DGDG BE HAPPY

CLIMATE RELATED FINANCIAL RISK REPORT













Report for Fiscal Year Ending December 31, 2025; Published January 2026

Prepared Pursuant to California 2023 Senate Bill (SB) 261 (Stern, Stats. 2023, ch. 383, codified in Health and Safety Code section 38533)

EXECUTIVE SUMMARY

The Del Grande Dealer Group ("DGDG" / "Company") is a family-owned automotive retail group in the Bay Area, representing an exceptional portfolio of world-class brands and delivering vehicle sales, parts and service, and mobility solutions. Through DGDG Automotive, LLC, DGDG supports its customers, team members, and the communities in which it operates.

DGDG is committed to being a responsible corporate citizen and believes that long-term business success is closely linked to environmental stewardship, operational resilience, and thoughtful investment in the future. As the automotive industry continues to evolve, DGDG proactively evaluates how environmental trends, regulatory developments, and OEM strategies may influence its operations, facilities, and capital planning decisions over time.

As part of this effort, DGDG has undertaken an enterprise-level assessment of climate-related physical and transition considerations across short, medium, and long-term horizons, informed by the Task Force on Climate-related Financial Disclosures ("TCFD") framework. This assessment supports DGDG's focus on sustainability, risk awareness, and opportunity identification as it continues to grow and invest responsibly.

DGDG's ongoing initiatives include incorporating climate considerations into governance oversight, facility planning, and infrastructure investments, including energy efficiency measures, solar deployment, EV charging expansion, and operational resilience planning. These efforts reflect DGDG's commitment to mitigation, adaptation, and continuous improvement.

This report is prepared in alignment with the TCFD framework and serves as DGDG's biennial Climate-Related Financial Risk Disclosure under SB 261.

REPORTING BOUNDARY AND CONSOLIDATED ENTITIES

This Climate-Related Financial Risk Report is filed by DGDG Automotive, LLC as the parent reporting entity under SB 261. All operating dealerships are wholly owned subsidiary limited liability companies and roll up into DGDG Automotive, LLC for consolidated reporting purposes.

For purposes of SB 261 compliance and CARB docket submission requirements, DGDG Automotive, LLC is the sole covered entity meeting the applicable revenue threshold. No subsidiary operating entities independently meet the reporting threshold.

Covered operating locations include, but are not limited to: **Stevens Creek Mazda, Capitol Mazda, Capitol Subaru, Capitol Chevrolet, Capitol Volkswagen, Capitol Kia, Capitol GMC, Capitol Hyundai, Concord Mazda, Capitol Ford, Team Chevrolet Cadillac Mazda, Stevens Creek Hyundai, Salinas Honda, Audi Modesto, and DGDG Management, LLC administrative offices.**



GOVERNANCE OF CLIMATE RELATED FINANCIAL RISKS

DGDG's governance structure includes executive oversight of climate-related risk exposures, with responsibility shared across strategy, operations, facilities, and finance functions.

Climate-related risk assessment is reviewed annually by executive leadership and is integrated into capital investment plans, real estate and facility design, OEM certification programs, insurance negotiations, and business continuity planning. Executive leadership is responsible for ensuring climate-related considerations are incorporated into long-term infrastructure strategy.

Climate risk discussions are coordinated across operations, facilities, finance, and real estate teams to ensure that identified risks are reflected in operational decision-making and capital allocation.



CLIMATE RISK IDENTIFICATION AND METHODOLOGY

DGDG applies a structured climate-risk evaluation framework focused on two primary risk categories: **physical risks and transition risks.**

PHYSICAL RISKS:

Physical risks include climate-driven environmental conditions that may impact business continuity, assets, personnel, or inventory. Key identified physical risks in Northern California include wildfire smoke and air quality impacts affecting workforce availability and customer activity; extreme heat events increasing strain on HVAC systems, utilities, and facility infrastructure; flooding and stormwater risks to vehicle inventory and equipment; increased storm intensity resulting in temporary operational disruptions; and changes in insurance availability, pricing, or coverage tied to evolving geographic hazard assessments.

TRANSITION RISKS:

Transition risks reflect regulatory, technological, and market changes associated with the shift toward a low-carbon economy. These include OEM electrification mandates, capital investment requirements for EV charging and electrical upgrades, compliance obligations under California Senate Bill 253 (“SB 253”) and SB 261, shifts in consumer vehicle demand, and utility rate volatility.

In addition to transition risks, DGDG evaluates potential transition opportunities, including increased consumer demand for electric vehicles, expanded service revenue associated with EV maintenance and diagnostics, potential access to incentive programs, and operational efficiencies resulting from renewable energy deployment and energy cost management initiatives.

DATA SOURCES:

Climate risk identification is informed by multiple internal and external data sources, including OEM facility certification standards, insurance underwriting models, facility infrastructure assessments, Cal-Adapt climate projections, wildfire risk maps, utility grid reliability data, and dealership-level operational performance data. Where quantitative data is limited, DGDG applies qualitative materiality screening to flag priority risk areas.

CLIMATE RISK IDENTIFICATION AND METHODOLOGY (CONTINUED)

RISK ASSESSMENT AND PRIORITIZATION:

In alignment with the TCFD framework, DGDG considered the potential impacts of both higher-emissions and lower-emissions climate pathways in conducting its assessment. A higher-emissions scenario reflects increased physical climate impacts, including more frequent extreme heat, wildfire exposure, and operational disruptions.

A lower-emissions transition pathway reflects accelerated regulatory requirements, market shifts toward electrification, and evolving OEM expectations. These pathways were considered qualitatively and informed by publicly available climate research and regulatory developments. This approach was used to support internal strategic planning and risk awareness rather than formal quantitative modeling.

DGDG evaluates climate-related risks across three time horizons:

- **Short-term (0–3 years):** Capital planning, staffing needs, near-term facility readiness.
- **Medium-term (3–10 years):** OEM electrification mandates, solar deployment expansion, infrastructure upgrades.
- **Long-term (10+ years):** Market transformation, insurance market availability, long-term physical climate exposure.

Risk prioritization considers three qualitative attributes: likelihood of occurrence, magnitude of operational or financial impact, and velocity at which risks materialize. This qualitative framework supports internal decision-making by distinguishing between risks that are monitored and those that warrant elevated management attention. Risks assessed as high across occurrence, magnitude, and velocity dimensions are prioritized for executive management review and integration into mitigation planning.

STRATEGY — ACTUAL AND POTENTIAL IMPACTS

Climate-related physical and transition risks may affect DGDG's financial performance and operational continuity across short, medium, and long-term horizons. Climate-related risks may impact operating expenses, capital expenditure requirements, insurance premiums, facility maintenance costs, energy expenditures, and business interruption exposure. These financial impacts are considered during capital planning and insurance renewal processes.

Under higher-emissions scenarios, DGDG expects increased physical risk intensity, including greater wildfire exposure, higher cooling demand, grid reliability challenges, and elevated insurance costs. These impacts could result in higher operating costs and increased business continuity planning requirements.

Under lower-emissions and accelerated transition scenarios, DGDG expects transition risks to intensify, including more stringent regulatory compliance obligations, accelerated OEM electrification requirements, and increased near-term capital investments in charging infrastructure, electrical capacity upgrades, and energy efficiency improvements.

DGDG's diversified dealership footprint, phased infrastructure investment approach, and ongoing engagement with OEM partners support its ability to adapt across a range of potential climate-related outcomes.



RISK MANAGEMENT

DGDG identifies and evaluates climate-related risks through facility reviews, management assessments, insurance renewal analysis, and OEM program requirements.

Climate risk identification incorporates facility-level hazard reviews, OEM readiness evaluations, insurance underwriting feedback, utility reliability considerations, and operational performance history related to extreme weather events.

While DGDG does not currently maintain a formal quantitative climate risk register, risks are assessed qualitatively and prioritized based on occurrence likelihood, magnitude of potential operational or financial impact, and velocity of risk realization. This qualitative prioritization approach reflects DGDG's current reporting maturity and data availability.

Current risk management actions include:

- Facility-level climate hazard reviews
- OEM EV readiness evaluations
- Insurance underwriting engagement tied to geographic risk exposure
- Solar system deployment and electrification investments
- Business continuity planning for power and operational disruptions





METRICS AND TARGETS

DGDG currently monitors select operational indicators that inform climate risk management and capital planning decisions. The outlined metrics reflect operational indicators used by management to support infrastructure investment decisions, operational resilience planning, insurance risk management discussions, and regulatory readiness.

RENEWABLE ENERGY & ELECTRIFICATION METRICS:

Solar deployment initiatives are underway across a majority of dealership rooftops, representing a multi-million-dollar investment program designed to reduce grid reliance and long-term energy costs. EV charging infrastructure has been installed at OEM-certified locations, with additional capacity expansion planned annually to meet manufacturer requirements and customer demand.

PHYSICAL CLIMATE EXPOSURE METRICS :

DGDG tracks service disruptions related to extreme heat, wildfire smoke, and flooding, as well as insurance premium changes linked to climate-driven underwriting adjustments.

WATER CONSERVATION :

DGDG has implemented drought-resilient landscaping across high-water-use facilities, resulting in more than 200,000 gallons of water savings annually. This metric is tracked through facility maintenance records and landscaping vendor reporting.

REGULATORY REPORTING CONSIDERATIONS:

DGDG continues to evaluate greenhouse gas emissions reporting requirements under SB 253 and other applicable regulations. The Company will disclose emissions data in accordance with regulatory requirements. Any additional operational or performance indicators will be considered in alignment with business strategy and regulatory developments.

TARGETS:

DGDG has identified directional operational priorities aligned with infrastructure investment planning and evolving regulatory compliance timelines. DGDG continues to evaluate the availability and quality of underlying data prior to confirming any quantitative targets.

- Expand solar deployment (2026–2030).
- Increase EV charging capacity (2025–2028).
- Prepare for greenhouse gas emissions reporting in accordance with SB 253 requirements.
- Reduce exposure to climate-driven insurance volatility through facility resilience investments and risk mitigation planning (ongoing).

CONCLUSION

This report fulfills the disclosure requirements of SB 261 and establishes DGDG's initial climate-risk governance and reporting foundation. As regulatory guidance evolves and internal measurement capabilities improve, DGDG expects to expand scenario analysis, quantitative disclosures, and emissions reporting in future reporting cycles.

Additional emissions-related disclosures will be considered under regulatory and voluntary reporting needs. DGDG's continued investments in EV infrastructure, on-site renewable energy generation, water conservation, and facility resilience position the Company to adapt to both physical climate impacts and regulatory transition risks over time.

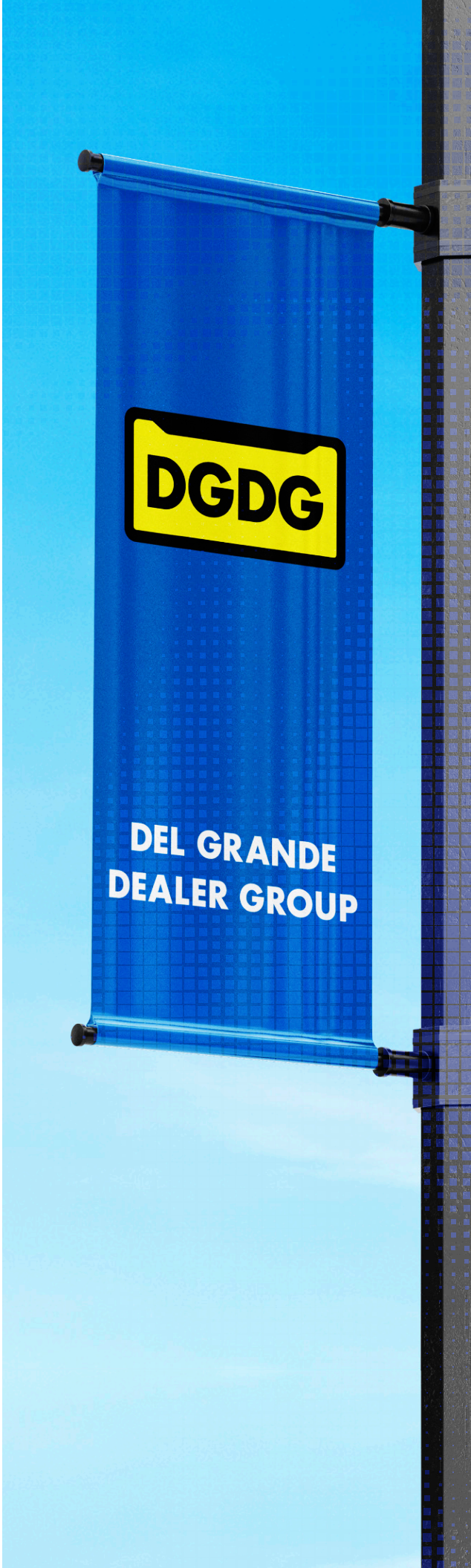
FORWARD-LOOKING STATEMENTS

Forward-looking statements include, but are not limited to, statements regarding expectations, estimates, forecasts, projections, plans, objectives, assumptions, or future performance, as well as statements identified by words such as "believes," "expects," "anticipates," "intends," "plans," "may," "will," "should," "could," "estimates," or similar expressions.

These forward-looking statements are based on current expectations and assumptions regarding future events and involve known and unknown risks, uncertainties, and other factors that may cause actual results, performance, or achievements to differ materially from those expressed or implied in such statements.

Factors that could cause actual results to differ materially include, but are not limited to: changes in economic, business, competitive, regulatory, or market conditions; changes in applicable laws or regulations; the impacts of climate-related risks; operational or supply-chain disruptions; changes in capital markets; and other risks.

Forward-looking statements speak only as of the date made, and the Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise, except as required by law.



DGDG BE HAPPY

THANK YOU