; however, the Board will regularly meet in executive session without management present.

Access to Officers and Employees. Directors have full and free access to officers and employees of the Company. Any meetings or contacts that a director wishes to initiate may be arranged through the CEO, the CFO, or any executive officer. The directors will use their judgment to ensure that any such contact is not disruptive to the business operations of the Company.

Attendance at the Annual Shareholders' Meeting. All members of the Board of Directors are expected to be in attendance at each annual meeting of the shareholders.

OTHER BOARD MATTERS

Board Compensation. The Board, through the Compensation Committee, will review, or request outside consultants to review, appropriate compensation policies for the directors serving on the Board, its committees and as Chair, consistent with rules promulgated by the NYSE. This review may consider board compensation practices of other publicly-held automotive retailers and similarly sized public companies. Executive officers of the Company serving on the Board will not receive any additional compensation for serving as a director.

Stock Ownership. As directed by Lithia's Director Stock Ownership Policy, each non-employee director is expected to own a meaningful number of shares of common stock. To help align interests with shareholders, a significant portion of their compensation will be paid in common stock.

Conflicts of Interest. If an actual or potential conflict of interest develops, the director will immediately report the matter to the Chair of the Audit Committee for evaluation of such interest. If the matter is significant and cannot be resolved, the director will resign. If a director

has a personal interest in a matter before the Board, the director will advise the Board of that interest, and excuse himself/herself from the discussion and any vote on the matter.

Director Orientation and Continuing Education. Upon election or appointment as a new director, each director will be provided a packet comprised of the Company's organizational documents, including its Bylaws, and all corporate governance documents, including these Guidelines, committee charters, Code of Business Conduct and Ethics and the Company's insider trading policy and other compliance programs. Each director is responsible for reviewing and understanding the content of these documents and becoming familiar with the Company's business and industries. In this regard, the Company, through its senior management team, provides each new director with information regarding the Company's strategic plan, its significant financial, accounting and risk management issues, its compliance programs, management structure, and its internal and independent auditors.

The Company recognizes that it is essential for the effective operation of the Board of Directors that Board members be informed and have continuing access to information concerning the Company and its markets and the other business, economic, technical, accounting, legal and other relevant developments that affect the Company or the environment in which it operates. To that end, the Company may periodically make available to its directors continuing educational opportunities designed to assist them in performing their Board and committee functions. This continuing education may be provided by Company personnel or advisors, or may at times involve participation in external classes or seminars. The Company will reimburse directors for the cost of attending approved educational activities.

ADMINISTRATIVE RESPONSIBILITY

Management Succession and Development Planning. The Board is responsible for the succession plan for the position of Chief Executive Officer. The CEO is responsible for the succession and development planning for other senior management, subject to review and approval of executive management succession by the Board. To assist the Board, annually the CEO will discuss the planning with the Board and include an assessment of the senior managers, the potential for such person(s) to succeed the CEO or other senior management and plans to further develop senior managers for possible succession. The Compensation Committee will provide oversight and guidance to the CEO and Board regarding succession planning and management development.

Additionally, the Board, in consultation with the CEO, will establish on a continuing basis a short-term succession plan which temporarily delegates authority of certain officers in the event all or a portion of the senior management are unable to perform their respective duties. This short-term succession plan will provide the Board time to consider the situation and take appropriate action.

Review of Board and Committee Performance. In conjunction with its annual review of the composition of the Board and its committees and the qualifications of its members, the Nominating and Governance Committee will review the overall effectiveness and performance of the Board and each committee and evaluate the contributions and effectiveness of the individual Board members, discuss the review with the Board and/or Board members and recommend for

Board approval appropriate changes that the Nominating and Governance Committee believes will improve the effectiveness of the Board or any committee.

Selection and Evaluation of the CEO. The Board, with input from the Compensation Committee, will be responsible for selecting the CEO. Using evaluation criteria established in consultation with the CEO, the Compensation Committee will meet at least annually to evaluate the performance of the CEO and will discuss its findings and recommendations with the Board. The chair of the Compensation Committee, together with the Chair (if independent or, if not, the Lead Independent Director), will share and discuss the annual evaluation with the CEO.

Financial Reporting, Legal Compliance and Ethical Conduct. The governance and oversight functions of the Board do not relieve executive management of its primary responsibility for preparing financial statements that accurately and fairly present the financial results and condition of the Company. Executive management will maintain systems, procedures and a corporate culture that promote compliance with legal and regulatory requirements and the ethical conduct of the Company's business.

Corporate Communications. Executive management has the primary responsibility to communicate with investors, shareholders, the press, employees and other constituencies that are involved with the Company. The Board, in consultation with the Nominating and Governance Committee, will establish policies for shareholder communications with the Company and the current policy will be posted on the Company investor relations' website.

Code of Business Conduct and Ethics. The Board, in consultation with executive management, will be responsible for establishing a written Code of Business Conduct and Ethics. The Nominating and Governance Committee will be responsible for periodically reviewing, policing and enforcing the adopted Code of Business Conduct and Ethics and will report all known violations or waivers of such Code to the Board. The Code of Business Conduct and Ethics will be accessible on the Company investor relations' website.

Internal Controls over Financial Reporting. The CEO, CFO and Chief Accounting Officer will be responsible for the design, maintenance and evaluation of internal controls and procedures intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Disclosure Controls and Procedures. The Company's senior management will also be responsible for the design, maintenance and evaluation of controls and procedures to ensure that management and the Board receive material information regarding the Company in a timely manner and that such information is complete and accurate. To satisfy this responsibility, the CEO and CFO will organize a Disclosure Committee that may be comprised of Company personnel, officers, Board members or non-employee advisors. The Disclosure Committee will operate under the supervision and direction of, and report directly to, the CFO.

Review of Guidelines. The Nominating and Governance Committee will review these Guidelines at least annually, and will recommend to the Board amendments to these Guidelines as it deems appropriate.

Availability of Guidelines. A current version of these Guidelines will be included on the Company's website, and will be made available in print to any Company shareholder who requests it. In addition, availability of these Guidelines will be stated in the Company's annual proxy statements.

SUSTAINABILITY

The Company has a responsibility to the communities in which it operates, as well as to its shareholders. To allow appropriate Board review and input, management will prepare and present to the Board a periodic review of the policies, practices and contributions made in fulfillment of the Company's commitment to sustainability.

July 23, 2020