

Tax Strategy

Introduction

Lennox International Inc. (“LII”) is committed to high standards of corporate governance, transparency and responsibility in supporting the execution of our global business strategy which is to drive profitable growth in our businesses and deliver sustainable returns for our shareholders. Our approach to tax supports this strategy.

Scope

This tax strategy applies to HCF Lennox Ltd, Lennox Industries (UK) and LII Mexico Holdings Ltd (referred to collectively as “Lennox UK”), indirect subsidiaries of LII. It has been published in accordance with Schedule 19 to the Finance Act 2016 (the “Schedule”).

This strategy applies from the date of publication until it is superseded. References to “UK Taxation” are to the taxes and duties set out in paragraph 15(1) of the Schedule which include Income Tax, Corporation Tax, PAYE, NIC, VAT, Insurance Premium Tax, and Stamp Duty Land Tax. References to “tax”, “taxes” or “taxation” are to UK taxation and to all corresponding worldwide taxes and similar duties in respect of which Lennox UK has legal responsibilities.

Aim

Lennox UK is committed to full compliance with all statutory obligations and full disclosure to relevant tax authorities. The Lennox UK’s tax affairs are managed in a way which takes into account the Lennox group’s wider corporate reputation in line with Lennox’s overall high standards of governance.

Governance In Relation to UK Taxation

Lennox UK has internal governance procedures set at the executive level by LII and by other senior personnel throughout the LII group, including LII’s Chief Financial Officer and Vice President, Corporate Tax. Through people, processes, controls and systems, Lennox UK manages tax risks and compliance with tax laws. Ultimate responsibility for Lennox UK’s tax strategy and compliance rests with the Boards of Directors of each Lennox UK entity.

Risk Management

- Lennox UK operates a system of tax risk assessment and controls as a component of the overall internal control framework.
- Lennox UK seeks to reduce the level of tax risk arising from its operations as far as is reasonably practicable by ensuring that reasonable care is applied in relation to all processes which could materially affect its compliance with its tax obligations.
- Processes relating to different taxes are allocated to appropriate process owners, who carry out a review of activities and processes to identify key risks and mitigating controls in place. These key risks are monitored for business and legislative changes which may impact them and changes to processes or controls are made when required.
- Appropriate training is provided for staff outside of the internal tax team who manage or process matters which have tax implications.
- Advice is sought from external advisers where appropriate.

Attitude towards tax planning and level of risk

Lennox UK manages risks to ensure compliance with legal requirements in a manner which ensures payment of the right amount of tax.

When entering into commercial transactions, Lennox UK seeks to take advantage of available tax incentives, reliefs and exemptions in line with, and in the spirit of, tax legislation. Lennox UK does not undertake tax planning unrelated to such commercial transactions.

The level of risk which Lennox UK accepts in relation to UK taxation is consistent with its overall objective of achieving certainty in the Lennox group's tax affairs. Lennox UK seeks to comply fully with its regulatory and other obligations and to act in a way which upholds its reputation as a responsible corporate citizen. In relation to any specific issue or transaction, the Board of Directors of each Lennox UK entity is ultimately responsible for identifying the risks, including tax risks, which need to be addressed and for determining what actions should be taken to manage those risks, having regard to the materiality of the amounts and obligations in question.

Relationship with HMRC

Lennox UK seeks to have a transparent and constructive relationship with HMRC. When submitting tax computations and returns to HMRC, Lennox UK discloses all relevant facts and identifies any transactions or issues where it considers that there is potential for the tax treatment to be uncertain. Any inadvertent errors in submissions made to HMRC are fully disclosed as soon as reasonably practicable after they are identified.