

125 YEARS

YEARS



ENVIRONMENTAL
SOCIAL
GOVERNANCE
REPORT 2020

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Message from our Chairman and CEO

As we publish this year's report, the world is driving toward a return to pre-COVID normalcy.

We are grateful to our employees for their unwavering dedication to keeping our businesses running, our customers supported, and our communities safe. The actions we took in response to COVID-19 reaffirm our commitment to sustainable and resilient business practices, highlight the importance of a diverse and inclusive workforce, and demonstrate the interconnectedness of our operations and supply chain across the global economy.

We are pleased to share with you our 2020 ESG report. We aim, through our ESG efforts, to continue our leadership in addressing climate change and ensuring the success and well-being of our stakeholders. The data and information in this report are aligned with and continue to expand upon material topics identified in the Sustainability Accounting

Standard Board (SASB) and the Task Force on Climate-related Financial Disclosures (TCFD) frameworks.

A LOW CARBON STRATEGY

We pride ourselves on designing, manufacturing, and marketing the most efficient climate control products on the market. We continue to develop products with progressively less carbon impact – through greater energy efficiency and use of refrigerants with lower global warming potential (GWP).

To further drive emission reductions across our business, and demonstrate our commitment to addressing climate change, we are conducting scenario analyses of our emissions and evaluating science-based targets. Additionally, in 2020, we achieved our targets for water and waste ahead of scheduled dates and are planning new targets around water and waste-related issues. We look forward to sharing our progress in our environmental performance – in emissions, energy, water, and waste – across our business operations.





DIVERSITY AND INCLUSION

For many years we have made and continue to make concerted efforts to expand our diversity and inclusion, including recently deploying unconscious bias training across our global salaried workforce. I proudly joined the CEO Action for Diversity & Inclusion pledge to promote a more inclusive workplace. We also joined the Business Coalition for the Equality Act: legislation addressing workplace fairness for lesbian, gay, transgender, bisexual, and queer (LGBTQ) employees.

EMPLOYEE HEALTH AND SAFETY

We win in the marketplace through the extraordinary efforts of our employees, and their safety is always our top priority. We are proud of sustained efforts made across the company to ensure our employees and communities are kept safe during the COVID-19 pandemic, all while minimizing disruptions to our business operations and customers. We conduct robust health and safety audits, and aim for annual, corporate-wide 20% reductions in the rate of year-over-year incidents. In 2020, we again substantially reduced our recordable and lost workday frequency rates.

This past year was a special one for LII.

We celebrated over 125 years of innovation in climate control products produced and sold around the world that create comfortable and healthy environments for our customers. We are industry leaders because of our long-standing commitment to developing innovative and responsible solutions. Looking forward, we are excited to see how our many integrated environmental, social, and governance (ESG) efforts will continue to position us as a solution-oriented HVACR leader.



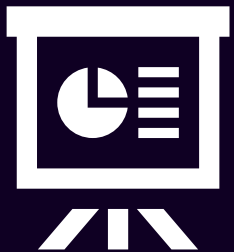
Todd M. Bluedorn
Chairman and Chief Executive Officer



BUSINESS OVERVIEW

We are no stranger to innovation.

We have repeatedly seized opportunities and advanced climate control solutions since 1895. As the world unites to tackle climate change, we at Lennox International, as always, are ready and committed to contribute to the solution.



About LII

We have a 125-year history of leading the industry in energy-efficient climate control solutions. Dedicated to sustainability and creating the most effective and efficient products for customers while reducing their carbon footprint, we lead the field in innovation with our air conditioning, heating, indoor air quality, and refrigeration systems.

To achieve this, our business focuses on four strategic priorities:



Business Segments



RESIDENTIAL HEATING & COOLING

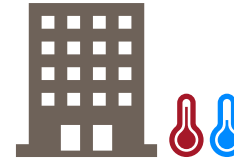
We pride ourselves on providing industry-leading heating, cooling, and indoor air quality systems for homeowners.

PRODUCT LINES

Furnaces, air conditioners, heat pumps, packaged heating and cooling systems, indoor air quality equipment, comfort control products, and replacement parts and supplies

KEY BRANDS

- Lennox
- Dave Lennox Signature Collection
- Healthy Climate
- iComfort
- Merit Series
- Allied
- Armstrong Air
- MAGICPAK
- Advanced Distributor Products



COMMERCIAL HEATING & COOLING

We deliver HVAC solutions to our commercial customers providing them with a healthier and more comfortable environment while lowering their operating costs.

PRODUCT LINES

Unitary heating and air conditioning equipment, indoor air quality, applied systems, controls, installation and service of commercial heating and cooling equipment, and commercial products with variable refrigerant flow

KEY BRANDS

- Lennox
- Lennox National Account Services
- Allied Commercial
- Lennox VRF
- Model L
- Landmark
- Raider
- Prodigy
- Strategos



REFRIGERATION

We are valued partners to help customers protect and extend the life of food, medicines, and other products and services.

PRODUCT LINES

Condensing units, unit coolers, fluid coolers, air cooled condensers, air handlers, process chillers, controls, and compressorized racks

KEY BRANDS

- Bohn
- Larkin
- Chandler Refrigeration
- Friga-Bohn
- HK Refrigeration
- Hyfra
- IntelliGen



Key 2020 Highlights

TOTAL EMPLOYEES
10,300



2020 REVENUE
\$3.6B
In Sales

Residential Heating & Cooling
65%

Commercial Heating & Cooling
22%

Refrigeration
13%

2020 BUSINESS MIX



Awards and Recognition

Year after year, leading institutions award LII for its industry-defining HVACR products. From **ENERGY STAR**® “Most Efficient” designations to outstanding design accolades to green innovation, here’s a look at those who have taken notice of our commitment to the environment.



United Nations Sustainable Development Goals

We focus our innovation and efforts to help achieve global sustainability goals. Although we recognize that all seventeen of the United Nations Sustainable Development Goals (UN SDGs) are critical and intertwined, given our unique industry experience, business priorities, and targeted ESG efforts, we believe we can have the greatest impact on the following SDGs. For more information on the UN SDGs, please see their official [website](#).

3 GOOD HEALTH AND WELL-BEING



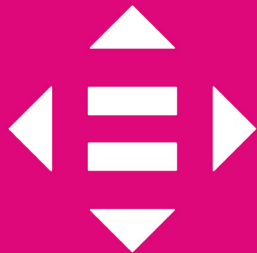
7 AFFORDABLE AND CLEAN ENERGY



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



10 REDUCED INEQUALITIES



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



13 CLIMATE ACTION



ENVIRONMENTAL

Sustainable innovation is at the crux of our business strategy and integrated into our approach toward our products, services, and operations.

We are committed to reducing our climate impact and continuously implement new measures and processes to drive progress against our sustainability goals, resulting in a lighter LII environmental footprint.



PHOTO SUBMITTED BY:
Gugan Jagan | Chennai, Tamil Nadu, India
Flower with Honey Bee in Delhi, India




Environmental Management


At LII, we have a comprehensive Environmental Management System (EMS) aligned with ISO 14001 that comprises policies and procedures to manage the environmental performance of our facilities.


Our EMS is the framework in which we develop, review, and set timeframes to achieve our environmental objectives, including reducing our environmental impact, preventing pollution, and conserving natural resources. Our EMS also defines the organizational structure and roles that are responsible for maintaining and revising our EMS.


All of LII's global facilities and subsidiaries implement our EMS and maintain required standards, procedures, and audits. As a result, LII has paid no significant fines or penalties related to environmental or ecology issues for over a decade.


LII's EMS includes the following:

-  Monitoring and measuring environmental performance and actions to prevent or correct non-conformance and maintaining environmental records
-  Maintaining a comprehensive environmental compliance program, including complying with applicable laws and regulations governing environmental protection
-  Educating, training, and motivating employees to conduct their activities in an environmentally-sound manner

-  Incorporating environmental considerations in evaluating new projects, products, and processes

-  Encouraging the use of non-polluting technologies and waste minimization in the design of products and processes

-  Promoting the conservation of resources and protection of the environment through recycling, reuse, and proper disposal of materials

-  Anticipating and responding to public concerns about potential hazards and impacts of operations, products, waste, or services


-  Continuing to improve environmental performance, considering technical developments, scientific understanding, consumer needs, and community expectations



PHOTO SUBMITTED BY:

 **Arun Kunasekaran** | Chennai, Tamil Nadu, India
Dew Glitters in Golden Rays in Tamil Nadu, India



Product Efficiency and Innovation

LII has a 125-year history of inventing new technologies, launching market-leading products, and improving the quality of products that meet our customers’ heating, cooling, indoor air quality, and refrigeration product needs.

Our products are sold around the world and used by millions of customers. We make our most meaningful, positive climate impact by focusing on product energy efficiency, more environmentally-friendly refrigerants, and emissions reductions. Today, many of our next-generation control systems, as well as our heating, cooling, and refrigeration products, lead the industry in energy efficiency in their respective categories.

Leading energy efficiency, adopting refrigerants with a lower carbon footprint, deploying smart climate controls, and harmonizing with renewable energy and electric sources are at the heart of our product strategy. We are actively focused on innovating and dedicating resources in these spaces.

We invest over 5% of our revenue in research and development, as well as information technology infrastructure and solutions, to develop and launch **new products and services that are increasingly efficient, sustainable, and support a low carbon future.** In addition to our advances in using natural refrigerants, thirty percent of the patents we filed over the last 10 years are tied to energy efficiency improvements.

Our designs for optimal energy efficiency include developing software that estimates a customer’s real energy savings and total cost of ownership while considering geographic location and installation sites, building

thermal loads, and opening hours. This enables customers to measure and track their own energy consumption and efficiency.

We are committed to continue being an industry leader in providing market-leading energy-efficient products to our customers and facilitating the world’s transition to a low carbon economy. Our **Product Vitality Index (PVI)** is one key method in which we measure our success in product innovation. The PVI represents sales of products launched in the last three years as a percentage of total sales. Given our newest products are also the most efficient, a higher PVI indicates we are successfully delighting our customers and meeting their expectations for a lower carbon footprint. Our high PVI, averaging over 40%, implies our newest, highest-efficiency products are drivers of our strong performance. Our investment in energy-efficient products continues to drive market-wide adoption of efficient, sustainable climate-control technologies.

ECODESIGN

We align the design of our EMEA products with the European EcoDesign regulation. Through our innovative engineering, we design HVACR units that meet or exceed the minimum energy performance levels set by the EcoDesign.

KEY HIGHLIGHTS

41% of LII’s total product revenue is generated from high-efficiency products

70% of eligible Residential HVAC products and **60%** of eligible Commercial HVAC products by revenue meet ENERGY STAR® criteria

55% of our equipment sales in Europe are from products that are low carbon or meet EcoDesign standards, which include compliance around energy performance targets and customer engagement data sheets

ANNUAL WALK-IN ENERGY FACTOR (AWEF)

Our U.S. commercial refrigeration equipment complies with the Department of Energy's new AWEF efficiency ratings.

PATENT HIGHLIGHT

One of our recent patented inventions increases the operational efficiency of our HVAC systems as they reach a desired, target temperature. Conventional HVAC systems allow users to set the system to cool/heat their houses at a specific time prior to them returning home. However, a conventional system does not take into account the time it takes to reach the desired setpoint, leading to inefficient operating speeds while the user is not home. LII's invention dynamically operates the HVAC system by predicting a starting time and setting operating speeds for the most energy-efficient way to arrive at the user's desired temperature at the desired time.

PRODUCT HIGHLIGHT

Residential XP25 Variable-Capacity Heat Pump



The XP25 Variable-Capacity Heat Pump has been designated as one of the Most Efficient ENERGY STAR® certified products in 2020, with efficiency ratings up to 23.5 SEER. This heat pump comes with Precise Comfort® technology, which adjusts heating and cooling output in increments as small as 1%, perfectly matching customer energy use with comfort, as well as being incredibly energy-efficient even in cooler climates. With inverter compressors, these variable speed heat pumps can support renewable energy sources like wind and solar and come "solar ready."

Commercial Energence® Ultra High Efficiency Rooftop Units



The Energence® Ultra High Efficiency rooftop unit is the most efficient packaged rooftop line in its class with efficiency ratings up to 23.5 SEER, 15 EER, and 22 IEER. All Energence rooftops feature the Prodigy® 2.0 control

system that allows customers to configure the unit to meet the unique demands of their application and achieve maximum unit efficiency. These units help building owners qualify for many state and local utility rebates and Leadership in Energy and Environmental Design (LEED) points. Our rooftops feature the Environ® Coil System, which maximizes sustainability by reducing refrigerant usage by over 50%, and has an optional MSAV supply fan which provides up to 75% fan power savings.

Refrigeration e-Baltic R-32 Air Cooled Rooftop Package Unit



The e-Baltic R-32 is the first rooftop unit in the world to use A2L refrigerant. R-32 in particular, a type of A2L refrigerant, has lower flammability and a lower global warming potential than other commonly used HFC refrigerants. The design of the e-Baltic also reduces refrigerant charge by up to 30%, further reducing the amount of CO2 emitted. Furthermore, the e-Baltic meets the 2021 EcoDesign seasonal efficiency requirement and has features that enable the unit to adjust its power and airflow according to real climatic conditions, leading to optimized energy consumption.

Smart Thermostats iComfort® S30

The iComfort® S30 thermostat's Smart Away™ Mode uses the location services in customer smartphones to detect when they are leaving their home and automatically adjusts the temperature to a more energy-efficient setting. When customers return home, Smart Away Mode returns the system to its normal schedule and a more comfortable temperature. The iComfort S30 thermostat can also run energy reports that show how often and how long heating or cooling systems have run for the month, empowering customers to manage their own energy consumption.



Product Lifecycle Management

OUR PRODUCTS LIVE LONG LIVES

Our products have operating lifespans of more than a decade and are built to be highly-efficient, easily serviced and maintained, and able to adapt to a customer's operating environment. A few years ago, we introduced and patented a shorter profile furnace design that is more compact and easily transported, which leads to lower transportation emissions. We strive to design, manufacture, monitor, and manage the use and disposal of our products throughout their life cycle. These efforts are part of our commitment toward reducing the impact of our products on the environment and building a circular economy. Please look to our [Refrigerant Management section](#) for our approach to end-of-life management of refrigerants.

MATERIAL SOURCING

Our sourcing team procures materials with recycled content where possible, including steel, aluminum, and copper. The majority of the products we manufacture have a **minimum of 30% recycled content**. For our packaging, we also source cardboard with pre- and post-consumer recycled content.

RECYCLABILITY

We strive to achieve maximum recyclability of our products. This reduces costs for us and our customers. On average, **our products are composed of over 90% metal** that can be disassembled and recycled. For the other materials in our products, we are evaluating the development of additional, robust end-of-life processes, whether it is replacing plastic components with more recyclable materials or partnering with organizations able to recycle these specific parts. For example, in our Commercial business we often partner with companies handling the disposal and recycling of our products and work closely with them on tracking and recycling metrics.

Refrigerant Management

DESIGN & DEVELOPMENT

A key piece of our product design strategy is the deployment of alternative, low carbon refrigerant technologies. In the past, we replaced CFCs with HFCs to eliminate ozone depletion. Now, we are working toward the transition to refrigerants with lower global warming potentials (GWP). **LII is committed to transitioning all Lennox residential and commercial products to low GWP refrigerants by 2025 in line with expected regulations.** We also produce and sell products that use microchannels to reduce the refrigerant charge needed for our units in both our commercial and refrigeration businesses.

Our global refrigeration's Center of Excellence has developed and conducted successful field tests using natural refrigerants such as CO₂ and ammonia for condensing units, unit coolers, and refrigeration racks. Our rooftop and chiller products in Europe use the lower GWP refrigerant R-32.

While LII's goal is to provide leak-free units 100% of the time, our most recent warranty data indicates that we continue to build and deliver leak-free products in excess of 99.7% of the time. Our year-over-year data also indicates that we continue to improve on delivering leak-free products for 2020-built units.

TRACKING

LII works closely with our third-party contractors and partners who support our customers to deploy, install, and maintain our products. While we have limited oversight of refrigerant loss at the customer level, we are working with our business partners to evaluate a process that can better identify and resolve refrigerant leaks in the field. All of our technicians responsible for refrigerant removal or recharging have refrigerant technology certifications and know how to carefully and appropriately handle refrigerants.

For our manufacturing facilities, we use an internal refrigerant management system to track refrigerant loss from bulk storage tanks, as refrigerant losses make up the majority of LII's operational Scope 1 emissions. **In 2020, we saw an 11% reduction in refrigerant losses** and will continue to flag and work to remedy refrigerant losses greater than 50lbs.

END-OF-LIFE

As we transition new products to low GWP and alternative refrigerants, we are also ensuring we enhance our end-of-life management for our products. Our contractor partners are primarily responsible for proper collection, disposal, recycling and/or reuse of higher-emitting refrigerants. We currently sell restored refrigerant in certain Lennox Stores, and our retail footprint makes us uniquely positioned for wider practice as states roll out mandates to use recycled refrigerants. We also continue to evaluate methods for improved refrigerant tracking and management at the end-of-life.

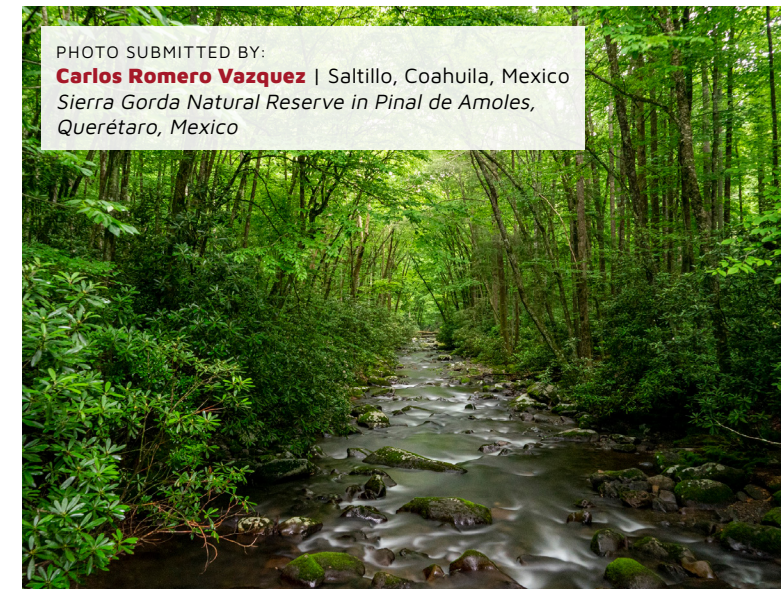


PHOTO SUBMITTED BY:
Carlos Romero Vazquez | Saltillo, Coahuila, Mexico
Sierra Gorda Natural Reserve in Pinal de Amoles, Querétaro, Mexico

Indoor Air Quality

At Lennox and across our LII brands, we proudly develop products that enhance the quality of our customers' air, allowing them to feel comfortable and relaxed in their homes and workplaces. During the COVID-19 pandemic, indoor air quality (IAQ) became an even greater concern for homeowners, building owners, and operators. We support public health through our indoor climate systems products, including:



HEALTHY CLIMATE® SOLUTIONS

Our products improve air filtration and circulation throughout an entire home. Product examples include the PureAir™ Air Purification System, Healthy Climate Carbon Clean 16 media air cleaner, and Healthy Climate® Energy Recovery Ventilator.

BUILDING BETTER AIR INITIATIVE

We provide comprehensive air quality solutions for commercial spaces through improved filtration technology, including new MERV 16 filters that fit in conventional filter spaces, as well as three other steps:

- 1** An IAQ survey to assess the general condition of HVAC equipment and the status of current air purification capabilities
- 2** Tailored IAQ solutions and options to improve air purification, ventilation, and humidity control
- 3** Preventative maintenance to help keep the IAQ of the building at the recommended level



MODEL L

The new Model L™ rooftop unit uses an innovative unit controller and advanced variable-speed technology to maximize utility rebates and energy savings. But that is just the beginning. Premium diagnostic features reduce installation, service, and maintenance expenses to provide the lowest total cost of ownership in the industry.

Greenhouse Gas Emissions

To help stem the global impact of climate change, we are committed to reducing the emissions of our products and our operations. A few years ago, we set a 2024 target to reduce our Scope 1 and 2 location-based emissions intensity by 25% (from a 2014 baseline). We are currently conducting climate-scenario analyses of our emissions and evaluating science-based targets.

ABSOLUTE EMISSIONS

Our Scope 1 and 2 emissions cover over 95% of our operational facilities and our Scope 3 emissions cover all relevant categories.

99% of our Scope 3 emissions are from Use of Sold Products.

Our Scope 1, 2, and 3 emissions are verified by a third party.

Detailed breakdowns of our emissions can be found in our

Task Force on Climate-related Financial Disclosures in the Appendix and in our annual, publicly available CDP Climate Change disclosure.

GHG EMISSIONS MANAGEMENT

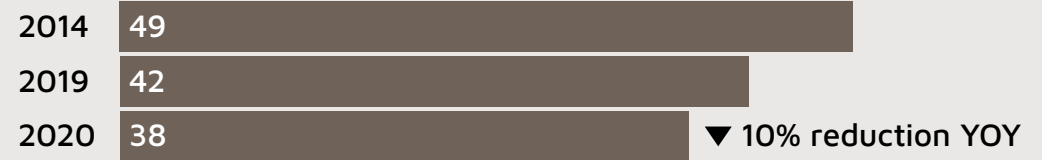
Since 2014, we have reduced our Scope 1 and Scope 2 location-based emissions intensity by 23% through:

- Procuring renewable energy, including the purchase of Renewable Energy Credits (RECs) for operations where on-site renewable energy is not feasible. In 2020, **9% of our total electricity consumption came from renewable energy**, purchased through 100% wind RECs.
- Focused reductions of our operational energy consumption

OUR PROGRESS

SCOPE 1 AND SCOPE 2 LOCATION-BASED EMISSIONS INTENSITY

(mTCO₂e/Millions USD in Normalized Revenue)



99%

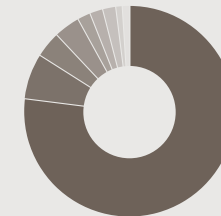
OF SCOPE 3 EMISSIONS ARE FROM THE USE OF SOLD PRODUCTS.

1%

OF SCOPE 3 EMISSIONS ARE FROM OTHER SCOPE 3 CATEGORIES.

BREAKDOWN OF SCOPE 3 EMISSIONS IN OTHER CATEGORIES

(Excluding Use of Sold Products)



| | |
|-------|--|
| 77.2% | Purchased goods & services |
| 6.8% | Downstream transportation & distribution |
| 5.2% | End of life treatment of sold products |
| 4.3% | Upstream transportation & distribution |
| 2.3% | Employee commuting |
| 2.1% | Fuel-and-energy related activities (not incl. in Scope 1 or 2) |
| 1.9% | Capital goods |
| 0.2% | Business travel |
| 0.1% | Waste generated in operation |

ABSOLUTE GHG EMISSIONS (in mTCO₂e)

| | 2014 | 2019 | 2020 |
|---|-------------|-------------------|-------------------|
| Scope 1 | 88,818 | 95,900 | 83,100 |
| Scope 2 (Location-Based) | 58,362 | 64,900 | 56,400 |
| Scope 2 (Market-Based) | 56,024 | 53,600 | 46,000 |
| Scope 3 | Not tracked | 88,286,780 | 79,767,040 |
| Total Scope 1+2+3 Emissions (Location-Based) | | 88,447,580 | 79,906,540 |



Energy

Reducing energy usage in our operations is key to our emissions reduction strategy. We are evaluating our current energy usage intensity target (25% reduction by 2024 from a 2014 baseline) to ensure alignment with our emissions reduction target.

To support these efforts, we are part of the Department of Energy’s Building Better Plants initiative, with the goal to reduce a select group of our U.S. facilities’ energy efficiency intensity by 25% by 2025 vs. 2014. We are currently on track to meet our Building Better Plants target early.

ENERGY MANAGEMENT

Since 2014, we have reduced our energy usage intensity by 14% through:

- ✓ Installation of LED lighting across our facilities. In 2020, we spent nearly \$400K in LED lighting retrofits, which we expect will save 2,271 MWh of electricity every year
- ✓ Hardware consolidation in our data center and reduction of our IT systems’ SF by nearly 50%

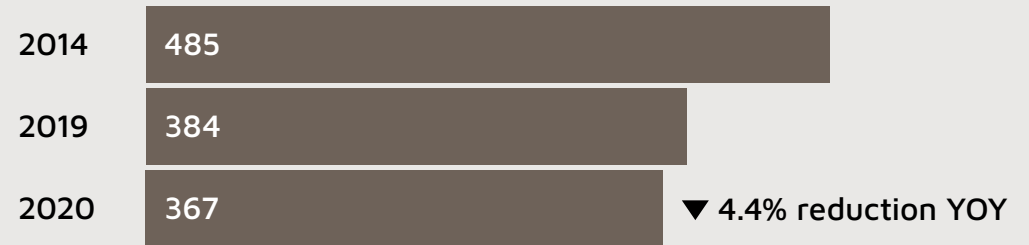
ABSOLUTE ENERGY USAGE

Our total energy usage is verified by a third party and covers over 95% of our operational facilities. Detailed breakdowns of our energy usage by source can be found in our **Sustainability Account Standards Board index** in the Appendix.

OUR PROGRESS

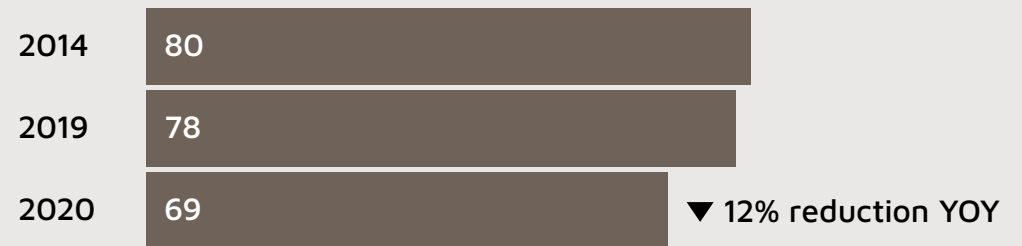
BUILDING BETTER PLANTS ENERGY USE INTENSITY

(MMBtu/Millions USD in Normalized Revenue)



TOTAL ENERGY USE INTENSITY

(MWh/Millions USD in Normalized Revenue)



ABSOLUTE ENERGY USAGE

| Usage (in MWh) | 2014 | 2019 | 2020 |
|--------------------|----------------|----------------|----------------|
| Electricity | 135,874 | 156,928 | 134,684 |
| Fuel | 133,179 | 146,216 | 120,888 |
| Total Usage | 269,053 | 303,144 | 255,572 |



Water

By the nature of our business, our operations do not consume significant amounts of water. Nevertheless, we are committed to reducing the water usage of our facilities. We met our water reduction target of 25% water use intensity for 2024 (from a 2014 baseline) in 2019 and are in the process of developing new targets.

WATER MANAGEMENT

We have been focused on reducing our operational water consumption and safely managing any wastewater. Some examples include:

- ✓ Managing and monitoring performance against our Water Source Inventory Policy
- ✓ Installing touchless faucets and flush valves at our Richardson headquarters, Tifton, and Stone Mountain facilities. Touchless faucets and flush valves use 30-50% less water than traditional fixtures
- ✓ Implementing drought-tolerant landscaping and irrigation management
- ✓ Monitoring water billing to identify and address water leaks

ABSOLUTE WATER USAGE

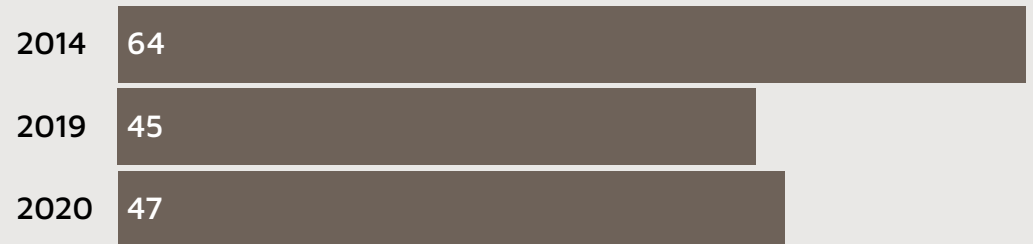
Our total water usage covers over 95% of our operational facilities. In 2020, although our water use intensity increased slightly, our operations saw a **0.2% reduction in total absolute water usage YOY**. We are exploring implementation of water recycling or reuse systems. We are also evaluating programs for the small portion of facilities in water-stressed areas.

OUR PROGRESS



WATER USE INTENSITY

(m3/Millions USD in Normalized Revenue)



ABSOLUTE WATER USAGE

| | 2019 | 2020 | YOY % Change |
|------------------------|---------|---------|----------------|
| Total Water Usage (m3) | 175,275 | 174,842 | 0.2% reduction |

Waste

We are committed to reducing the amount of waste we generate at our facilities and diverting waste from landfills.

We met our waste reduction target to reduce landfill solid waste by 25% for 2024 (from a 2014 baseline) early in 2019 and are in the process of developing new targets for both solid waste and hazardous waste.

WASTE MANAGEMENT

We continuously focus on reducing our waste – non-hazardous and hazardous – and diverting waste from landfills. For example, we use stacking brackets instead of wooden crates to protect units, eliminating waste from the source. We also engage in various recycling efforts.

ABSOLUTE WASTE GENERATION

Our total waste generation covers all of our operational facilities and includes solid waste. We had no reportable spills in 2020.



PHOTO SUBMITTED BY:
Kartik Deshpande | Carrollton, Texas, U.S.
 Golden Hour at Zabriskie Point in Death Valley National Park, Furnace Creek, California

OUR PROGRESS

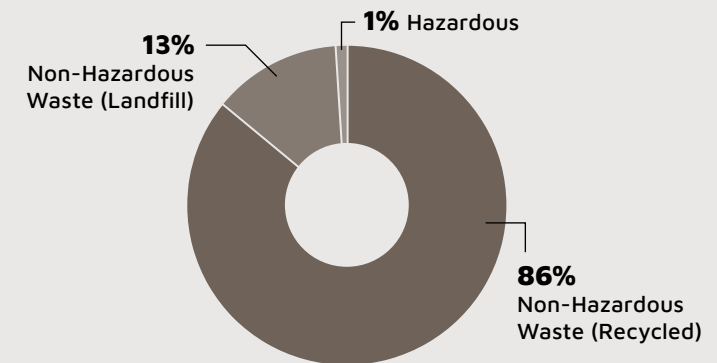
HAZARDOUS SOLID WASTE INTENSITY

(metric tons/Millions USD in Normalized Revenue)



BREAKDOWN OF ABSOLUTE SOLID WASTE GENERATED IN 2020

(metric tons)



ABSOLUTE SOLID WASTE GENERATED

Waste (metric tons)

| | 2019 | 2020 |
|--|-------------|---------------|
| Total Hazardous Waste | 189 | 246 |
| Total Non-Hazardous Waste | Not tracked | 26,281 |
| Recycled | - | 22,954 |
| Landfill | - | 3,327 |
| Total Hazardous and Non-Hazardous Solid Waste | - | 26,527 |

SOCIAL

At LII, we promote a healthy, safe, and engaged workforce. We champion diversity and inclusion with our employees and all aspects of our business operations. We design and manufacture safe, reliable, and energy-efficient products. We support the communities where we live and work through financial contributions and volunteerism.

Our innovation stems from the diversity of our experiences, and our leadership in the industry is rooted in designing and manufacturing safe products.



Culture and Values

Integrity. Respect. Excellence. LII's core values of Integrity, Respect, and Excellence have defined us for over 125 years. Our steadfast commitment to these values built the reputation we enjoy today for doing the right things.



INTEGRITY

We are honest and accountable. That is how we do business.



RESPECT

We value our coworkers, customers, business partners, competitors, and the communities where we work and live. We champion diversity and inclusion.



EXCELLENCE

We expect high performance from our employees and business partners and high quality in our products and services. We deliver value to our shareholders and other stakeholders.

Diversity and Inclusion

One of our three core values, "Respect," means that we champion diversity and inclusion, not only across our business but in our communities where we live and work.

We believe diversity and inclusion are important factors that empower LII to continue being an innovative leader. In 2020 we further strengthened our commitment to building ever more expansive diversity and inclusion programs across the organization.

We believe that fair and equitable pay should be an essential element of any successful business model. To this end, LII reviews employees' salaries annually with an eye toward external and internal equity – including racial and gender equity – and makes appropriate adjustments to maintain pay equity. Furthermore, we recognize the importance of diversity in our recruiting approach and in the U.S. have a goal to include at least one female and one person of color candidate on each final slate.

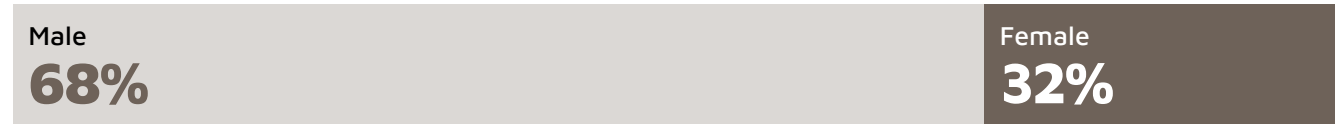
WORKFORCE DIVERSITY

We use diversity and inclusion data analytics, as well as other workforce metrics, to support our long-term, strategic workforce planning. This data helps us ensure that we maintain a vigorous pipeline and succession plan to support our diversity and inclusion goals.

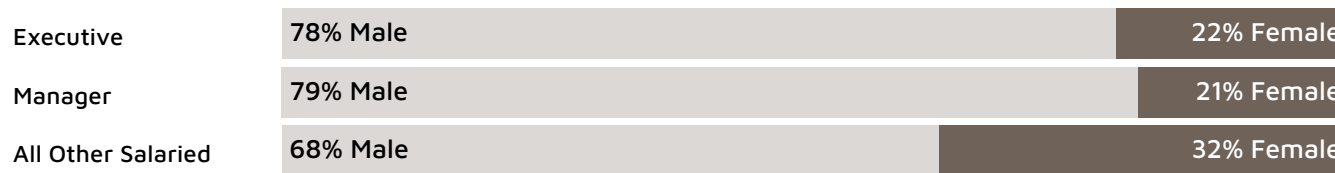
Diversity Metrics

GENDER

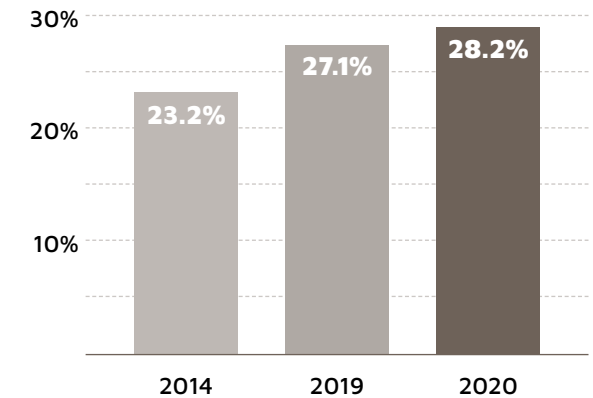
GENDER BREAKDOWN FOR ALL U.S. EMPLOYEES IN 2020 - OUT OF 7,111 EMPLOYEES (~70% OF WORKFORCE)



GENDER BREAKDOWN BY MANAGEMENT LEVEL FOR U.S. SALARIED EMPLOYEES IN 2020



FEMALE REPRESENTATION FOR U.S. SALARIED EMPLOYEES

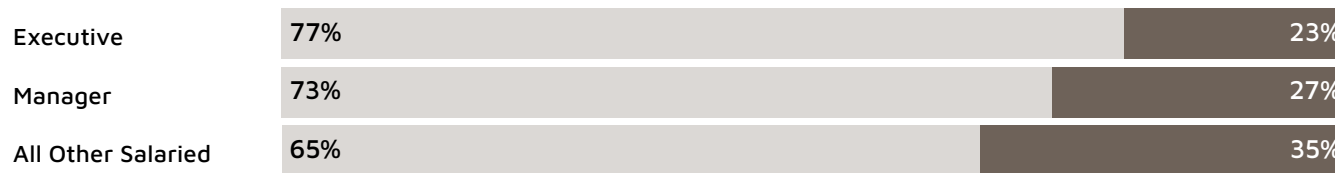


PEOPLE OF COLOR

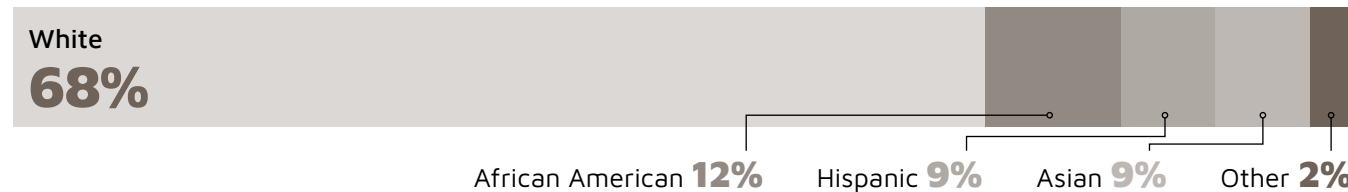
PEOPLE OF COLOR BREAKDOWN FOR ALL U.S. EMPLOYEES IN 2020 - OUT OF 7,111 EMPLOYEES (~70% OF WORKFORCE)



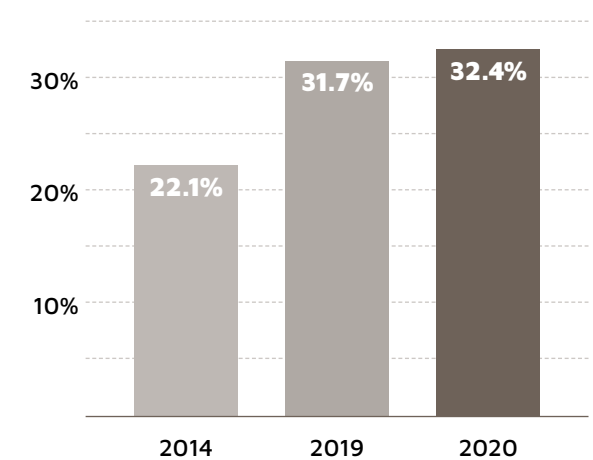
PEOPLE OF COLOR BREAKDOWN BY MANAGEMENT LEVEL FOR U.S. SALARIED EMPLOYEES IN 2020



PEOPLE OF COLOR BREAKDOWN BY RACE/ETHNICITY FOR U.S. SALARIED EMPLOYEES IN 2020



PEOPLE OF COLOR REPRESENTATION FOR U.S. SALARIED EMPLOYEES



NOTE U.S. gender and people of color breakdown metrics represent year ending 12/31/2020 and thus differ from the time period referenced in our 2021 EEO-1 report.

CEO ACTION FOR DIVERSITY & INCLUSION

As part of our ongoing commitment to create an inclusive workplace, our Chairman and CEO Todd Bluedorn joined over 1,300 U.S.-based CEOs in the CEO Action for Diversity & Inclusion pledge. This pledge is the largest CEO-driven business commitment to advance diversity and inclusion in the workplace.

At the end of 2020, in partnership with the CEO Action Pledge, we developed a series of communications and resources encouraging our employees to take the “**I ACT ON**” pledge and commit to creating a diverse and inclusive workplace at LII.

The 5 components of the I ACT ON individual pledge are:

- 1 I will initiate meaningful, complex, and sometimes difficult, conversations with my friends and colleagues
- 2 I will ask myself, “Do my actions and words reflect the value of inclusion?”
- 3 I will move outside my comfort zone to learn about the experiences and perspectives of others.
- 4 I will check my own biases and take meaningful actions to understand and mitigate them.
- 5 I will share my insights related to what I have learned.



We are also a proud member of the **Business Coalition for the Equality Act**, a group of leading U.S. employers that support the Equality Act, federal legislation that would provide the same basic protections to LGBTQ people as are provided to other protected groups under federal law.



DIVERSITY TRAINING

In 2020, we conducted a series of unconscious bias trainings that reached all global salaried employees. These trainings covered the importance of creating an inclusive workplace and how to effectively identify and manage unconscious bias. All people managers also participated in virtual instructor-led sessions that provide a unique opportunity for facilitated group discussions on overcoming unconscious bias.

EMPLOYEE RESOURCE GROUPS

We are dedicated to creating an inclusive environment for our employees. As such, we offer several voluntary, employee-led groups that provide professional development and mentorship, as well as offer support for our local communities. Our LII Inclusion & Diversity Council works with these groups to host initiatives that inform and promote discussion around different aspects of diversity, including through monthly Inclusion Awareness events.

LII’s employee resources group includes:

- **LII Women’s Business Council (LWBC)**
- **LII Young Professionals Association (LYPA)**
- **LII’s Employees of African Descent (LEAD)**
- **Programs Representing Individual Diversity Equality (PRIDE)**

LII is also a member of the Society of Women Engineers (SWE), an international education and service organization that empowers women to succeed in engineering and technical careers. SWE helps us attract, develop, and retain talented women engineers and technology professionals through leadership development and propelling diversity recruitment and retention.

Employee Engagement and Development



We value feedback from our employees and proactively provide employees with channels, including engagement surveys, to provide feedback. Our global engagement survey was first launched in 2010 and is typically conducted bi-annually.

In 2020, we conducted multiple, shorter pulse surveys to gauge employee engagement, particularly around COVID-19, and we plan to conduct our next full engagement survey in 2021. **Over 80% of our employees participate in our surveys** and provide us

with valuable feedback for how to continue enhancing and building a stronger company.

DEVELOPMENT AND TRAINING

We invest in our employees and in their ongoing career development. Among other offerings, LII's Career Journey provides a space for employees to reflect on their skills and interests, explore potential career paths, and find targeted training for role-specific technical skills. Career Journey also provides employees and managers with resources that enable them to have more meaningful career development conversations.

Benefits for employees who use Career Journey include:

- ✓ Deeper understanding of personal career drivers/motivators
- ✓ Transparency on what skills and competencies are expected for roles across LII and insight into the areas they would need to develop in order to successfully pursue these roles
- ✓ Ability to explore and map out potential career paths from current to desired future role

- ✓ Resources for candid conversations with managers on career aspirations and targeted development options

Our training offerings include a tiered series of leadership development trainings, including:

- Foundations of Management for first-time managers
- Driving Results through Effective Management for managers with 1-3 years of experience
- Cultivating Exceptional Managers for more experienced managers and those managing other managers

Furthermore, since 2008 we have run an 18-month intensive Leadership Development Program for cohorts of around 20-25 promising executives.

LII maintains a strong **"promote from within"** philosophy and an organizational commitment to talent development. We strive to ensure that our development programs have a focus on diverse representation across all levels.

Employee Health and Safety

The health and safety of our employees is our utmost priority.

We are committed to a safe workplace and have implemented a robust health and safety program to support our employees. Our operational health and safety strategy is overseen by senior leadership and the Board, and undergoes a collaborative, “bottom up” process every year.

This includes:

- Welcoming ideas from all levels of the organization to help us sustain key processes and best practices on operational safety
- The Corporate Safety team partnering with our businesses annually to ensure a robust and comprehensive safety plan
- The VP of Operations for each business presenting their plan to the CEO and leadership team to support major initiatives at the corporate and local level

HEALTH AND SAFETY AUDITS

Each year, our Corporate Safety team administers factory audits with a cross-functional team of EHS professionals. The auditing team collects data, documents processes, and interviews employees across all levels of the organization to assess a facility’s safety performance. Our goal is year over year improvement.

SAFETY REVIEW PROCESS

Safety metrics, including all recordable incidents, are reviewed regularly by our CEO and operations leaders. The Board receives an annual, comprehensive safety briefing as well as four summary safety

updates throughout the year. The Public Policy Committee also received an annual, comprehensive safety briefing. Our process for reviewing recordable incidents includes identifying root causes and developing corrective actions to reduce safety and ergonomic risk, as well as conducting ongoing risk assessments and mitigation efforts to reduce injury frequency and severity. Key focus areas for risk reduction in our operations include hand and arm lacerations; slips, trips, and falls; and back and shoulder injuries. Gloves and sleeves with a higher cut level are used to reduce laceration risks, and there is a continued emphasis on proper material handling techniques.



SAFETY PERFORMANCE

Setting targets is key to our process for continuing to improve our safety performance. Every year, we set company-wide targets for **annual 20% reductions in year-over-year recordable rates and lost workday frequency rates**, with specific targets at the business unit and site-level depending on their performance in the prior year. These site-level targets are also embedded into management's performance appraisals and remuneration to reflect our LII focus on safety. The majority of supervisory operational roles have a safety-related performance goal included in their annual evaluations.



Our efforts have resulted in significant reductions in safety incident rates since 2010, for our employees. We are proud of our record of zero workplace fatalities since 2011.

SAFETY PERFORMANCE METRICS

Recordable Frequency Rate

Recordable injuries per 200k hours worked



Lost Time Frequency Rate

Lost time injuries per 200k hours worked



COVID-19 Impact and Response

The COVID-19 pandemic continues to affect our businesses, operations, and stakeholders in 2021.

We are proud of sustained efforts made across the company to ensure our employees and communities are kept safe, all while minimizing disruptions to our business operations and customers. As an essential business, we have continued to implement best practices and procedures to maintain employee safety.

Actions to protect employee health, safety, and wellbeing as a result of COVID-19:

- At the start of the pandemic, we formed an LII COVID-19 Task Force to quickly address facility, employee, and customer safety. We cascaded important information throughout facility and business response teams, nurses, and safety managers and held weekly touchpoints to discuss COVID-19 related issues.
- We established a comprehensive global website devoted to COVID-19-related safety processes and procedures.



- We implemented COVID-19 safety precautions, including equipping our essential workers with the necessary PPE, social distancing resources and practices, re-entry protocols, contact tracing, disinfecting, and travel guidance.
- We deployed enhanced technology systems to improve the employee work-from-home experience.
- We offer additional paid leave entitlement for employees diagnosed with COVID-19 and those identified as close contacts with a COVID-19 positive individual.
- We provide COVID-19 vaccinations at large manufacturing locations.
- We continue to communicate frequently and transparently with our global employees about COVID-19 guidelines, developments, and safety protocols.

Product Safety and Quality

One of LII's core values is "Excellence," which highlights that quality and safety are at the center of product design. We achieve excellence through our robust quality management system, which is consistent across our factories.

We rigorously test our products to ensure they meet all applicable quality and safety standards. We also conduct field safety tests. We:

- ✓ Conduct internal product and process audits, including new audits for product-specific "Critical-to-Quality" features and processes.
- ✓ Use monthly quick market intelligence (QMI) processes that connect our engineering team with technical field consultants to identify any issue. If an issue is trending in the field, we receive real-time notifications that enable cross-functional team to move quickly to problem solve and implement corrective actions.

- ✓ Implement gated multi-step product development process with market concept, specification development, proof-of-design, manufacturing and supply chain process verification and post-production checkpoints to ensure products and services meet market and customer needs, product performance and safety, reliability, and environmental targets.

We also have an early launch containment process that monitors recently launched products and any warranty claims associated with these products, as well a technical support call center that monitors products broadly for any safety-related information.



Supply Chain

LII relies on over a thousand suppliers to provide raw materials and components used to manufacture our products.

To ensure our end products maintain our high standards of quality, we consolidate procurement through our centralized sourcing group. Our sourcing group’s approach to supply chain management is to develop global strategies per sourcing category, concentrate purchases with strategic suppliers and develop long-term relationships with these vendor partners. As part of these long-term relationships, we engage with many suppliers frequently, either through regular meetings with our factories or commercial platforms. We also recognize the accomplishments of our top suppliers with annual LII Supplier Excellence Awards. Key priorities assessed include the delivery and resilience of LII’s supply chain, productivity, and risk mitigation.

KEY COMPONENTS AND MATERIALS

Our top three component purchases are compressors, motors, and controls, while steel, copper, and aluminum account for the

bulk of our raw material purchases. Though these components can be readily sourced, we pay close attention to our suppliers that are critical or sole- or single-source, and continue to develop dual sourcing where possible. Additionally, only a small minority of our suppliers are as critical.

RISK MITIGATION

We recognize that with a global supply chain, climate-related risks may be present. As such, we mitigate our risk and build supply chain resiliency by diversifying the geographic locations of our suppliers and our regional sourcing teams. When sourcing new suppliers in strategic categories, geographical and climate risk are included in our decision matrix.

BUSINESS PARTNER CODE OF CONDUCT

All suppliers are required to comply with our **Business Partner Code of Conduct**, which is made available to our suppliers and translated into 8 languages. The Business Partner Code of Conduct emphasizes LII’s values and provides a hotline our suppliers can use to report Code violations, including an option to report anonymously.

AUDITS

We audit all new suppliers from not only a quality and engineering perspective, but also from an environmental and workforce safety perspective. All current suppliers are also audited on a regular basis to ensure continued compliance. Following an audit, suppliers are required to provide us with a supplier action plan to correct any areas flagged by the audit for improvement.

Examples of ESG topics and risks that are assessed as part of our audit include:

- Local labor risks, such as skills and access to training
- Availability of a process for employees to communicate grievances or ethics concerns
- Workplace safety, provision of personal protective equipment (PPE), and enforcement of safety rules
- Workplace conditions, such as lighting and air quality
- Compliance with laws, including applicable anti-slavery and child labor laws, import and export laws
- Presence of an environmental management system registered with a third party
- Documented action plan to address environmental aspects associated with production

Stakeholder Engagement

CUSTOMERS

Across our product lines, whether it be commercial businesses or residential homeowners, we value customer feedback on our products and engage with customers across channels, including online product reviews, customer surveys, and customer support centers. We also engage customers through focus groups, especially when developing a new product or service. We review the net promoter score of our customers on a quarterly basis and are regularly in contact with customers to discuss their needs as part of our effort to strive for product excellence.

DEALERS AND DISTRIBUTORS

Our primary manner of going to market for our residential business is through independent dealers. For the rest of our business, we market through general contractors, manufacturers' representatives, wholesalers, and distributors. In all areas, we work closely with our business partners to ensure they have what they need, including installation instructions and training.

Community Involvement and Charitable Giving

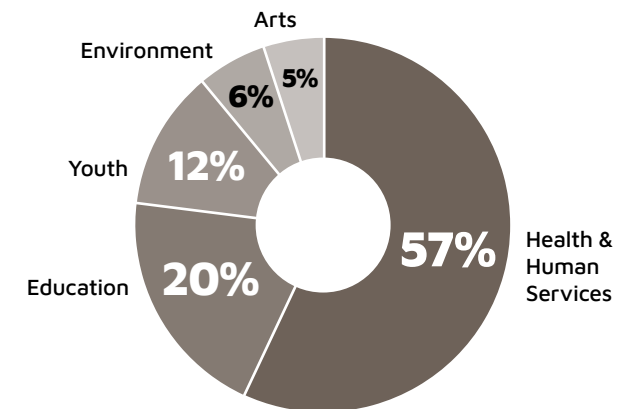
At LII, we believe we have a responsibility to support and make a positive big impact in the local communities in which we live and work.

We specifically focus our contributions and involvement in five giving areas: Arts, Environment, Health and Human Services (which includes social justice to support diversity and equity in our communities), Youth, and Education. Every year, we are proud to support over 200 organizations. To the right are a few of the organizations we supported in 2020.

In 2020, LII contributed **\$1.75M in monetary donations** across these categories in addition to the generous amounts our employees gave under our matching gifts and other corporate programs. Our employees also volunteer their time in numerous philanthropic activities.



CHARITABLE CONTRIBUTIONS BY CATEGORY IN 2020



FEEL THE LOVE® is one of our key programs at Lennox Residential, supporting heroes who make a difference. Every year since 2009, deserving, local heroes are nominated by individuals in their hometowns to receive a new heating and cooling system. Recipients are selected based on a variety of criteria, including persevering despite a disability, experiencing financial challenges or job loss, and having performed military or community service. What they all have in common is that they put others first. In October of every year, LII works with our partner dealers and installers across the US and Canada to deliver our high-quality products to these selected heroes at no cost.

SUPPORTING SOCIAL JUSTICE

As part of our increased focus on social justice, we have initiated a new program with one-time employee matching donations of an unlimited amount for the NAACP Legal Defense Fund and the Advancement Project, two non-profit organizations committed to social justice.



LENNOX LEARNING SOLUTIONS is a top-tier HVAC training program we provide to not only our own employees, but also to technicians, salespeople, and leaders in the industry through eLearnings, webinars, live video streaming, and instructor-led classes where possible. Since 2010, Lennox Learning Solutions has developed over 500 learning assets in 45 categories specific to the HVAC industry with an overarching focus on how to provide top notch service to customers. Technicians gain technical HVAC skills, salespeople gain tools on strategies and processes to close more jobs, and managers undergo development and training for how to best lead teams to successful performance and outcomes.

LOCAL RECRUITMENT

To further support our communities, we encourage STEM areas of study for women and under-resourced student populations. For example, our Product Development & Research headquarters in Carrollton, Texas partners with Design Your World, a STEM conference for girls in grades 5th through 8th, and leads engineering exploration and learning activities to encourage interest in STEM careers. We also recruit heavily in STEM fields across the nation and at our local universities in the Dallas metroplex for internships, co-op opportunities, and permanent employment.



GOVERNANCE

Governance is foundational to LII.

We recognize integrity, accountability, and transparency are keys to a strong business today and tomorrow.



Board Composition and Diversity

We strive to maintain a well-rounded Board that is best positioned to guide and provide robust oversight of LII’s business direction and activities. To do so, we recognize the importance of diversity. Our LII Corporate Guidelines stipulate that the Board will seek the best qualified candidates with consideration for a diversity of viewpoints. When choosing new Director candidates, we aim to balance the Board with a diversity of experience, functional expertise, industry knowledge, and tenure.

36%

Female Directors

36% Female



GENDER DIVERSITY

11 years

Average Director Tenure

9% Racially Diverse



RACIAL DIVERSITY

56 years old

Average Director Age

10+ Years: **36%** 5-10 Years: **27%** < 5 Years: **36%**



TENURE

75 years old

Mandatory Retirement Age

91%



INDEPENDENCE

BOARD SKILLS AND EXPERTISE

Financial / Accounting



Executive Leadership



Innovation, Technology & Cybersecurity



Enterprise Risk Management / Corporate Gov / ESG



Marketing / Sales



Manufacturing / Distribution



Human Resources / Compensation



End Market Knowledge



Multinational Experience





Board Oversight of ESG

We recognize the importance of having the Board apprised of and involved in our strategy around ESG issues. LII’s Board is responsible for oversight of our ESG strategy. Our Board’s Public Policy Committee holds the main responsibility for oversight of LII’s ESG priorities.

Global ESG Council (ESGC)

In 2021, to deliver our ESG strategy, we established the ESGC to provide a structure for enterprise-wide ESG management and streamline engagement across businesses and corporate functions. The ESGC is comprised of senior leaders across our business, corporate functions, and regions and is currently chaired by the Vice President, Deputy General Counsel and Chief Ethics & Compliance Officer.

BOARD OF DIRECTORS

LII’s full Board oversees overall risk management. The Board is briefed annually on our overall ESG progress and semi-annually on enterprise risk management and cybersecurity/data privacy. The Board also receives an annual, comprehensive safety briefing as well as four summary safety updates throughout the year. The four Board Committees oversee the following specific ESG topic areas and are briefed more frequently on progress in these areas:

AUDIT COMMITTEE

Briefed 4x a year

- Accounting & Tax Transparency
- Business Ethics & Compliance

GOVERNANCE COMMITTEE

Briefed 1-3x a year

- Shareholder Rights
- Board Composition & Diversity

COMPENSATION & HR COMMITTEE

Briefed 1-5x a year

- Employee Diversity, Inclusion & Engagement
- Pay Equity
- Employee Training & Development
- Executive Compensation
- Retirement Plans & Healthcare

PUBLIC POLICY COMMITTEE

Briefed 2x a year

- Energy Management
- Refrigerant Management
- Climate Change & GHG Emissions
- Water Stewardship
- Public Policy/Government Affairs

Briefed 1x a year

- Employee Health & Safety
- Community Involvement & Charitable Giving

CHAIRMAN/CEO AND EXECUTIVE STAFF

The Chairman/CEO sets our ESG goals and delegates responsibility to execute on the goals to the Executive Staff, which comprises of the senior executives responsible for all our major business segments and corporate functions. Our Chairman/CEO and Executive Staff members have ESG embedded into their performance goals.

GLOBAL ESG COUNCIL

Members of the ESGC brief the Chairman/CEO and the Executive Staff on a regular basis regarding our ESG goals and progress and regularly brief the Board on as described above.

Risk Management

LII ERM PROCESS



BOARD OVERSIGHT OF RISK MANAGEMENT

LII’s Board also oversees the company’s processes for managing risk across the organization, including enterprise risk exposure. Our Enterprise Risk Management (ERM) process consists of a comprehensive bottom-up approach: from risk identification and response planning by operating management, to risk assessments and monitoring by our executive team, and finally review of top prioritized risks and corresponding risk response plans by the Board. All risks are addressed with a plan to accept, mitigate/reduce, share/transfer, or avoid risks, and all Risk Response Plans are encouraged to follow SMART guidelines – be Specific, Measurable, Achievable,

Relevant, and Time Bound. In addition to reviewing LII’s full ERM every year, the Board is also regularly educated on risk management issues pertinent to specific topics.

MANAGING CLIMATE-RELATED RISK

We do not view climate change as a discrete, separate risk, but consider it a driver that indirectly influences varying components of our top risks. In 2021, we plan to more formally incorporate climate-related risks into our ERM process. Our ERM results and progress are presented to the full Board twice a year, though specific risks may be reviewed by the Board more frequently. In the meantime, we have begun conducting physical climate risk assessments – including

an analysis of flood, severe storms, fire, drought, and extreme heat risks at our facilities – as part of our risk profile analysis.

Further information on how LII assesses climate-related risks and opportunities, and our strategy to address and capture these respectively is outlined in our **Task Force on Climate-related Financial Disclosures** index in the Appendix.

Business Ethics and Compliance

For over 125 years, we have operated, and continue to operate, on a foundation of integrity and the highest standards of business ethics.

We rigorously strive to conduct our business in accordance with all applicable laws around the world and pursue continuous improvement. Our Ethics & Compliance Office provides a comprehensive report to LII's Board's Audit Committee annually, and three other summary reports throughout each year, to ensure we keep ethics at the forefront of everything we do at LII.



PHOTO SUBMITTED BY:
Tyson McGrath | Dartmouth, Nova Scotia, CA
 Lighthouse in Peggy's Cove, Nova Scotia, CA

LII CODE OF BUSINESS CONDUCT

The LII Code of Business Conduct is shaped by our core values – integrity, respect, and excellence. The Code guides the company on how to apply them in daily decision-making, in alignment with LII's expectations and legal requirements. Furthermore, the Code describes how employees can report violations or suspected violations of the Code, with an option to remain anonymous through an ethics hotline or an online form operated by a third party. All reports are reviewed immediately by our Ethics & Compliance Office and four times a year with the Board's Audit Committee. We do not tolerate retaliation and have an **Anti-Retaliation Policy**.

The Code applies to our Board and all employees, regardless of role or location. In our efforts to disseminate and educate employees on the Code, the Code is publicly available on our website and is provided in nine languages. We regularly communicate how ethics are linked to our culture and provide training courses on subjects such as anti-bribery and anti-corruption, anti-trust, insider trading, protection of

intellectual property, anti-harassment, privacy, confidential information, cybersecurity, and conflicts of interest. All employees are required to complete annual training on the Code. We are proud to continue our track record of recording no monetary losses in 2020 due to legal proceedings associated with bribery, corruption, or anti-competitive behavior regulations.

We have a separate Business Partner Code of Conduct that includes standards for our partners to operate in a manner consistent with our core values and the LII Code of Business Conduct. We conduct due diligence requisite with the risk before engaging third parties to provide products and perform services on behalf of the company. We are continuing to develop processes to evaluate and assess the performance of our partners against our ethical standards.

The **LII Code of Business Conduct** and **Business Partner Code of Conduct** are publicly available on LII's website.

Cybersecurity, Data Privacy, and Human Rights

III CYBERSECURITY AND DATA PRIVACY POLICY

In our increasingly digital world, we recognize cybersecurity and data privacy as key aspects of our business. We have invested considerably in our cybersecurity operations and infrastructure and conduct robust risk mitigation, assessments, and planning for our global operations. Our IT infrastructure follows the NIST standard and has been assessed by third parties. We test all our infrastructure on an ongoing basis.

Operationally, we employ three core teams: cybersecurity engineering, data privacy, and a security operation center (SOC). These teams ensure new system and infrastructure deployments are installed with data safety in mind. The teams also guarantee that our controls are appropriate and sufficient to defend against security breaches, and document and investigate any anomalies affecting employees, suppliers, and customers. The CTO reports to the Board twice a year on LII's cybersecurity tactical responses and strategic roadmap.

LII's cybersecurity management consists of robust policies around incident response and communication response plans, as well as cybersecurity trainings for employees. Examples of key initiatives that strengthen our cybersecurity and data privacy management include:

- ✓ Mandatory cybersecurity training for all employees, ongoing awareness campaigns, and simulated phishing attempts multiple times a year to reinforce learnings
- ✓ Dedicated 24/7 team that monitors activities on LII's infrastructure and systems, with a documented escalation plan that reaches executives if incidents occur
- ✓ Rigorous breach simulations conducted twice a year, including participation in the Department of Homeland Security's Cyber Storm
- ✓ Vulnerability scans and analysis, including simulated hacker attacks, by a third party at least once a year, and internally on an ongoing basis for our environment and the applications LII deploys to the public domain

- ✓ Transition toward advanced analytics platforms that utilize machine learning capabilities to baseline normal behaviors and detect anomalies that could indicate potential security threats

III HUMAN RIGHTS POLICY

We are committed to creating an ethically conscious organizational culture that respects and protects international human rights in alignment with the UN Guiding Principles on Business and Human Rights. We support advancement opportunities to all persons, where employment decisions are based on merit, qualifications, and abilities. We do not allow discrimination on the basis of age, race, color, sex, sexual orientation, gender identity and expression, genetic information, national origin, religion, disability, or any other characteristic protected by applicable law. Please look to our **Human Rights Policy**, publicly available on our website, for further details.

Public Policy

LII is at the forefront of driving responsible environmental policy. We innovate and then produce and distribute some of the most efficient products on the planet. We continue to lead the global industry transition to more environmentally friendly refrigerants by advocating for faster transitions to low GWP refrigerants and supporting the broad use of reclaimed and recycled refrigerants.

We actively participate in and work with various industry associations, sustainability-focused coalitions, environmental advocates, and other stakeholders to influence and promote:

- Energy efficiency standards for HVACR products
- Product certification, verification, and testing for product efficiency ratings
- Phaseout of ozone depleting refrigerants
- Phasedown of high global warming potential refrigerants
- Air quality and emissions standards
- Tax policy or other government incentives that encourage the purchase and installation of high efficiency products

TRANSITION TO LOW GWP REFRIGERANTS

LII is committed to transitioning all Lennox residential and commercial products to low GWP refrigerants by 2025 in line with expected regulations. LII partnered with the Natural Resources Defense Council to advocate for an accelerated transition to low GWP refrigerants in California. LII also supported passage of the AIM Act, which facilitates an accelerated transition to lower GWP refrigerants nationally and strongly supports the adoption of safety codes and standards at the state level to facilitate this transition.

POLITICAL ACTIVITY

In compliance with federal regulations, LII does not contribute to political parties or candidates. With the exception of the LII Government Affairs function, our employees are prohibited from engaging in political activity on behalf of the company or as a company employee, and our Code of Business Conduct states our respect for the political process. LII does belong to trade associations who take part in activities to shape future legislation, regulations, building codes and safety standards in the policy areas that affect our business.

EXAMPLES OF LII'S ADVOCACY PARTNERS AND FORMAL POSITIONS



Founding member of the Global Food Cold Chain Council



Member of the Alliance for Responsible Atmospheric Policy



Member of the Air Conditioning, Heating & Refrigeration Institute (AHRI)



Partner and contributor to the American Council for an Energy-Efficient Economy (ACEEE)



Supporter of the UN Montreal Protocol's Kigali Amendment



Supporter of the EU's program to phasedown F-gases

ABOUT THIS REPORT AND INDICES





About this Report

LII's ESG report references the Sustainability Accounting Standards Board (SASB) and the Task Force on Climate-related Financial Disclosures (TCFD) reporting frameworks.

For any questions related to this report please contact:

Steve Harrison
VP, Investor Relations
steve.harrison@lennoxintl.com

The reporting boundary for the quantitative metrics was drawn from available data covering the 2020 calendar year, whereas qualitative information includes the 2020 calendar year and partial year data from the 2021 calendar year. LII engaged Georgeson and HXE Partners to support the stakeholder engagement process and report design, content development, quantitative data collection, and calculations. Our environmental information included in this report is preliminary, unaudited, and subject to revision, apart from our greenhouse gas emissions and energy usage statements, which are verified by Apex Companies under limited assurance.

This report contains forward-looking statements within the meaning of the federal securities laws. You can identify these statements by our use of the words "assumes," "believes," "estimates," "expects," "guidance,"

"intends," "plans," "projects" and similar expressions that do not relate to historical matters. You should exercise caution in interpreting and relying on forward-looking statements because they involve known and unknown risks, uncertainties, and other factors which are, in some cases, beyond our control and could materially affect actual results, performance, or achievements. We do not undertake a duty to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. The data and information herein are as of December 31, 2020 unless otherwise indicated.

Stakeholders are urged to closely consider the disclosure and risk factors in our most recent Annual Report on form 10-K and in other reports on file with the Securities and Exchange Commission, available at Lennox's website: www.lennoxinternational.com



PHOTO SUBMITTED BY:
Yogeswaran Chandrasekaran | Chennai, Tamil Nadu, India
Peace in Thiruvannamalai, Tamil Nadu, India

Sustainability Accounting Standards Board (SASB)

SASB standards enable businesses around the world to identify, manage and communicate financially-material sustainability information to their investors. SASB provides a complete set of 77 globally applicable industry-specific standards that identify the minimal set of financially material sustainability topics and their associated metrics for the typical company in an industry. The following table references topics from the “Electrical & Electronic Equipment” and “Industrial Machinery & Goods” industry standards. Upon reviewing both industry standards, we included relevant topics to our strategy and operations.





| TOPIC | SASB CODE | DESCRIPTION | RESPONSE |
|---|--------------|---|--|
| Employee Health & Safety (Industrial Machinery & Goods) | RT-IG-320a.1 | (1) Total recordable incident rate (TRIR), (2) fatality rate, and (3) near miss frequency rate (NMFR) | (1) 0.59 total recordable incident rate for employees (2) 0 fatality rate (3) Not disclosed |
| Energy Management | RT-EE-130a.1 | (1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable | (1) 255,572 MWh (2) 134,684 MWh (53%) (3) 12,913 MWh (9% of total energy consumed) |
| Hazardous Waste Management | RT-EE-150a.1 | Amount of hazardous waste generated, percentage recycled | In 2020, our operations generated 246 metric tons of hazardous waste, as defined by the authorities that regulate each of our facilities. Percentage of recycled hazardous waste is not currently tracked. |
| | RT-EE-150a.2 | Number and aggregate quantity of reportable spills, quantity recovered | We had no reportable spills in 2020. |
| Product Safety | RT-EE-250a.1 | Number of recalls issued, total units recalled | 0, 0 |
| | RT-EE-250a.2 | Total amount of monetary losses as a result of legal proceedings associated with product safety | \$0 |
| Materials Sourcing | RT-EE-440a.1 | Description of the management risks associated with the use of critical materials | <p>Our top three component purchases are compressors, motors, and controls, while steel, copper, and aluminum account for the bulk of our raw material purchases. Though these components can be readily sourced, we pay close attention to our suppliers that are critical or sole- or single-source, and continue to develop dual sourcing where possible. Additionally, only a small minority of our suppliers are critical. Communication, both internal and external, and continued planning around critical materials are key tools we use to reduce our materials-related risk.</p> <p>We recognize that with a global supply chain, climate-related risks may be present. As such, we mitigate our risk and build supply chain resiliency by diversifying the geographic locations of our suppliers and regional sourcing teams. When sourcing new suppliers in strategic categories, geographical and climate risk are included in our decision matrix.</p> |
| Product Life Management | RT-EE-410a.1 | Percentage of products by revenue that contain IEC 62474 declarable substances | 0% |
| | RT-EE-410a.2 | Percentage of eligible products, by revenue, that meet ENERGY STAR® criteria | Residential: 70%, Commercial: 60% Refrigeration: No ENERGY STAR® eligible products. Our U.S. commercial refrigeration equipment complies with the Department of Energy's new Annual Walk-in Energy Factor (AWEF) efficiency ratings. |
| | RT-EE-410a.3 | Revenue from renewable energy-related and energy efficiency-related products | In 2020, 41% of LII's total product revenue is generated from energy efficiency-related products, furthermore, in addition to the percentage of eligible Residential and Commercial products by revenue that meet ENERGY STAR® criteria (described above), 55% of our equipment sales in Europe are from products that are low carbon or meet EcoDesign standards, which include compliance around energy performance targets and customer engagement data sheets. |



| | | | |
|------------------------|-------------------------|--|--|
| Business Ethics | RT-EE-510a.1 | Description of policies and practices for prevention of (1) corruption and bribery and (2) anti-competitive behavior | <p>The LII Code of Business Conduct, which includes policies on preventing corruption, bribery, and anti-competitive behavior is shaped by our core values – integrity, respect, and excellence. The Code guides the company on how to apply our core values in daily decision-making, in alignment with LII’s expectations and legal requirements. The Code applies to our Board and all employees, regardless of role or location.</p> <p>The Code describes how employees can report violations or suspected violations of the Code, with an option to remain anonymous through an ethics hotline or online form operated by a third party. All reports are reviewed immediately by our Ethics & Compliance Office and four times a year with the Board’s Audit Committee. We do not tolerate retaliation and have an Anti-Retaliation Policy.</p> <p>In our efforts to disseminate and educate employees on the Code, the Code is publicly available on our website and is provided in nine languages. We regularly communicate how ethics are linked to our culture and provide training courses on areas such as anti-bribery, anti-corruption, anti-trust, insider trading, protection of intellectual property, anti-harassment, privacy, confidential information, cybersecurity, and conflicts of interest. All employees are required to complete annual training on the Code.</p> <p>We have a separate Business Partner Code of Conduct that includes standards for our partners to operate in a manner consistent with our core values and the LII Code of Business Conduct. We conduct due diligence requisite with the risk before engaging third parties to provide products and perform services on behalf of the company. We are continuing to develop processes to evaluate and assess the performance of our partners against our ethical standards. The <i>LII Code of Business Conduct</i> and <i>Business Partner Code of Conduct</i> can be found on our website.</p> |
| | RT-EE-510a.2 | Total amount of monetary losses as a result of legal proceedings associated with bribery or corruption | \$0 |
| | RT-EE-510a.3 | Total amount of monetary losses as a result of legal proceedings associated with anti-competitive behavior regulations | \$0 |
| | Activity Metrics | RT-EE-000.A | Number of units produced by product category (indoor climate control electronics) |
| | RT-EE-000.B | Number of employees | As of December 31, 2020, we employed approximately 10,300 people. Of these employees, approximately 4,500 were salaried and 5,800 were hourly. Approximately 2,700 of our employees, including in international locations, are represented by unions. |



PHOTO SUBMITTED BY:
DeLane Davidson | Richardson, Texas, U.S.
Honey Island Swamp Outside of New Orleans, Louisiana

Task Force on Climate-related Financial Disclosures (TCFD)

The Financial Stability Board Task Force on Climate-related Financial Disclosures (TCFD) is a market-driven initiative, set up to develop a set of recommendations for voluntary and consistent climate-related financial risk disclosures in mainstream filings. The work and recommendations of the Task Force help firms understand what financial markets want from disclosure in order to measure and respond to climate change risks and encourage firms to align their disclosures with investors' needs.



TOPIC
RESPONSE
GOVERNANCE
Board oversight of climate-related risks and opportunities

LII's Board is responsible for oversight of our ESG strategy, including our strategy around climate-related issues. Our Board's Public Policy Committee specifically discusses our climate-related strategy, GHG emission reduction goals, and action plans around climate change semi-annually, with the CEO in attendance.

Furthermore, our Enterprise Risk Management program, which identifies and addresses climate-related risks, is presented to and discussed with the Board twice a year. The annual assessment is presented in the September Board meeting and a mid-year update is presented in the March Board meeting.

Management's role in assessing and managing climate-related risks and opportunities

Our CEO sets our ESG objectives, including those related to climate, and is actively engaged in managing LII's approach to climate change. Our CEO is the ultimate decision-maker regarding reporting of GHG metrics and objectives, as well as annual funding of capital set aside to address GHG emissions reductions. The responsibility to set and execute on goals that support these objectives is delegated to our Executive Staff, which comprises of the senior executives responsible for all our major business segments and corporate functions. Our CEO and Executive Staff have ESG embedded into their performance goals.

In 2021, to deliver our ESG strategy, we established our Global ESG Council (ESGC) to provide a structure for enterprise-wide ESG management and streamline engagement across diverse business and corporate functions. The ESGC is comprised of senior leaders across our business, corporate functions, and regions, and is currently chaired by our Vice President, Deputy General Counsel, and Chief Ethics & Compliance Officer. Members of the ESGC brief the Chairman/CEO and the Executive Staff on a regular basis regarding our climate goals and progress. The ESGC also reports on these climate-related topics to the Board's Public Policy Committee semi-annually.



STRATEGY

Short-, medium-, and long-term climate-related risks

Our business and financial planning horizons are based on quarterly, annual, and three-year increments, and consider climate-related risks. Our Enterprise Risk Management process, which incorporates these risks, is described below under “Risk Management.”

Short-term (<1 year)

Physical Risks (Acute): As climate change advances, severe weather events may increase. The ability to plan for and mitigate the effects of severe weather events is important for our operations and key suppliers. Our key suppliers could experience a disruption in production if impacted by a severe weather event. We have developed robust business continuity planning processes and dual sourcing projects to build supply chain resiliency in the face of severe weather events. To identify potential exposures, we digitally map (geographic information system) all our key suppliers to pinpoint their locations relative to weather and other natural catastrophe hazard zones. We do this to improve our awareness of assets subject to acute hazards, including flooding, earthquakes, windstorms, extratropical storms, volcanos, tsunamis, tropical cyclones, hail, tornados, lightning, storm surges and coastal flooding. In addition to identifying assets exposed to risks, we also conduct live tracking of significant weather events and distribute event notices to key stakeholders. By identifying potential storms early, our stakeholders are able to take action to reduce risks to employees and better protect our assets.

Medium-term (1-5 years)

Transition Risks (Regulatory and Market-Related): We are subject to extensive and changing federal, state, and local laws and regulations designed to protect the environment. These laws and regulations could impose liability for remediation costs and civil or criminal penalties in cases of non-compliance. Compliance with environmental laws increases our costs of doing business. Although these laws are subject to frequent changes, we have calculated initial estimates of the financial impact noncompliance with these regulations would have on our business. Please see our *CDP responses* for further details. Changes in environmental and energy efficiency standards and regulations, such as the UN Montreal Protocol’s Kigali Amendment to phase down the use of HFCs, may have a significant impact on the types of products that we are allowed to develop and sell, and the types of products that are developed and sold by our competitors. Our inability or delay in developing or marketing products that match customer demand and that meet applicable efficiency and environmental standards may negatively impact our results.

The demand for our products and services could also be affected by the size and availability of tax incentives for purchasers of our products and services. Our future success depends on our continued investment in research and new product development as well as our ability to commercialize new HVACR technological advances in domestic and global markets. If we are unable to continue to timely and successfully develop and market new products, achieve technological advances or extend our business model and technological advances into international markets, in response to many factors, including climate change, our business and results of operations could be adversely impacted.

Long-term (5-15 years)

Physical Risks (Chronic): Longer-term shifts in climate patterns (e.g., sustained higher temperatures) that may cause sea levels to rise or chronic heat waves are understood to be a great challenge for the world but are not considered relevant in our current Enterprise Risk Management processes since the nature of our manufacturing and distribution processes can adapt to changing chronic conditions. Should we identify risk associated with chronic physical changes in the future, we will integrate them into our Enterprise Risk Management system.

Transition Risks (Reputation): There are potential negative impacts associated with various stakeholder perceptions of our response to climate change. Energy efficiency and refrigerants are key components of products across our business units. If we are unable to continue to timely and successfully develop and market new products, achieve technological advances or extend our business model and technological advances into international markets, in response to many factors, including climate change, the reputation and results of operations could be adversely impacted.

Impact of climate-related risks on business, strategy, and financial planning

We recognize that the identified climate-related risks may have a significant impact on our business. Therefore, we are focused on addressing these risks by integrating climate considerations into our R&D, product development, and public policy strategies.

R&D:

In 2020, we spent \$66.8M on R&D to develop new products and services that are more efficient and sustainable, align with customer focuses, and comply with new regulatory requirements. Thirty percent of the patents we filed over the last 10 years, including in 2020, are tied to energy efficiency improvements. LII continues to focus on maintaining leadership in energy-efficient climate control systems and using alternative refrigerants across our businesses. In 2020, we have spent ~\$3.5M furthering innovation in these areas. We leverage improvements in product development cycle time and product data management systems to commercialize new products to market more rapidly. Supported by our sustainably focused R&D efforts, LII is committed to transitioning all Lennox residential and commercial products to low GWP refrigerants by 2025 in line with expected regulations.

Product Development:

We have taken a proactive approach toward addressing climate-related risks by developing efficient, market-leading solutions. From a refrigerant perspective, we have substituted HFCs in some products with alternative refrigerant compounds that have low global warming potentials and do not deplete the ozone. In developing new products, we strive to use more alternative refrigerants with lower global warming potential. Furthermore, we continue to launch the most energy-efficient air conditioning units, furnaces, refrigeration, and heat pumps on the market. Our heat pumps in particular are designed to perform better in colder climates than standard heat pumps, and have variable speed settings that are compatible with intermittent renewable energy sources, including solar and wind. Additionally, the communication controls built into our products, as well as our smart thermostats, enable more precise operational control to meet heat/cool load and ventilation requirements, allowing customers to use less energy than other non-communicating HVAC systems. Together, continuing to develop efficient products both drives our strategy and enables us to reduce energy usage and corresponding emissions across our products' life cycle.

Facility Operations:

To reduce our operation's contribution to climate change, which indirectly aims to reduce future climate-related risks on our business, we replaced ozone-depleting CFCs with HFCs. HFCs do not deplete the ozone and have a global warming potential lower than that of CFCs. However, they remain a significant source of greenhouse gases. For this reason, we have implemented strict management controls to track our operational refrigerant losses.

Public Policy:

LII is at the forefront of driving responsible environmental policy. We innovate, produce and distribute some of the most efficient products on the planet. We continue to lead the global HVACR industry's transition to more environmentally friendly refrigerants by advocating for faster transitions to low GWP refrigerants and supporting the broad use of reclaimed and recycled refrigerants. We actively participate in and work with various industry associations, sustainability focused coalitions and other stakeholders to promote, among others:

- Energy efficiency standards for HVACR products
- Product certification, verification, and testing for product efficiency ratings
- Phaseout of ozone depleting refrigerants
- Phaseout of high global warming potential refrigerants
- Air quality and emissions standards
- Tax policy or other government incentives that encourage the purchase and installation of high efficiency products

Resilience of strategy using 2°C or lower scenarios

We are in the process of evaluating science-based targets and conducting quantitative and qualitative scenario analyses for our Scope 1, 2, and 3 emissions.

RISK MANAGEMENT

Process to identify and assess climate-related risks

We do not view climate change as a discrete, separate risk, but consider it as a driver that indirectly influences varying components of our top risks. For instance, climate-driven risks to the regulatory landscape are assessed as part of our overall assessment of regulatory risk. Climate-related risks are therefore indirectly considered as part of our ERM process. The ERM process consists of a comprehensive bottom-up approach: from risk identification and response planning by operating management to risk assessments and monitoring by our executive team, and finally, reviews of top prioritized risks and corresponding risk response plans by the Board. All risks are addressed with a plan to accept, mitigate/reduce, share/transfer, or avoid risks, and all Risk Response Plans are encouraged to follow SMART guidelines – be Specific, Measurable, Aggressive, Relevant, and Time bound.

Top risks are identified, ranked, and risk-response plans are developed with business unit leadership teams monitoring progress and reporting to our CEO and Executive Staff. Our Board reviews and monitors our top ten risks and corresponding mitigation plans. In this process, risks are placed in “impact/likelihood” and “impact/significant” quadrants. Likelihood is scored on a 1-5 scale, from “least likely” to “almost certain,” considering frequency, probability, and time horizon. Significance is also scored on a 1-5 impact scale, with the following dollar amounts considered:

- 1 - Insignificant: profit/cash flow impact less than \$1 million
- 2 - Minor: profit/cash flow impact \$1-\$5 million
- 3 - Moderate: profit/cash flow impact \$5-\$25 million
- 4 - Major: profit/cash flow impact \$25-\$100 million
- 5 - Catastrophic: profit/cash flow impact more than \$100 million

Factors for scoring potential impacts of the risk include, but are not limited to, financial, operational, brand, and health and safety impact. Climate-related risks and considerations may also influence the risk’s level of impact. Combined, the highest quadrant of concern (i.e., substantive financial or strategic impact) is any issue with impact and likelihood ratings of 3 or higher and a likelihood rating of 3 or higher.

Separate from the ERM, we have developed comprehensive LII facility risk profiles to determine the probability and potential severity of climate-related risks – including coastal erosion, extreme heat, floods, hailstorms, severe winters and thunderstorms – on each of our facilities. For each facility we quantified the potential financial impact of each climate-related risk and identified possible risk improvements for the most impactful risks across our facilities.

Process to manage climate-related risks

Overall, we manage and reduce our operational and reputational risks related to climate change through sound environmental and business management. Our facilities vary in function, geography, size, and surrounding natural environments, which gives rise to varying exposure levels to severe weather events, different regulatory requirements, and different levels of environmental quality. Although our facilities have their own operating plans depending on their location, all function under a ERM process which provides an effective foundation for environmental stewardship.

We have specific processes that help us manage our short-, medium-, and long-term climate-related risks:

Short-term (<1 year)

We have a robust business continuity planning (BCP) process, with oversight from our Risk Management team, to manage acute, physical climate risks. The process includes educating stakeholders and facilitation of BCP scenario testing. Three operational business segment champions and site-specific BCP team leaders ensure that team members are trained and BCP documents are updated and housed within the BCP SharePoint system. Each manufacturing facility has five to 15 employees at manufacturing sites (based on size and complexity) who participate in training, documentation, and testing. We believe this process builds site specific resiliency in the face of potential climate-related disasters.

We also transfer some of these physical climate risks to insurers. We purchase property insurance covering replacement costs for damage to our facilities, business interruption loss resulting from physical damage, and more limited contingent business interruption loss from suppliers disrupted by a physical damage loss.

Medium-term (1-5 years)

To mitigate our medium-term climate-related transition risks around the regulatory sphere, LII leverages our leadership position in the HVACR industry to actively participate in the development and implementation of climate-related policies that increase energy efficiency and reduce emissions. We work through various industry associations and coalitions to shape future climate-related legislation, regulations, building codes and safety standards in the policy areas that affect our business.

Long-term (5-15 years)

A vital way we are addressing long-term climate-related transition risks to our reputation is by increasing the quality and quantity of our disclosure around our sustainability commitments and approach to managing material ESG issues. Our Enterprise Risk Management system is regularly reviewed and adapted to meet the needs of our changing risk landscape, in which climate change is expected to assume a larger part. We believe we are well positioned to manage climate change issues both in our operations and in product development with the ultimate result being that our reputation for innovative and responsible HVAC solutions should remain intact.

Further actions we take to manage climate-related risks include:

- Setting environmental performance objectives and monitoring our progress
- Complying with applicable environmental laws and regulatory requirements globally
- Providing strategic training and guidance to our environmental and compliance professionals to help them stay informed on environmental issues and best practices that could impact our business
- Publicly disclosing environmental performance through reporting frameworks such as the Sustainability Accounting Standards Board (SASB) and CDP, in addition to the TCFD. The reporting process helps us manage and measure our progress as well as engage with our internal and external stakeholders on climate-related issues

Integration of risk processes into overall risk management

Although climate-related risks are already indirectly incorporated into our ERM, described under "Process to identify and assess climate-related risks," in 2021, we plan to more formally incorporate climate-related risks into our ERM process. We plan to do this by first starting to include climate-related risks and their impacts on LII's universe of risks into the ERM surveys we share with operating management during the risk identification process. Our ERM results and progress are presented to the full Board twice a year, though specific risks may be reviewed by the Board more frequently.

METRICS AND TARGETS

Metrics used to assess climate-related risks

We disclose our GHG emissions and emission intensities as part of this TCFD Index. In addition, we track and monitor a number of metrics around our environmental performance to further help us assess our climate-related risks. These metrics include:

- Energy usage related to our direct operations
- Refrigerant loss from our manufacturing facilities
- Energy efficiency ratings of our products, such as SEER (Seasonal Energy Efficiency Ratio)
- Percentage of our product portfolio, by revenue, represented by energy-efficient products

Scope 1, 2, and 3 emissions

Our Scope 1, 2, and 3 emissions cover 95% of our operational facilities and track the following GHGs: CO₂, N₂O, CH₄, HFCs, HCFCs. The vast majority of our total emissions comes from our Scope 3 emissions, particularly during our products' operational lifecycles.

| Emissions (mTCO ₂ e) | 2018 | 2019 | 2020 |
|--|--------------|------------|------------|
| Scope 1 | 102,200 | 95,900 | 83,100 |
| Scope 2 (Location-Based) | 65,900 | 64,900 | 56,400 |
| Scope 2 (Market-Based) | 58,100 | 53,600 | 46,000 |
| Scope 3 | 134,882,556* | 88,286,780 | 79,767,040 |
| Total Scope 1+2+3 Emissions (Location-Based) | 135,050,656 | 88,447,580 | 79,906,540 |

* Our 2019 Scope 3 emissions differ from that reported in the past because in 2021 we updated our calculation methodology for the Scope 3 categories "Use of Sold Products" and "End of Life Treatment of Sold Products." Reported Scope 3 emissions for 2018 are not comparable to that of 2019 and 2020 due to differences in methodology.

All 2020 Scope 1, 2, and 3 emissions have been verified by a third party, Apex Companies. Please see the data assurance letter from Apex Companies [in this section of the report](#) in accordance with ISO 14064-3 standards. We used the following standards, protocols, and data collection methods for each source driving our overall emissions calculation methodology:

Scope 1

AR5 - CH₄, N₂O, Refrigerant

US EPA Climate Leaders: Direct Emissions from Mobile Combustion Sources – Propane, Propylene

US EPA Climate Leaders: Direct Emissions from Stationary Combustion – Gasoline, Diesel, Ethanol GHG Protocol – Natural Gas (energy & volume)

Scope 2

US EPA eGRID – USA

Canadian Industry Partnership for Energy Conservation – Canada International Energy Agency: CO₂ Emissions from Fuel Combustion (CO₂, N₂O, CH₄) – France, Germany, India, Mexico, Spain

Scope 3

Categories: Purchased good and services, Capital goods, Fuel-and-energy-related activities, Upstream transportation and distribution, Waste generated in operations, Business travel, Employee commuting, Downstream transportation and distribution, Use of sold products, End-of-life treatment for sold products

Targets used to manage climate-related risks and opportunities

We currently have a target to reduce our Scope 1 and 2 location-based emissions intensity (metric tons CO₂e per value-added USD(\$)) by 25% by 2024 using a 2014 baseline. In 2020, we have achieved a 23% reduction in our Scope 1 and 2 location-based emissions intensity since 2014, keeping us on track to meet this target. In recognition of the need to support global efforts in keeping global warming below 2°C, we are also evaluating science-based targets. We plan to share ambitious emissions reduction targets for Scope 1, 2, and 3 emissions in the next few years.



2021 Equal Employment Opportunity (EEO-1) Report¹

OVERALL TOTALS

| Job Categories | White | Hispanic or Latino | Black or African American | Native Hawaiian or Pacific Islander | Asian | American Indian or Alaskan Native | Two or More Races |
|-------------------------------------|-------------|--------------------|---------------------------|-------------------------------------|------------|-----------------------------------|-------------------|
| MALE | | | | | | | |
| Executive/Sr Officials & Mgrs | 34 | 3 | 0 | 0 | 6 | 0 | 0 |
| First/Mid Officials & Mgrs | 509 | 82 | 37 | 1 | 40 | 2 | 5 |
| Professionals ² | 645 | 50 | 59 | 2 | 135 | 3 | 11 |
| Technicians | 185 | 21 | 33 | 0 | 5 | 0 | 1 |
| Administrative Support | 205 | 49 | 73 | 0 | 6 | 1 | 11 |
| All Others ³ | 1190 | 254 | 986 | 3 | 36 | 11 | 28 |
| Total Job Categories By Race | 2768 | 459 | 1188 | 6 | 228 | 17 | 56 |
| FEMALE | | | | | | | |
| Executive/Sr Officials & Mgrs | 8 | 1 | 0 | 0 | 0 | 0 | 1 |
| First/Mid Officials & Mgrs | 144 | 12 | 24 | 0 | 15 | 1 | 3 |
| Professionals ² | 262 | 41 | 63 | 1 | 71 | 0 | 9 |
| Technicians | 16 | 0 | 12 | 0 | 0 | 0 | 0 |
| Administrative Support | 118 | 25 | 87 | 1 | 6 | 3 | 7 |
| All Others ³ | 230 | 70 | 971 | 1 | 17 | 3 | 7 |
| Total Job Categories By Race | 778 | 149 | 1157 | 3 | 109 | 7 | 27 |

53

Executive/Sr Officials & Managers

875

First/Mid Officials & Managers

1,352

Professionals²

273

Technicians

592

Administrative Support

3,807

All Others³

6,952

Total

¹ U.S. employees only as of 8/31/2020. 2021 report not formally submitted by the time of this publishing.

² Professionals are exempt employees including Sales Workers

³ All other category includes Craft Workers, Operatives, Laborers & Helpers, and Service Workers

ENVIRONMENTAL
SOCIAL
GOVERNANCE
REPORT 2020



VERIFICATION OPINION DECLARATION GREENHOUSE GAS EMISSIONS

To: The Stakeholders of Lennox International, Inc.

Apex Companies, LLC (Apex) was engaged to conduct an independent verification of the greenhouse gas (GHG) emissions reported by Lennox International, Inc. (Lennox) for the period stated below. This verification opinion declaration applies to the related information included within the scope of work described below.

The determination of the GHG emissions is the sole responsibility of Lennox. Lennox is responsible for the preparation and fair presentation of the GHG statement in accordance with the criteria. Apex's sole responsibility was to provide independent verification on the accuracy of the GHG emissions reported, and on the underlying systems and processes used to collect, analyze and review the information. Apex is responsible for expressing an opinion on the GHG statement based on the verification. Verification activities applied in a limited level of assurance verification are less extensive in nature, timing and extent than in a reasonable level of assurance verification.

Boundaries of the reporting company GHG emissions covered by the verification:

- Operational Control
- Worldwide

Types of GHGs: CO₂, N₂O, CH₄, HFCs, HCFCs, Kyoto and Montreal Protocol

GHG Emissions Statement:

- **Scope 1:** 83,100 metric tons of CO₂ equivalent
- **Scope 2 (Location-Based):** 56,400 metric tons of CO₂ equivalent
- **Scope 2 (Market-Based):** 46,000 metric tons of CO₂ equivalent
- **Scope 3:**
 - Purchased Goods & Services: 669,000 metric tons of CO₂ equivalent
 - Capital Goods: 16,300 metric tons of CO₂ equivalent
 - Fuel- and Energy-Related Activities: 18,000 metric tons of CO₂ equivalent
 - Upstream Transportation and Distribution: 36,900 metric tons of CO₂ equivalent
 - Waste Generated in Operations: 1,200 metric tons of CO₂ equivalent
 - Business Travel: 2,040 metric tons of CO₂ equivalent
 - Employee Commuting: 20,200 metric tons of CO₂ equivalent
 - Downstream Transportation and Distribution: 58,700 metric tons of CO₂ equivalent
 - Use of Sold Products: 78,900,000 metric tons of CO₂ equivalent
 - End-of-Life Treatment of Sold Products: 44,700 metric tons of CO₂ equivalent

Energy Use:

- **Direct:** 457,000 GJ
- **Indirect:** 485,000 GJ

Data and information supporting the Scope 1 and 2 GHG emissions assertion were in some cases estimated and in some cases historical in nature. Scope 3 emissions were in some cases based on estimates derived using the Comprehensive Environmental Data Archive (CEDA) U.S. version 5, an environmentally-extended input-output (EEIO) database.

Period covered by GHG emissions verification:

- January 1, 2020 to December 31, 2020

Criteria against which verification conducted:

- World Resources Institute (WRI)/World Business Council for Sustainable Development (WBCSD) Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard (Scope 1 and 2)
- WRI/WBCSD Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (Scope 3)

Reference Standard:

- ISO 14064-3 (2019-04) Second Edition: Greenhouse gases -- Part 3: Specification with guidance for the verification and validation of greenhouse gas statements

Level of Assurance and Qualifications:

- Limited
- This verification used a materiality threshold of $\pm 5\%$ for aggregate errors in sampled data for each of the above indicators

GHG Verification Methodology:

Evidence-gathering procedures included but were not limited to:

- Interviews with relevant personnel of Lennox and their consultant;
- Review of documentary evidence produced by Lennox;
- Review of Lennox data and information systems and methodology for collection, aggregation, analysis and review of information used to determine GHG emissions; and
- Audit of sample of data used by Lennox to determine GHG emissions.

Verification Opinion:

Based on the process and procedures conducted, there is no evidence that the GHG emissions statement shown above:

- is not materially correct and is not a fair representation of the GHG emissions data and information; and
- has not been prepared in accordance with the WRI/WBCSD GHG Protocol Corporate Accounting and Reporting Standard (Scope 1 and 2), and WRI/WBCSD Greenhouse Gas Protocol Corporate Value Chain Accounting and Reporting Standard (Scope 3).

It is our opinion that Lennox has established appropriate systems for the collection, aggregation and analysis of quantitative data for determination of these GHG emissions for the stated period and boundaries.

Statement of independence, impartiality and competence

Apex is an independent professional services company that specializes in Health, Safety, Social and Environmental management services including assurance with over 30 years history in providing these services.



No member of the verification team has a business relationship with Lennox, its Directors or Managers beyond that required of this assignment. We conducted this verification independently and to our knowledge there has been no conflict of interest.

Apex has implemented a Code of Ethics across the business to maintain high ethical standards among staff in their day-to-day business activities.

The verification team has extensive experience in conducting assurance over environmental, social, ethical and health and safety information, systems and processes, and has over 20 years combined experience in this field and an excellent understanding of Apex's standard methodology for the verification of greenhouse gas emissions data.

Attestation:

A handwritten signature in black ink, appearing to read 'Benjamin Robinson', written over a horizontal line.

Benjamin Robinson, Lead Verifier
Project Manager
Apex Companies, LLC
Lakewood, CO

A handwritten signature in blue ink, appearing to read 'David Reilly', written over a horizontal line.

David Reilly, Technical Reviewer
Principal Consultant
Apex Companies, LLC
Santa Ana, CA

May 27, 2021

This verification statement, including the opinion expressed herein, is provided to Lennox and is solely for the benefit of Lennox in accordance with the terms of our agreement. We consent to the release of this statement by you to CDP in order to satisfy the terms of CDP disclosure requirements but without accepting or assuming any responsibility or liability on our part to CDP or to any other party who may have access to this statement.