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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2021

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ______ to ______

Commission File Number 001-35971

ALLEGION PUBLIC LIMITED COMPANY
(Exact name of registrant as specified in its charter)

Ireland	**98-1108930**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

Block D
Iveagh Court
Harcourt Road
Dublin 2, D02 VH94, Ireland
(Address of principal executive offices, including zip code)

+(353) (1) 2546200
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol	Name of exchange on which registered
Ordinary shares, par value $0.01 per share	ALLE	New York Stock Exchange
3.500% Senior Notes due 2029	ALLE 3 ½	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of ordinary shares outstanding of Allegion plc as of April 19, 2021 was 89,978,097.

ALLEGION PLC

FORM 10-Q

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PART I-FINANCIAL INFORMATION

Item 1 – Financial Statements

Allegion plc

Condensed and Consolidated Statements of Comprehensive Income

(Unaudited)

In millions, except per share amounts	Three months ended March 31, 2021	2020
Net revenues	$ 694.3	$ 674.7
Cost of goods sold	396.9	381.6
Selling and administrative expenses	166.1	167.9
Impairment of goodwill and intangible assets	—	96.3
Operating income	131.3	28.9
Interest expense	12.3	12.9
Other (income) expense, net	(3.5)	4.0
Earnings before income taxes	122.5	12.0
Provision for income taxes	14.3	11.5
Net earnings	108.2	0.5
Less: Net earnings attributable to noncontrolling interests	0.2	0.1
Net earnings attributable to Allegion plc	$ 108.0	$ 0.4
Earnings per share attributable to Allegion plc ordinary shareholders:		
Basic net earnings	$ 1.19	$ —
Diluted net earnings	$ 1.18	$ —
Weighted-average shares outstanding		
Basic	90.7	92.7
Diluted	91.2	93.3
Total comprehensive income (loss)	$ 76.2	$ (32.9)
Less: Total comprehensive income (loss) attributable to noncontrolling interests	0.2	(0.5)
Total comprehensive income (loss) attributable to Allegion plc	$ 76.0	$ (32.4)

See accompanying notes to condensed and consolidated financial statements.

Allegion plc

Condensed and Consolidated Balance Sheets

(Unaudited)

In millions, except share amounts	March 31, 2021	December 31, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	$ 394.3	$ 480.4
Accounts and notes receivable, net	312.6	321.8
Inventories	289.9	283.1
Other current assets	51.2	53.9
Assets held for sale	—	5.8
Total current assets	1,048.0	1,145.0
Property, plant and equipment, net	285.7	294.9
Goodwill	807.8	819.0
Intangible assets, net	467.4	487.1
Other noncurrent assets	339.0	323.4
Total assets	$ 2,947.9	$ 3,069.4
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 209.8	$ 220.4
Accrued expenses and other current liabilities	295.7	293.7
Short-term borrowings and current maturities of long-term debt	0.1	0.2
Liabilities held for sale	—	7.2
Total current liabilities	505.6	521.5
Long-term debt	1,429.8	1,429.4
Other noncurrent liabilities	281.5	285.9
Total liabilities	2,216.9	2,236.8
Equity:		
Allegion plc shareholders' equity:		
Ordinary shares, $0.01 par value (90,048,623 and 91,212,741 shares issued and outstanding at March 31, 2021 and December 31, 2020, respectively)	0.9	0.9
Capital in excess of par value	—	—
Retained earnings	915.9	985.6
Accumulated other comprehensive loss	(189.1)	(157.1)
Total Allegion plc shareholders' equity	727.7	829.4
Noncontrolling interests	3.3	3.2
Total equity	731.0	832.6
Total liabilities and equity	$ 2,947.9	$ 3,069.4

See accompanying notes to condensed and consolidated financial statements.

Allegion plc

Condensed and Consolidated Statements of Cash Flows

(Unaudited)

In millions	Three months ended March 31, 2021	2020
Cash flows from operating activities:		
Net earnings	$ 108.2	$ 0.5
Adjustments to arrive at net cash provided by operating activities:		
Depreciation and amortization	21.4	19.8
Impairment of goodwill and intangible assets	—	96.3
Changes in assets and liabilities and other non-cash items	(17.8)	(85.8)
Net cash provided by operating activities	111.8	30.8
Cash flows from investing activities:		
Capital expenditures	(6.3)	(11.8)
Other investing activities, net	1.7	(7.0)
Net cash used in investing activities	(4.6)	(18.8)
Cash flows from financing activities:		
Short-term borrowings, net	—	3.2
Dividends paid to ordinary shareholders	(32.5)	(29.0)
Repurchase of ordinary shares	(149.7)	(94.1)
Other financing activities, net	(5.0)	3.1
Net cash used in financing activities	(187.2)	(116.8)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(6.1)	(5.2)
Net decrease in cash, cash equivalents and restricted cash	(86.1)	(110.0)
Cash, cash equivalents and restricted cash - beginning of period	480.4	358.7
Cash, cash equivalents and restricted cash - end of period	$ 394.3	$ 248.7

See accompanying notes to condensed and consolidated financial statements.

ALLEGION PLC
NOTES TO CONDENSED AND CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1 - BASIS OF PRESENTATION

The accompanying Condensed and Consolidated Financial Statements of Allegion plc, an Irish public limited company, and its consolidated subsidiaries ("Allegion" or the "Company"), reflect the consolidated operations of the Company and have been prepared in accordance with United States ("U.S.") Securities and Exchange Commission ("SEC") interim reporting requirements. Accordingly, the accompanying Condensed and Consolidated Financial Statements do not include all disclosures required by accounting principles generally accepted in the United States of America ("GAAP") for full financial statements and should be read in conjunction with the Consolidated Financial Statements included in the Allegion Annual Report on Form 10-K for the year ended December 31, 2020. In the opinion of management, the accompanying Condensed and Consolidated Financial Statements contain all adjustments, which include normal recurring adjustments, necessary to state fairly the consolidated unaudited results for the interim periods presented.

NOTE 2 - RECENT ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncements:

In December 2019, the FASB issued ASU 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes." The new guidance was intended to simplify the accounting for income taxes by removing certain exceptions and by updating accounting requirements around franchise taxes, goodwill recognized for tax purposes, the allocation of current and deferred tax expense among legal entities, among other minor changes. This ASU became effective for fiscal years beginning after December 15, 2020, and interim periods within those annual periods. Accordingly, the Company adopted ASU 2019-12 on January 1, 2021, and the adoption did not have a material impact to the Condensed and Consolidated Financial Statements.

In January 2020, the FASB issued ASU 2020-01, "Investments—Equity Securities (Topic 321), Investments—Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815): Clarifying the Interactions between Topic 321, Topic 323, and Topic 815." The amendments in ASU 2020-01 clarify the interaction of the accounting for equity securities under Topic 321 and investments accounted for under the equity method of accounting. This ASU became effective for fiscal years beginning after December 15, 2020, and interim periods within those annual periods. Accordingly, the Company adopted ASU 2020-01 on January 1, 2021, and the adoption did not have a material impact to the Condensed and Consolidated Financial Statements.

Recently Issued Accounting Pronouncements

In March 2020, the FASB issued ASU 2020-04, "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting." This ASU, along with related updates, provides temporary optional expedients and exceptions for applying GAAP to contract modifications, hedging relationships and other transactions if certain criteria are met in order to ease the potential accounting and financial reporting burden associated with the expected market transition away from the London Interbank Offered Rate (LIBOR) and other interbank offered rates to alternative reference rates. The ASU is currently effective and may be applied prospectively at any point through December 31, 2022 at the Company’s option. The Company is assessing what impact ASU 2020-04 will have on the Condensed and Consolidated Financial Statements.

NOTE 3 - INVENTORIES

Inventories are stated at the lower of cost and net realizable value using the first-in, first-out (FIFO) method.

The major classes of inventories were as follows:

In millions	March 31, 2021	December 31, 2020
Raw materials	$ 116.3	$ 114.0
Work-in-process	37.5	42.3
Finished goods	136.1	126.8
Total	$ 289.9	$ 283.1

NOTE 4 - GOODWILL

The changes in the carrying amount of goodwill for the three months ended March 31, 2021, were as follows:

In millions	Allegion Americas	Allegion International	Total
December 31, 2020 (gross)	$ 501.1	$ 891.5	$ 1,392.6
Accumulated impairment	—	(573.6)	(573.6)
December 31, 2020 (net)	501.1	317.9	819.0
Acquisitions and adjustments	(0.1)	—	(0.1)
Currency translation	0.1	(11.2)	(11.1)
March 31, 2021 (net)	$ 501.1	$ 306.7	$ 807.8

As a result of the global economic disruption and uncertainty due to the COVID-19 pandemic arising during the first quarter of 2020, the Company concluded a triggering event had occurred as of March 31, 2020, and performed interim impairment tests on the goodwill balances, at that time, of its previous EMEA and Asia Pacific reporting units (which were combined to form the new Allegion International segment effective January 1, 2021). The results of the interim impairment testing indicated that the estimated fair value of the former Asia Pacific reporting unit was less than its carrying value. Consequently, a goodwill impairment charge of $88.1 million was recorded, which is included in Impairment of goodwill and intangible assets in the Condensed and Consolidated Statement of Comprehensive Income for the three months ended March 31, 2020.

NOTE 5 - INTANGIBLE ASSETS

The gross amount of the Company’s intangible assets and related accumulated amortization were as follows:

	March 31, 2021			December 31, 2020		
In millions	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
Completed technologies/patents	$ 58.8	$ (25.7)	$ 33.1	$ 59.9	$ (25.1)	$ 34.8
Customer relationships	403.0	(130.8)	272.2	415.5	(130.2)	285.3
Trade names (finite-lived)	86.6	(56.0)	30.6	90.2	(57.4)	32.8
Other	27.1	(11.4)	15.7	27.0	(11.1)	15.9
Total finite-lived intangible assets	575.5	$ (223.9)	351.6	592.6	$ (223.8)	368.8
Trade names (indefinite-lived)	115.8		115.8	118.3		118.3
Total	$ 691.3		$ 467.4	$ 710.9		$ 487.1

Intangible asset amortization expense was $8.1 million and $7.7 million for the three months ended March 31, 2021 and 2020, respectively. Future estimated amortization expense on existing intangible assets in each of the next five years amounts to approximately $28.9 million for full year 2021, $27.7 million for 2022, $27.5 million for 2023, $27.5 million for 2024 and $26.6 million for 2025.

As a result of the global economic disruption and uncertainty due to the COVID-19 pandemic arising during the first quarter of 2020, the Company concluded a triggering event had occurred as of March 31, 2020, and performed interim impairment testing on certain indefinite-lived trade names. Based on these tests, it was determined that three of the Company's indefinite-lived trade names were impaired, and impairment charges of $8.2 million were recorded, which are included in Impairment of goodwill and intangible assets in the Condensed and Consolidated Statement of Comprehensive Income for the three months ended March 31, 2020.

NOTE 6 - DIVESTITURES

As previously disclosed, during the fourth quarter of 2020, the net assets of the Company's Qatar Metal Industries ("QMI") business, met the criteria to be classified as held for sale, and accordingly, were written down to fair value, resulting in a Loss on assets held for sale in the fourth quarter of 2020 of $37.9 million.

On February 28, 2021, the Company completed its divestiture of QMI. The completion of the divestiture did not have a material impact to the Condensed and Consolidated Financial Statements for the three months ended March 31, 2021.

NOTE 7 - DEBT AND CREDIT FACILITIES

Long-term debt and other borrowings consisted of the following:

In millions	March 31, 2021	December 31, 2020
Term Facility	$ 238.8	$ 238.8
Revolving Facility	—	—
3.200% Senior Notes due 2024	400.0	400.0
3.550% Senior Notes due 2027	400.0	400.0
3.500% Senior Notes due 2029	400.0	400.0
Other debt	0.4	0.6
Total borrowings outstanding	1,439.2	1,439.4
Discounts and debt issuance costs, net	(9.3)	(9.8)
Total debt	1,429.9	1,429.6
Less current portion of long-term debt	0.1	0.2
Total long-term debt	$ 1,429.8	$ 1,429.4

Unsecured Credit Facilities

As of March 31, 2021, the Company has an unsecured Credit Agreement in place, consisting of a $700.0 million term loan facility (the “Term Facility”), of which $238.8 million is outstanding at March 31, 2021, and a $500.0 million revolving credit facility (the “Revolving Facility” and, together with the Term Facility, the “Credit Facilities”). The Credit Facilities mature on September 12, 2022, and are unconditionally guaranteed jointly and severally on an unsecured basis by the Company and Allegion US Holding Company Inc. ("Allegion US Hold Co"), the Company’s wholly-owned subsidiary. Principal amounts repaid on the Term Facility may not be reborrowed, and the Company has satisfied its obligation to make quarterly installments on the Term Facility up to the maturity date, with the remaining outstanding balance due on September 12, 2022.

The Revolving Facility provides aggregate commitments of up to $500.0 million, which includes up to $100.0 million for the issuance of letters of credit. At March 31, 2021, there were no borrowings outstanding on the Revolving Facility and the Company had $14.2 million of letters of credit outstanding. Commitments under the Revolving Facility may be reduced at any time without premium or penalty, and amounts repaid may be reborrowed.

Outstanding borrowings under the Credit Facilities accrue interest, at the option of the Company, of (i) a LIBOR rate plus the applicable margin or (ii) a base rate plus the applicable margin. The applicable margin ranges from 1.125% to 1.500% depending on the Company’s credit ratings. At March 31, 2021, the Company's outstanding borrowings under the Credit Facilities accrue interest at LIBOR plus a margin of 1.250%, resulting in an interest rate of 1.46%. The Credit Facilities also contain negative and affirmative covenants and events of default that, among other things, limit or restrict the Company’s ability to enter into certain transactions. In addition, the Credit Facilities require the Company to comply with a maximum leverage ratio and a minimum interest expense coverage ratio, as defined within the agreement. As of March 31, 2021, the Company was in compliance with all covenants.

Senior Notes

As of March 31, 2021, Allegion US Hold Co has $400.0 million outstanding of its 3.200% Senior Notes due 2024 (the “3.200% Senior Notes”) and $400.0 million outstanding of its 3.550% Senior Notes due 2027 (the “3.550% Senior Notes”), while Allegion plc has $400.0 million outstanding of its 3.500% Senior Notes due 2029 (the “3.500% Senior Notes”). The 3.200% Senior Notes, 3.550% Senior Notes and 3.500% Senior Notes (collectively, the "Senior Notes") all require semi-annual interest payments on April 1 and October 1 of each year, and will mature on October 1, 2024, October 1, 2027, and October 1, 2029, respectively. The 3.200% Senior Notes and the 3.550% Senior Notes are senior unsecured obligations of Allegion US Hold Co and rank equally with all of Allegion US Hold Co’s existing and future senior unsecured and unsubordinated indebtedness. The guarantee of the 3.200% Senior Notes and the 3.550% Senior Notes is the senior unsecured obligation of the Company and ranks equally with all of the Company's existing and future senior unsecured and unsubordinated indebtedness. The 3.500% Senior Notes are senior unsecured obligations of Allegion plc, are guaranteed by Allegion US Hold Co and rank equally with all of the Company's existing and future senior unsecured indebtedness.

NOTE 8 - FINANCIAL INSTRUMENTS

In the normal course of business, the Company uses various financial instruments, including derivative instruments, to manage the risks associated with interest and currency rate exposures. These financial instruments are not used for trading or speculative purposes. When a derivative contract is entered into, the Company designates the derivative instrument as a cash flow hedge of a forecasted transaction, a cash flow hedge of a recognized asset or liability or as an undesignated derivative. The Company formally documents its hedge relationships, including identification of the derivative instruments and the hedged items, as well as its risk management objectives and strategies for undertaking the hedge transaction. This process includes linking derivative instruments that are designated as hedges to specific assets, liabilities or forecasted transactions.

The Company assesses at inception and at least quarterly thereafter, whether the derivatives used in cash flow hedging transactions are effective in offsetting the changes in the cash flows of the hedged item. To the extent the derivative is deemed to be an effective hedge, the fair market value changes of the instrument are recorded to Accumulated other comprehensive loss and subsequently reclassified to Net earnings when the hedged transaction affects earnings, while changes in the fair market value of derivatives not deemed to be an effective hedge are recorded in Net earnings in the period of change. The fair market value of derivative instruments is determined through market-based valuations and may not be representative of the actual gains or losses that will be recorded when these instruments mature due to future fluctuations in the markets in which they are traded. If the hedging relationship ceases to be effective subsequent to inception, or it becomes probable that a forecasted transaction is no longer expected to occur, the hedging relationship will be undesignated and any future gains and losses on the derivative instrument will be recorded in Net earnings.

Currency Hedging Instruments

The gross notional amount of the Company's currency derivatives was $195.0 million and $218.9 million at March 31, 2021 and December 31, 2020, respectively. The fair values of currency derivatives included within the Condensed and Consolidated Balance Sheets as of March 31, 2021 and December 31, 2020 were not material, nor were either the losses included in Accumulated other comprehensive loss or the amount expected to be reclassified into Net earnings over the next twelve months related to currency derivatives designated as cash flow hedges, although the actual amounts that will be reclassified to Net earnings may vary as a result of future changes in market conditions.

The amounts associated with currency derivatives designated as hedges affecting Net earnings and Accumulated other comprehensive loss for the three months ended March 31 were as follows:

	Amount of gain recognized in Accumulated other comprehensive loss		Location of gain recognized in Net earnings	Amount of gain reclassified from Accumulated other comprehensive loss and recognized into Net earnings	
In millions	2021	2020		2021	2020
Currency derivatives	$ 0.7	$ 3.0	Cost of goods sold	$ 0.3	$ —

The gains and losses associated with the Company's non-designated currency derivatives, which are offset by changes in the fair value of the underlying transactions, are included within Other (income) expense, net in the Condensed and Consolidated Statements of Comprehensive Income. At March 31, 2021, the maximum term of the Company's currency derivatives, both those that are designated as cash flow hedges and those that are not, was less than one year.

Concentration of Credit Risk

The counterparties to the Company's forward contracts consist of a number of investment grade major international financial institutions. The Company could be exposed to losses in the event of nonperformance by the counterparties. However, the credit ratings and the concentration of risk in these financial institutions are monitored on a continuous basis and present no significant credit risk to the Company.

NOTE 9 - LEASES

The Company records a right-of-use ("ROU") asset and lease liability for substantially all leases for which it is a lessee, in accordance with ASC 842. At inception of a contract, the Company considers all relevant facts and circumstances to assess whether or not the contract represents a lease by determining whether or not the contract conveys a right to control the use of an identified asset, either explicit or implicit, for a period of time in exchange for consideration. The Company has no significant lease agreements in place for which the Company is a lessor, and substantially all of the Company’s leases for which the Company is a lessee are classified as operating leases. Total rental expense for the three months ended March 31, 2021 and 2020, was $11.1 million and $10.9 million, respectively, and is classified within Cost of goods sold and Selling and administrative expenses within the Condensed and Consolidated Statements of Comprehensive Income. Rental expense related to short-term leases, variable lease payments or other leases or lease components not included within the ROU asset or lease liability totaled $2.0 million and $2.4 million, respectively, for the three months ended March 31, 2021 and 2020. No material lease costs have been capitalized on the Condensed and Consolidated Balance Sheets as of March 31, 2021 or December 31, 2020.

If at lease commencement date, a lease has a term of less than 12 months and does not include a purchase option that is reasonably certain to be exercised, the Company does not include the lease as part of its ROU asset or lease liability. If the Company enters into a large number of leases in the same month with the same terms and conditions, these are considered a group (portfolio), assuming the lease model under this approach does not materially differ from applying ASC 842 to each individual lease. When available, the Company will utilize the rate implicit in the lease as the discount rate to determine the lease liability. However, as this rate is not available for most leases, the Company will use its incremental borrowing rate as the discount rate, which is the rate at inception of the lease the Company would hypothetically incur to borrow over a similar term the funds needed to purchase the leased asset.

As a lessee, the Company categorizes its leases into two general categories: real estate leases and equipment leases.

The Company’s real estate leases include leased production and assembly facilities, warehouses and distribution centers, office space and to a lesser degree, employee housing. The terms and conditions of real estate leases can vary significantly from lease to lease. The Company has assessed the specific terms and conditions of each real estate lease to determine the amount of the lease payments and the length of the lease term, which includes the minimum period over which lease payments are required plus any renewal options that are both within the Company’s control to exercise and reasonably certain of being exercised upon lease commencement. The Company assesses all relevant factors to determine if sufficient incentives exist as of lease commencement to conclude whether or not renewal is reasonably certain. There are no material residual value guarantees provided by the Company nor any restrictions or covenants imposed by the real estate leases to which the Company is a party. In determining the lease liability, the Company utilizes its incremental borrowing rate for debt instruments with terms approximating the weighted-average term for its real estate leases to discount the future lease payments over the lease term to present value. The Company does incur variable lease payments for certain of its real estate leases, such as reimbursements of property taxes, maintenance and other operational costs to the lessor. In general, these variable lease payments are not captured as part of the lease liability or ROU asset, but rather are expensed as incurred.

The Company’s equipment leases include vehicles, material handling equipment, other machinery and equipment utilized in the Company’s production and assembly facilities, warehouses and distribution centers, laptops and other IT equipment, and other miscellaneous leased equipment. Most of the equipment leases are for terms ranging from two to five years, although terms and conditions can vary from lease to lease. The Company applies similar estimates and judgments to its equipment lease portfolio in determining the lease payments and lease term as it does to its real estate lease portfolio. There are no material residual value guarantees provided by the Company nor any restrictions or covenants imposed by the equipment leases to which the Company is a party. In determining the lease liability, the Company utilizes its incremental borrowing rate for debt instruments with terms approximating the weighted-average term for its equipment leases to discount the future lease payments over the lease term to present value. The Company does not typically incur variable lease payments related to its equipment leases.

Amounts included within the Condensed and Consolidated Balance Sheet related to the Company's ROU asset and lease liability were as follows:

		March 31, 2021			December 31, 2020		
In millions	Balance Sheet classification	Real estate	Equipment	Total	Real estate	Equipment	Total
ROU asset	Other noncurrent assets	$ 57.9	$ 33.5	$ 91.4	$ 59.5	$ 32.5	$ 92.0
Lease liability - current	Accrued expenses and other current liabilities	14.5	13.4	27.9	14.7	12.9	27.6
Lease liability - noncurrent	Other noncurrent liabilities	45.1	20.3	65.4	46.5	19.8	66.3
Other information:							
Weighted-average remaining term (years)		7.0	3.1		7.0	3.2	
Weighted-average discount rate		3.8 %	2.5 %		3.9 %	2.7 %	

The following table summarizes additional information related to the Company's leases for the three months ended March 31:

	2021			2020		
In millions	Real estate	Equipment	Total	Real estate	Equipment	Total
Cash paid for amounts included in the measurement of lease liabilities	$ 4.9	$ 4.2	$ 9.1	$ 4.9	$ 3.6	$ 8.5
ROU assets obtained in exchange for new lease liabilities	3.0	2.4	5.4	0.5	1.8	2.3

The Company frequently enters into both real estate and equipment leases in the normal course of business. While there have been lease agreements entered into that have not yet commenced as of March 31, 2021, none of these leases provide new rights or obligations to the Company that are material individually or in the aggregate.

Future Repayments

Scheduled minimum lease payments required under non-cancellable operating leases for both the real estate and equipment lease portfolios for the remainder of 2021 and for each of the years thereafter as of March 31, 2021, are as follows:

In millions	Remainder of 2021	2022	2023	2024	2025	Thereafter	Total
Real estate leases	$ 12.8	$ 14.4	$ 9.7	$ 7.0	$ 5.8	$ 19.0	$ 68.7
Equipment leases	10.9	11.1	6.9	3.7	2.0	0.2	34.8
Total	$ 23.7	$ 25.5	$ 16.6	$ 10.7	$ 7.8	$ 19.2	$ 103.5

The difference between the total undiscounted minimum lease payments and the combined current and noncurrent lease liabilities as of March 31, 2021, is due to imputed interest of $10.2 million.

NOTE 10 - DEFINED BENEFIT PLANS

The Company sponsors several U.S. and non-U.S. defined benefit pension plans to eligible employees and retirees. The noncontributory defined benefit pension plans covering non-collectively bargained U.S. employees provide benefits on an average pay formula while most plans for collectively bargained U.S. employees provide benefits on a flat dollar benefit formula. The non-U.S. pension plans generally provide benefits based on earnings and years of service. The Company also maintains other supplemental plans for officers and other key employees.

The components of the Company's Net periodic pension benefit cost (income) for the three months ended March 31 were as follows:

	U.S.	
In millions	**2021**	**2020**
Service cost	$ 1.7	$ 1.9
Interest cost	1.7	2.4
Expected return on plan assets	(3.5)	(3.7)
Administrative costs and other	0.3	0.5
Net amortization of:		
Prior service costs	0.1	0.1
Plan net actuarial losses	0.9	1.0
Net periodic pension benefit cost	$ 1.2	$ 2.2

	Non-U.S.	
In millions	**2021**	**2020**
Service cost	$ 0.6	$ 0.5
Interest cost	1.3	1.7
Expected return on plan assets	(3.5)	(3.3)
Administrative costs and other	0.5	0.4
Net amortization of:		
Plan net actuarial losses	0.4	0.4
Net periodic pension benefit income	$ (0.7)	$ (0.3)

Service cost is recorded in Cost of goods sold and Selling and administrative expenses, while the remaining components of Net periodic pension benefit cost (income) are recorded in Other (income) expense, net within the Condensed and Consolidated Statements of Comprehensive Income.

Employer contributions were not material during the three months ended March 31, 2021 and 2020. Contributions of approximately $11 million are expected during the remainder of 2021.

NOTE 11 - FAIR VALUE MEASUREMENTS

Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Fair value measurements are based on a framework that utilizes the inputs market participants use to determine the fair value of an asset or liability and establishes a fair value hierarchy to prioritize those inputs. The fair value hierarchy is comprised of three levels that are described below:

- Level 1 – Inputs based on quoted prices in active markets for identical assets or liabilities.
- Level 2 – Inputs other than Level 1 quoted prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.
- Level 3 – Unobservable inputs based on little or no market activity and that are significant to the fair value of the assets and liabilities.

The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Observable inputs are obtained from independent sources and can be validated by a third party, whereas unobservable inputs reflect assumptions regarding what a third party would use in pricing an asset or liability based on the best information available under the circumstances. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Assets and liabilities measured at fair value at March 31, 2021, were as follows:

	Fair value measurements			
In millions	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value
Recurring fair value measurements				
Assets:				
Investments	$ —	$ 22.3	$ —	$ 22.3
Derivative instruments	—	1.7	—	1.7
Total asset recurring fair value measurements	$ —	$ 24.0	$ —	$ 24.0
Liabilities:				
Derivative instruments	$ —	$ 3.1	$ —	$ 3.1
Deferred compensation and other retirement plans	—	23.5	—	23.5
Total liability recurring fair value measurements	$ —	$ 26.6	$ —	$ 26.6
Financial instruments not carried at fair value				
Total debt	$ —	$ 1,504.0	$ —	$ 1,504.0
Total financial instruments not carried at fair value	$ —	$ 1,504.0	$ —	$ 1,504.0

Assets and liabilities measured at fair value at December 31, 2020, were as follows:

	Fair value measurements			
In millions	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value
Recurring fair value measurements				
Assets:				
Investments	$ —	$ 23.5	$ —	$ 23.5
Derivative instruments	—	1.6	—	1.6
Total asset recurring fair value measurements	$ —	$ 25.1	$ —	$ 25.1
Liabilities:				
Derivative instruments	$ —	$ 3.4	$ —	$ 3.4
Deferred compensation and other retirement plans	—	25.1	—	25.1
Total liability recurring fair value measurements	$ —	$ 28.5	$ —	$ 28.5
Financial instruments not carried at fair value				
Total debt	$ —	$ 1,541.4	$ —	$ 1,541.4
Total financial instruments not carried at fair value	$ —	$ 1,541.4	$ —	$ 1,541.4

The Company determines the fair value of its financial assets and liabilities using the following methodologies:

- *Investments* – These instruments include equity mutual funds and corporate bond funds. The fair value is obtained based on observable market prices quoted on public exchanges for similar instruments.

- *Derivative instruments* – These instruments include foreign currency contracts for non-functional currency balance sheet exposures, including both those that are and are not designated as cash flow hedges. The fair value of the foreign currency contracts is determined based on a pricing model that uses spot rates and forward prices from actively quoted currency markets that are readily accessible and observable.

- *Deferred compensation and other retirement plans* – These include obligations related to deferred compensation and other retirement plans adjusted for market performance. The fair value is obtained based on observable market prices quoted on public exchanges for similar instruments.

- *Debt* – These instruments are recorded at cost and include senior notes maturing through 2029. The fair value of the long-term debt instruments is obtained based on observable market prices quoted on public exchanges for similar instruments.

The carrying values of Cash and cash equivalents, Accounts and notes receivable, Accounts payable and Accrued expenses and other current liabilities are a reasonable estimate of their fair value due to the short-term nature of these instruments.

The Company had investments in debt and equity securities without readily determinable fair values of $16.3 million and $13.7 million as of March 31, 2021 and December 31, 2020, respectively, which are classified as Other noncurrent assets within the Condensed and Consolidated Balance Sheets. These investments are measured at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments of the same issuer and are qualitatively assessed for impairment indicators at each reporting period. These investments are considered to be nonrecurring fair value measurements, and thus, are not included in the fair value tables above.

The methodologies used by the Company to determine the fair value of its financial assets and liabilities at March 31, 2021, are the same as those used at December 31, 2020.

NOTE 12 - EQUITY

The changes in the components of Equity for the three months ended March 31, 2021, were as follows:

		Allegion plc shareholders' equity					
		Ordinary shares					
In millions	Total equity	Amount	Shares	Capital in excess of par value	Retained earnings	Accumulated other comprehensive loss	Noncontrolling interests
Balance at December 31, 2020	$ 832.6	$ 0.9	91.2	$ —	$ 985.6	$ (157.1)	$ 3.2
Net earnings	108.2	—	—	—	108.0	—	0.2
Other comprehensive loss, net	(32.0)	—	—	—	—	(32.0)	—
Repurchase of ordinary shares	(149.7)	—	(1.3)	(4.4)	(145.3)	—	—
Share-based compensation activity	4.4	—	0.1	4.4	—	—	—
Dividends to ordinary shareholders ($0.36 per share)	(32.5)	—	—	—	(32.5)	—	—
Other	—	—	—	—	0.1	—	(0.1)
Balance at March 31, 2021	$ 731.0	$ 0.9	90.0	$ —	$ 915.9	$ (189.1)	$ 3.3

The changes in the components of Equity for the three months ended March 31, 2020, were as follows:

		Allegion plc shareholders' equity					
		Ordinary shares					
In millions	Total equity	Amount	Shares	Capital in excess of par value	Retained earnings	Accumulated other comprehensive loss	Noncontrolling interests
Balance at December 31, 2019	$ 760.4	$ 0.9	92.7	$ —	$ 975.1	$ (218.6)	$ 3.0
Cumulative effect of adoption of ASC 326, *Financial Instruments – Credit Losses*	(2.2)	—	—	—	(2.2)	—	—
Net earnings	0.5	—	—	—	0.4	—	0.1
Other comprehensive loss, net	(33.4)	—	—	—	—	(32.8)	(0.6)
Repurchase of ordinary shares	(94.1)	—	(0.9)	(12.2)	(81.9)	—	—
Share-based compensation activity	12.2	—	0.4	12.2	—	—	—
Dividends to ordinary shareholders ($0.32 per share)	(29.6)	—	—	—	(29.6)	—	—
Balance at March 31, 2020	$ 613.8	$ 0.9	92.2	$ —	$ 861.8	$ (251.4)	$ 2.5

In February 2017, the Company's Board of Directors approved a share repurchase authorization of up to $500 million of the Company's ordinary shares (the "2017 Share Repurchase Authorization"). On February 6, 2020, the Company's Board of Directors approved a new share repurchase authorization of up to, and including, $800 million of the Company's ordinary shares (the "2020 Share Repurchase Authorization"), replacing the existing 2017 Share Repurchase Authorization. During the three months ended March 31, 2021 and 2020, the Company paid $149.7 million and $94.1 million, respectively, to repurchase the ordinary shares reflected in the tables above on the open market under these share repurchase authorizations. As of March 31, 2021, the Company has approximately $464.5 million still available to be repurchased under the 2020 Share Repurchase Authorization.

Accumulated Other Comprehensive Loss

The changes in Accumulated other comprehensive loss for the three months ended March 31, 2021, were as follows:

In millions	Cash flow hedges	Pension and OPEB items	Foreign currency items	Total
December 31, 2020	$ (0.9)	$ (120.3)	$ (35.9)	$ (157.1)
Other comprehensive income (loss) before reclassifications	0.7	(0.1)	(33.3)	(32.7)
Amounts reclassified from accumulated other comprehensive loss[(a)]	(0.3)	1.2	—	0.9
Tax expense	(0.1)	(0.1)	—	(0.2)
March 31, 2021	$ (0.6)	$ (119.3)	$ (69.2)	$ (189.1)

The changes in Accumulated other comprehensive loss for the three months ended March 31, 2020, were as follows:

In millions	Cash flow hedges	Pension and OPEB items	Foreign currency items	Total
December 31, 2019	$ 0.5	$ (126.2)	$ (92.9)	$ (218.6)
Other comprehensive income (loss) before reclassifications	2.2	4.4	(40.1)	(33.5)
Amounts reclassified from accumulated other comprehensive loss[(a)]	(0.3)	1.5	—	1.2
Tax expense	(0.4)	(0.1)	—	(0.5)
March 31, 2020	$ 2.0	$ (120.4)	$ (133.0)	$ (251.4)

(a) Amounts reclassified from Accumulated other comprehensive loss and recognized into Net earnings related to cash flow hedges are recorded in Cost of goods sold and Interest expense. Amounts reclassified from Accumulated other comprehensive loss and recognized into Net earnings related to pension and postretirement benefits other than pensions ("OPEB") items are recorded in Other (income) expense, net.

NOTE 13 - SHARE-BASED COMPENSATION

The Company records share-based compensation awards using a fair value method and recognizes compensation expense for an amount equal to the fair value of the share-based payment issued in its financial statements. The Company's share-based compensation plans include programs for stock options, restricted stock units ("RSUs"), performance stock units ("PSUs") and deferred compensation.

Compensation Expense

Share-based compensation expense is included in Cost of goods sold and Selling and administrative expenses within the Condensed and Consolidated Statements of Comprehensive Income. The following table summarizes the expenses recognized for the three months ended March 31:

In millions	2021	2020
Stock options	$ 2.8	$ 2.6
RSUs	5.6	5.4
PSUs	1.3	1.4
Deferred compensation	0.4	(2.0)
Pre-tax expense	10.1	7.4
Tax benefit[a]	(1.1)	(0.4)
After-tax expense	$ 9.0	$ 7.0

(a) Tax benefit reflected in the table above does not include the excess benefit from exercises and vesting of share based compensation of $0.3 million and $4.0 million during the three months ended March 31, 2021 and 2020, respectively.

Stock Options / RSUs

Eligible participants may receive (i) stock options, (ii) RSUs or (iii) a combination of both stock options and RSUs. Grants issued during the three months ended March 31 were as follows:

	2021		2020	
	Number granted	Weighted-average fair value per award	Number granted	Weighted-average fair value per award
Stock options	179,743	$ 24.99	161,209	$ 25.62
RSUs	117,864	$ 109.49	68,148	$ 129.33

The fair value of each of the Company’s stock option and RSU awards is expensed on a straight-line basis over the required service period, which is generally the three-year vesting period. However, for stock options and RSUs granted to retirement eligible employees, the Company recognizes expense for the fair value at the grant date.

The average fair value of the stock options granted is determined using the Black-Scholes option-pricing model. The following assumptions were used during the three months ended March 31:

	2021	2020
Dividend yield	1.32 %	0.99 %
Volatility	27.14 %	20.70 %
Risk-free rate of return	0.75 %	1.41 %
Expected life (years)	6.0	6.0

Volatility is based on the Company’s historic volatility. The risk-free rate of return is based on the yield curve of a zero-coupon U.S. Treasury bond on the date the award is granted with a maturity equal to the expected term of the award. The expected life of the Company’s stock option awards is derived from the simplified approach based on the weighted-average time to vest and the remaining contractual term and represents the period of time that awards are expected to be outstanding.

Performance Stock

The Company has a Performance Stock Program ("PSP") for key employees which provides awards in the form of PSUs based on performance against pre-established objectives. The annual target award level is expressed as a number of the Company’s ordinary shares. All PSUs are settled in the form of ordinary shares unless deferred. During the three months ended March 31, 2021, the Company granted PSUs with a maximum award level of approximately 0.1 million shares.

In February 2019, 2020 and 2021, the Company’s Compensation Committee granted PSUs that were earned based 50% upon a performance condition, measured at each reporting period by earnings per share ("EPS") performance in relation to pre-established targets set by the Compensation Committee, and 50% upon a market condition, measured by the Company’s relative total shareholder return ("TSR") against the S&P 400 Capital Goods Index over a three-year performance period. The fair values of the market conditions are estimated using a Monte Carlo Simulation approach in a risk-neutral framework to model future stock price movements based upon historical volatility, risk-free rates of return and correlation matrix.

Deferred Compensation

Prior to 2019, the Company allowed key employees to defer a portion of their eligible granted PSUs and/or compensation into a number of investment choices including its ordinary share equivalents. Any amounts invested in ordinary share equivalents will be settled in ordinary shares of the Company at the time of distribution.

NOTE 14 - RESTRUCTURING ACTIVITIES

During the three months ended March 31, 2021 and 2020, the Company recorded $2.7 million and $2.1 million, respectively, of expenses associated with restructuring activities. Restructuring activities were primarily associated with the Allegion International segment and related to workforce reductions intended to optimize and simplify operations and cost structure. These expenses are included within Cost of goods sold and Selling and administrative expenses within the Condensed and Consolidated Statements of Comprehensive Income.

The changes in the restructuring reserve during the three months ended March 31, 2021, were as follows:

In millions	Total
December 31, 2020	$ 5.3
Additions, net of reversals	2.5
Cash payments	(2.2)
Currency translation	(0.2)
March 31, 2021	$ 5.4

The majority of the costs accrued as of March 31, 2021, are expected to be paid within one year.

The Company also anticipates future restructuring charges of approximately $5 to $10 million, related to restructuring actions initiated as of March 31, 2021, across several businesses and functions intended to optimize and simplify operations and cost structure throughout the Allegion International segment. The majority of these future costs are expected to be cash expenditures and are expected to be incurred within fiscal year 2021.

NOTE 15 - OTHER (INCOME) EXPENSE, NET

The components of Other (income) expense, net for the three months ended March 31 were as follows:

In millions	2021	2020
Interest income	$ —	$ (0.5)
Foreign currency exchange loss	0.4	0.9
Loss from equity method investments	0.7	0.5
Net periodic pension and postretirement benefit income, less service cost	(1.9)	(0.5)
Other	(2.7)	3.6
Other (income) expense, net	$ (3.5)	$ 4.0

NOTE 16 - INCOME TAXES

The effective income tax rates for the three months ended March 31, 2021 and 2020, were 11.7% and 95.8%, respectively. The decrease in the effective tax rate compared to 2020 is primarily due to the unfavorable tax impact recognized in 2020 related to goodwill and intangible asset impairment charges, which was partially offset by an unfavorable year-over-year change in share-based compensation deductions and the mix of income earned in lower tax rate jurisdictions.

NOTE 17 - EARNINGS PER SHARE (EPS)

Basic EPS is calculated by dividing Net earnings attributable to Allegion plc by the weighted-average number of ordinary shares outstanding for the applicable period. Diluted EPS is calculated after adjusting the denominator of the basic EPS calculation for the effect of all potentially dilutive ordinary shares, which in the Company's case, includes shares issuable under share-based compensation plans.

The following table summarizes the weighted-average number of ordinary shares outstanding for basic and diluted EPS calculations for the three months ended March 31:

In millions	2021	2020
Weighted-average number of basic shares	90.7	92.7
Shares issuable under share-based compensation plans	0.5	0.6
Weighted-average number of diluted shares	91.2	93.3

At March 31, 2021, 0.1 million stock options were excluded from the computation of weighted-average diluted shares outstanding because the effect of including these shares would have been anti-dilutive.

NOTE 18 - NET REVENUES

Net revenues are recognized based on the satisfaction of performance obligations under the terms of a contract. A performance obligation is a promise in a contract to transfer control of a distinct product or to provide a service, or a bundle of products or services, to a customer. The Company has two principal revenue streams, tangible product sales and services. Approximately 99% of consolidated Net revenues involve contracts with a single performance obligation, which is the transfer of control of a product or bundle of products to a customer. Transfer of control typically occurs when goods are shipped from the Company's facilities or at other predetermined control transfer points (for instance, destination terms). Net revenues are measured as the amount of consideration expected to be received in exchange for transferring control of the products and takes into account variable consideration, such as sales incentive programs including discounts and volume rebates. The existence of these programs does not preclude revenue recognition but does require the Company's best estimate of the variable consideration to be made based on expected activity, as these items are reserved for as a deduction to Net revenues over time based on the Company's historical rates of providing these incentives and annual forecasted sales volumes. The Company also offers a standard warranty with most product sales, and the value of such warranty is included in the contractual price. The corresponding expense of the warranty obligation is accrued as a liability (see Note 20).

The Company's remaining Net revenues involve services, including installation and consulting. Unlike the single performance obligation to ship a product or bundle of products, revenue recognition related to services is delayed until the service performance obligations are satisfied. In some instances, customer acceptance provisions are included in sales arrangements to give the buyer the ability to ensure the service meets the criteria established in the order. In these instances, revenue recognition is deferred until the performance obligations are satisfied, which could include acceptance terms specified in the arrangement being fulfilled through customer acceptance or a demonstration that established criteria have been satisfied. During the three months ended March 31, 2021 and 2020, no adjustments were recorded related to performance obligations satisfied in previous periods.

The Company applies the practical expedients allowed under ASC 606, "Revenue from Contracts with Customers", to omit the disclosure of remaining performance obligations for contracts with an original expected duration of one year or less and for contracts where the Company has the right to invoice for performance completed to date. The transaction price is not adjusted for the effects of a significant financing component, as the time period between control transfer of goods and services is less than one year. Sales, value-added and other similar taxes collected by the Company are excluded from Net revenues. The Company has also elected to account for shipping and handling activities that occur after control of the related goods transfers as fulfillment activities instead of performance obligations. These activities are included in Cost of goods sold in the Condensed and Consolidated Statements of Comprehensive Income. The Company's payment terms are generally consistent with the industries in which its businesses operate.

The following tables show the Company's Net revenues related to both tangible product sales and services for the three months ended March 31, 2021 and 2020, respectively, disaggregated by business segment. Net revenues are shown by tangible product sales and services, as contract terms, conditions and economic factors affecting the nature, amount, timing and uncertainty around revenue recognition and cash flows are substantially similar within each of these two principal revenue streams:

	Three months ended March 31, 2021		
In millions	Allegion Americas	Allegion International	Total
Net revenues			
Products	$ 498.2	$ 189.1	$ 687.3
Services	0.7	6.3	7.0
Total Net revenues	$ 498.9	$ 195.4	$ 694.3

	Three months ended March 31, 2020		
In millions	Allegion Americas	Allegion International	Total
Net revenues			
Products	$ 512.1	$ 156.5	$ 668.6
Services	—	6.1	6.1
Total Net revenues	$ 512.1	$ 162.6	$ 674.7

As of March 31, 2021, neither the contract assets related to the Company's right to consideration for work completed but not billed, nor the contract liabilities associated with contract revenue were material. As a practical expedient, the Company recognizes incremental costs of obtaining a contract, if any, as an expense when incurred if the amortization period of the asset would have been one year or less. The Company does not have any costs to obtain or fulfill a contract that are capitalized.

NOTE 19 - BUSINESS SEGMENT INFORMATION

The Company classifies its business into the following two reportable segments based on industry and market focus: Allegion Americas and Allegion International. The Company largely evaluates performance based on Segment operating income and Segment operating margins. Segment operating income is the measure of profit and loss that the Company's chief operating decision maker uses to evaluate the financial performance of the business and as the basis for resource allocation, performance reviews and compensation. For these reasons, the Company believes that Segment operating income represents the most relevant measure of segment profit and loss. The Company's chief operating decision maker may exclude certain charges or gains, such as corporate charges and other special charges, from Operating income to arrive at a Segment operating income that is a more meaningful measure of profit and loss upon which to base operating decisions. The Company defines Segment operating margin as Segment operating income (loss) as a percentage of the segment's Net revenues.

As previously announced, effective January 1, 2021, the Company combined its previous operations in Europe, the Middle East and Africa ("EMEA") and Asia Pacific into a new segment named Allegion International, in addition to renaming its Americas segment "Allegion Americas". Business segment information for EMEA and Asia Pacific for the three months ended March 31, 2020, has been combined in the table below to reflect this change in reportable segments.

A summary of operations by reportable segment for the three months ended March 31 was as follows:

In millions	2021	2020
Net revenues		
Allegion Americas	$ 498.9	$ 512.1
Allegion International	195.4	162.6
Total	$ 694.3	$ 674.7
Segment operating income (loss)		
Allegion Americas	$ 135.4	$ 146.6
Allegion International	15.4	(96.8)
Total	150.8	49.8
Reconciliation to Operating income		
Unallocated corporate expense	(19.5)	(20.9)
Operating income	131.3	28.9
Reconciliation to earnings before income taxes		
Interest expense	12.3	12.9
Other (income) expense, net	(3.5)	4.0
Earnings before income taxes	$ 122.5	$ 12.0

NOTE 20 - COMMITMENTS AND CONTINGENCIES

The Company is involved in various litigation, claims and administrative proceedings, including those related to environmental and product warranty matters. Amounts recorded for identified contingent liabilities are estimates, which are reviewed periodically and adjusted to reflect additional information when it becomes available. Subject to the uncertainties inherent in estimating future costs for contingent liabilities, except as expressly set forth in this note, management believes that any liability which may result from these legal matters would not have a material adverse effect on the financial condition, results of operations, liquidity or cash flows of the Company.

Environmental Matters

The Company is dedicated to an environmental program to reduce the utilization and generation of hazardous materials during the manufacturing process and to remediate identified environmental concerns. As to the latter, the Company is currently engaged in site investigations and remediation activities to address environmental cleanup from past operations at current and former production facilities. The Company regularly evaluates its remediation programs and considers alternative remediation methods that are in addition to, or in replacement of, those currently utilized by the Company based upon enhanced technology and regulatory changes. Changes to the Company’s remediation programs may result in increased expenses and increased environmental reserves.

The Company is sometimes a party to environmental lawsuits and claims and has received notices of potential violations of environmental laws and regulations from the U.S. Environmental Protection Agency and similar state authorities. It has also been identified as a potentially responsible party ("PRP") for cleanup costs associated with off-site waste disposal at federal Superfund and state remediation sites. For all such sites, there are other PRPs and, in most instances, the Company’s involvement is minimal.

In estimating its liability, the Company has assumed it will not bear the entire cost of remediation of any site to the exclusion of other PRPs who may be jointly and severally liable. The ability of other PRPs to participate has been taken into account, based on our understanding of the parties’ financial condition and probable contributions on a per site basis. Additional lawsuits and claims involving environmental matters are likely to arise from time to time in the future.

During the three months ended March 31, 2021 and 2020, the Company incurred $0.2 million and $0.5 million, respectively, of expenses for environmental remediation at sites presently or formerly owned or leased by the Company. Environmental remediation costs are recorded in Costs of goods sold within the Condensed and Consolidated Statements of Comprehensive Income.

As of March 31, 2021 and December 31, 2020, the Company has recorded reserves for environmental matters of $18.9 million and $21.1 million, respectively. The total reserve at March 31, 2021 and December 31, 2020, included $4.3 million and $4.4 million, respectively, related to remediation of sites previously disposed by the Company. Environmental reserves are classified as Accrued expenses and other current liabilities or Other noncurrent liabilities within the Condensed and Consolidated Balance Sheets based on the timing of their expected future payment. The Company’s total current environmental reserve at March 31, 2021 and December 31, 2020, was $4.5 million and $6.1 million, respectively, and the remainder is classified as noncurrent. Given the evolving nature of environmental laws, regulations and technology, the ultimate cost of future compliance is uncertain.

Warranty Liability

Standard product warranty accruals are recorded at the time of sale and are estimated based upon product warranty terms and historical experience. The Company assesses the adequacy of its liabilities and will make adjustments as necessary based on known or anticipated warranty claims, or as new information becomes available. The changes in the standard product warranty liability for the three months ended March 31 were as follows:

In millions	2021	2020
Balance at beginning of period	$ 16.5	$ 15.9
Reductions for payments	(1.8)	(2.0)
Accruals for warranties issued during the current period	3.5	2.3
Changes to accruals related to preexisting warranties	(0.1)	(0.1)
Currency translation	(0.1)	(0.1)
Balance at end of period	$ 18.0	$ 16.0

Standard product warranty liabilities are classified as either Accrued expenses and other current liabilities or Other noncurrent liabilities within the Condensed and Consolidated Balance Sheets based on the timing of the expected future payments.

NOTE 21 - SUBSEQUENT EVENTS

On April 8, 2021, the Company's Board of Directors declared a quarterly dividend of $0.36 per ordinary share. The dividend is payable June 30, 2021, to shareholders of record on June 16, 2021.

Item 2 – Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following Management’s Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from the results discussed in the forward-looking statements. Factors that may cause a difference include, but are not limited to, those discussed under Part I, Item 1A – Risk Factors in the Annual Report on Form 10-K for the fiscal year ended December 31, 2020. The following section is qualified in its entirety by the more detailed information, including our Condensed and Consolidated Financial Statements and the notes thereto, which appears elsewhere in this Quarterly Report.

Overview

Organization

Allegion plc ("Allegion," "the Company", "we," "our," or "us") is a leading global provider of security products and solutions operating in two segments: Allegion Americas and Allegion International. We sell a wide range of security products and solutions for end-users in commercial, institutional and residential facilities worldwide, including the education, healthcare, government, hospitality, commercial office and single and multi-family residential markets. Our leading brands include CISA®, Interflex®, LCN®, Schlage®, SimonsVoss® and Von Duprin®.

Recent Developments

COVID-19 Pandemic

The COVID-19 pandemic continues to negatively affect the global economy. As part of the efforts to contain the spread of COVID-19, federal, state and local governments have imposed various restrictions on the conduct of business and travel, such as public health decrees or other mandates, including stay-at-home orders, travel restrictions, capacity constraints and quarantines. These measures have impacted, and will likely continue to impact, our ability to carry out business as usual, including supply chain disruption, temporary suspension of some of our operations, shortages in materials (such as the global shortage in electronic components, which became more prevalent at the end of the current quarter), reduction in customer demand, increased absenteeism and costs associated with certain health and safety-driven operational changes. We continue to closely monitor the effects of the COVID-19 pandemic on all aspects of our business and the markets in which we operate. All of our global production and assembly facilities were operational as of March 31, 2021, and while we currently expect they will remain operational for the foreseeable future, such expectation is dependent upon future governmental actions, demand for our products, the stability of our global supply chain and our ability to continue to operate in a safe manner.

The pandemic and economic recovery will likely continue to impact us in numerous and evolving ways that we may not be able to accurately predict. For example, there could be impacts as the COVID-19 virus mutates into more contagious or severe strains, and as some governments ease their restrictions and social interactions increase prior to the widespread global distribution of effective vaccines or treatments for COVID-19, or conversely, if such distribution accelerates and helps lead to economic recovery. We will continue to closely monitor the impact on our business, employees, customers, suppliers, distribution channels and other business partners, and we believe that our actions taken to date, our financial flexibility and potential measures within our control will allow us to maintain a sound financial position and provide for adequate resources to fund our ongoing operating and financing needs.

Many of our businesses in our newly created Allegion International segment, as well as our Allegion Americas' residential business, have recovered from the most severe of the challenges stemming from the COVID-19 pandemic, experiencing healthy growth during the first quarter of 2021. However, fluctuations in local health conditions; consumer spending patterns, trends and preferences; changes in commercial real estate occupancy; constraints on government and institutional budgets; and an uncertain business climate have led to declines and delays in new construction activity and discretionary projects in many of the commercial and institutional construction markets we serve. The challenges and uncertainties related to the COVID-19 pandemic and its potential impact on our business, results of operations, financial condition and cash flows, as well as a number of other challenges and uncertainties that could affect our businesses are described further under Part I, Item 1A. "Risk Factors" contained in our Annual Report on Form 10-K for the year ended December 31, 2020.

QMI Divestiture

As previously disclosed, during the fourth quarter of 2020, the net assets of our Qatar Metal Industries ("QMI") business, met the criteria to be classified as held for sale, and accordingly, were written down to fair value, resulting in a Loss on assets held for sale in the fourth quarter of 2020 of $37.9 million.

On February 28, 2021, we completed our divestiture of QMI, which did not have a material impact to the Condensed and Consolidated Financial Statements for the three months ended March 31, 2021.

2021 Dividends and Share Repurchases

During the three months ended March 31, 2021, we paid dividends of $0.36 per ordinary share to shareholders and repurchased approximately 1.3 million shares for $149.7 million.

Results of Operations – Three months ended March 31

In millions, except per share amounts	2021	% of revenues	2020	% of revenues
Net revenues	$ 694.3		$ 674.7	
Cost of goods sold	396.9	57.2 %	381.6	56.6 %
Selling and administrative expenses	166.1	23.9 %	167.9	24.9 %
Impairment of goodwill and intangible assets	—	— %	96.3	14.3 %
Operating income	131.3	18.9 %	28.9	4.3 %
Interest expense	12.3		12.9	
Other (income) expense, net	(3.5)		4.0	
Earnings before income taxes	122.5		12.0	
Provision for income taxes	14.3		11.5	
Net earnings	108.2		0.5	
Less: Net earnings attributable to noncontrolling interests	0.2		0.1	
Net earnings attributable to Allegion plc	$ 108.0		$ 0.4	
Diluted net earnings per ordinary share attributable to Allegion plc ordinary shareholders:	$ 1.18		$ —	

The discussions that follow describe the significant factors contributing to the changes in our results of operations for the periods presented and form the basis used by management to evaluate the financial performance of the business.

Net Revenues

Net revenues for the three months ended March 31, 2021, increased by 2.9%, or $19.6 million, compared with the same period in 2020, due to the following:

Pricing	0.7 %
Volume	(0.2)%
Divestitures	(0.4)%
Currency exchange rates	2.8 %
Total	2.9 %

The increase in Net revenues was principally driven by improved pricing and the impact of foreign currency exchange rate movements. These increases were partially offset by slightly lower volumes and the divestiture of our QMI business in the current year.

Pricing includes increases or decreases of price, including discounts, surcharges and/or other sales deductions, on our existing products and services. Volume includes increases or decreases of revenue due to changes in unit volume of existing products and services, as well as new products and services.

Operating Income/Margin

Operating income for the three months ended March 31, 2021, increased $102.4 million compared to the same period in 2020. Operating margin, which we define as Operating income as a percentage of total Net revenues, for the three months ended March 31, 2021, increased to 18.9% from 4.3% for the same period in 2020, due to the following:

In millions	Operating Income		Operating Margin
March 31, 2020	$	28.9	4.3 %
Pricing and productivity in excess of inflation		8.4	1.1 %
Volume / product mix		(5.8)	(0.9) %
Restructuring / acquisition expenses		0.3	0.1 %
Currency exchange rates		4.2	0.1 %
Investment spending		(1.3)	(0.2) %
Divestitures		0.3	0.1 %
Impairment of goodwill and intangible assets		96.3	14.3 %
March 31, 2021	$	131.3	18.9 %

The increases in Operating income and Operating margin were primarily due to the prior year goodwill and intangible asset impairment charges, which did not recur in the current year. Also contributing to the increases were pricing and productivity improvements in excess of inflation, a year-over-year decrease in restructuring and acquisition expenses, foreign currency exchange rate movements and the impact of our QMI divestiture during the current year. These increases were partially offset by unfavorable volume/product mix and increased investment spending.

Pricing and productivity in excess of inflation includes the impact to both Operating income and Operating margin from pricing, as defined above, in addition to productivity and inflation. Productivity represents improvements in unit costs of materials, cost reductions related to improvements to our manufacturing design and processes and reductions in selling and administrative expenses due to productivity projects. Inflation includes both unit costs for the current period compared to the average actual cost for the prior period, multiplied by current year volumes, and current period costs of ongoing selling and administrative functions compared by the same ongoing expenses in the prior period. Expenses related to increased head count for strategic initiatives, new facilities or significant improvements for strategic initiatives and new product and channel development, are captured in Investment spending in the table above.

Volume/product mix represents the impact to both Operating income and Operating margin due to increases or decreases of revenue due to changes in unit volume, including new products and services, including the effect of changes in the mix of products and services sold on Cost of goods sold.

Interest Expense

Interest expense for the three months ended March 31, 2021, decreased $0.6 million compared with the same period in 2020, primarily due to a lower weighted-average interest rate on our outstanding indebtedness.

Other (Income) Expense, Net

The components of Other (income) expense, net for the three months ended March 31, 2021 and 2020, were as follows:

In millions	2021		2020	
Interest income	$	—	$	(0.5)
Foreign currency exchange loss		0.4		0.9
Loss from equity method investments		0.7		0.5
Net periodic pension and postretirement benefit income, less service cost		(1.9)		(0.5)
Other		(2.7)		3.6
Other (income) expense, net	$	(3.5)	$	4.0

For the three months ended March 31, 2021, Other (income) expense, net was favorable $7.5 million compared with the same period in 2020, primarily due to unrealized investment gains in 2021 compared to unrealized investment losses in 2020, both of which are reflected in Other in the table above.

Provision for Income Taxes

The effective income tax rates for the three months ended March 31, 2021 and 2020, were 11.7% and 95.8%, respectively. The decrease in the effective tax rate compared to 2020 is primarily due to the unfavorable tax impact recognized in 2020 related to goodwill and intangible asset impairment charges, which was partially offset by an unfavorable year-over-year change in share-based compensation deductions and the mix of income earned in lower tax rate jurisdictions.

Review of Business Segments

We operate in and report financial results for two segments: Allegion Americas and Allegion International. These segments represent the level at which our chief operating decision maker reviews our financial performance and makes operating decisions.

Segment operating income is the measure of profit and loss that our chief operating decision maker uses to evaluate the financial performance of the business and as the basis for resource allocation, performance reviews and compensation. For these reasons, we believe that Segment operating income represents the most relevant measure of Segment profit and loss. Our chief operating decision maker may exclude certain charges or gains, such as corporate charges and other special charges, to arrive at a Segment operating income that is a more meaningful measure of profit and loss upon which to base our operating decisions. We define Segment operating margin as Segment operating income (loss) as a percentage of the segment's Net revenues.

The segment discussions that follow describe the significant factors contributing to the changes in results for each segment included in Net earnings. As previously announced, effective January 1, 2021, we combined our previous operations in EMEA and Asia Pacific into a new segment named Allegion International, in addition to renaming our Americas segment "Allegion Americas". Business segment information for EMEA and Asia Pacific for the three months ended March 31, 2020, has been combined in the segment results of operations presented below to reflect this change in reportable segments.

Segment Results of Operations - For the three months ended March 31

In millions	2021	2020	% Change
Net revenues			
Allegion Americas	$ 498.9	$ 512.1	(2.6)%
Allegion International	195.4	162.6	20.2 %
Total	$ 694.3	$ 674.7	
Segment operating income (loss)			
Allegion Americas	$ 135.4	$ 146.6	(7.6)%
Allegion International	15.4	(96.8)	115.9 %
Total	$ 150.8	$ 49.8	
Segment operating margin			
Allegion Americas	27.1 %	28.6 %	
Allegion International	7.9 %	(59.5)%	

Allegion Americas

Our Allegion Americas segment is a leading provider of security products and solutions throughout North America, Central America, the Caribbean and South America. The segment sells a broad range of products and solutions including locks, locksets, portable locks, key systems, door closers, exit devices, doors and door systems, electronic products and access control systems to end-users in commercial, institutional and residential facilities, including the education, healthcare, government, hospitality, commercial office and single and multi-family residential markets. This segment's primary brands are LCN, Schlage, Steelcraft, Technical Glass Products ("TGP") and Von Duprin.

Net Revenues

Net revenues for the three months ended March 31, 2021, decreased by 2.6%, or $13.2 million, compared to the same period in 2020, due to the following:

Pricing	0.7 %
Volume	(3.6)%
Currency exchange rates	0.3 %
Total	(2.6)%

The decrease in Net revenues was driven by lower volumes from our non-residential products, which exceeded the increase in volumes from our residential products. This net volume decline was partially offset by improved pricing and favorable foreign currency exchange rate movements.

Net revenues from non-residential products for the three months ended March 31, 2021, decreased low double-digits percent compared to the same period in the prior year, which is attributable to the continued economic challenges stemming from the COVID-19 pandemic. Fluctuations in local health conditions; changes in consumer spending patterns, trends and preferences; changes in commercial real estate occupancy; constraints on government and institutional budgets; and an overall uncertain business climate have led to declines and delays in new construction activity and discretionary projects in many of the non-residential construction markets we serve. These challenges are expected to continue in 2021.

Net revenues from residential products for the three months ended March 31, 2021, increased low twenties percent compared to the same period in the prior year, due to an increase in do-it-yourself (DIY) home projects and a strengthening residential housing construction market, trends that began to emerge in the second half of 2020. This strength in the residential products markets is currently expected to continue; however, the duration of this trend remains uncertain.

Additionally, growth in electronic security products and solutions has become an increased metric monitored by management and of focus to our investors. For the three months ended March 31, 2021, Net revenues from the sale of electronic products in the Allegion Americas segment decreased mid-single digits percent compared to the same period in the prior year, primarily driven by lower volumes due to delays in non-residential discretionary projects. Toward the end of the first quarter, a surge in global demand for electronic components has led to supply chain challenges, which we will continue to monitor for any potential impact on our business. Electronic products include all electrified product categories including, but not limited to, electronic locks, access controls and electrified exit devices.

Operating income/margin

Segment operating income for the three months ended March 31, 2021, decreased $11.2 million compared to the same period in 2020, and Segment operating margin for the three months ended March 31, 2021, decreased to 27.1% from 28.6%, due to the following:

In millions	Operating Income	Operating Margin
March 31, 2020	$ 146.6	28.6 %
Pricing and productivity in excess of inflation	1.7	0.2 %
Volume / product mix	(13.2)	(1.6) %
Currency exchange rates	1.6	0.2 %
Investment spending	(1.2)	(0.2) %
Restructuring expenses	(0.1)	(0.1) %
March 31, 2021	$ 135.4	27.1 %

The decreases in Segment operating income and Segment operating margin were primarily driven by unfavorable volume/product mix, as well as increased investment spending and a year-over-year increase in restructuring expenses. These decreases were partially offset by pricing and productivity improvements in excess of inflation and foreign currency exchange rate movements.

Allegion International

Our Allegion International segment provides security products, services and solutions primarily throughout Europe, Asia and Oceania. The segment offers end-users a broad range of products, services and solutions including locks, locksets, portable locks, key systems, door closers, exit devices, doors and door systems, electronic products and access control systems, as well as time and attendance and workforce productivity solutions. This segment's primary brands are AXA, Bricard, Briton, CISA, Gainsborough, Interflex and SimonsVoss.

Net Revenues

Net revenues for the three months ended March 31, 2021, increased by 20.2%, or $32.8 million, compared to the same period in 2020, due to the following:

Pricing	0.6 %
Volume	10.4 %
Divestitures	(1.5)%
Currency exchange rates	10.7 %
Total	20.2 %

The increase in Net revenues was driven by higher volumes across most of the countries within our Allegion International segment, reflecting the continuing economic rebound from the COVID-19 pandemic. The higher volumes also reflect the comparative impact of multiple countries beginning to experience pandemic related lockdowns in the first quarter of 2020. Improved pricing and foreign currency exchange rate movements also contributed to the increase in Net revenues. These increases were slightly offset by the divestiture of our QMI business in the current year.

Operating income (loss)/margin

Segment operating income (loss) for the three months ended March 31, 2021, was favorable $112.2 million compared to the same period in 2020, and Segment operating margin for the three months ended March 31, 2021, improved to 7.9% from (59.5)%, due to the following:

In millions	Operating Income (Loss)	Operating Margin
March 31, 2020	$ (96.8)	(59.5) %
Pricing and productivity in excess of inflation	6.1	3.7 %
Volume / product mix	7.4	4.1 %
Currency exchange rates	2.7	1.5 %
Investment spending	(0.1)	(0.1) %
Divestitures	0.2	0.1 %
Restructuring expenses	(0.4)	(0.3) %
Impairment of intangible assets	96.3	58.4 %
March 31, 2021	$ 15.4	7.9 %

The improvements in Segment operating income and Segment operating margin were primarily due to the prior year goodwill and intangible asset impairment charges, which did not recur in the current year. Also contributing to the improvements were pricing and productivity improvements in excess of inflation, favorable volume/product mix, foreign currency exchange rate movements and the impact of our QMI divestiture during the current year. These improvements were slightly offset by increased investment spending and a year-over-year increase in restructuring expenses.

Liquidity and Capital Resources

Sources and uses of liquidity

Our primary source of liquidity is cash provided by operating activities. Cash provided by operating activities is used to invest in new product development and fund capital expenditures and working capital requirements and is expected to be adequate to service any future debt, pay any declared dividends and potentially fund acquisitions and share repurchases. Our ability to fund these capital needs depends on our ongoing ability to generate cash provided by operating activities and to access our borrowing facilities (including unused availability under our Revolving Facility) and capital markets.

As of March 31, 2021, we have no required principal payments on our long-term debt until September 2022, maintain cash and cash equivalents of $394.3 million and have unused availability of $485.8 million under our Revolving Facility. Further, our business operates with low capital intensity, providing financial flexibility. We believe that future cash provided by operating activities, availability under our Revolving Facility, access to funds on hand and capital markets, as well as other potential measures within our control will provide adequate resources to fund our operating and financing needs and maintain a sound financial position and liquidity.

The following table reflects the major categories of cash flows for the three months ended March 31. For additional details, see the Condensed and Consolidated Statements of Cash Flows in the Condensed and Consolidated Financial Statements.

In millions	2021	2020
Net cash provided by operating activities	$ 111.8	$ 30.8
Net cash used in investing activities	(4.6)	(18.8)
Net cash used in financing activities	(187.2)	(116.8)

Operating Activities

Net cash provided by operating activities during the three months ended March 31, 2021, increased $81.0 million compared to the same period in 2020, primarily driven by increased Net earnings and improvements in working capital.

Investing Activities

Net cash used in investing activities during the three months ended March 31, 2021, decreased $14.2 million compared to the same period in 2020, primarily due to a decrease in both capital expenditures and cash paid for investments.

Financing Activities

Net cash used in financing activities during the three months ended March 31, 2021, increased $70.4 million compared to the same period in 2020, primarily due to an increase of $55.6 million of cash used to repurchase shares.

Capitalization

Long-term debt and other borrowings consisted of the following:

In millions	March 31, 2021	December 31, 2020
Term Facility	$ 238.8	$ 238.8
Revolving Facility	—	—
3.200% Senior Notes due 2024	400.0	400.0
3.550% Senior Notes due 2027	400.0	400.0
3.500% Senior Notes due 2029	400.0	400.0
Other debt	0.4	0.6
Total borrowings outstanding	1,439.2	1,439.4
Discounts and debt issuance costs, net	(9.3)	(9.8)
Total debt	1,429.9	1,429.6
Less current portion of long-term debt	0.1	0.2
Total long-term debt	$ 1,429.8	$ 1,429.4

As of March 31, 2021, we have an unsecured Credit Agreement in place, consisting of a $700.0 million term loan facility (the “Term Facility”), of which $238.8 million is outstanding at March 31, 2021, and a $500.0 million revolving credit facility (the “Revolving Facility” and, together with the Term Facility, the “Credit Facilities”). The Credit Facilities mature on September 12, 2022. Principal amounts repaid on the Term Facility may not be reborrowed, and we have satisfied our obligation to make quarterly installments on the Term Facility up to the maturity date, with the remaining outstanding balance due on September 12, 2022.

The Revolving Facility provides aggregate commitments of up to $500.0 million, which includes up to $100.0 million for the issuance of letters of credit. At March 31, 2021, there were no borrowings outstanding on the Revolving Facility, and we had $14.2 million of letters of credit outstanding. Commitments under the Revolving Facility may be reduced at any time without premium or penalty, and amounts repaid may be reborrowed.

Outstanding borrowings under the Credit Facilities accrue interest at our option of (i) a LIBOR rate plus the applicable margin or (ii) a base rate plus the applicable margin. The applicable margin ranges from 1.125% to 1.500% depending on our credit ratings. At March 31, 2021, outstanding borrowings under the Credit Facilities accrue interest at LIBOR plus a margin of 1.250%, resulting in an interest rate of 1.46%. The Credit Facilities also contain negative and affirmative covenants and events of default that, among other things, limit or restrict our ability to enter into certain transactions. In addition, the Credit Facilities require us to comply with a maximum leverage ratio and a minimum interest expense coverage ratio, as defined within the agreement. As of March 31, 2021, we were in compliance with all covenants.

As of March 31, 2021, we also have $400.0 million outstanding of 3.200% Senior Notes due 2024 (the "3.200% Senior Notes"), $400.0 million outstanding of 3.550% Senior Notes due 2027 (the "3.550% Senior Notes") and $400.0 million outstanding of 3.500% Senior Notes due 2029 (the "3.500% Senior Notes", and all three senior notes collectively, the "Senior Notes"). The Senior Notes require semi-annual interest payments on April 1 and October 1 of each year, and will mature on October 1, 2024, October 1, 2027 and October 1, 2029, respectively.

Historically, the majority of our earnings were considered to be permanently reinvested in jurisdictions where we have made, and intend to continue to make, substantial investments to support the ongoing development and growth of our global operations. At March 31, 2021, we analyzed our working capital requirements and the potential tax liabilities that would be incurred if certain subsidiaries made distributions and concluded that no material changes to our historic permanent reinvestment assertions are required.

Defined Benefit Plans

Our investment objective in managing defined benefit plan assets is to ensure that all present and future benefit obligations are met as they come due. We seek to achieve this goal while trying to mitigate volatility in plan funded status, contributions and expense by better matching the characteristics of the plan assets to that of the plan liabilities. Global asset allocation decisions are based on a dynamic approach whereby a plan’s allocation to fixed income assets increases as the funded status increases. We monitor plan funded status, asset allocation and the impact of market conditions on our defined benefit plans regularly in addition to investment manager performance. For further details on pension plan activity, see Note 10 to the Condensed and Consolidated Financial Statements.

For a further discussion of Liquidity and Capital Resources, refer to Part II, Item 7, "Management’s Discussion and Analysis of Financial Condition and Results of Operations," contained in our Annual Report on Form 10-K for the year ended December 31, 2020.

Guarantor Financial Information

Allegion US Holding Company Inc. ("Allegion US Hold Co") is the issuer of the 3.200% Senior Notes and 3.550% Senior Notes and is the guarantor of the 3.500% Senior Notes. Allegion plc (the “Parent”) is the issuer of the 3.500% Senior Notes and is the guarantor of the 3.200% Senior Notes and 3.550% Senior Notes. Allegion US Hold Co is 100% owned by the Parent and each of the guarantees of Allegion US Hold Co and the Parent is full and unconditional and joint and several.

The 3.200% Senior Notes and the 3.550% Senior Notes are senior unsecured obligations of Allegion US Hold Co and rank equally with all of Allegion US Hold Co’s existing and future senior unsecured and unsubordinated indebtedness. The guarantee of the 3.200% Senior Notes and the 3.550% Senior Notes is the senior unsecured obligation of the Parent and ranks equally with all of Allegion plc’s existing and future senior unsecured and unsubordinated indebtedness. The 3.500% Senior Notes are senior unsecured obligations of the Parent, are guaranteed by Allegion US Hold Co and rank equally with all of Allegion plc’s existing and future senior unsecured indebtedness.

Each guarantee is effectively subordinated to any secured indebtedness of the Guarantor to the extent of the value of the assets securing such indebtedness. The Senior Notes are structurally subordinated to indebtedness and other liabilities of the subsidiaries of the Guarantor, none of which guarantee the notes. The obligations of the Guarantor under its Guarantee are limited as necessary to prevent such Guarantee from constituting a fraudulent conveyance under applicable law and, therefore, are limited to the amount that the Guarantor could guarantee without such Guarantee constituting a fraudulent conveyance; this limitation, however, may not be effective to prevent such Guarantee from constituting a fraudulent conveyance. If the Guarantee was rendered voidable, it could be subordinated by a court to all other indebtedness (including guarantees and other contingent liabilities) of the Guarantor, and, depending on the amount of such indebtedness, the Guarantor’s liability on its Guarantee could be reduced to zero. In such an event, the notes would be structurally subordinated to the indebtedness and other liabilities of the Guarantor.

For further details, terms and conditions of the Senior Notes refer to the Company’s Form 8-K filed October 2, 2017 and Form 8-K filed September 27, 2019.

The following tables present the summarized financial information specified in Rule 1-02(bb)(1) of Regulation S-X for each issuer and guarantor. The summarized financial information has been prepared in accordance with Rule 13-01 of Regulation S-X.

Selected Condensed Statement of Comprehensive Income Information

In millions	Three months ended March 31, 2021 Allegion plc	Three months ended March 31, 2021 Allegion US Hold Co	Year ended December 31, 2020 Allegion plc	Year ended December 31, 2020 Allegion US Hold Co
Net revenues	$ —	$ —	$ —	$ —
Gross profit	—	—	—	—
Operating loss	(1.9)	(0.1)	(7.5)	(0.2)
Equity earnings in affiliates, net of tax	117.4	16.4	358.8	216.5
Transactions with related parties and subsidiaries[(a)]	(2.5)	(21.4)	(15.3)	(39.3)
Net earnings (loss)	108.0	(5.3)	314.3	164.7
Net earnings (loss) attributable to the entity	108.0	(5.3)	314.3	164.7

(a) Transactions with related parties and subsidiaries include intercompany interest and fees.

Selected Condensed Balance Sheet Information

In millions	March 31, 2021 Allegion plc	March 31, 2021 Allegion US Hold Co	December 31, 2020 Allegion plc	December 31, 2020 Allegion US Hold Co
Current assets:				
Amounts due from related parties and subsidiaries	$ —	$ 23.6	$ —	$ 20.0
Total current assets	22.3	45.5	19.0	38.7
Noncurrent assets:				
Amounts due from related parties and subsidiaries	—	1,679.2	—	1,644.2
Total noncurrent assets	1,793.1	1,720.9	1,793.3	1,671.8
Current liabilities:				
Amounts due to related parties and subsidiaries	$ 131.8	$ 43.7	$ 197.5	$ 183.9
Total current liabilities	142.2	57.3	204.4	190.7
Noncurrent liabilities:				
Amounts due to related parties and subsidiaries	763.0	2,557.8	507.3	2,463.9
Total noncurrent liabilities	1,398.9	3,360.0	1,143.2	3,267.3

Critical Accounting Policies

Management's Discussion and Analysis of Financial Condition and Results of Operations are based upon our Condensed and Consolidated Financial Statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of financial statements in conformity with those accounting principles requires management to use judgments in making estimates and assumptions based on the relevant information available at the end of each period. These estimates and assumptions have a significant effect on reported amounts of assets and liabilities, revenue and expenses, as well as the disclosure of contingent assets and liabilities because they result primarily from the need to make estimates and assumptions on matters that are inherently uncertain. Actual results may differ from estimates.

Management believes there have been no significant changes during the three months ended March 31, 2021, to the items we disclosed as our critical accounting policies in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2020.

Recent Accounting Pronouncements

See Note 2 to our Condensed and Consolidated Financial Statements for a discussion of recently issued and adopted accounting pronouncements.

Forward-Looking Statements

Certain statements in this report, other than purely historical information, are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements generally are identified by the words “believe,” “project,” “expect,” “anticipate,” “estimate,” “forecast,” “outlook,” “intend,” “strategy,” “future,” “opportunity,” “plan,” “may,” “should,” “will,” “would,” “will be,” “will continue,” “will likely result,” or the negative thereof or variations thereon or similar expressions generally intended to identify forward-looking statements.

Forward-looking statements may relate to such matters as: statements regarding the potential impacts of the global COVID-19 pandemic, projections of revenue, margins, expenses, tax provisions, earnings, cash flows, benefit obligations, dividends, share purchases or other financial items; any statements of the plans, strategies and objectives of management for future operations, including those relating to any statements concerning expected development, performance or market share relating to our products and services; any statements regarding future economic conditions or our performance; any statements regarding pending investigations, claims or disputes; any statements of expectation or belief; and any statements of assumptions underlying any of the foregoing. These statements are based on currently available information and our current assumptions, expectations and projections about future events. While we believe that our assumptions, expectations and projections are reasonable in view of the currently available information, you are cautioned not to place undue reliance on our forward-looking statements. You are advised to review any further disclosures we make on related subjects in materials we file with or furnish to the SEC. Forward-looking statements speak only as of the date they are made and are not guarantees of future performance. They are subject to future events, risks and uncertainties - many of which are beyond our control - as well as potentially inaccurate assumptions, that could cause actual results to differ materially from our expectations and projections. We do not undertake to update any forward-looking statements.

Factors that might affect our forward-looking statements include, among other things:

- adverse impacts to our normal business operations due to the global COVID-19 pandemic;
- competitive factors in the industry in which we compete, including technological developments and increased competition from private label brands;
- the development, commercialization and acceptance of new products and services that meet the varied and evolving needs of our customers;
- the demand for our products and services, including changes in customer and consumer preferences, and our ability to maintain beneficial relationships with large customers;
- our products or solutions fail to meet certification and specification requirements, are defective or otherwise fall short of customers’ needs and expectations;
- the ability to complete and integrate any acquisitions and/or losses related to our investments in external companies;
- business opportunities that diverge from our core business;
- our ability to operate efficiently and productively;
- our ability to effectively manage and implement restructuring initiatives and other organizational changes;
- disruptions in our global supply chain, including product manufacturing and logistical services provided by supplier partners;
- the effects of global climate change or other unexpected events, including global health crises, that may disrupt our operations;
- our ability to manage risks related to our information technology and operational technology systems and cybersecurity, including implementation of new processes that may cause disruptions and be more difficult, costly or time consuming than expected;
- our reliance on third-party vendors for many of the critical elements of our global information and operational technology infrastructure and their failure to provide effective support for such infrastructure;
- disruption and breaches of our information systems;
- ability to recruit and retain a highly qualified and diverse workforce;
- economic, political and business conditions in the markets in which we operate, including changes to trade agreements, sanctions, import and export regulations and custom duties;

- conditions of the institutional, commercial and residential construction and remodeling markets, including the impact of work-from-home trends;
- fluctuations in currency exchange rates;
- availability of and fluctuations in the prices of key commodities and the impact of higher energy prices;
- potential further impairment of our goodwill, indefinite-lived intangible assets and/or our long-lived assets;
- interest rate fluctuations and other changes in borrowing costs, in addition to risks associated with our outstanding and future indebtedness;
- the impact our outstanding indebtedness may have on our business and operations and other capital market conditions, including availability of funding sources and currency exchange rate fluctuations;
- risks related to corporate social responsibility and reputational matters;
- the ability to protect our brand reputation and trademarks;
- the outcome of any litigation, governmental investigations or proceedings;
- claims of infringement of intellectual property rights by third parties;
- adverse publicity or improper conduct by any of our employees, agents or business partners;
- changes to, or changes in interpretations of, current laws and regulations;
- uncertainty and inherent subjectivity related to transfer pricing regulations;
- changes in tax requirements, including tax rate changes, the adoption of new tax legislation or exposure to additional tax liabilities and revised tax law interpretations; and
- risks related to our incorporation in Ireland, including the possible effects on us of future legislation or interpretations in the U.S. that may limit or eliminate potential U.S. tax benefits resulting from our incorporation in a non-U.S. jurisdiction, such as Ireland, or deny U.S. government contracts to us based upon our incorporation in such non-U.S. jurisdiction.

Some of the significant risks and uncertainties that could cause actual results to differ materially from our expectations and projections are described more fully in the “Risk Factors” section of this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the fiscal year ended December 31, 2020. There may also be other factors that have not been anticipated or that are not described in our periodic filings with the SEC, generally because we did not believe them to be significant at the time, which could cause results to differ materially from our expectations.

Item 3 – Quantitative and Qualitative Disclosures about Market Risk

There have been no material changes in our exposure to market risk during the first quarter of 2021. For a discussion of the Company’s exposure to market risk, refer to Part II, Item 7A, “Quantitative and Qualitative Disclosures About Market Risk,” contained in the Company’s Annual Report on Form 10-K for the year ended December 31, 2020.

Item 4 – Controls and Procedures

The Company’s management, including its Chief Executive Officer and Chief Financial Officer, have conducted an evaluation of the effectiveness of disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)), as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded as of March 31, 2021, that the disclosure controls and procedures are effective in ensuring that all material information required to be filed in this Quarterly Report on Form 10-Q has been recorded, processed, summarized and reported when required and the information is accumulated and communicated to the Company’s management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

There have not been any changes in the Company’s internal control over financial reporting that occurred during the first quarter of 2021 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1 – Legal Proceedings

In the normal course of business, we are involved in a variety of lawsuits, claims and legal proceedings, including commercial and contract disputes, labor and employment matters, product liability claims, environmental liabilities, antitrust and trade regulation matters, intellectual property disputes and tax-related matters. In our opinion, pending legal matters are not expected to have a material adverse impact on our results of operations, financial condition, liquidity or cash flows.

Item 1A – Risk Factors

There have been no material changes to our risk factors contained in our Annual Report on Form 10-K for the period ended December 31, 2020. For a further discussion of our Risk Factors, refer to the “Risk Factors” discussion contained in our Annual Report on Form 10-K for the year ended December 31, 2020.

Item 2 - Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

Period	Total number of shares purchased (000s)	Average price paid per share	Total number of shares purchased as part of Authorization (000s)	Approximate dollar value of shares still available to be purchased under the Authorization (000s)
January 1 - January 31	369	$ 115.78	369	$ 571,436
February 1 - February 28	369	112.09	369	530,063
March 1 - March 31	560	117.08	560	464,505
Total	1,298	$ 115.29	1,298	$ 464,505

On February 6, 2020, our Board of Directors approved a share repurchase authorization of up to, and including, $800 million of the Company’s ordinary shares (the "2020 Share Repurchase Authorization"). The 2020 Share Repurchase Authorization does not have a prescribed expiration date. Based on market conditions, share repurchases are made from time to time in the open market at the discretion of management.

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Item 6 – Exhibits

(a) Exhibits

Exhibit No.	Description	Method of Filing
3.1	Amended and restated Memorandum and Articles of Association of Allegion plc.	Incorporated by reference to Exhibit 3.1 to the Company's Form 8-K filed with the SEC on June 13, 2016 (File No. 001-35971).
10.1	Form of Restricted Stock Unit Award Agreement. *	Incorporated by reference to Exhibit 10.22 to the Company's Form 10-K filed with the SEC on February 16, 2021 (File No. 001-35971).
10.2	Form of Stock Option Award Agreement. *	Incorporated by reference to Exhibit 10.23 to the Company's Form 10-K filed with the SEC on February 16, 2021 (File No. 001-35971).
10.3	Form of Performance Stock Unit Award Agreement. *	Incorporated by reference to Exhibit 10.24 to the Company's Form 10-K filed with the SEC on February 16, 2021 (File No. 001-35971).
10.4	Timothy P. Eckersley Offer Letter, dated March 3, 2021. *	Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed with the SEC on March 10, 2021 (File No. 001-35971).
10.5	Timothy P. Eckersley Retention Agreement, dated March 3, 2021. +*	Incorporated by reference to Exhibit 10.2 to the Company's Form 8-K filed with the SEC on March 10, 2021 (File No. 001-35971).
10.6	Timothy P. Eckersley Restricted Stock Unit Award Agreement, dated March 10, 2021. +*	Filed herewith.
10.7	Timothy P. Eckersley Performance Stock Unit Award Agreement, dated March 10, 2021. *	Filed herewith.
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) or Rule 15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) or Rule 15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
32.1	Certifications of Chief Executive Officer and Chief Financial Officer Pursuant to Rule 13a-14(b) or Rule 15d-14(b) and 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	Furnished herewith.
101.INS	XBRL Instance Document.	The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema Document.	Filed herewith.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.	Filed herewith.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.	Filed herewith.
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document.	Filed herewith.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.	Filed herewith.
104	Cover Page Interactive Data File.	Formatted as Inline XBRL and contained in Exhibit 101.

* Compensatory plan or arrangement.

+ Certain confidential information contained in these exhibits were omitted by means of redacting a portion of the text and replacing it with [*****], pursuant to Regulation S-K Item 601(b) of the Securities Act of 1933, as amended. Certain confidential information has been excluded from the respective exhibits because it is: (i) not material; and (ii) the Company treats such information as private or confidential.

ALLEGION PLC

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ALLEGION PLC
(Registrant)

Date: April 22, 2021	/s/ Patrick S. Shannon
	Patrick S. Shannon, Senior Vice President and Chief Financial Officer Principal Financial Officer
Date: April 22, 2021	/s/ Douglas P. Ranck
	Douglas P. Ranck, Vice President, Controller and Chief Accounting Officer Principal Accounting Officer

Allegion plc
Incentive Stock Plan of 2013

Restricted Stock Unit Award Agreement

Dated as of March 10, 2021 (“Grant Date”)

Allegion plc (the “Company”) hereby grants to Timothy Eckersley (“Participant”) a restricted stock unit award (the “RSUs”) with respect to 6,511 ordinary shares of the Company (the “Shares”), pursuant to and subject to the terms and conditions set forth in the Company’s Incentive Stock Plan of 2013 (the “Plan”) and to the terms and conditions set forth in this Restricted Stock Unit Award Agreement (the “Award Agreement”). Unless otherwise defined herein, the terms defined in the Plan shall have the same meanings in this Award Agreement.

1. Vesting Schedule.

Participant’s right to receive Shares subject to the RSUs shall vest in accordance with the table below (each date being a “Vesting Date”), subject to Participant’s continued employment with the Company or an Affiliate on each Vesting Date unless otherwise specified in Section 3(a). Any fractional installments shall be carried forward and vest when such combined fractional installments result in a full Share.

Quantity	Vest Date
2,170	March 10, 2022
2,170	March 10, 2023
2,171	March 10, 2024

2. Dividend Equivalents.

Participant shall be entitled to receive an amount equal to any cash dividend paid by the Company upon one Share for each RSU held by Participant when such dividend is paid (“Dividend Equivalent”), provided that, (i) Participant shall have no right to receive the Dividend Equivalents unless and until the associated RSUs vest, (ii) Dividend Equivalents shall not accrue interest and (iii) Dividend Equivalents shall be paid in cash at the time that the associated RSUs vest.

3. Termination of Employment.

(a) Involuntary Termination without Cause or due to Death or Disability

If Participant’s employment is terminated involuntarily by the Company or an Affiliate for any reason other than Cause, or if Participant’s employment terminates by reason of death or Disability, the Shares subject to the RSUs that have not yet vested shall vest as of the date of such termination of employment (such date also being a “Vesting Date”).

For purposes of this Section 3(a), “Disability” shall mean a disability determined under the long-term disability plan maintained by the Company under which Participant is covered, or, in the event no such plan exists or Participant is not covered under any such plan, a total and permanent disability pursuant to the Employer’s human resources determination.

(b) Termination Due to Any Other Reason

If (i) Participant's employment terminates for any reason or in any circumstances other than those specified in Section 3(a) above or (ii) Participant engages in any conduct that would constitute Cause or Participant is terminated for Cause, all unvested RSUs and associated Dividend Equivalents shall be forfeited as of the date of termination of employment and Participant shall have no right to or interest in such RSUs, the underlying Shares or any associated Dividend Equivalents.

For the avoidance of doubt, if Participant voluntarily terminates Participant's employment with the Company or an Affiliate for any reason, all unvested RSUs and associated Dividend Equivalents shall be forfeited as of the date of termination of employment and Participant shall have no right to or interest in such RSUs, the underlying Shares or any associated Dividend Equivalents.

4. Settlement.

(a) General

On or as soon as administratively practicable (and in any event within 30 days) following each Vesting Date, the Company shall cause to be issued to Participant Shares with respect to the RSUs that become vested on such Vesting Date. Notwithstanding the foregoing, if Participant is subject to U.S. federal income tax on any part of the payment of the RSUs and the RSUs are considered non-qualified deferred compensation subject to Section 409A of the Code, the RSUs shall be settled within 30 days of the earliest to occur of the following dates or events, subject to any delay required by Section 4(b) below: (i) the Vesting Dates set forth in Section 1 in the case of RSUs that vest pursuant to Section 1, (ii) a "separation from service" within the meaning of Section 409A of the Code in the case of RSUs that vest pursuant to Section 3(a) above or Section 9(b)(iv)(D) of the Plan and (iii) a "change in control event" within the meaning of U.S. Treasury Regulation §1.409A-3(i)(5) in the case of RSUs that vest pursuant to Section 9(b)(ii) of the Plan. Such Shares shall be fully paid and non-assessable. Participant will not have any of the rights or privileges of a shareholder of the Company in respect of any Shares subject to the RSUs unless and until such Shares have been issued to Participant.

(b) Delayed Payment

Notwithstanding Section 4(a) above, if the RSUs are considered an item of deferred compensation under Section 409A of the Code and the Shares are distributable by reason of a Participant's separation from service during the period that Participant is both subject to U.S. federal income taxation and a "specified employee" (within the meaning of Section 409A(a)(2)(B)(i) of the Code), any Shares that would otherwise be issuable during the 6-month period immediately following Participant's separation from service will be issued on the first day of the 7th month following Participant's separation from service (or, if Participant dies during such period, within 30 days after Participant's death).

5. Change in Control.

In the event of a Change in Control, the treatment of the RSUs will be governed by the terms of the Plan, subject to Section 4 above.

6. Responsibility for Taxes.

Participant acknowledges that, regardless of any action taken by the Company or, if different, Participant's employer (the "Employer"), the ultimate liability for all income tax, social insurance, payroll tax, fringe benefits tax, payment on account or other tax-related items related to Participant's participation in the Plan and legally applicable to Participant ("Tax-Related Items") is and remains Participant's responsibility and may exceed the amount (if any) actually withheld by the Company or the Employer. Participant further acknowledges that the Company and the Employer (i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the RSUs; and (ii) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the RSUs to reduce or eliminate Participant's liability for Tax-Related Items or achieve any particular tax result. Further, if Participant is subject to TaxRelated Items in more than one jurisdiction, Participant acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

To satisfy any withholding obligations of the Company and/or the Employer with respect to Tax-Related Items (other than U.S. Federal Insurance Contribution Act taxes or other Tax-Related Items which become payable in a year prior to the year in which the Shares are issued pursuant to the RSUs, and other than Tax-Related Items due on Dividend Equivalents), the Company will withhold Shares otherwise issuable upon settlement of the RSUs. Alternatively, or in addition, in connection with any applicable taxable or tax withholding event, Participant authorizes the Company and/or the Employer, or their respective agents, at their discretion, to satisfy their obligations (if any) with regard to all Tax-Related Items by one or a combination of the following:

(a) withholding from Participant's wages or other cash compensation payable to Participant by the Company or the Employer;

(b) withholding from proceeds of the sale of Shares acquired upon settlement of the RSUs either through a voluntary sale or through a mandatory sale arranged by the Company (on Participant's behalf pursuant to this authorization without further consent);

(c) requiring Participant to tender a cash payment to the Company or an Affiliate in the amount of the Tax-Related Items; and/or

(d) any other method of withholding determined by the Company to be permitted under the Plan and, to the extent required by applicable law or the Plan, approved by the Committee;

provided, however, that if Participant is a Section 16 officer of the Company under the Act, the withholding methods described in this Section 6 (a) through (d) will only be used if the Committee (as constituted to satisfy Rule 16b-3 of the Act) determines, in advance of the applicable withholding event, that one such withholding method will be used in lieu of withholding Shares.

The Company may withhold for Tax-Related Items by considering minimum statutory withholding rates or other withholding rates, including maximum withholding rates applicable in Participant's jurisdiction(s). In the event of over-withholding, Participant may receive a refund of any over-withheld amount in cash (with no entitlement to the equivalent amount in Shares) from the Company or the Employer; otherwise, Participant may be able to seek a refund from the local tax authority. In the event of under-withholding, Participant may be required to pay any additional Tax-Related Items directly to the applicable tax authority. If the obligation for Tax-Related Items is satisfied by withholding Shares, for tax purposes, Participant is deemed to have been issued the full number of Shares subject to the vested portion of the RSUs, notwithstanding that a number of the Shares are held back solely for the purpose of paying the Tax-Related Items. The Company may refuse to issue or deliver the Shares or the proceeds of the sale of Shares, if Participant fails to comply with his or her obligations in connection with the Tax-Related Items.

7. <u>Nature of Grant</u>.

In accepting the RSUs, Participant acknowledges, understands and agrees that:

(a) the Plan is established voluntarily by the Company, it is discretionary in nature and it may be amended, altered or discontinued by the Company at any time, to the extent permitted by the Plan;

(b) the grant of the RSUs is voluntary and occasional and does not create any contractual or other right to receive future grants of restricted stock units, or benefits in lieu of restricted stock units, even if restricted stock units have been granted in the past;

(c) all decisions with respect to future restricted stock unit grants, if any, will be at the sole discretion of the Company;

(d) Participant is voluntarily participating in the Plan;

(e) the RSUs and the Shares subject to the RSUs, and the income and value of same, are not intended to replace any pension rights or compensation;

(f) the RSUs and the Shares subject to the RSUs, and the income and value of same, are not part of normal or expected compensation or salary for any purpose, including, but not limited to, calculating any severance, resignation, termination, redundancy, dismissal, end of service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments;

(g) unless otherwise agreed with the Company, the RSUs and the Shares subject to the RSUs, and the income and value of same, are not granted as consideration for, or in connection with, services Participant may provide as a director of an Affiliate;

(h) the RSU grant and Participant's participation in the Plan will not create a right to employment or be interpreted as forming or amending an employment or service contract with the Company, the Employer or any Affiliate and will not interfere with the ability of the Company, the Employer or any Affiliate, as applicable, to terminate Participant's employment or service relationship (if any);

(i) the future value of the underlying Shares is unknown, indeterminable and cannot be predicted with certainty;

(j) no claim or entitlement to compensation or damages shall arise from forfeiture of the RSUs resulting from Participant ceasing to provide employment or other services to the Company or the Employer (for any reason whatsoever, whether or not later found to be invalid or in breach of employment laws in the jurisdiction where Participant is employed or the terms of Participant's employment agreement, if any) or from cancellation of the RSUs or recoupment of any financial gain resulting from the RSUs as described in Section 13 below;

(k) for purposes of the RSUs, Participant's employment or other service relationship will be considered terminated as of the date Participant is no longer actively providing services to the Company or one of its Affiliates (regardless of the reason for such termination and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where Participant is employed or the terms of

Participant's employment agreement, if any) and, unless otherwise expressly provided in this Award Agreement or determined by the Company, Participant's right to vest in the RSUs under the Plan, if any, will terminate as of such date, or will be measured with reference to such date in the case of termination due to Disability or death, and will not be extended by any notice period (e.g., Participant's period of active service would not include any contractual notice period or any period of "garden leave" or similar period mandated under employment laws in the jurisdiction where Participant is employed or the terms of Participant's employment agreement, if any); the Committee shall have the exclusive discretion to determine when Participant is no longer actively providing services for purposes of the RSUs (including whether Participant may still be considered to be providing services while on a leave of absence);

(l) unless otherwise provided in the Plan or by the Company, in its discretion, the RSUs and the benefits evidenced by this Award Agreement do not create any entitlement to have the RSUs or any such benefits transferred to, or assumed by, another company nor to be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the Shares; and

(m) neither the Company, nor the Employer nor any Affiliate will be liable for any foreign exchange rate fluctuation between Participant's local currency and the United States Dollar that may affect the value of the RSUs or of any amounts due to Participant pursuant to the settlement of the RSUs or the subsequent sale of any Shares acquired upon settlement.

8. No Advice Regarding Grant.

The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding Participant's participation in the Plan, or his or her acquisition or sale of the underlying Shares. *Participant should consult with his or her own personal tax, legal and financial advisors regarding Participant's participation in the Plan before taking any action related to the Plan.*

9. Data Privacy.

(a) Data Collection and Usage. The Company and the Employer may collect, process and use certain personal information about Participant, including, but not limited to, Participant's name, home address and telephone number, email address, date of birth, social insurance number, passport or other identification number, salary, nationality, job title, any shares or directorships held in the Company, details of all RSUs granted under the Plan or any other entitlement to shares awarded, canceled, exercised, vested, unvested or outstanding in Participant's favor ("Data"), for the purposes of implementing, administering and managing the Plan. The Company, with its registered address at Block D, Iveagh Court, Harcourt Road, Dublin 2, Ireland, acts as the data controller in respect of such Data. The legal basis, where required, for the processing of Data is Participant's consent.

(b) Stock Plan Administration Service Providers. The Company transfers Data to UBS, Broadridge Output Solutions, Inc., Cognizant Worldwide Limited, DG3, HCL Technologies Limited, Iron Mountain, and Solium Capital, which assist the Company with the implementation, administration and management of the Plan. In the future, the Company may select different service providers and share Data with such other providers serving in a similar manner. Participant may be asked to acknowledge or (where applicable) agree to separate terms and data processing practices with the service providers, with such agreement (where applicable) being a condition to the ability to participate in the Plan.

(c) International Data Transfers. The Company and its service providers are based in the United States. Participant's country or jurisdiction may have different data privacy laws and

protections than the United States. The legal basis, where required, for the transfer of Data is Participant's consent.

(d) Data Retention. The Company will hold and use Data only as long as is necessary to implement, administer and manage Participant's participation in the Plan, or as required to comply with legal or regulatory obligations, including under tax, exchange control, labor and securities laws. This may extend beyond Participant's period of employment with the Company or the Employer.

(e) Data Subject Rights. Participant may have a number of rights under the data privacy laws in his or her jurisdiction. Depending on where Participant is based, such rights may include the right to (i) request access or copies of Data the Company processes, (ii) rectification of incorrect Data, (iii) deletion of Data, (iv) restrictions on processing of Data, (v) portability of Data, (vi) lodge complaints with competent authorities in Participant's jurisdiction, and/or (vii) receive a list with the names and addresses of any potential recipients of Data. To receive clarification regarding these rights or to exercise these rights, Participant understands that he or she can contact Dataprivacy@Allegion.com.

(f) Declaration of Consent. By accepting this award of RSUs and indicating consent via the Company's online acceptance procedure, Participant is declaring that he or she agrees with the data processing practices described herein and consents to the collection, processing and use of Data by the Company and the transfer of Data to the recipients mentioned herein, including recipients located in countries which may not have a similar level of protection from the perspective of the data protection laws in Participant's country.

Participation in the Plan is voluntary and Participant is providing the consents described herein on a purely voluntary basis. If Participant does not consent, or if Participant later seeks to revoke his or her consent, Participant's salary from or employment and career with the Employer will not be affected; the only consequence of refusing or withdrawing consent is that the Company would not be able to grant RSUs under the Plan to Participant or administer or maintain Participant's participation in the Plan.

10. Electronic Delivery and Participation.

The Company may, in its sole discretion, decide to deliver any documents related to participation in the Plan by electronic means or to request Participant's consent to participate in the Plan by electronic means. Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

11. Insider Trading/Market Abuse Laws.

Participant may be subject to insider trading restrictions and/or market abuse laws in applicable jurisdictions including, but not limited to, the United States and Participant's country of residence, which may affect Participant's ability to accept, acquire, sell or otherwise dispose of Shares or rights to Shares (*e.g.*, RSUs) or rights linked to the value of Shares under the Plan during such times as Participant is considered to have "inside information" regarding the Company (as defined by the laws in Participant's country). Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under the Company's insider trading policy.

12. <u>Imposition of Other Requirements</u>.

This grant is subject to, and limited by, all applicable laws and regulations and to such approvals by any governmental agencies or national securities exchanges as may be required. Participant agrees that the Company shall have unilateral authority to amend the Plan and this Award Agreement without Participant's consent to the extent necessary to comply with securities or other laws applicable to the issuance of Shares. The Company reserves the right to impose other requirements on Participant's participation in the Plan, on the RSUs and on any Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable for legal or administrative reasons, and to require Participant to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

13. <u>Recoupment Provision</u>.

In the event that Participant commits fraud or engages in intentional misconduct that results in a need for the Company to restate its financial statements, then the Committee may direct the Company to (i) cancel any outstanding portion of the RSUs and (ii) recover all or a portion of the financial gain realized by Participant through the RSUs. Further, Participant agrees that the RSUs and any financial gain realized by Participant through the RSUs shall be subject to forfeiture and/or repayment to the Company to the extent required to comply with any applicable laws or the rules and regulations of the securities exchange or inter-dealer quotation system on which the Shares are listed or quoted, including, without limitation, pursuant to Section 954 of the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.

14. <u>Choice of Law and Venue</u>.

The RSU grant and the provisions of this Award Agreement shall be governed by and construed in accordance with the laws of the State of Delaware without regard to such state's conflict of laws or provisions, as provided in the Plan. For purposes of litigating any dispute that arises under this grant or this Award Agreement, the parties hereby submit to and consent to the jurisdiction of the State of Delaware and agree that such litigation shall be conducted in the courts of New Castle County, Delaware, or the federal courts for the United States for the District of Delaware, where this grant is made and/or to be performed.

15. <u>Code Section 409A</u>.

To the extent Participant is subject to U.S. federal income tax (a "U.S. Taxpayer"), the RSUs are intended to be exempt from, or otherwise comply with, the requirements of Section 409A of the Code. Accordingly, all provisions included in this Award Agreement, or incorporated by reference, will be interpreted and administered in accordance with that intent. If any provision of the Plan or this Award Agreement would otherwise conflict with or frustrate this intent, that provision will be interpreted and deemed amended or limited so as to avoid the conflict. However, the Company makes no representation that the RSUs are exempt from or compliant with Section 409A of the Code and makes no undertaking to preclude Section 409A from applying to the RSUs. In no event shall the Committee or Board (or any member thereof), or the Company (or its employees, officers, directors or Affiliates) have any liability to Participant or to any other party if the RSUs or payment of the RSUs that is intended to be exempt from or compliant with Section 409A of the Code is not so exempt or compliant or for any action taken by the Committee with respect thereto.

16. Severability.

The provisions of this Award Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

17. Waiver.

Participant acknowledges that a waiver by the Company of breach of any provision of this Award Agreement shall not operate or be construed as a waiver of any other provision of this Award Agreement, or of any subsequent breach by Participant or any other participant in the Plan.

18. Acknowledgement of Availability of Plan Prospectus.

Participant acknowledges that he or she has been provided with access to a copy of the Plan prospectus and Plan document, links to both of which are available below:

[EMBED LINK TO PLAN PROSPECTUS] [EMBED LINK TO PLAN DOCUMENT]

Paper copies of the Plan prospectus and Plan document are also available upon request from the Company's stock administration department, at the contact information provided on the cover page of the Plan prospectus.

19. Acknowledgement & Acceptance within 120 Days.

This grant is subject to acceptance, within 120 days of the Grant Date, by electronic acceptance through the website of UBS, the Company's stock plan administrator. **Failure to accept the RSUs within 120 days of the Grant Date may result in cancellation of the RSUs.**

Signed for and on behalf of the Company:

/s/ David D. Petratis

____

David D. Petratis
Chairman and Chief Executive Officer
Allegion plc

This document constitutes part of a prospectus covering securities that have been registered under the U.S. Securities Act of 1933.

CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS EXHIBIT WAS *OMITTED* BY MEANS OF REDACTING A PORTION OF THE TEXT AND REPLACING IT WITH [*****], PURSUANT TO REGULATION S-K ITEM 601(B) OF THE SECURITIES ACT OF 1933, AS AMENDED. CERTAIN CONFIDENTIAL INFORMATION HAS BEEN EXCLUDED FROM THE EXHIBIT BECAUSE IT IS: (I) NOT MATERIAL; AND (II) WOULD BE COMPETITIVELY HARMFUL IF PUBLICLY DISCLOSED.

Allegion plc
Incentive Stock Plan of 2013

Performance Stock Unit Award Agreement
Dated as of March 10, 2021 ("Grant Date")

Allegion plc (the "Company") hereby grants to Timothy Eckersley ("Participant") a performance stock unit award (the "PSUs") pursuant to and subject to the terms and conditions set forth in the Company's Incentive Stock Plan of 2013 (the "Plan"), including the terms and conditions for Performance-Based Awards as set forth in Section 8(b) of the Plan (provided that any references in the Plan to Section 162(m) of the Code shall not apply to the PSUs). Unless otherwise defined herein, the terms defined in the Plan shall have the same meanings in this Performance Stock Unit Award Agreement ("the Award Agreement").

Each PSU that vests pursuant to the terms of this Award Agreement shall provide Participant with the right to receive one ordinary share of the Company (the "Share") on the issuance date described in Section 6 below. The number of Shares subject to the PSUs, the performance and service vesting conditions applicable to such Shares, the date on which vested Shares shall become issuable and any further terms and conditions governing the PSUs shall be as set forth in this Award Agreement.

1. <u>Number of Shares</u>.

The number of Shares subject to the PSUs at target performance level is 6,511, provided, however, that the actual number of Shares that become issuable pursuant to the PSUs shall be determined in accordance with the fulfillment of certain performance conditions set forth in the attached Appendix A and the additional vesting requirements set forth in Section 3 below.

2. <u>Performance Periods</u>.

The performance periods applicable to the PSUs are set forth in the attached Appendix A (each, a "Performance Period").

3. <u>Vesting</u>.

Participant's right to receive Shares subject to the PSUs shall vest on the third anniversary of the Grant Date (the "Vesting Date"), subject to fulfillment of the performance conditions set forth in the attached Appendix A and Participant's continued employment through such Vesting Date, except as otherwise set forth in Section 5(a).

4. **Dividend Equivalents.**

Participant shall be entitled to receive an amount equal to any cash dividend paid by the Company upon one Share for each PSU held by Participant when such dividend is paid ("Dividend Equivalent"), provided that (i) Participant shall have no right to receive the Dividend Equivalents unless and until the associated PSUs vest, (ii) Dividend Equivalents shall not accrue interest and (iii) Dividend Equivalents shall be paid in cash at the time that the associated PSUs vest.

5. **Termination of Employment.**

a. **Involuntary Termination without Cause or due to Death or Disability**

(i) If Participant's employment is terminated involuntarily by the Company or an Affiliate for any reason other than Cause, or if Participant's employment terminates by reason of death or Disability, in each case on or after January 1, 2023, the number of earned PSUs, as measured and determined by the Committee based on the fulfillment of the performance conditions set forth in Appendix A, shall vest as of the date of such termination of employment (such date also being a "Vesting Date").

(ii) If Participant's employment is terminated involuntarily by the Company or an Affiliate for any reason other than Cause, or if Participant's employment terminates by reason of death or Disability, in each case prior to January 1, 2023, then as soon as reasonably practicable following the date of termination (and in any event within 30 days), the Committee shall determine the number of earned PSUs based on the fulfillment of the performance conditions set forth in Appendix A up to the date of Participant's termination. Such earned PSUs shall vest as of the date of such determination by the Committee (such date also being a "Vesting Date").

For purposes of this Section 5(a), "Disability" shall mean a disability determined under the long-term disability plan maintained by the Company under which Participant is covered, or, in the event no such plan exists or Participant is not covered under any such plan, a total and permanent disability pursuant to the Employer's human resources determination.

b. **Termination Due to Any Other Reason**

If (i) Participant's employment terminates for any reason or in any circumstances other than those specified in Section 5(a) above or (ii) Participant engages in any conduct that would constitute Cause or Participant is terminated for Cause, all PSUs and any associated Dividend Equivalents shall be forfeited as of the date of termination of active employment and Participant shall have no right to or interest in such PSUs, the underlying Shares or any associated Dividend Equivalents.

For the avoidance of doubt, if Participant voluntarily terminates Participant's employment with the Company or an Affiliate for any reason, all unvested PSUs and associated Dividend Equivalents shall be forfeited and Participant shall have no right to or interest in such PSUs, the underlying Shares or any associated Dividend Equivalents.

6. **Determination of Performance Conditions and Settlement.**

On a date as soon as practicable following January 1, 2023 or at such earlier date in connection with Participant's termination of employment prior to January 1, 2023 pursuant to Section 5(a)(ii) above, the Committee shall certify the extent to which the performance conditions set forth in Appendix A have been met and determine the number of earned PSUs. Any such earned PSUs will vest and become payable on the applicable Vesting Date. As soon as practicable after the applicable Vesting Date (and in any event within 30 days), the Company shall cause to be issued to Participant Shares with respect to any such vested PSUs, provided that Participant was employed by the Company or an Affiliate on the Vesting Date (unless otherwise provided in Section 5(a) above). Notwithstanding the foregoing, the Committee has the sole discretion to make downward adjustments to the award amount determined pursuant to Appendix A, including an adjustment such that no Shares are issued to Participant, regardless of the fulfillment of the performance vesting conditions set forth in Appendix A. Shares issued pursuant to this Section 6 shall be fully paid and non-assessable. Participant will not have any of the rights or privileges of a shareholder of the Company in respect of any Shares subject to the PSUs unless and until such Shares have been issued to Participant.

7. Change in Control.

In the event of a Change in Control, the treatment of the PSUs will be governed by the terms of the Plan.

8. Responsibility for Taxes.

Participant acknowledges that, regardless of any action taken by the Company or, if different, Participant's employer (the "Employer"), the ultimate liability for all income tax, social insurance, payroll tax, fringe benefits tax, payment on account or other tax-related items related to Participant's participation in the Plan and legally applicable to Participant ("Tax-Related Items") is and remains Participant's responsibility and may exceed the amount (if any) actually withheld by the Company or the Employer. Participant further acknowledges that the Company and the Employer (i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the PSUs; and (ii) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the PSUs to reduce or eliminate Participant's liability for Tax-Related Items or achieve any particular tax result. Further, if Participant is subject to Tax-Related Items in more than one jurisdiction, Participant acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

To satisfy any withholding obligations of the Company and/or the Employer with respect to Tax-Related Items (other than U.S. Federal Insurance Contribution Act taxes or other Tax-Related Items which become payable in a year prior to the year in which the Shares are issued pursuant to the RSUs, and other than Tax-Related Items due on Dividend Equivalents), the Company will withhold Shares otherwise issuable upon settlement of the PSUs. Alternatively, or in addition, in connection with any applicable taxable or tax withholding event, Participant authorizes the Company and/or the Employer, or their respective agents, at their discretion, to satisfy their obligations (if any) with regard to all Tax-Related Items by one or a combination of the following:

(a) withholding from Participant's wages or other cash compensation payable to Participant by the Company or the Employer;

(b) withholding from proceeds of the sale of Shares acquired upon settlement of the PSUs either through a voluntary sale or through a mandatory sale arranged by the Company (on Participant's behalf pursuant to this authorization without further consent);

(c) requiring Participant to tender a cash payment to the Company or an Affiliate in the amount of the Tax-Related Items; and/or

(d) any other method of withholding determined by the Company to be permitted under the Plan and, to the extent required by applicable law or under the Plan, approved by the Committee;

provided, however, that if Participant is a Section 16 officer of the Company under the Act, the withholding methods described in this Section 8(a) through (d) will only be used if the Committee (as constituted to satisfy Rule 16b-3 of the Act) determines, in advance of the applicable withholding event, that one such withholding method will be used in lieu of withholding Shares.

The Company may withhold for Tax-Related Items by considering minimum statutory withholding rates or other withholding rates, including maximum withholding rates applicable in Participant's jurisdiction(s). In the event of over-withholding, Participant may receive a refund of any over-withheld amount in cash (with no entitlement to the equivalent amount in Shares) from the Company or the Employer; otherwise, Participant may be able to seek a refund from the local tax authority. In the event of under-withholding, Participant may be required to pay any additional Tax-Related Items directly to the applicable tax authority. If the obligation for Tax-Related Items is satisfied by withholding Shares, for tax purposes, Participant is deemed to have been issued the full number of Shares subject to the vested portion of the PSUs, notwithstanding that a number of the Shares are held back solely for the purpose of paying the Tax-Related Items. The Company may refuse to issue or deliver the Shares or the proceeds of the sale of Shares, if Participant fails to comply with his or her obligations in connection with the Tax-Related Items.

9. Nature of Grant.

In accepting the PSUs, Participant acknowledges, understands and agrees that:

(a) the Plan is established voluntarily by the Company, it is discretionary in nature and it may be amended, altered or discontinued by the Company at any time, to the extent permitted by the Plan;

(b) the grant of the PSUs is voluntary and occasional and does not create any contractual or other right to receive future grants of performance stock units, or benefits in lieu of performance stock units, even if performance stock units have been granted in the past;

(c) all decisions with respect to future performance stock unit grants, if any, will be at the sole discretion of the Company;

(d) Participant is voluntarily participating in the Plan;

(e) the PSUs and the Shares subject to the PSUs, and the income and value of same, are not intended to replace any pension rights or compensation;

(f) the PSUs and the Shares subject to the PSUs, and the income and value of same, are not part of normal or expected compensation or salary for any purpose, including, but not limited to, calculating any severance, resignation, termination, redundancy, dismissal, end of service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments;

(g) unless otherwise agreed with the Company, the PSUs and the Shares subject to the PSUs, and the income and value of same, are not granted as consideration for, or in connection with, services Participant may provide as a director of an Affiliate;

(h) the PSU grant and Participant's participation in the Plan will not create a right to employment or be interpreted as forming or amending an employment or service contract with the Company, the Employer or any Affiliate and will not interfere with the ability of the Company, the Employer or any Affiliate, as applicable, to terminate Participant’s employment or service relationship (if any);

(i) the future value of the underlying Shares is unknown, indeterminable and cannot be predicted with certainty;

(j) no claim or entitlement to compensation or damages shall arise from forfeiture of the PSUs resulting from Participant ceasing to provide employment or other services to the Company or the Employer (for any reason whatsoever, whether or not later found to be invalid or in breach of employment laws in the jurisdiction where Participant is employed or the terms of Participant's employment agreement, if any) or from cancellation of the PSUs or recoupment of any financial gain resulting from the PSUs as described in Section 15 below;

(k) for purposes of the PSUs, Participant’s employment or other service relationship will be considered terminated as of the date Participant is no longer actively providing services to the Company or one of its Affiliates (regardless of the reason for such termination and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where Participant is employed or the terms of Participant's employment agreement, if any), and, unless otherwise expressly provided in this Award Agreement or determined by the Company, Participant’s right to vest in the PSUs under the Plan, if any, will terminate as of such date, or will be measured with reference to such date in the case of a termination described in Section 5(a) above, and will not be extended by any notice period (e.g., Participant’s period of active service would not include any contractual notice period or any period of “garden leave” or similar period mandated under employment laws in the jurisdiction where Participant is employed or the terms of Participant's employment agreement, if any); the Committee shall have the exclusive discretion to determine when Participant is no longer actively providing services for purposes of the PSUs (including whether Participant may still be considered to be providing services while on a leave of absence);

(l) unless otherwise provided in the Plan or by the Company, in its discretion, the PSUs and the benefits evidenced by this Award Agreement do not create any entitlement to have the PSUs or any such benefits transferred to, or assumed by another company nor to be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the Shares; and

(m) neither the Company, nor the Employer nor any Affiliate will be liable for any foreign exchange rate fluctuation between Participant’s local currency and the United States Dollar that may affect the value of the PSUs or of any amounts due to Participant pursuant to the settlement of the PSUs or the subsequent sale of any Shares acquired upon settlement.

10. No Advice Regarding Grant.

The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding Participant’s participation in the Plan or his or her acquisition or sale of the underlying Shares. *Participant should consult with his or her own personal tax, legal and financial advisors regarding Participant’s participation in the Plan before taking any action related to the Plan.*

11. *Data Privacy*.

(a) Data Collection and Usage. The Company and the Employer may collect, process and use certain personal information about Participant, including, but not limited to, Participant’s name, home address and telephone number, email address, date of birth, social insurance number, passport or other identification number, salary, nationality, job title, any shares or directorships held in the Company,

details of all PSUs granted under the Plan or any other entitlement to shares awarded, canceled, exercised, vested, unvested or outstanding in Participant's favor ("Data"), for the purposes of implementing, administering and managing the Plan. The Company, with its registered address at Block D, Iveagh Court, Harcourt Road, Dublin 2, Ireland, acts as the data controller in respect of such Data. The legal basis, where required, for the processing of Data is Participant's consent.

(b) <u>Stock Plan Administration Service Providers</u>. The Company transfers Data to UBS, Broadridge Output Solutions, Inc., Cognizant Worldwide Limited, DG3, HCL Technologies Limited, Iron Mountain, and Solium Capital, which assist the Company with the implementation, administration and management of the Plan. In the future, the Company may select different service providers and share Data with such other providers serving in a similar manner. Participant may be asked to acknowledge or (where applicable) agree to separate terms and data processing practices with the service providers, with such agreement (where applicable) being a condition to the ability to participate in the Plan.

(c) <u>International Data Transfers</u>. The Company and its service providers are based in the United States. Participant's country or jurisdiction may have different data privacy laws and protections than the United States. The legal basis, where required, for the transfer of Data is Participant's consent.

(d) <u>Data Retention</u>. The Company will hold and use Data only as long as is necessary to implement, administer and manage Participant's participation in the Plan, or as required to comply with legal or regulatory obligations, including under tax, exchange control, labor and securities laws. This may extend beyond Participant's period of employment with the Company or the Employer.

(e) <u>Data Subject Rights</u>. Participant may have a number of rights under the data privacy laws in his or her jurisdiction. Depending on where Participant is based, such rights may include the right to (i) request access or copies of Data the Company processes, (ii) rectification of incorrect Data, (iii) deletion of Data, (iv) restrictions on processing of Data, (v) portability of Data, (vi) lodge complaints with competent authorities in Participant's jurisdiction, and/or (vii) receive a list with the names and addresses of any potential recipients of Data. To receive clarification regarding these rights or to exercise these rights, Participant understands that he or she can contact <u>Dataprivacy@Allegion.com</u>.

(f) <u>Declaration of Consent</u>. By accepting this award of PSUs and indicating consent via the Company's online acceptance procedure, Participant is declaring that he or she agrees with the data processing practices described herein and consents to the collection, processing and use of Data by the Company and the transfer of Data to the recipients mentioned herein, including recipients located in countries which may not have a similar level of protection from the perspective of the data protection laws in Participant's country.

Participation in the Plan is voluntary and Participant is providing the consents described herein on a purely voluntary basis. If Participant does not consent, or if Participant later seeks to revoke his or her consent, Participant's salary from or employment and career with the Employer will not be affected; the only consequence of refusing or withdrawing consent is that the Company would not be able to grant PSUs under the Plan to Participant or administer or maintain Participant's participation in the Plan.

12. <u>Electronic Delivery and Participation</u>.

The Company may, in its sole discretion, decide to deliver any documents related to participation in the Plan by electronic means or to request Participant's consent to participate in the Plan by electronic means. Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

13. Insider Trading/Market Abuse Laws.

Participant may be subject to insider trading restrictions and/or market abuse laws in applicable jurisdictions including, but not limited to, the United States and Participant's country of residence, which may affect Participant's ability to accept, acquire, sell or otherwise dispose of Shares or rights to Shares (*e.g.*, PSUs) or rights linked to the value of Shares under the Plan during such times as Participant is considered to have "inside information" regarding the Company (as defined by the laws in Participant's country). Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under the Company's insider trading policy.

14. Imposition of Other Requirements.

This grant is subject to, and limited by, all applicable laws and regulations and to such approvals by any governmental agencies or national securities exchanges as may be required. Participant agrees that the Company shall have unilateral authority to amend the Plan and this Award Agreement without Participant's consent to the extent necessary to comply with securities or other laws applicable to the issuance of Shares. The Company reserves the right to impose other requirements on Participant's participation in the Plan, on the PSUs and on any Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable for legal or administrative reasons, and to require Participant to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

15. Recoupment Provision.

In the event that Participant commits fraud or engages in intentional misconduct that results in a need for the Company to restate its financial statements, then the Committee may direct the Company to (i) cancel any outstanding portion of the PSUs and (ii) recover all or a portion of the financial gain realized by Participant through the PSUs. Further, Participant agrees that the PSUs and any financial gain realized by Participant through the PSUs shall be subject to forfeiture and/or repayment to the Company to the extent required to comply with any applicable laws or the rules and regulations of the securities exchange or inter-dealer quotation system on which the Shares are listed or quoted, including, without limitation, pursuant to Section 954 of the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.

16. Choice of Law and Venue.

The PSU grant and the provisions of this Award Agreement shall be governed by and construed in accordance with the laws of the State of Delaware without regard to such state's conflict of laws or provisions, as provided in the Plan. For purposes of litigating any dispute that arises under this grant or this Award Agreement, the parties hereby submit to and consent to the jurisdiction of the State of Delaware and agree that such litigation shall be conducted in the courts of New Castle County, Delaware, or the federal courts for the United States for the District of Delaware, where this grant is made and/or to be performed.

17. Code Section 409A.

To the extent Participant is subject to U.S. federal income tax (a "U.S. Taxpayer"), the PSUs are intended to be exempt from, or otherwise comply with, the requirements of Section 409A of the Code. Accordingly, all provisions included in this Award Agreement, or incorporated by reference, will be interpreted and administered in accordance with that intent. If any provision of the Plan or this Award

Agreement would otherwise conflict with or frustrate this intent, that provision will be interpreted and deemed amended or limited so as to avoid the conflict. However, the Company makes no representation that the PSUs are exempt from or compliant with Section 409A of the Code and makes no undertaking to preclude Section 409A from applying to the PSUs. In no event shall the Committee or Board (or any member thereof), or the Company (or its employees, officers, directors or Affiliates) have any liability to Participant or to any other party if the PSUs or payment of the PSUs that is intended to be exempt from or compliant with Section 409A of the Code is not so exempt or compliant or for any action taken by the Committee with respect thereto.

18. Severability.

The provisions of this Award Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

19. Waiver.

Participant acknowledges that a waiver by the Company of breach of any provision of this Award Agreement shall not operate or be construed as a waiver of any other provision of this Award Agreement, or of any subsequent breach by Participant or any other participant in the Plan.

20. Acknowledgement of Availability of Plan Prospectus.

Participant acknowledges that he or she has been provided with access to a copy of the Plan prospectus and Plan document, links to both of which are available below:

[EMBED LINK TO PLAN PROSPECTUS] [EMBED LINK TO PLAN DOCUMENT]

Paper copies of the Plan prospectus and Plan document are also available upon request from the Company's stock administration department, at the contact information provided on the cover page of the Plan prospectus.

21. Acknowledgement & Acceptance within 120 Days.

This grant is subject to acceptance, within 120 days of the Grant Date, by electronic acceptance through the website of UBS, the Company's stock plan administrator. **Failure to accept the PSUs within 120 days of the Grant Date may result in cancellation of the PSUs**.

Signed for and on behalf of the Company:

_____*/s/David Petratis*______________
David D. Petratis
Chairman and Chief Executive Officer
Allegion plc

This document constitutes part of a prospectus covering securities that have been registered under the U.S. Securities Act of 1933.

Appendix A
to

Allegion plc
Incentive Stock Plan of 2013

Performance Stock Unit Award Agreement

Performance Conditions

[*****]

Exhibit 31.1

CERTIFICATION

I, David D. Petratis, certify that:

1. I have reviewed the Quarterly Report on Form 10-Q of Allegion plc for the three months ended March 31, 2021;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: April 22, 2021

/s/ David D. Petratis

David D. Petratis

Principal Executive Officer

Exhibit 31.2

CERTIFICATION

I, Patrick S. Shannon, certify that:

1. I have reviewed the Quarterly Report on Form 10-Q of Allegion plc for the three months ended March 31, 2021;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 22, 2021

/s/ Patrick S. Shannon
Patrick S. Shannon
Principal Financial Officer

Exhibit 32.1

Section 1350 Certifications
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), each of the undersigned officers of Allegion plc (the Company), does hereby certify that:

The Quarterly Report on Form 10-Q for the three months ended March 31, 2021 (the Form 10-Q) of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ David D. Petratis
David D. Petratis
Principal Executive Officer
April 22, 2021

/s/ Patrick S. Shannon
Patrick S. Shannon
Principal Financial Officer
April 22, 2021