



## LITHIA MOTORS, INC.

### NOMINATING AND GOVERNANCE COMMITTEE CHARTER

#### **Purpose**

The primary purpose of the Nominating and Governance Committee (the “*Committee*”) is to assist the Board of Directors (the “*Board*”) of Lithia Motors, Inc. (the “*Company*”) in:

- identifying qualified individuals to become Board members, and recommending director nominees to the Board for each annual meeting of the shareholders of the Company;
- overseeing evaluations of the Board and its committees;
- developing, periodically reviewing, monitoring and recommending to the Board, effective corporate governance policies and procedures applicable to the Company; and
- developing and enforcing a Code of Business Conduct and Ethics.

#### **Membership**

The Nominating and Governance Committee will be composed of at least three directors appointed by the Board of Directors, all of whom must meet the independence requirements of the New York Stock Exchange relating to nominating and governance committee membership and such other requirements as shall be provided in the Securities Exchange Act of 1934 and rules promulgated thereunder, and the Company’s Corporate Governance Guidelines. The Board will designate the membership of the Committee after considering the recommendation of the Nominating and Governance Committee. The Board will designate one of the Committee members to serve as the Chairperson of the Committee. Members of the Committee will be appointed for one-year terms and may be removed by the Board at any time.

#### **Meetings**

The Committee will meet as often as it deems necessary to effectively perform its duties and responsibilities. Each independent director may attend meetings of the Committee. Minutes of the Committee meetings will be prepared, and a copy provided to all members of the Committee, the Board of Directors and the Secretary of the Company.

#### **Authority and Responsibilities**

In carrying out its duties, the Committee will have the following authority and responsibilities:

## **Board Selection**

- Establish policies and procedures for the identification, evaluation, approval and recommendation of director candidates, as appropriate, including policies and procedures for shareholders to submit director nominees to the Committee for consideration.
- Seek prospective director candidates considering the Board's desire:
  - to encourage the selection of directors who as a group will possess diverse skills and knowledge that will contribute to the Board's overall effectiveness and the Company's overall corporate goals and responsibility to its shareholders; and
  - for directors who exhibit a high degree of personal and professional ethics and integrity and a commitment to the long-term interests of the shareholders.
- Review the qualifications of director candidates, including current directors and candidates proposed or suggested for consideration, including by shareholders, taking into account the current composition of the Board and the criteria established by the Committee.
- Recommend nominees to the Board for election at the Annual Meeting of the Shareholders or at any time a vacancy occurs.
- Evaluate and determine the independence of each director and director nominee and report such determination to the Board for approval.

## **Board Review**

- Annually undertake an evaluation process of the contributions and effectiveness of the individual Board members, and the Board as a whole, and recommend appropriate changes to improve the effectiveness of the Board.
- Periodically review the membership of the Board to determine its appropriate size and overall structure and composition and recommend such changes to the Board for consideration.

## **Committees**

- Annually review and evaluate the performance of each committee and discuss the results of the performance review with the Board.
- Recommend to the Board, as appropriate, the number, type, functions, structure and independence of Board committees.
- Annually, after consultation with the CEO and Chair of the Board, recommend membership on, and the chair of, Board committees.

- Evaluate and determine whether any of the independent directors possess the necessary qualifications to be considered an audit committee financial expert and recommend such person or persons for confirmation by the Board.

### **Governance, Risk and Compliance**

- Annually review and recommend to the Board for approval, a written set of Corporate Governance Guidelines and monitor compliance with the approved Corporate Governance Guidelines.
- Review, assess and monitor compliance with the Code of Business Conduct and Ethics, including granting any waivers to executives, officers or directors, and report all known violations or waivers to the Board.
- Monitor process and scope of director access to Company management and employees and communications between directors and Company management and employees.

### **Other Responsibilities**

- After consultation with the CEO, annually recommend to the Board a member to serve as the Chair of the Board.
- If the Chair of the Board is not an independent director and after consultation with the CEO and the Chair of the Board, recommend an independent director to serve as the Lead Independent Director.
- Annually review and reassess the adequacy of this Charter and recommend to the Board any proposed changes thereto.
- Review and advise the Board on all applicable director resignations, including resignations made in accordance with the Corporate Governance Guidelines.
- Develop or oversee materials and programs to inform the Board with respect to its responsibilities and best governance practices.
- Establish policies and procedures for shareholders to communicate with the Board.
- Consider other matters related to corporate governance and make recommendations for consideration by the Board.

### **Other Provisions**

- The Committee has the authority, in its sole discretion, to select, retain and obtain the advice of outside consultants, counsel and other advisors as necessary to assist with the execution of its duties and responsibilities as set forth in this Charter. Specifically, the Committee will have sole authority to retain and terminate any search firm used to identify director candidates, including sole authority to approve the search firm's fees

and other retention terms. The Committee will set the compensation of, and oversee, its outside consultants, counsel and other advisors.

- The Committee will receive appropriate funding from the Company, as determined by the Committee, for the payment of compensation to its search firm and outside consultants, legal counsel and other advisors.
- A current version of this Charter will be included on the Company's website and will be made available in print to any Company shareholder who requests it. In addition, the availability of this Charter will be stated in the Company's annual proxy statement.
- The Committee may delegate any of its responsibilities to a subcommittee, which subcommittee will consist of at least two members of the Committee.

### **Reports to the Board**

The Chair will report to the Board of Directors a summary of the Committee's activities and will submit or refer to the Board any matter that the Committee believes warrants the attention of the Board or requires its approval.

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April 23, 2020