

# **2023 Report under the Fighting Against Forced Labour and Child Labour in Supply Chains Act**

## **1. Introduction**

This report is submitted by Lennox Industries (Canada) ULC (“Lennox Canada”, “we” or “our”) in accordance with the requirements of the *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the “Act”) for our most recently completed fiscal year, which ended on December 31, 2023 (the “Reporting Period”).

## **2. Structure, Activities and Supply Chains**

Lennox Canada is a wholly-owned subsidiary of Lennox International Inc., a publicly listed company (NYSE: LII) and operates within a global group of companies providing energy-efficient climate-control solutions (hereinafter “Lennox” or the “Company”). Lennox designs, manufactures, and markets a broad range of products for heating, ventilation, air conditioning and refrigeration (“HVACR”) markets. Lennox's products and services are sold through multiple distribution channels under various brand names. More information about our global business can be found online through the “Investor” section of our website, including our

annual reports to stockholders and annual reports on Form 10-K.  
<https://investor.lennox.com/>

Lennox Canada is headquartered in Brampton, Canada and is engaged in the importation, distribution, and sale of products for HVACR markets across Canada. Its team includes 230 employees employed by Lennox Canada. Lennox Canada sources the majority of its parts, accessories, materials, and units to support the HVACR program in the Canadian supply chain from the USA, Mexico and one Business Partner in East-Asia. Lennox Canada also sources services, and its service Business Partners are predominately in the USA, Mexico, and Canada. Lennox Canada implements and relies on the global policies and procedures of Lennox, including those concerning forced labour and child labour due diligence. The content of this report reflects Lennox's global policies and procedures.

### **3. Policies and Due Diligence Processes**

We are committed to doing the right thing for our stakeholders – our employees, customers, business partners, shareholders – and the communities where we work and live. We do business ethically, honestly and in accordance with applicable laws, regulations, and our Core Values of Integrity, Respect and Excellence, which we define as:



Our policies and approach to human rights due diligence and to the specific issues of forced labour and child labour are based on Lennox's global framework. Lennox does not tolerate the use of forced labour, child labour, human trafficking, or discriminatory practices within its operations or within the operations of its Business Partners (defined below). We continue to grow existing programs and implement measures to ensure protection of human dignity and human rights throughout our operations and supply chain. For more information, please refer to the following core Lennox policies:

- Code of Business Conduct, which sets out Lennox's expectations for employees and our operations.
- Business Partner Code of Conduct, which sets expectations for Lennox's contractors, temporary employees, dealers, suppliers, distributors, third-party intermediaries, joint

venture partners and other business partners (collectively, our "Business Partners").

- Human Rights Policy, which sets out guidelines and outlines Lennox's commitment regarding human rights throughout our operations and supply chain. We encourage, and in certain circumstances require, our Business Partners to have a similar policy in place. Our human rights policy aligns with and adheres to the:
  - UN Guiding Principles on Business and Human Rights;
  - The UN Global Compact's Ten Principles and the Sustainable Development Goals;
  - The Universal Declaration of Human Rights;
  - The OECD Guidelines for Multinational Enterprises, international labour standards, like the International Labour Organization's Declaration on Fundamental Principles and Rights at Work; and
  - Applicable laws and regulations.
- Conflict Minerals Policy, which sets out Lennox's Conflict Minerals compliance program to help ensure Business Partners conduct responsible conflict-free sourcing. We expect our Business Partners to determine if their products contain conflict minerals, which include tin, tantalum, gold, and tungsten, and if so, implement supply chain due diligence processes to ensure that minerals are sourced responsibly and do not finance armed conflict or related human rights

abuses in the Democratic Republic of Congo or an adjoining country. Lennox also files a Conflicts Minerals report annually with the US Securities and Exchange Commission.

Our Business Partner due diligence efforts related to forced labour and child labour include implementing anti-forced labour and child labour contractual clauses, rigorous Business Partner qualification processes, and the use of audits when and where appropriate. Lennox prioritizes Business Partners that share its values and human rights commitments. Lennox uses an SAP Global Trade Services tool to monitor business partners and transactions. As part of that tool, Lennox screens Business Partners and transactions using the Descartes MK Denied Party Screening tool with the Customs and Border Protection Forced Labor List ("CBPFL") feature. This list contains materials and manufacturers that have been found to use forced labour in their operations to produce their products.

When results from our screening process indicate a Business Partner is using or is at risk of using forced labour or child labour in any part of their operations, Lennox's process raises a red flag. If the shipment is in transit or has reached its port destination, Lennox generally sends the shipment back to its origin. In certain instances, when the shipment has reached its destination port, the Lennox sourcing team ("Sourcing Team") works with the Business

Partner to correct and improve their processes to remove forced labour and/or child labour, and to provide satisfactory proof thereof, at which point we allow the shipment to unload. When that is not possible, the Sourcing Team works with an alternate partner to supply the required goods.

As part of our questionnaire, we strive to determine the risk level of forced labour and child labour with each Business Partner. If a Business Partner is deemed high risk based on their questionnaire responses, we will communicate with our Sourcing Team, who will notify the Business Partner. The Business Partner then has an opportunity to improve their level of risk exposure and to provide proof of their improvement. Failing acceptable improvement from a Business Partner, our Sourcing Team will conduct business with an alternative Business Partner.

All relevant Lennox policies and due diligence processes are regularly reviewed and updated by a combination of the Legal Department, Trade Compliance, Sourcing Team and the Ethics and Compliance Team.

#### **4. Forced Labour and Child Labour Risks**

Lennox's approach to identifying forced labour and child labour risk is multifaceted and aligned with our ongoing commitment to human rights throughout its operations and global supply chains.

We recognize that some segments of our supply chain may inherently involve heightened risk of forced labour or child labour, particularly manufacturing activities, and the sourcing of raw materials from our Business Partners. To identify risk, Lennox undertakes supply chain tracing and mapping. Additionally, Lennox continually conducts internal assessments of risk related to forced and child labour, and develops action plans in response to any identified areas of sensitivity or risk. We regularly gather information on Business Partner labour standards such as wages and benefits, discrimination, working hours, freedom of association and collective bargaining, harassment and abuse, occupational safety and health. We address any identified risks through our policies, due diligence processes and working closely with our Business Partners.

Lennox has engaged [Assent Inc.](#) ("Assent") to assess risk regarding our most critical vendors by leveraging the industry-standard Slavery and Trafficking Risk Assessment Tool ("STRT"). During the reporting period Lennox, with the support of Assent, reviewed several Business Partners, who were prioritized on the basis of the risk associated with their sourcing countries and their operating

industries. The risk factors employed to conduct this analysis included the following: (1) Lennox's total spend with the Business Partner; (2) the criticality of the Business Partner to Lennox's business; (3) the geographic location(s) of the Business Partner; (4) Lennox's leverage with the Business Partner that could be used to adopt and implement human rights policies and procedures; and (5) the industry of the Business Partner.

Assent's STRT facilitates the evaluation of Business Partners' policies addressing forced labour and child labour, as well as identifying protective measures supporting their workforce. Additional inquiries within the STRT help assess a Business Partner's level of due diligence in managing these risks, addressing issues, or taking corrective actions. Once the information is collected, Assent evaluates the quality of a Business Partner's response and assigns a risk score based on the Business Partner's inherent risk for forced labour and child labour, as well as their risk control practices. This enables Lennox to "segment" Business Partners as high, medium or low risk based on associated risks, and to take appropriate responses for each category of risk.

Lennox has mapped and identified its main risk for forced labour and child labour, arising from goods supplied from a single Business Partner in East-Asia (one of the largest HVACR suppliers in the region). Goods from this Business Partner account for only



7.46% of the total value of goods imported by Lennox Canada in 2023, and only 0.75% of the total number of shipments imported by Lennox Canada in 2023.

The remainder of Lennox Canada's imported goods (92.54%) originates in North America, 88.34% of which originate from related Lennox affiliates in North America, either manufacturing or distribution locations (69.39% from Lennox US, and 18.95% from Lennox Mexico). With respect to the remainder of Lennox Canada's shipments of imported goods (99.25%), they are exported from locations in North America. Specifically, 80.27% originate with related Lennox companies, approximately 74.86% from Lennox affiliates in the US, and 5.41% from Lennox affiliates in Mexico.

The above-referenced East-Asian Business Partner is a world class manufacturer of HVACR equipment. This Business Partner evaluates its suppliers and business partners with a Corporate Social Responsibility management system and implements pre-event, in-event and post-event management review processes of its suppliers based on six key policy-based prohibitions, including prohibitions on the use of: (1) any form of forced labour or child labour; (2) any form of violence; (3) verbal abuse; (4) corporal punishment; or (5) sexual harassment against employees. This Business Partner's policies also prohibit the payment of employee

wages below the local minimum wage standards and prohibit serious safety and environmental incidents.

Additionally, this Business Partner maintains a responsible procurement review process based on five elements: (1) labour rights; (2) occupational health and safety; (3) environmental protection; (4) business ethics; and (5) effective management systems.

## **5. Remediation Measures**

Compliance policies and programs may not prevent all adverse impacts in Lennox's supply chain. Our policies and procedures have been designed and implemented to appropriately mitigate risk of adverse impacts in supply chains and to provide effective remedy where adverse impacts, such as forced labour or child labour, are identified. Lennox's policies and programs are also used and encourage our Business Partners to improve their own practices and ensure that they appropriately address adverse impacts linked to our business operations, goods, or services. To facilitate this process, Lennox has established several mechanisms that allow our employees, stakeholders, and other potentially affected individuals to raise grievances and seek a remedy. In addition to the ability for persons to report issues to or request guidance from Lennox internal teams (e.g. Legal, Human Resources, and Ethics &

Compliance), the Company maintains a toll-free number that can be called 24/7 from anywhere in the world (the "Ethicsline"). The Ethicsline is managed by a third party and reports can be made anonymously. Reports can also be made via a webform and that is also managed by the same third party as the toll-free number.

In the event of any forced or child labour findings, Lennox will take immediate action to remediate violations of Lennox's policies and programs. This includes working with a Business Partner to address the issue giving rise to concerns about forced labour or child labour, providing support, and, if necessary, terminating the relationship with the Business Partner.

As required under subsection 11(3)(d) and (e) of the Act, Lennox reports that it has not identified any instances of forced labour or child labour in its operations or supply chains and therefore Lennox has not needed to take any remediation measures during the Reporting Period. Given that no remediation measures have been taken, Lennox does not anticipate any loss of income to any individuals that results from any measures taken to eliminate the use of forced labour or child labour in Lennox's activities and supply chains.

## **6. Training**

Lennox did not conduct formal employee training in the relevant areas until this year, 2024. Currently, Lennox has begun regular training to employees making contracting or purchasing decisions, as well as critical Business Partners. These trainings are focused on the Company's Business Partner policies related to forced labour and child labour, including Lennox's Human Rights Policy. These trainings will occur at least once a year for employees making contracting or purchasing decisions, as well as critical Business Partners. Lennox also provided training in 2024 to the above-referenced East-Asian vendor.

## **7. Assessing Effectiveness**

As noted above, Lennox partners with Assent to conduct independent reviews of the effectiveness of Lennox's compliance policies and programs at preventing forced labour and child labour in its activities and supply chains. As explained above, Lennox relies on Assent's STRT, which includes continuous supply chain mapping to monitor Business Partners, products, parts and practices.

Additionally, Lennox regularly reviews its policies and procedures related to forced labour and child labour, it has procedures in place to track reported cases of forced labour or child labour (none reported to date), and it works with its Business Partners to

measure the effectiveness of their actions using questionnaires, trainings, and audits.

## **8. Approval and Attestation**

This report was approved pursuant to subparagraph 11(4)(a) of the Act by the Board of Directors of Lennox Canada.

### Attestation by Monica M. Brown

In accordance with the requirements of the Act, and in particular section 11 thereof, I attest that I have reviewed the information contained in the report for the entity or entities listed above. Based on my knowledge, and having exercised reasonable diligence, I attest that the information in the report is true, accurate and complete in all material respects for the purposes of the Act, for the reporting year listed above.

I have the authority to bind Lennox Canada.

Full Name: Monica M. Brown

Date: May 30, 2024

Title: Director

Signature: \_\_\_\_\_  \_\_\_\_\_

Attestation by Nicholas Ennamorato

In accordance with the requirements of the Act, and in particular section 11 thereof, I attest that I have reviewed the information contained in the report for the entity or entities listed above. Based on my knowledge, and having exercised reasonable diligence, I attest that the information in the report is true, accurate and complete in all material respects for the purposes of the Act, for the reporting year listed above.

I have the authority to bind Lennox Canada.

Full Name: Nicholas Ennamorato

Date: May 30, 2024

Title: Director

Signature: \_\_\_\_\_  \_\_\_\_\_

**CONSENT OF BOARD OF DIRECTORS**

**OF**

**LENNOX INDUSTRIES (CANADA) ULC/LES INDUSTRIES LENNOX (CANADA) SRI**

**WHEREAS**, the Board of Directors (the “Board”) of Lennox Industries (Canada) ULC (the “Corporation”) has reviewed a draft of the 2023 Report under the Fighting Against Forced Labour and Child Labour in Supply Chains Act to be filed with the Minister of Public Safety and Emergency Preparedness (the “Report”).

**RESOLVED**, the Report, in substantially the form provided to the Corporation, is approved and the Board of the Corporation is authorized to submit the Report, with any such changes that the Board of the Corporation deems necessary or advisable.

Effective date: May 30, 2024

*Monica Brown*

By: - \_\_\_\_\_  
Name: Monica M. Brown  
Title: Director

*Nick Ennamorato*

By: - \_\_\_\_\_  
Name: Nicholas Ennamorato  
Title: Director