Allegion plc

Annual Report
Financial year ended 31 December 2020

Allegion plc

TABLE OF CONTENTS

Directors' report for the financial year ended 31 December 2020

The directors present their report and audited Consolidated Financial Statements for the financial year ended 31 December 2020.

Principal Activities

Allegion plc (the "Parent Company"), through its subsidiaries (together with Allegion plc, referred as "Allegion," "we," "us," the "Group," or the "Company"), is a leading global provider of security products and solutions that keep people and assets safe and secure in the places where they reside, work and thrive. We create peace of mind by pioneering safety and security with a vision of seamless access and a safer world. Seamless access allows authorised, automated and safe passage and movement through spaces and places in the most efficient and frictionless manner possible. Central to our vision is partnering and developing ecosystems to create a flawless experience and enable an uninterrupted and secure flow of people and assets. We offer an extensive and versatile portfolio of mechanical and electronic security products and solutions across a range of market-leading brands. Our experts across the globe deliver high-quality security products, services and systems, and we use our deep expertise to serve as trusted partners to end-users who seek customised solutions to their security needs.

Allegion Principal Products

Door closers and controls	Doors and door systems
Electronic security products	Electronic, biometric and mobile access control systems
Exit devices	Locks, locksets, portable locks, key systems and services
Time, attendance and workforce productivity systems	Other accessories

Access control security products and solutions are critical elements in every building and home. Many door openings are configured to maximise a room's particular form and function while also meeting local and national building and safety code requirements and end-user security needs. Most buildings have multiple door openings, each serving its own purpose and requiring different specific access-control solutions. Each door must fit exactly within its frame, be prepared precisely for its hinges, synchronise with its specific lockset and corresponding latch and align with a specific key to secure the door. Moreover, with the increasing adoption of the Internet of Things ("IoT"), security products – including keys – are increasingly linked electronically, integrated into software and popular consumer technology platforms and controlled with mobile applications, creating additional functionality and complexity. Seamless access capitalises on the ability for multiple products and brands to work in tandem, allowing people and assets to move efficiently and safely by adapting access rights for various settings or use cases. These solutions can also provide insights on usage and traffic patterns to improve hygiene of high-traffic areas, boost efficiency and improve visitor, staff and tenant experiences.

We believe our ability to deliver a wide range of solutions that can be custom configured to meet end-users' security needs is a key driver of our success. We accomplish this with:

- Our extensive and versatile product portfolio, combined with our deep expertise, which enables us to deliver the right products and solutions to meet diverse security and functional specifications and to successfully and securely integrate into leading technology and systems;
- Our consultative approach and expertise, which enables us to develop the most efficient and appropriate building security and access-control specifications to fulfil the unique needs of our end-users and their partners, including architects, contractors, homebuilders and engineers;
- Our access to and management of key channels in the market, which is critical to delivering our products in an efficient and consistent manner; and
- Our enterprise excellence capabilities, including our global manufacturing operations and agile supply chain, which facilitate our ability to deliver specific product and system configurations to end-users and consumers worldwide, quickly and efficiently.

We believe the security products industry will benefit from several global macroeconomic trends, including:

- Expected growth in global electronic products as end-users adopt newer technologies in their facilities and homes;
- Heightened awareness of security and privacy requirements;
- Increased focus on touchless solutions that help promote a healthy environment; and
- The shift to a digital, interconnected environment.

We sell a wide range of security and access control 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®. We believe LCN, Schlage and Von Duprin hold the No. 1 position in their primary product categories in North America while CISA, Interflex and SimonsVoss hold the No. 1 or No. 2 position in their primary product categories in certain European markets.

During the year ended 31 December 2020, we generated Turnover of $2,719.9 million and Operating profit of $402.8 million. During the year ended 31 December 2019, we generated Turnover of $2,854.0 million and Operating profit of $563.3 million.

History and Developments

We were incorporated in Ireland on 9 May 2013, to hold the commercial and residential security businesses of what was then Ingersoll Rand plc ("Ingersoll Rand"). On 1 December 2013, we became a stand-alone public company after Ingersoll Rand completed the separation of these businesses from the rest of Ingersoll Rand via the transfer of these businesses from Ingersoll Rand to us and the issuance by us of ordinary shares directly to Ingersoll Rand's shareholders (the "Spin-off"). Our security businesses have long and distinguished operating histories. Several of our brands were established nearly 100 years ago, and many originally created their categories:

- Von Duprin, established in 1908, was awarded the first exit device patent;
- Schlage, established in 1920, was awarded the first patents granted for the cylindrical lock and the push button lock;
- LCN, established in 1926, created the first door closer;
- CISA, established in 1926, devised the first electronically controlled lock; and
- SimonsVoss, established in 1995, created the first keyless digital transponder.

We have built upon these founding legacies since our entry into the security products market through the acquisition of Schlage, Von Duprin and LCN in 1974. Today, we continue to develop and introduce innovative and market-leading products. For example, in 2018, we announced the formation of Allegion Ventures, a corporate venture fund that invests in and helps accelerate the growth of companies that have innovative technologies and products such as touchless access and workspace monitoring solutions that complement our core business solutions. Since its formation, Allegion Ventures has invested nearly $15 million in several early-stage companies that share our pioneering vision and seek to find smart and innovative solutions that help keep people and assets safe and secure in the places where they reside, work and thrive.

Recent examples of successful product launches by Allegion are illustrated in the table below:

Product	Brands	Year	Innovation
Residential Locks, Cylinders and Levers	Schlage, Gainsborough, CISA	2018/2019/2020	Next-generation Schlage smart locks include the first WiFi enabled deadbolt to work with Key by Amazon and Ring devices with built-in connectivity (Schlage Encode); Z-wave smart deadbolt and Zigbee-certified model compatible with Amazon Key and Ring devices (Schlage Connect); fire-rated smart lock for Australia and New Zealand paired with a mobile app (Schlage Omnia Breeze) for convenient access and security that meets current fire and accessibility requirements. Next generation Gainsborough Freestyle Trilock features three-in-one functionality: passage, privacy or dead lock mode; and can be operated using the built-in keypad, a key override or through the mobile app. In conjunction with the optional WiFi bridge, the lock can be programmed and operated from anywhere in the world. First CISA motorised lock solution for high security connected smart doors (Domo Connexa), manageable in proximity and remotely using a mobile app.
Commercial Locks, Cylinders, Levers and Electronic Access Platforms	Schlage, SimonsVoss, CISA	2018/2019/2020	Enhancements to our comprehensive portfolio of globally available mechanical, wired electrified and wireless electronic solutions provide a common aesthetic and consistent user experience throughout a building; firmware releases added functionality and USB communication mode for readers (Schlage). Mobile-enabled versions of locks, readers and controllers (Schlage NDE, LE, MTB and CTE), mobile credentials, Bluetooth Low Energy and RFID technology and integrations between electronic locks and exit devices (Schlage, CISA). SimonsVoss offers new option for wireless online connections to a virtual network (SmartHandle AX, SmartIntego) and a retrofit, no-drill locking option for lockers and furniture in schools, hospitals and industry facilities that integrates into the existing SimonsVoss digital eco-system for offline and online access (SmartLocker). Expanded radio network technology to include European frequency band 868MHz and 920MHz technology. Mortice self-locking system with a mono-point motorised lock variant (CISA) and new platformed, modular replacement of cylindrical locks (Schlage ALX).

Exit Devices and Closers	Von Duprin, Falcon, LCN, CISA	2018/2019/ 2020	Award-winning and cost-effective retrofit exit device that allows for remote undogging and monitoring with partner software (Von Duprin); new fire-rated retrofit series (Falcon); and quiet exit solutions (Von Duprin). Range of touchless solutions, including automatic operators, actuators and wireless transmitters (LCN) and a range of asymmetric rack-and-pinion door closers and an entry-level, high-efficiency option (CISA).
Doors and Door Systems	TGP, AD Systems	2019	First to the market surface mounted, top-hung single-leaf, sliding flush wood doors that achieve a 45-minute UL 10B fire rating (FireSlide). Fire-rated and impact safety-rated glass doors with a heat resistive perimeter frame, which features nearly colorless transitions between adjoining pieces of low-iron glass, eliminating the need for coloured internal glass unit spacers or vertical frame mullions (Fireframes ClearView).
Bike Lighting and Portable Locking Solutions	AXA, Kryptonite, Trelock	2018/2019	Innovation in bike safety including rechargeable lights and expanded lines of folding locks from each of our Global Portable Security brands (AXA, Kryptonite, Trelock); and ergonomic cable and chain locks and expanded track-and-trace services (AXA).
Software, Mobile and Web Applications	Allegion (Overtur, ENGAGE), Schlage, Gainsborough, Interflex, ISONAS	2018/2019/ 2020	Cloud-based suite of tools for project teams to collaborate on specifications and the security design of doors and openings (Overtur). Multiple enhancements to the user experience include simplified account and site set-up and gateway site survey (ENGAGE) and mobile apps for iOS and Android phones (Schlage, CISA, Gainsborough) to lock, unlock, issue mobile keys and status check. Schlage Mobile Student ID allows university students, faculty and staff to add student ID cards to their Apple Wallet or Google Pay for door access, payments, attendance tracking and ticketing. Visitor management modules and managed service featuring a cloud-based solution of time recording (Interflex); cloud-hosted access control platform with real time events, alerting and user-initiated door control (ISONAS).

Recent Developments

COVID-19 Pandemic

In March 2020, a global pandemic was declared by the World Health Organisation ("WHO") related to COVID-19. The impacts of the COVID-19 pandemic negatively affected the global economy, disrupted supply chains and created significant volatility and disruption in financial markets. The outbreak and spread of COVID-19 also resulted in a substantial curtailment of business activities worldwide, including the major geographic markets we serve. 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 stay-at-home orders, travel restrictions and quarantines. These measures, as well as changes in employee health and safety concerns and consumer spending patterns, trends and preferences, have led to widespread business closures and lower demand for our products, with the most pronounced negative impacts of these measures on our results of operations occurring during the second quarter of 2020. Further, changes in commercial real estate occupancy, constraints on government and institutional budgets and the uncertain business climate have led to declines and delays in new construction activity and discretionary projects, including in many of the commercial and institutional construction markets we serve.

As the pandemic and resulting economic challenges have adversely impacted, and will likely continue to adversely impact us, we continue to closely monitor their effects on all aspects of our business and the markets in which we operate. Throughout the pandemic, our primary focus has been, and continues to be, the health and safety of employees, our business continuity plan, meeting the evolving needs of our customers and the well-being of the many communities around the world in which we operate. During the early months of the pandemic, we experienced temporary production shut-downs due either to government mandate or to help ensure employee safety, most notably in Italy and the Baja region of Mexico. However, the vast majority of our manufacturing facilities have remained open and operational throughout 2020, in part due to the numerous health and safety measures we adopted to promote the health and safety of our workforce and because many of our global operations have been deemed essential businesses. All of our global production and assembly facilities were operational as of 31 December 2020, 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.

We remain focused on business continuity and ensuring our facilities remain operational where safe and appropriate to do so. We will also continue to serve our customers when needed through our channel partners or inventory on hand. To the extent any additional temporary closures or adjustments to production are necessary, such measures will be implemented in a way that allows us to resume operations in an efficient and safe manner, while also minimising disruption to customers and our overall business, including prudent measures to mitigate, to the extent possible, any financial impacts, although any additional local orders or decrees resulting in new temporary shut-downs will drive further unfavourable impacts to our operations, ability to serve our customers and potentially, our financial position and liquidity. The pandemic will likely continue to impact us in numerous and evolving ways that we may not be able to accurately predict; however, we will continue to closely monitor its 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.

Additionally, as a response to the COVID-19 pandemic, on 27 March 2020, the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act") was enacted and signed into law, which included measures to assist companies in response to the COVID-19 pandemic. One measure allowed companies to defer the remittance of the employer portion of the social security tax through 31 December 2020, with half the amount deferred required to be paid by 31 December 2021, and the other half by 31 December 2022. Through 31 December 2020, we have elected to defer approximately $13 million under this provision, which is classified in Provisions for liabilities within our Consolidated Balance Sheet. A second measure of the CARES Act raised the limit on business interest deductions from 30% to 50% of adjusted taxable income for tax years 2019 and 2020. This increased interest limitation resulted in approximately $20 million of reduced cash tax payments in 2020. Each of these two measures has resulted in a benefit to our cash flows from operations for the year ended 31 December 2020; however, neither measure is expected to materially impact our effective tax rate, and no income tax effects have been recorded during the year ended 31 December 2020.

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 Principal Risks.

Review of Business Segments

We operate in and report financial results for three segments: Americas, Europe, Middle East and Africa ("EMEA") and Asia Pacific. Beginning in the second quarter of 2020, results for the Company's India operations have been included within the Asia Pacific segment results, due to an operational change. This change did not result in a material impact to Segment results of operations for either the EMEA or Asia Pacific segment. These segments represent the level at which our chief operating decision maker reviews company financial performance and makes operating decisions.

Segment operating profit (loss) 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 profit (loss) 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 profit (loss) 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 profit (loss) as a percentage of the segment's turnover. The segment discussions that follow describe the significant factors contributing to the changes in results for each segment included in the Profit for the financial year. Segment operating profit (loss) excludes Other operating expenses as disclosed in Note 5 to the Consolidated Financial Statements. Our business segments are as follows:

Americas

Our Americas segment is a leading provider of security products and solutions in approximately 30 countries 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.

Segment results for the years ended 31 December were as follows:

In millions ($)	2020	2019	% Change
Turnover	2,016.7	2,114.5	(4.6)%
Segment operating profit	580.2	611.6	(5.1)%
Segment operating margin	28.8 %	28.9 %	

Turnover

Turnover for the year ended 31 December 2020, decreased by 4.6%, or $97.8 million, compared to the same period in 2019, due to the following:

Pricing	1.1 %
Volume	(5.3)%
Divestitures	(0.4)%
Total	(4.6)%

The decrease in Turnover was principally driven by lower volumes due to the economic challenges stemming from the ongoing COVID-19 pandemic, as well as the impact of the divestiture of our Colombia business in 2019. These decreases were partially offset by improved pricing. Turnover from residential products for the year ended 31 December 2020, increased mid-single digits compared to the same period in the prior year, primarily driven by higher volumes. Turnover from non-residential products for the year ended 31 December 2020, decreased high single digits compared to the prior year, primarily driven by lower volumes. As a result of the COVID-19 pandemic, there have been changes in commercial real estate occupancy, constraints on government and institutional budgets and an overall uncertain business climate, which have led to declines and delays in new construction activity and discretionary projects in the non-residential construction markets we serve. These challenges are expected to continue in 2021, but the long-term impacts of the pandemic and related market disruption are not yet known.

Additionally, as end-users have continued to adopt newer technologies in their facilities and homes, accelerated by the increasing adoption of IoT, growth in electronic security products and solutions has become an increased metric monitored by management and of focus to our investors. For the year ended 31 December 2020, Turnover from the sale of electronic products in the Americas segment decreased mid-single digits compared to the same period in the prior year, primarily driven by lower volumes due to delays in discretionary projects. Electronic products include all electrified product categories including, but not limited to, electronic locks, access controls and electrified exit devices.

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.

Segment operating profit/margin

Segment operating profit for the year ended 31 December 2020, decreased $31.4 million, and Segment operating margin decreased to 28.8% from 28.9% compared to the same period in 2019, due to the following:

In millions ($)	**Operating profit**	**Operating margin**
31 December 2019	611.6	28.9 %
Pricing and productivity in excess of inflation	31.0	1.1 %
Volume / product mix	(64.8)	(1.5)%
Currency exchange rates	5.9	0.3 %
Investment spending	(2.0)	(0.1)%
Divestitures	0.7	0.2 %
Restructuring / acquisition expenses	(2.2)	(0.1)%
31 December 2020	580.2	28.8 %

The decreases in Segment operating profit and Segment operating margin were primarily due to unfavourable volume/ product mix, as well as increased investment spending and year-over-year increases in restructuring and acquisition expenses. These decreases were partially offset by pricing improvements and productivity in excess of inflation, foreign currency exchange rate movements and the impact of the divestiture of our Colombia business in 2019. As a result of the ongoing COVID-19 pandemic, certain of our facilities in the Americas experienced productivity challenges due to temporary closures and lower volume and demand, particularly during the second quarter; however, these productivity decreases were more than offset by reductions in variable compensation and reductions or delays of other business spending.

EMEA

Our EMEA segment provides security products, services and solutions in approximately 80 countries throughout Europe, the Middle East and Africa. 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, Interflex and SimonsVoss. This segment also resells LCN, Schlage and Von Duprin products, primarily in the Middle East.

Segment results for the years ended 31 December were as follows:

In millions ($)	2020	2019	% Change
Turnover	554.6	572.5	(3.1)%
Segment operating profit (loss)	(5.4)	34.3	(115.7)%
Segment operating margin	(1.0)%	6.0 %	

Turnover

Turnover for the year ended 31 December 2020, decreased by 3.1%, or $17.9 million, compared to the same period in 2019, due to the following:

Pricing	0.9 %
Volume	(6.0)%
Divestitures	(0.2)%
Currency exchange rates	2.2 %
Total	(3.1)%

The decrease in Turnover was principally driven by lower volumes due to the economic challenges stemming from the ongoing COVID-19 pandemic, particularly during the second quarter, as well as the divestiture of our Turkey business in 2019. These decreases were partially offset by improved pricing and favourable foreign currency exchange rate movements.

Segment operating profit (loss)/margin

Segment operating profit (loss) for the year ended 31 December 2020, was unfavourable $39.7 million, and Segment operating margin decreased to (1.0)% from 6.0% compared to the same period in 2019, due to the following:

In millions ($)	Operating profit (loss)	Operating margin
31 December 2019	34.3	6.0 %
Pricing and productivity in excess of inflation	15.0	2.6 %
Volume / product mix	(22.4)	(3.8)%
Currency exchange rates	2.8	0.4 %
Investment spending	(0.3)	(0.1)%
Divestitures	(0.1)	— %
Restructuring / acquisition expenses	3.1	0.5 %
Impairment of intangible assets	0.1	— %
Loss on assets held for sale	(37.9)	(6.6)%
31 December 2020	(5.4)	(1.0)%

Segment operating profit (loss) was unfavourable primarily due to the loss on assets held for sale related to our Qatar Metal Industries ("QMI") business, unfavourable volume/product mix and, to a lesser extent, increased investment spending and the impact of the divestiture of our Turkey business in 2019. These decreases were partially offset by pricing improvements and productivity in excess of inflation, foreign currency exchange rate movements, year-over-year decreases in restructuring and acquisition expenses and intangible asset impairment charges. Certain of our facilities in EMEA did experience productivity challenges as a result of the COVID-19 pandemic due to temporary closures and lower volume and demand, particularly during the second quarter in Italy; however, this was more than offset by the benefits of certain government incentives and reductions in variable compensation and other business spending. Pricing and productivity in excess of inflation also includes the impact of a $5.1 million environmental remediation charge incurred during the fourth quarter of 2020.

Segment operating margin decreased primarily due to the loss on assets held for sale, unfavourable volume/product mix and increased investment spending. These decreases were partially offset by pricing improvements and productivity in excess of inflation, foreign currency exchange rate movements and year-over-year decreases in restructuring and acquisition expenses.

Asia Pacific

Our Asia Pacific segment provides security products, services and solutions in approximately 15 countries throughout the Asia Pacific region. The segment offers end-users a broad range of products, services and solutions including, locks, locksets, portable locks, key systems, door closers, exit devices, electronic products and access control systems. This segment's primary brands are Brio, Briton, FSH, Gainsborough, Legge, Milre and Schlage.

Segment results for the years ended 31 December were as follows:

In millions ($)	2020	2019	% Change
Turnover	148.6	167.0	(11.0)%
Segment operating profit (loss)	(96.7)	0.5	N/M
Segment operating margin	(65.1)%	0.3 %	

"N/M" = not meaningful

Turnover

Turnover for the year ended 31 December 2020, decreased by 11.0%, or $18.4 million, compared to the same period in 2019, due to the following:

Pricing	(0.7)%
Volume	(9.9)%
Currency exchange rates	(0.4)%
Total	(11.0)%

The decrease in Turnover was principally driven by lower volumes in our Korea business, declines attributable to the economic challenges stemming from the ongoing COVID-19 pandemic and weakness in end markets throughout the region. Unfavourable foreign currency exchange rate movements and lower pricing also contributed to the decrease in Turnover during the current year.

Segment operating profit (loss)/margin

Segment operating profit (loss) for the year ended 31 December 2020, was unfavourable $97.2 million, and Segment operating margin decreased to (65.1)% from 0.3% compared to the same period in 2019, due to the following:

In millions ($)	Operating profit (loss)	Operating margin
31 December 2019	0.5	0.3 %
Pricing and productivity in excess of inflation	8.2	4.9 %
Volume / product mix	(7.7)	(4.9)%
Currency exchange rates	(0.1)	(0.1)%
Investment spending	0.8	0.5 %
Restructuring / acquisition expenses	(2.5)	(1.5)%
Impairment of goodwill and intangible assets	(95.9)	(64.3)%
31 December 2020	(96.7)	(65.1)%

The decreases to Segment operating profit (loss) and Segment operating margin were both primarily due to an $88.1 million goodwill impairment charge in the first quarter of 2020 and increased year-over-year intangible asset impairment charges, as well as unfavourable volume/product mix, year-over-year increases in restructuring and acquisition expenses and foreign currency exchange rate movements. These decreases were partially offset by productivity improvements in excess of lower pricing and inflation and decreased investment spending. Pricing and productivity in excess of inflation includes the impact of a $4.0 million gain on the sale of a building within the region during the fourth quarter of 2020.

Consolidated Financial Performance Review

Turnover

Turnover for the year ended 31 December 2020, decreased by 4.7%, or $134.1 million, compared to the same period in 2019, due to the following:

Pricing	1.0 %
Volume	(5.8)%
Divestitures	(0.3)%
Currency exchange rates	0.4 %
Total	(4.7)%

The decrease in Turnover was principally driven by lower volumes across all regions, primarily due to the economic challenges stemming from the ongoing COVID-19 pandemic, particularly during the second quarter of 2020. The decrease was, to a lesser degree, due to the impact of the divestitures of our Colombia and Turkey businesses in 2019, as discussed above. These decreases were slightly offset by improved pricing and the impact of foreign currency exchange rate movements.

Costs of sales

For the year ended 31 December 2020, Cost of sales as a percentage of Turnover increased to 56.7% from 56.1%, due to the following:

Inflation in excess of pricing and productivity	0.2 %
Volume / product mix	0.8 %
Divestitures	(0.1)%
Currency exchange rates	(0.2)%
Restructuring expenses	(0.1)%
Total	0.6 %

Costs of sales as a percentage of Turnover for the year ended 31 December 2020, increased primarily due to the impact of reduced volumes and product mix and, to a lesser extent, inflation in excess of pricing and productivity. Inflation in excess of pricing and productivity was driven by productivity challenges stemming from the temporary closures during the second quarter discussed above; labour inefficiencies, such as increased absenteeism; and, increased costs related to ensuring a safe and healthy work environment in light of the COVID-19 pandemic. These increases were partially offset by certain non-U.S. government incentives, which were included within inflation in excess of pricing and productivity, as well as the impacts of the divestitures discussed above, foreign currency exchange rate movements and a year-over-year decrease in restructuring expenses. The year-over-year decrease in restructuring expenses impacting Costs of sales is due to the prior year restructuring costs related to the closure of our production facility in Turkey in 2019.

Inflation in excess of pricing and productivity includes the impact to Cost of sales from pricing, as defined above, in addition to productivity and inflation. Productivity represents improvements in unit costs of materials and cost reductions related to improvements to our manufacturing design and processes. Inflation includes unit costs for the current period compared to the average actual cost for the prior period, multiplied by current year volumes.

Volume/product mix represents the impact 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 sales.

Distribution costs and Administrative expenses

For the year ended 31 December 2020, Distribution costs and Administrative expenses as a percentage of Turnover decreased to 23.4% from 23.9%, due to the following:

Productivity in excess of inflation	(2.3)%
Volume leverage	1.4 %
Investment spending	0.1 %
Currency exchange rates	(0.1)%
Restructuring / acquisition expenses	0.4 %
Total	(0.5)%

Distribution costs and Administrative expenses as a percentage of Turnover for the year ended 31 December 2020, decreased primarily due to productivity benefits in excess of inflation and foreign currency exchange rate movements. These decreases were partially offset by unfavourable leverage due to lower volumes, increased investment spending and a year-over-year increase in restructuring and acquisition expenses.

Productivity in excess of inflation includes the impact from reductions in distribution and administrative expenses due to productivity projects and current period costs of ongoing distribution and administrative functions compared to the same ongoing expenses in the prior period. Productivity in excess of inflation also reflects the benefits of certain non-U.S. government incentives, reductions in variable compensation and reductions or delays of other business spending in the current year, in response to the COVID-19 pandemic.

Volume leverage represents the contribution margin related to changes in sales volume, excluding the impact of price, productivity, mix and inflation. Expenses related to increased head count for strategic initiatives, new facilities or significant improvements for strategic initiatives and new product development, are captured in Investment spending in the table above.

Operating profit/margin

Operating profit (excluding Other operating expenses, discussed in Note 5 to the Consolidated Financial Statements) for the year ended 31 December 2020, decreased $161.6 million from the same period in 2019, and Operating margin decreased to 14.8% from 19.8%, due to the following:

In millions ($)	Operating profit	Operating margin
31 December 2019	565.1	19.8 %
Pricing and productivity in excess of inflation	66.7	2.1 %
Volume / product mix	(94.9)	(2.3)%
Currency exchange rates	8.6	0.2 %
Investment spending	(2.1)	(0.1)%
Divestitures	0.6	0.1 %
Restructuring / acquisition expenses	(6.8)	(0.3)%
Impairment of goodwill and intangible assets	(95.8)	(3.4)%
Loss on assets held for sale	(37.9)	(1.3)%
31 December 2020	403.5	14.8 %

The decreases in Operating profit and Operating margin were largely driven by our current year goodwill and intangible asset impairment charges and loss on assets held for sale related to our QMI business. As a result of the global economic disruption and uncertainty due to the COVID-19 pandemic, we determined a triggering event had occurred as of 31 March 2020, and performed interim impairment testing on the goodwill balances of our EMEA and Asia Pacific reporting units, as well as on certain indefinite-lived trade name assets in these two regions, which resulted in impairment charges totalling $96.3 million. Additional intangible asset impairments of $2.6 million and $2.8 million were recorded in our Asia Pacific segment in the third and fourth quarters of 2020, respectively. Further, as we concluded that the net assets of our QMI business met the criteria to be classified as held for sale as of 31 December 2020, they were written down to fair value, estimated based on expected sales proceeds, less cost to sell, which resulted in a loss of $37.9 million.

The decreases in Operating profit and Operating margin were also attributable to unfavourable volume/product mix, a year-over-year increase in restructuring and acquisition expenses and increased investment spending. These decreases were partially offset by pricing improvements and productivity in excess of inflation, foreign currency exchange rate movements and the impact of the divestitures discussed above.

Interest payable and similar charges

Interest payable and similar charges for the year ended 31 December 2020, decreased $4.9 million compared to 2019, which is due to a lower weighted-average interest rate during the current year on our outstanding indebtedness and a $2.7 million prior year charge for the write-off of previously deferred financing costs related to the Term Facility, which did not recur in the current period.

Loss on divestitures

In 2019, we closed our production facility in Turkey and subsequently sold certain of the production assets thereof, which represented a business, for total proceeds of approximately $4.1 million. We recorded a loss on divestiture of $24.2 million ($25.5 million, net of tax), primarily driven by the reclassification of $25.0 million of accumulated foreign currency translation adjustments to the profit and loss account upon sale. We also sold our interests in our Colombia operations in 2019 for a nominal amount, recording a net loss on divestiture of $5.9 million, of which $1.2 million related to the reclassification of accumulated foreign currency translation adjustments to the profit and loss account upon sale.

Other finance income (expense)

Other finance income (expense) for the year ended 31 December 2020, was favourable $16.6 million compared to the same period in 2019, primarily due to gains of $12.8 million related to the reclassification to the profit and loss account of accumulated foreign currency translation adjustments upon the liquidation of two legal entities in our EMEA region, as well as favourable net periodic pension and postretirement benefit income (cost), less service cost in 2020 compared to 2019.

Tax on profit on ordinary activities

For the year ended 31 December 2020, our effective tax rate was 13.9%, compared to 15.4% for the year ended 31 December 2019. The decrease in the effective tax rate was primarily due to the favourable mix of income earned in lower tax rate jurisdictions, partially offset by the unfavourable tax impact related to goodwill and intangible asset impairment charges and the unfavourable year-over-year change in the amounts recognised for valuation allowances.

Industry and Competition

The global markets we serve encompass institutional, commercial and residential construction and remodelling markets throughout North America, EMEA and Asia Pacific. As end-users continue to adopt newer technologies, including IoT, in their facilities and single and multi-family homes, growth in electronic security products and solutions is expected to outperform growth in mechanical security products and solutions. We also expect the security products industry will continue to benefit from favourable trends such as increased concerns about safety and security, new attention on touchless solutions that help promote a healthy environment and technology-driven innovation that enables seamless access and a better user experience as people and assets traverse multiple locations and facilities.

The security products markets are highly competitive and fragmented throughout the world, with a number of large multi-national companies and thousands of smaller regional and local companies. This high fragmentation primarily reflects local regulatory requirements and highly variable end-user needs. We believe our principal global competitors are Assa Abloy AB and dormakaba Group. We also face competition in various markets and product categories throughout the world, including from Spectrum Brands Holdings, Inc. in the North American residential market. As we move into more technologically advanced product categories, we may also compete against new, more specialised competitors.

Our success depends on a variety of factors, including brand and reputation, product breadth, innovation, integration with popular technology platforms, quality and delivery capabilities, price and service capabilities. As many of our businesses sell through wholesale distribution, our success also depends on building and partnering with a strong channel network. Although price often serves as an important customer decision point, we also compete based on the breadth, innovation and quality of our products and solutions, our ability to custom-configure solutions to meet individual end-user requirements and our global supply chain.

Products and Services

We offer an extensive and versatile portfolio of mechanical and electronic security products and solutions across a range of market-leading brands:

- *Locks, locksets, portable locks and key systems and services*: A broad array of cylindrical and mortise door locksets, security levers and master key systems that are used to protect and control access and a range of portable security products, including bicycle, small vehicle and travel locks. We also offer locksmith services in select locations;
- *Door closers, controls and exit devices*: An extensive portfolio of life-safety products and solutions generally installed on fire doors and facility entrances and exits. Door controls include both mechanical door closers and automatic door operators. Exit devices, also known as panic hardware, provide rapid egress to allow building occupants to exit safely in an emergency;
- *Electronic security products and access control systems*: A broad range of electrified locks, access control systems, key card and reader systems and accessories, including IoT, Bluetooth Low Energy (BLE), Power over Ethernet and cloud-based solutions;
- *Time, attendance and workforce productivity systems*: Products and services designed to help business customers manage and monitor workforce access control parameters, attendance and employee scheduling. We also offer ongoing aftermarket services in addition to design and installation offerings;
- *Doors and door systems*: A portfolio of hollow metal, glass and specialty doors and door systems; and
- *Other accessories*: A variety of additional security and product components, including hinges, door pulls, door stops, bike lights, louvers, weather stripping, thresholds and other accessories, as well as certain bathroom fittings and accessibility aids.

Customers

We sell most of our products and solutions through distribution and retail channels, including specialty distribution, e-commerce and wholesalers. We have built a network of channel partners that help our customers choose the right solution to meet their security needs and help commercial and institutional end-users fulfil and install orders. We also sell through a variety of retail channels, including large do-it-yourself home improvement centres, multiple online and e-commerce platforms, as well as small, specialty showroom outlets. We work with our retail partners on developing marketing and merchandising strategies to maximise their sales per square foot of shelf space. Through our Interflex and API Locksmiths businesses and Global Portable Security brands, we also provide products and services directly to end-users.

Our 10 largest customers represented approximately 24% of our total Turnover in 2020. No single customer represented 10% or more of our total Turnover in 2020.

Sales and Marketing

In markets where we sell through commercial and institutional distribution channels, we employ sales professionals around the world who work with a combination of end-users, security professionals, architects, contractors, engineers and distribution partners to develop specific, custom-configured solutions for our end-users' needs. Our field sales professionals are assisted by specification writers who work with architects, engineers and consultants to help design door openings and security systems to meet end-users' functional, aesthetic and regulatory requirements. Both groups are supported by dedicated customer care and technical sales-support specialists worldwide. We also support our sales efforts with a variety of marketing efforts, including trade-specific advertising, cooperative distributor merchandising, digital marketing and marketing at a variety of industry trade shows.

In markets in which we sell through retail and home-builder distribution channels, we have teams of sales, merchandising and marketing professionals who help drive brand and product awareness through our channel partners and to consumers. We utilise a variety of advertising and marketing strategies, including traditional consumer media, retail merchandising, digital marketing, retail promotions and builder and consumer trade shows, to support these teams.

We also work actively with several industry bodies around the world to help promote effective and consistent safety and security standards. For example, we are members of Builders Hardware Manufacturers Association (BHMA), Construction Specification Institute, Door and Hardware Institute (DHI), FiRa Consortium, Internet of Things Consortium (IoTC), Physical Security Interoperability Alliance (PSIA), Security Industry Association, Security Technology Alliance, ASSOFERMA (Italy), BHE (Germany) and UNIQ (France).

Production and Distribution

We manufacture our products in our geographic markets around the world. We operate 30 principal production and assembly facilities - 15 in Americas, 9 in EMEA and 6 in Asia Pacific. We own 16 of these facilities and lease the others. Our strategy is to produce in the region of use, wherever appropriate, to allow us to be closer to the end-user and increase efficiency and timely product delivery. Much of our U.S. based residential portfolio is manufactured in the Baja region of Mexico under the Maquiladora, Manufacturing and Export Services Industry ("IMMEX") program (formerly known as the maquiladora program). In managing our network of production and assembly facilities, we focus on continuous improvement in customer experience, employee health and safety, productivity, resource utilisation and operational excellence.

We distribute our products through a broad network of channel partners. In addition, third-party manufacturing and logistics providers perform certain manufacturing, storage and distribution services for us to support certain parts of our manufacturing and distribution network.

Raw Materials

We support our region-of-use production strategy with corresponding region-of-use supplier partners, where available. Our global and regional commodity teams work with production leadership, product management and materials management teams to ensure adequate materials are available for production.

We purchase a wide range of raw materials, including steel, zinc, brass and other non-ferrous metals, to support our production facilities. Where appropriate, we may enter into fixed-cost contracts to lower overall costs.

Seasonality

Our business experiences seasonality that varies by product line. Because more construction and do-it-yourself projects occur during the second and third calendar quarters of each year in the Northern Hemisphere, our security product sales related to those projects are typically higher in those quarters than in the first and fourth calendar quarters. However, certain other businesses typically experience higher sales in the fourth calendar quarter due to project timing. In 2020, we experienced lower sales volumes during the second quarter, principally due to the economic challenges stemming from the COVID-19 pandemic, which were most pronounced during this quarter. This is not anticipated to be a long-term trend in the seasonality of our businesses. Turnover by quarter for the years ended 31 December 2020 and 2019, are as follows:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2020	25%	21%	27%	27%
2019	23%	26%	26%	25%

Research and Development

We are committed to investing in our research and development capabilities with a focus on technology innovations that will deliver growth through the introduction of new products and solutions. In addition, we invest in initiatives that continuously drive improvements in product cost, quality, safety and sustainability.

Our research and development team is managed as a global, collaborative group to identify and develop new technologies and worldwide product platforms. We organise our resources regionally to leverage expertise in local standards and configurations for the benefit of our customers. Further, we operate a global technology centre in Bangalore, India, which augments and supports the regional engineering teams.

Intellectual Property

Intellectual property, inclusive of certain patents, trademarks, copyrights, know-how, trade secrets and other proprietary rights, is important to our business. We create, protect and enforce our intellectual property investments in a variety of ways. We work actively in the U.S. and internationally to try to ensure the protection and enforcement of our intellectual property rights. We use trademarks on nearly all of our products and believe such distinctive marks are an important factor in creating a market for our goods, in identifying us and in distinguishing our products from others. We consider our CISA, Interflex, LCN, Schlage, SimonsVoss, Von Duprin and other associated trademarks to be among our most valuable assets, and we have registered these trademarks in a number of countries. Although certain proprietary intellectual property rights are important to our success, we do not believe we are materially dependent on any particular patent or license, or any particular group of patents or licenses.

Facilities

We operate through a broad network of sales offices, engineering centres, 30 principal production and assembly facilities and several distribution centres throughout the world. Our active properties represent approximately 6.3 million square feet, of which approximately 37% is leased. We own 16 of our production and assembly facilities, with the remainder under long-term lease arrangements. We believe that our plants have been well maintained, are generally in good condition and are suitable for the conduct of our business. The following table shows the location of our principal worldwide production and assembly facilities:

Production and Assembly Facilities

Americas	EMEA	Asia Pacific
Blue Ash, Ohio	Clamecy, France	Auckland, New Zealand
Boulder, Colorado	Durchhausen, Germany	Brooklyn, Australia
Chino, California	Faenza, Italy	Bucheon, South Korea
Ensenada, Mexico	Feuquieres, France	Jinshan, China
Everett, Washington	Monsampolo, Italy	Melbourne, Australia
Indianapolis, Indiana	Osterfeld, Germany	Sydney, Australia
Irving, Texas	Renchen, Germany	
McKenzie, Tennessee	Veenendaal, Netherlands	
Mississauga, Ontario	Zawiercie, Poland	
Perrysburg, Ohio		
Princeton, Illinois		
Security, Colorado		
Snoqualmie, Washington		
Tecate, Mexico		
Tijuana, Mexico		

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 from our operating activities and to access our borrowing facilities (including unused availability under our Revolving Facility) and capital markets.

Throughout 2020, we have closely monitored the developments related to the COVID-19 pandemic, including the resulting uncertainties around customer demand, supply chain disruption, the availability and cost of materials, customer and supplier financial condition, levels of liquidity and our ongoing compliance with debt covenants. While our business and results of operations have been negatively impacted by the pandemic and the resulting global economic slowdown, we have no required principal payments on our long-term debt until September 2022, maintain cash at bank and in hand of $480.4 million and have unused availability of $485.0 million under our Revolving Facility as of 31 December 2020. Further, our business operates with low capital intensity, providing financial flexibility during this time of continued uncertainty. We believe that our actions taken to date, 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 to maintain a sound financial position and liquidity, will provide adequate resources to fund our operating and financing needs.

The following table reflects the major categories of cash flows for the years ended 31 December. For additional details, please see the Consolidated Statements of Cash Flows in the Consolidated Financial Statements.

In millions ($)	2020	2019
Net cash provided by operating activities	490.3	488.2
Net cash used in investing activities	(56.7)	(77.6)
Net cash used in financing activities	(321.9)	(342.2)

Operating activities

Net cash provided by operating activities for the year ended 31 December 2020, increased $2.1 million compared to 2019. As discussed above, Net cash provided by operating activities for the year ended 31 December 2020, included benefits totalling approximately $30 million due to measures included in the CARES Act.

Investing activities

Net cash used in investing activities for the year ended 31 December 2020, decreased $20.9 million compared to 2019, primarily due to a decrease in capital expenditures.

Financing activities

Net cash used in financing activities for the year ended 31 December 2020, decreased $20.3 million compared to 2019. The year over-year reductions in debt repayments and cash used to repurchase shares of $17.7 million and $17.2 million, respectively, were partially offset by a year-over-year increase in dividend payments to ordinary shareholders of $16.7 million.

Capitalisation

At 31 December, long-term debt and other borrowings consisted of the following:

In millions ($)	**2020**	**2019**
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	0.6	0.7
Total borrowings outstanding	1,439.4	1,439.5
Less discounts and debt issuance costs, net	(9.8)	(11.8)
Total debt	1,429.6	1,427.7
Less current portion of long-term debt	0.2	0.1
Total long-term debt	1,429.4	1,427.6

As of 31 December 2020, 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, 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 12 September 2022.

At inception, the Term Facility was scheduled to amortise in quarterly instalments at the following rates: 1.25% per quarter starting 31 December 2017 through 31 December 2020, 2.5% per quarter from 31 March 2021 through 30 June 2022, with the balance due on 12 September 2022. Principal amounts repaid on the Term Facility may not be reborrowed. During the third quarter of 2019, we made a $400.0 million principal payment to partially pay down the outstanding Term Facility balance. As a result of this payment, we have satisfied our obligation to make quarterly instalments on the Term Facility up to the maturity date, with the remaining outstanding balance due on 12 September 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 31 December 2020, there were no borrowings outstanding on the Revolving Facility, and we had $15.0 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 London Interbank Offered Rate (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 31 December 2020, outstanding borrowings under the Credit Facilities accrue interest at LIBOR plus a margin of 1.250%, resulting in an interest rate of 1.51%.

As of 31 December 2020, 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 1 April and 1 October of each year, and will mature on 1 October 2024, 1 October 2027, and 1 October 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 31 December 2020, we have analysed 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. None of our defined benefit pension plans have experienced a significant impact on their liquidity due to volatility in the markets. For further details on pension plan activity, see Note 29 to the Consolidated Financial Statements.

Contractual Obligations

The following table summarises our contractual cash obligations by required payment periods:

In millions ($)	2021	2022-2023	2024-2025	Thereafter	Total
Long-term debt (including current maturities)	0.2	239.1	400.1	800.0	1,439.4
Interest payments on long-term debt	45.6	85.4	66.0	77.3	274.3
Purchase obligations	462.5	—	—	—	462.5
Operating leases	30.4	38.2	16.8	19.5	104.9
Total contractual cash obligations	538.7	362.7	482.9	896.8	2,281.1

Future interest payments on variable rate long-term debt are estimated based on the rate in effect as of 31 December 2020. As the timing and amounts of our future expected obligations under our defined benefit plans, income taxes, environmental and product liability matters are uncertain, they have not been included in the contractual cash obligations table above, but rather, are discussed below:

Defined Benefit Pension and Postretirement ("OPEB") Plans

At 31 December 2020, we had net pension liabilities of $20.2 million, which consist of plan assets of $796.9 million and benefit obligations of $817.1 million. It is our objective to contribute to our pension plans in order to ensure adequate funds are available in the plans to make benefit payments to plan participants and beneficiaries when required. At 31 December 2020, the funded status of our qualified pension plan for U.S. employees increased to 98.7% from 93.5% at 31 December 2019. The funded status for our non-U.S. pension plans increased to 101.8% at 31 December 2020 from 101.1% at 31 December 2019. The funded status for all of our pension plans at 31 December 2020 increased to 97.5% from 95.3% at 31 December 2019. We currently project that approximately $11.4 million will be contributed to our plans worldwide in 2021.

At 31 December 2020, we also had OPEB obligations of $5.2 million. We fund OPEB costs principally on a pay-as-you-go basis as medical costs are incurred by covered retiree populations. Benefit payments, which are net of expected plan participant contributions and Medicare Part D subsidies, are not expected to be material in 2021. See Note 29 to the Consolidated Financial Statements for additional information related to our pension and OPEB obligations.

Income Taxes

At 31 December 2020, we have total unrecognised tax benefits for uncertain tax positions of $41.2 million and $7.6 million of related accrued interest and penalties, net of tax. These liabilities have been excluded from the preceding table as we are unable to reasonably estimate the amount and period in which these liabilities might be paid. See Note 12 to the Consolidated Financial Statements for additional information regarding matters relating to income taxes, including unrecognised tax benefits and tax authority disputes.

Contingent Liabilities

We are involved in various litigation, claims and administrative proceedings, including those related to environmental, asbestos-related and product liability matters. We believe that these liabilities are subject to the uncertainties inherent in estimating future costs for contingent liabilities and will likely be resolved over an extended period of time. See Note 32 to the Consolidated Financial Statements for additional information.

Foreign Currency Exposures

We have operations throughout the world that manufacture and sell products in various international markets. As a result, we are exposed to movements in exchange rates of various currencies against the U.S. dollar as well as against other currencies throughout the world. We actively manage material currency exposures that are associated with purchases and sales and other assets and liabilities at the legal entity level; however, we do not hedge currency translation risk. We attempt to hedge exposures that cannot be naturally offset to an insignificant amount with foreign currency derivatives. Derivative instruments utilised by us in our hedging activities are viewed as risk management tools, involve little complexity and are not used for trading or speculative purposes. To minimise the risk of counter party non-performance, derivative instrument agreements are made only through major financial institutions with significant experience in such derivative instruments.

We evaluate our exposure to changes in currency exchange rates on our foreign currency derivatives using a sensitivity analysis. The sensitivity analysis is a measurement of the potential loss in fair value based on a percentage change in exchange rates. Based on the firmly committed currency derivative instruments in place at 31 December 2020, a hypothetical change in fair value of those derivative instruments assuming a 10% adverse change in exchange rates would result in an additional unrealised loss of approximately $16.9 million. This amount, when realised, would be partially offset by changes in the fair value of the underlying transactions.

Commodity Price Exposures

We are exposed to volatility in the prices of commodities used in some of our products and we use fixed price contracts to manage this exposure. We do not have committed commodity derivative instruments in place at 31 December 2020.

Interest Rate Exposure

Outstanding borrowings under our 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 31 December 2020, the outstanding borrowings of $238.8 million under the Term Facility accrue interest at LIBOR plus a margin of 1.250%. We are also exposed to the risk of rising interest rates to the extent that we fund our operations with short-term or variable-rate borrowings, as we currently have unused availability of $485.0 million under our Revolving Facility as of 31 December 2020. If LIBOR or other applicable base rates of our Credit Facilities increase in the future, our Interest payable and similar charges could increase.

Critical Accounting Policies

The Company prepares its Consolidated Financial Statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") as defined in Section 279 (1) of the Companies Act 2014 (the "2014 Act"). This requires management to use judgement 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, revenues 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. If updated information or actual amounts are different from previous estimates, the revisions are included in our results for the period in which they become known.

The following is a summary of certain accounting estimates and assumptions made by management that we consider critical in understanding the judgements that are involved in the preparation of the Consolidated Financial Statements and the uncertainties that could impact the results of operations, financial position and cash flows. These Consolidated Financial Statements were prepared in accordance with Irish Company Law, to present to shareholders and file with the Companies Registration Office in Ireland. Accordingly, these Consolidated Financial Statements include presentation and disclosures required by Ireland's 2014 Act in addition to those disclosures required under U.S. GAAP.

Goodwill

Goodwill is tested annually during the fourth quarter for impairment or when there is a significant change in events or circumstances that indicate the fair value of a reporting unit is more likely than not less than its carrying amount. Recoverability of goodwill is measured at the reporting unit level and starts with a comparison of the carrying amount of a reporting unit to its estimated fair value. If the estimated fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is not impaired. To the extent that the carrying value of a reporting unit exceeds its estimated fair value, a goodwill impairment charge will be recognised for the amount by which the carrying value of the reporting unit exceeds its fair value, not to exceed the carrying amount of the reporting unit's goodwill.

As quoted market prices are not available for our reporting units, the calculation of their estimated fair values is based on two valuation techniques, a discounted cash flow model (income approach) and a market multiple of earnings (market approach), with each method being weighted in the calculation. The income approach relies on the Company's estimates of revenue growth rates, terminal growth rates, margin assumptions and discount rates to estimate future cash flows and explicitly addresses factors such as timing, with due consideration given to forecasting risk. The market approach requires determining an appropriate peer group, which is utilised to derive estimated fair values of our reporting units based on selected market multiples. The market approach reflects the market's expectations for future growth and risk, with adjustments to account for differences between the selected peer group companies and the subject reporting units.

As a result of the global economic disruption and uncertainty due to the COVID-19 pandemic, we concluded a triggering event had occurred as of 31 March 2020, and accordingly, performed interim impairment testing on the goodwill balances of our EMEA and Asia Pacific reporting units. Given the high degree of market volatility and lack of reliable market data that existed as of 31 March 2020, we determined a discounted cash flow model (income approach) provided the best approximation of fair value of the EMEA and Asia Pacific reporting units for the purpose of performing these interim tests. This was a change in estimate, as historically our determination of reporting unit fair values has been estimated based on both an income and a market approach, as discussed above, with each method being weighted in the calculation. The results of the interim impairment testing indicated the estimated fair value of the Asia Pacific reporting unit was less than its carrying value, and consequently, a goodwill impairment charge of $88.1 million was recorded.

As markets stabilised throughout the year, we reverted to utilising both an income and market approach while performing our annual impairment test in the fourth quarter. The estimated fair values for each of our reporting units exceeded their carrying values by more than 20% for the annual 2020 goodwill impairment test, completed in the fourth quarter. Assessing the fair value of our reporting units includes, among other things, making key assumptions for estimating future cash flows and appropriate market multiples. These assumptions are subject to a high degree of judgement and complexity. We make every effort to estimate future cash flows as accurately as possible with the information available at the time the forecast is developed. However, changes in assumptions and estimates may affect the estimated fair value of the reporting unit and could result in impairment charges in future periods. Factors that have the potential to create variances in the estimated fair value of the reporting unit include, but are not limited to, the following:

- Decreases in estimated market sizes or market growth rates due to greater-than-expected declines in volumes, pricing pressures or disruptive technology;
- Declines in our market share and penetration assumptions due to increased competition or an inability to develop or launch new products;
- The impacts of market volatility, including greater-than-expected declines in pricing, reductions in volumes or fluctuations in foreign exchange rates;
- The level of success of on-going and future research and development efforts, including those related to acquisitions, and increases in the research and development costs necessary to obtain regulatory approvals and launch new products;
- Increases in the price or decreases in the availability of key commodities and the impact of higher energy prices; and
- Increases in our market-participant risk-adjusted weighted-average cost of capital.

Indefinite-lived intangible assets

Similar to goodwill, indefinite-lived intangible assets are tested annually during the fourth quarter for impairment or when there is a significant change in events or circumstances that indicate the fair value of the asset is more likely than not less than its carrying amount. Recoverability of indefinite-lived intangible assets is determined on a relief from royalty methodology, which is based on the implied royalty paid, at an appropriate discount rate, to license the use of an asset rather than owning the asset. The present value of the after-tax cost savings (i.e. royalty relief) indicates the estimated fair value of the asset. Any excess of the carrying value over the estimated fair value is recognised as an impairment loss equal to that excess. During the first quarter of 2020, we concluded the global economic disruption and uncertainty due to the COVID-19 pandemic to be a triggering event. Accordingly, interim impairment tests on certain indefinite-lived trade names were performed as of 31 March 2020. Based on these tests, it was determined that three of our indefinite-lived trade names in the EMEA and Asia Pacific segments were impaired, and impairment charges totalling $8.2 million were recorded.

A significant increase in the discount rate, decrease in the terminal growth rate, decrease in the royalty rate or substantial reductions in future revenue projections could have a negative impact on the estimated fair values of any of our indefinite-lived intangible assets.

Income taxes

We account for income taxes in accordance with ASC Topic 740. Deferred tax assets and liabilities are determined based on temporary differences between financial reporting and tax bases of assets and liabilities, applying enacted tax rates expected to be in effect for the year in which the differences are expected to reverse. We recognise future tax benefits, such as net operating losses and non-U.S. tax credits, to the extent that realising these benefits is considered in our judgement to be more likely than not. We regularly review the recoverability of our deferred tax assets considering our historic profitability, projected future taxable income, timing of the reversals of existing temporary differences and the feasibility of our tax planning strategies. Where appropriate, we record a valuation allowance with respect to future tax benefits.

The provision for income taxes involves a significant amount of management judgment regarding interpretation of relevant facts and laws in the jurisdictions in which we operate. Future changes in applicable laws, projected levels of taxable income and tax planning could change the effective tax rate and tax balances recorded by us. In addition, tax authorities periodically review income tax returns filed by us and can raise issues regarding our filing positions, timing and amount of income or deductions and the allocation of income among the jurisdictions in which we operate. A significant period of time may elapse between the filing of an income tax return and the ultimate resolution of an issue raised by a revenue authority with respect to that return. We believe that we have adequately provided for any reasonably foreseeable resolution of these matters. We will adjust our estimates if significant events so dictate. To the extent that the ultimate results differ from our original or adjusted estimates, the effect will be recorded in the provision for income taxes in the period that the matter is finally resolved.

Defined benefit plans

We provide several U.S. and non-U.S. defined benefit pension plan benefits to eligible employees and retirees. Our 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. Determining the costs associated with such plans is dependent on various actuarial assumptions including discount rates, expected return on plan assets, employee mortality and turnover rates. Actuarial valuations are performed to determine the expense in accordance with U.S. GAAP. Actual results may differ from the actuarial assumptions and are generally recorded to Other reserves and amortised into the Consolidated Profit and Loss Account over future periods.

We review our actuarial assumptions at each measurement date and make modifications to the assumptions as appropriate. The discount rate and expected return on plan assets are determined as of each measurement date. Discount rates for all plans are established using hypothetical yield curves based on the yields of corporate bonds rated AA quality. Spot rates are developed from the yield curve and used to discount future benefit payments. The expected return on plan assets reflects the average rate of returns expected on the funds invested or to be invested to provide for the benefits included in the projected benefit obligation. The expected return on plan assets is based on what is achievable given the plan's investment policy, the types of assets held and the target asset allocation. We believe the assumptions utilised in recording our defined benefit obligations are reasonable based on input from our actuaries, outside investment advisors and information as to assumptions used by plan sponsors.

Changes in any of the assumptions can have an impact on the net periodic pension benefit cost. An estimated 0.25% rate decline in the discount rate would increase net periodic pension benefit cost by approximately $1.1 million in 2021, while a 0.25% rate decline in the estimated return on assets would increase net periodic pension benefit cost by approximately $1.9 million.

Business combinations

The fair value of consideration paid in a business combination is allocated to the tangible and identifiable intangible assets acquired, liabilities assumed and goodwill. Acquired intangible assets primarily include indefinite-lived trade names, customer relationships and completed technologies. The accounting for business combinations involves a considerable amount of judgement and estimation, including the fair value of acquired intangible assets involving projections of future revenues and cash flows that are either discounted at an estimated discount rate or measured at an estimated royalty rate; fair value of other acquired assets and assumed liabilities, including potential contingencies; and the useful lives of the acquired assets. The assumptions used to determine the fair value of acquired intangible assets include projections developed using internal forecasts, available industry and market data, estimates of long-term growth rates, profitability, customer attrition and royalty rates, which are determined at the time of acquisition. An income approach or market approach (or both) is utilised in accordance with accepted valuation models for each acquired intangible asset to determine fair value. The impact of prior or future business combinations on our financial condition or results of operations may be materially impacted by the change in or initial selection of assumptions and estimates.

Principal Risks

The following are certain risk factors that could materially and adversely affect our business, financial condition, results of operations, and cash flows. These risk factors are not intended to be exhaustive and should be taken into consideration together with all other information contained in this report.

Strategic and Operational Risks

Our normal business operations have been, and are expected to continue to be, adversely impacted by the global COVID-19 pandemic.

The COVID-19 outbreak, which was declared by the WHO as a pandemic in March 2020, and preventative measures taken to contain or mitigate this pandemic have caused, and are continuing to cause, business slowdowns or shutdowns in various regions around the world. This pandemic has also caused, and may continue to cause, disruption to our global supply chain and business operations, in addition to the various effects noted elsewhere within the Principal Risks section of the Consolidated Financial Statements. Actions taken to help limit the spread of COVID-19, such as general public health decrees or other government mandates to restrict business activities and travel, avoid large gatherings or to self-quarantine, have impacted and will likely continue to impact our ability to carry out business as usual, including the temporary suspension of some of our operations, shortages in materials, reduction in customer demand, increased absenteeism, costs associated with operational changes and an extended period of remote work arrangements for some of our employees which could increase cybersecurity risks and other operational risks. Conversely, as governments ease their restrictions and social interactions increase prior to the development and distribution of an effective vaccine or treatments for COVID-19, preventative and precautionary measures may not be sufficient to mitigate the risk of increased infection and could result in increased illness among our employees, business partners and others, and lead to further business interruption. In addition, a significant number of our customers, suppliers, vendors and other business partners have been adversely affected by the COVID-19 pandemic. While we cannot predict the impact that this pandemic will continue to have on our customers, suppliers, vendors and other business partners and each of their financial conditions, any material adverse effects on these parties could adversely impact us.

The global economic uncertainty due to this pandemic has also negatively impacted, and may continue to adversely affect, our results of operations and financial condition. For example, this pandemic has led to changes in commercial real estate occupancy, increases in work-from-home arrangements, constraints on government and institutional budgets and an uncertain business climate, which have all contributed to declines and delays in new construction and renovation activity during 2020, including in many of the commercial and institutional construction markets we serve. These challenges may be significant and continue beyond the COVID-19 pandemic, and the rate and sustainability of future growth remains uncertain, as the long-term impacts of the pandemic and related market disruption are not yet known.

Additionally, as a result of the global economic disruption and uncertainty due to the COVID-19 pandemic, interim impairment tests were performed on select goodwill and indefinite-lived trade name assets in the first quarter of 2020, resulting in impairment charges of approximately $96.3 million. If the on-going economic impact of the COVID-19 pandemic proves to be more severe than estimated, the economic recovery takes longer to materialise or does not materialise as strongly as anticipated, this could result in further impairment charges in the future.

Despite our efforts to manage and mitigate these impacts to the Company, their ultimate impact also depends on factors beyond our knowledge or control, including the duration and severity of this pandemic, third-party actions taken to contain its spread and mitigate its public health effects, the development, distribution and acceptance of an effective vaccine and the pace of global economic recovery following containment of the spread. The impact of the COVID-19 pandemic continues to evolve, and its ultimate impact on our business is highly uncertain and difficult to predict. The continued spread of COVID-19 may have further adverse impacts on our business, operations, customer demand, supply chain, cash flow generation, financial position and liquidity and may also exacerbate other risks and uncertainties described in the Consolidated Financial Statements. Further, our management is focused on mitigating the impacts of COVID-19 which has required, and will continue to require, a large investment of time and resources, which may divert attention and resources from other business matters.

Increased competition, including from technological developments, could adversely affect our business.

The markets in which we operate include a large number of participants, including multi-national, regional and small, local companies. We primarily compete on the basis of quality, innovation, expertise, effective channels to market, breadth of product offering and price. We may be unable to effectively compete on all these bases. Further, in a number of our product offerings, we compete with our retail customers and technology partners who use their own private labels. If we are unable to anticipate evolving trends in the market or the timing and scale of our competitors' activities and initiatives, including increased competition from private label brands, the demand for our products and services could be negatively impacted.

In addition, we compete in an industry that is experiencing the convergence of mechanical, electronic and digital products. Technology and innovation play significant roles in the competitive landscape. Our success depends, in part, upon the research, development and implementation of new technologies and products including obtaining, maintaining and enforcing necessary intellectual property protections. Securing and maintaining key partnerships and alliances, recruiting and retaining highly skilled and qualified employee talent and having access to technologies, services, intellectual property and solutions developed by others will play a significant role in our ability to effectively compete. The continual development of new technologies by existing and new competitors, including non-traditional competitors with significant resources, could adversely affect our ability to sustain operating margins and desirable levels of sales volumes. To remain competitive, we must develop new products and respond to new technologies in a timely manner.

Our growth is dependent, in part, on the development, commercialisation and acceptance of new products and services.

We must develop and commercialise new products and services that meet the varied and evolving needs of our customers and end-users in order to remain competitive in our current and future markets and in order to continue to grow our business. The speed of development by our competitors and new market entrants is increasing. We cannot provide any assurance that any new product or service will be successfully commercialised in a timely manner, if ever, or, if commercialised, will result in returns greater than our investment. Investment in a product or service could divert our attention and resources from other projects that become more commercially viable in the market. We also cannot provide any assurance that any new product or service will be accepted by the market.

Changes in customer and consumer preferences and the inability to maintain beneficial relationships with large customers could adversely affect our business.

We have significant customers, particularly major retailers, although no one customer represented 10% or more of our total Turnover in any of the past three fiscal years. The loss or material reduction of business, the lack of success of sales initiatives or changes in customer preferences or loyalties for our products related to any such significant customer could have a material adverse impact on our business. In addition, major customers who are volume purchasers are much larger than us and have strong bargaining power with suppliers. This limits our ability to recover cost increases through higher selling prices. Furthermore, unanticipated inventory adjustments by these customers can have a negative impact on sales.

We also sell our products through various trade channels, including traditional retail and e-commerce channels. If we or our major customers are not successful in navigating the shifting consumer preferences to distribution channels such as e-commerce, our expected future revenues may be negatively impacted.

If our products or solutions fail to meet certification and specification requirements, are defective, or otherwise fall short of end-users' needs and expectations, our business may be negatively impacted.

The security and access control product markets we serve often have unique certification and specification requirements, reflecting local regulatory requirements and highly variable end-user needs. While we strive to meet all certification and specification requirements, if any of our products or solutions do not meet such requirements, or contain, or are perceived to contain, defects or otherwise fall short of end-users' needs and expectations, we may incur significant costs and our business, results of operations or financial condition may be negatively impacted.

Additionally, as end-users have continued to adopt newer technologies in their facilities and homes, accelerated by the increasing adoption of IoT technologies, growth in sales of electronic security products and solutions are expected to outperform growth in sales of mechanical security products. Electronic security products and solutions are increasingly more sophisticated and technologically complex than the mechanical security products we sell, and have an increased risk of design or manufacturing defects, which could lead to product liability claims, recalls, product replacements or modifications, write-offs of inventory or other assets and significant warranty and other expenses. Product quality issues can also adversely affect the end-user experience, resulting in reputational harm, loss of competitive advantage, poor market acceptance, reduced demand for products and solutions, delay in new product and service introductions and lost sales. Further, adverse publicity, whether or not justified, or allegations of product or service quality issues, even if false or unfounded, could damage our reputation and negatively affect our sales.

Our business and innovation strategies include making acquisitions of, and investments in, external companies. These acquisitions and investments could be unsuccessful or consume significant resources, which could adversely affect our operating and financial results.

We will continue to analyse and evaluate the acquisition of strategic businesses or product lines with the potential to strengthen our industry position or enhance our existing set of products and services offerings. We cannot provide assurance that we will identify or successfully complete acquisitions with suitable candidates in the future, nor can we provide assurance that completed acquisitions will be successful, including efficient integration and creation of synergies.

Some of the businesses we may seek to acquire may be marginally profitable or unprofitable. For these businesses to achieve acceptable levels of profitability, we must improve their management, operations, products and market penetration. We may not be successful in this regard, and we may encounter other difficulties in integrating acquired businesses into our existing operations.

Acquisitions may involve significant cash expenditures, debt incurrence, operating losses and expenses. Acquisitions also involve numerous other risks, including:

- Diversion of management's time and attention from daily operations;
- Difficulties integrating acquired businesses, technologies and personnel into our business;
- Difficulties completing the transaction in a timely manner;
- Difficulties realising synergies expected to result from acquisitions;
- Difficulties in obtaining and verifying the financial statements and other business information of acquired businesses;
- Inability to obtain regulatory approvals and/or required financing on favourable terms;
- Potential loss of key employees, key contractual relationships or key customers of acquired companies or of us;
- Difficulties competing in the new markets we enter;
- Assumption of the liabilities and exposure to unforeseen liabilities of acquired companies;
- Dilution of interests of holders of our ordinary shares through the issuance of equity securities or equity-linked securities; and
- Difficulty in integrating financial reporting systems and implementing controls, procedures and policies, including disclosure controls and procedures and internal control over financial reporting, appropriate for public companies of our size at companies that, prior to the acquisition, had lacked such controls, procedures and policies.

Further, as part of our innovation strategy, from time to time we invest in start-up companies and/or development stage technology or other companies. In evaluating these opportunities, we follow a structured evaluation process that considers factors such as potential financial returns, new expertise in emerging technology and business benefits. Despite our best efforts to calculate potential return and risk, some or all of these companies we invest in may be unprofitable at the time of, and subsequent to, our investment. We may lose money in these investments, including the potential for future impairment charges on the investments, and the anticipated benefits of the technology and business relationships may be less than expected.

We continually look to expand our services and products into new international markets, and as we do, we will have only limited experience in marketing and operating services and products in such markets. In some instances, we may rely on the efforts and abilities of third-party and foreign business partners in such markets. Certain international markets may be slower than our established markets in adopting our services and products, and our operations in such markets may not develop at a rate that supports our level of investment. In addition to the risks outlined above, expansion into certain new markets may require us to compete with local businesses with greater knowledge of the market, including the tastes and preferences of end-users and businesses with dominant market shares. Any acquisitions or investments may ultimately not be successful, may harm our business or financial condition and/or result in impairment charges.

We may pursue business opportunities that diverge from our core business.

We may pursue business opportunities that diverge from our core business, including expanding our products or service offerings, investing in new and unproven technologies and forming new alliances with companies to distribute our products and services. We can offer no assurance that any such business opportunities will prove successful. Among other negative effects, our investment in new business opportunities may exceed the returns we realise. Additionally, any new investments could have higher cost structures than our current business, which could reduce operating margins and require more working capital. In the event that working capital requirements exceed operating cash flow, we may be required to draw on our revolving credit facility or pursue other external financing, which may not be readily available.

Our enterprise excellence efforts may not achieve the improvements we expect.

We utilise a number of tools to improve efficiency and productivity. Implementation of new processes to our operations could cause disruptions and may prove to be more difficult, costly or time consuming than expected. There is no assurance that all of our planned enterprise excellence projects will be fully implemented, or if implemented, will realise the expected improvements.

We may not be able to effectively manage and implement restructuring initiatives or other organisational changes.

We have, from time to time, restructured or made other adjustments to our workforce and manufacturing footprint in response to market or product changes, performance issues, changes in strategy, acquisitions and/or other internal and external considerations. For example, we recently announced that effective 1 January 2021, our EMEA and Asia Pacific operating segments would be combined to form the new Allegion International segment. These restructuring activities and other organisational changes often result in increased restructuring costs, diversion of management's time and attention from daily operations and temporarily reduced productivity. If we are unable to successfully manage and implement these and other organisational changes, we may not achieve or sustain the expected growth or cost savings benefits of these activities or do so within the expected timeframe. These effects could recur in connection with future acquisitions and other organisational changes and our Turnover and other results of operations could be negatively affected.

Disruptions in our global supply chain, including product manufacturing and logistical services provided by supplier partners, may negatively impact our business.

Our ability to meet our customers' needs and achieve cost targets depends on our ability to maintain key manufacturing and supply arrangements, including execution of supply chain optimisations and certain sole supplier or sole manufacturing arrangements. The loss or disruption of such manufacturing and supply arrangements could interrupt product supply and, if not effectively managed and remedied, have an adverse impact on our business.

We procure certain products, components and logistical services from supplier partners located throughout the world. Our reliance on these third parties reduces our control over the manufacturing and delivery process, exposing us to risks including reduced control over quality assurance, product costs, product supply and delivery delays. If we are unable to effectively manage these relationships, or if these third parties experience delays, disruptions, capacity constraints, regulatory issues or quality control problems in their operations or otherwise fail to meet our future requirements for timely delivery, our ability to ship and deliver certain of our products to our customers could be impaired and our business could be harmed.

The effects of global climate change or other unexpected events, including global health crises, may disrupt our operations and have a negative impact on our business.

The effects of global climate change, such as extreme weather conditions and natural disasters occurring more frequently or with more intense effects, or the occurrence of unexpected events including wildfires, tornadoes, hurricanes, earthquakes, floods, tsunamis and other severe hazards or global health crises, such as the outbreak of Ebola or the global COVID-19 pandemic, or other actual or threatened epidemic, pandemic, outbreak and spread of a communicable disease or virus, in the countries where we operate or sell products and provide services, could adversely affect our operations and financial performance. Extreme weather, natural disasters, power outages, global health crises or other unexpected events could disrupt our operations by impacting the availability and cost of materials needed for manufacturing, causing physical damage and partial or complete closure of our manufacturing sites or distribution centres, loss of human capital, temporary or long-term disruption in the manufacturing and supply of products and services and disruption in our ability to deliver products and services to customers. These events and disruptions could also adversely affect our customers' and suppliers' financial condition or ability to operate, resulting in reduced customer demand, delays in payments received or supply chain disruptions. Further, these events and disruptions could increase insurance and other operating costs, including impacting our decisions regarding construction of new facilities to select areas less prone to climate change risks and natural disasters, which could result in indirect financial risks passed through the supply chain or other price modifications to our products and services.

In particular, the ultimate extent of the impact of any epidemic, pandemic or other global health crisis on our business, financial condition and results of operations will depend on future developments which are highly uncertain and cannot be predicted, including new information that may emerge concerning the duration and severity of such epidemic, pandemic or other global health crisis, actions taken to contain or prevent their further spread and the pace of global economic recovery following containment of the spread.

We may be subject to risks relating to our information technology and operational technology systems.

We rely extensively on information technology and operational technology systems, networks and services including hardware, software, firmware and technological applications and platforms (collectively, "IT Systems") to manage and operate our business from end-to-end, including ordering and managing materials from suppliers, design and development, manufacturing, marketing, selling and shipping to customers, invoicing and billing, managing our banking and cash liquidity systems, managing our enterprise resource planning and other accounting and financial systems and complying with regulatory, legal and tax requirements. There can be no assurance that our current IT Systems will function properly. We have invested and will continue to invest in improving our IT Systems. Some of these investments are significant and impact many important operational processes and procedures. There is no assurance that any newly implemented IT Systems will improve our current systems, improve our operations or yield the expected returns on the investments. In addition, the implementation of new IT Systems may cause disruptions in our operations and, if not properly implemented and maintained, negatively impact our business. If our IT Systems cease to function properly or if these systems do not provide the anticipated benefits, our ability to manage our operations could be impaired.

We currently rely 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 could negatively impact our business and financial results.

We have outsourced many of the critical elements of our global information and operational technology infrastructure to third-party service providers in order to achieve efficiencies. If such service providers do not perform or do not perform effectively, we may not be able to achieve the expected efficiencies and may have to incur additional costs to address failures in providing service by the service providers. Depending on the function involved, such non-performance, ineffective performance or failures of service may lead to business disruptions, processing inefficiencies or security breaches.

Disruptions or breaches of our information systems could adversely affect us.

Despite our implementation of cybersecurity measures which have focused on prevention, mitigation, resilience and recovery, our network and products, including access solutions, may be vulnerable to cybersecurity attacks, computer viruses, malicious codes, malware, ransomware, phishing, social engineering, denial of service, hacking, break-ins and similar disruptions. Cybersecurity attacks and intrusion efforts are continuous and evolving, and in certain cases they have been successful at the most robust institutions. The scope and severity of risks that cyber threats present have increased dramatically and include, but are not limited to, malicious software, attempts to gain unauthorised access to data or premises, exploiting weaknesses related to vendors or other third parties that could be exploited to attack our systems, denials of service and other electronic security breaches that could lead to disruptions in systems, unauthorised release of confidential or otherwise protected information and corruption of data. Any such event could have a material adverse effect on our business, operating results and financial condition, as we face regulatory, reputational and litigation risks resulting from potential cyber incidents, as well as the potential of incurring significant remediation costs.

Our daily business operations also require us to collect and/or retain sensitive data such as intellectual property, proprietary business information and data related to customers, employees, suppliers and business partners within our networking infrastructure including data from individuals subject to the European Union's General Data Protection Regulation, that is subject to privacy and security laws, regulations and/or customer-imposed controls. Despite our efforts to protect such data, the loss or breach of such data due to various causes including material security breaches, catastrophic events, extreme weather, natural disasters, power outages, system failures, computer viruses, improper data handling, programming errors, unauthorised access and employee error or malfeasance could result in wide reaching negative impacts to our business, and as such, the ongoing maintenance and security of this information is pertinent to the success of our business operations and our strategic goals.

In addition, we operate in an environment where there are different and potentially conflicting data privacy laws and regulations in effect or expected to go into effect in the future, including regulations related to devices connected through IoT, in the various jurisdictions in which we operate, and we must understand and comply with such laws and regulations while ensuring our data is secure.

Our networking infrastructure and related assets may be subject to unauthorised access by hackers, employee error or malfeasance or other unforeseen activities. Such issues could result in the disruption of business processes, network degradation and system downtime, along with the potential that a third party will exploit our critical assets such as intellectual property, proprietary business information and data related to our customers, suppliers and business partners.

To the extent that such disruptions occur and our business continuity plans do not effectively address these disruptions in a timely manner, they may cause delays in the manufacture or shipment of our products and the cancellation of customer orders and, as a result, our business operating results and financial condition could be materially and adversely affected, resulting in a possible loss of business or brand reputation.

Our ability to successfully grow and expand our business depends on our ability to recruit and retain a highly qualified and diverse workforce.

Our ability to successfully grow and expand our business depends on the contributions and abilities of our employees and key management, including, for example, the ability of our sales force to adapt to any changes made in the sales organisation and achieve adequate customer coverage. We must therefore continue to effectively recruit, retain and motivate key management, sales and other highly qualified, skilled and diverse personnel to maintain our current business and support our projected growth. A shortage of these key employees for various reasons, including changes in laws and policies regarding immigration and work authorisations in jurisdictions where we have operations, might jeopardise our ability to grow and expand our business.

Economic, Market and Financial Risks

Our global operations subject us to economic risks.

We are incorporated in Ireland and operate in countries worldwide. Our global operations depend on products manufactured, purchased and sold in the U.S. and internationally, including in Australia, Canada, China, Europe, Korea, Mexico, New Zealand and the Middle East. The political, economic and regulatory environments in which we operate are becoming increasingly volatile and uncertain. Accordingly, we are subject to risks that are inherent in operating globally, including:

- Changes to trade agreements, sanctions, import and export regulations, including imposition of burdensome tariffs and quotas, and customs duties;
- Changes in applicable tax regulations and interpretations;
- Economic downturns and social and political instability;
- Changes in laws and regulations or imposition of currency restrictions and other restraints in various jurisdictions;
- Limitation of ownership rights, including expropriation of assets by a local government, and limitation on the ability to repatriate earnings;
- Sovereign debt crises and currency instability in developed and developing countries;
- Difficulty in staffing and managing global operations;
- Difficulty in enforcing agreements, collecting receivables and protecting assets through non-U.S. legal systems; and
- Political unrest, national and international conflict, including war, border closures, civil disturbances and terrorist acts.

These risks could increase our cost of doing business in the U.S. and internationally, increase our counterparty risk, disrupt our operations, disrupt the ability of suppliers and customers to fulfil their obligations, increase our effective tax rate, increase the cost of our products, limit our ability to sell products in certain markets, reduce our operating margin, reduce cash flow and negatively impact our ability to compete.

Our business relies on the institutional, commercial and residential construction and remodeling markets.

Demand for our security products and solutions relies on the institutional, commercial and residential construction and remodeling markets, which are marked by cyclicality based on overall economic conditions, including consumer confidence and disposable income, corporate and government spending, work-from-home trends, availability of credit and demand for new housing and infrastructure. Weakness or instability in one or more of these markets may cause current and potential customers to delay or cancel major capital projects, or otherwise choose not to make purchases, which could negatively impact the demand for our products and solutions and erode average selling prices.

Currency exchange rate fluctuations may adversely affect our results.

We are exposed to a variety of market risks, including the effects of changes in currency exchange rates. Refer to the Foreign Currency Exposures section of the Directors' Report above for further details.

Approximately 30% of our 2020 Turnover was derived outside the U.S., and we expect sales to non-U.S. customers to continue to represent a significant portion of our consolidated Turnover. Although we may enter into currency exchange contracts to reduce our risk related to currency exchange fluctuations, changes in the relative fair values of currencies occur from time to time and may, in some instances, have a material impact on our results of operations. We do not hedge against all of our currency exposure and therefore, our business will continue to be susceptible to currency fluctuations.

We also translate assets, liabilities, revenues and expenses denominated in non-U.S. dollar currencies into U.S. dollars for our Consolidated Financial Statements based on applicable exchange rates. Consequently, fluctuations in the value of the U.S. dollar compared to other currencies may have a material impact on the value of these items in our Consolidated Financial Statements, even if their value has not changed in their original currency.

Commodity shortages, price increases and higher energy prices could negatively affect our financial results.

We rely on suppliers to secure commodities, including steel, zinc, brass and other non-ferrous metals, required for the manufacture of our products. A disruption of deliveries from our suppliers or decreased availability of commodities could have an adverse effect on our ability to meet our commitments to customers or increase our operating costs. We believe that available sources of supply will generally be sufficient for our needs for the foreseeable future. Nonetheless, the unavailability of some commodities could have a material adverse impact on our business.

Volatility in the prices of these commodities could increase the costs of our products and services, and we may not be able to pass on these costs to our customers. We do not currently use financial derivatives to hedge against this volatility; however, we utilise firm purchase commitments to mitigate risk. The pricing of some commodities we use is based on market prices. To mitigate this exposure, we may use annual price contracts to minimise the impact of inflation and to benefit from deflation.

Additionally, we are exposed to fluctuations in energy prices due to the instability of current market prices. Higher energy costs increase our operating costs and the cost of shipping our products and supplying services to our customers around the world. Consequently, sharp price increases, the imposition of taxes or an interruption of supply could cause us to lose the ability to effectively manage the risk of rising energy prices and may have an adverse impact on our results of operations and cash flows.

We may be required to recognise impairment charges for our goodwill, indefinite-lived intangible assets and other long-lived assets.

At 31 December 2020, the net carrying value of our goodwill and other indefinite-lived intangible assets totalled approximately $819.0 million and $118.3 million, respectively. Pursuant to U.S. GAAP, we are required to annually assess our goodwill and indefinite-lived intangible assets for impairment. In addition, interim assessments must be performed for these and other long-lived assets whenever events or changes in circumstances indicate that an impairment may have occurred. Significant disruptions to our business or end market conditions, protracted economic weakness, unexpected significant declines in operating results of reporting units, divestitures or market capitalisation declines may result in recognition of impairment charges to our goodwill, indefinite-lived intangible or other long-lived assets. Specifically, an unanticipated deterioration in Turnover and/or operating margins generated by our newly created Allegion International segment could trigger future impairments. Any charges relating to such impairments could have a material adverse impact on our results of operations in the periods when recognised.

The capital and credit markets are important to our business.

Instability in U.S. and global capital and credit markets, including market disruptions, limited liquidity and interest rate volatility or reductions in the credit ratings assigned to us by independent ratings agencies, could reduce our access to capital markets or increase the cost of funding our short and long-term credit requirements. In particular, if we are unable to access capital and credit markets on terms that are acceptable to us, we may not be able to make certain investments or fully execute our business plans and strategy.

Our suppliers and customers are also dependent upon the capital and credit markets. Limitations on the ability of customers, suppliers or financial counterparties to access credit could lead to insolvencies of key suppliers and customers, limit or prevent customers from obtaining credit to finance purchases of our products and services and cause delays in the delivery of key products from suppliers.

There are risks associated with our outstanding and future indebtedness.

We have approximately $1.4 billion of outstanding indebtedness at 31 December 2020. In addition, we have a senior unsecured revolving credit facility (the "Revolving Facility") that permits borrowings of up to an additional $500 million. Volatility in the credit markets could adversely impact our ability to obtain favourable financing terms in the future. A portion of our cash flows from operations is dedicated to servicing our indebtedness and will not be available for other purposes, including our operations, capital expenditures, payment of dividends, share repurchases or future business opportunities.

Our ability to make scheduled payments or to refinance our debt obligations depends on our financial and operating performance, which is subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond our control. If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay capital expenditures, reduce or eliminate the payment of dividends, sell assets, seek additional capital or seek to restructure or refinance our indebtedness. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations. In such event, we could face substantial liquidity problems and might be required to sell material assets or operations to attempt to meet our debt service and other obligations.

Additionally, at 31 December 2020, our borrowings included a variable rate term loan facility indexed to LIBOR (the "Term Facility", and together with the Revolving Facility, the "Credit Facilities") with an outstanding balance of $238.8

million, which exposes us to variable interest rate risk. We are also exposed to the risk of rising interest rates to the extent that we fund our operations with short-term or variable-rate borrowings under our Revolving Facility. If LIBOR or other applicable base rates under our Credit Facilities increase in the future, our Interest payable and similar charges could increase. Additionally, the regulator that oversees LIBOR has announced that it cannot guarantee LIBOR's availability after 2021. In the event LIBOR is discontinued, replaced, significantly changed or ceases to be recognised as an acceptable benchmark, there may be uncertainty or differences in the calculation of our applicable interest rate or required payment amounts for our Credit Facilities. This could also require different hedging strategies and require renegotiation of our existing Credit Facilities. While we do not currently anticipate the transition from LIBOR and the risks thereto to have a material adverse effect on us, it remains uncertain at this time.

Legal and Compliance Risks

We are subject to risks related to corporate social responsibility and reputational matters.

Our reputation and the reputation of our brands, including the perception held by our customers, end-users, business partners, investors, other key stakeholders and the communities in which we do business are influenced by various factors. There is an increased focus from our stakeholders on environmental, social and governance ("ESG") practices and disclosure – and if we fail, or are perceived to have failed, in any number of ESG matters, such as environmental stewardship, inclusion and diversity, workplace conduct and support for local communities, our reputation or the reputation of our brands may suffer. Such damage to our reputation and the reputation of our brands may negatively impact our business, financial condition and results of operations.

In addition, negative or inaccurate postings or comments on social media or networking websites about the Company or our brands could generate adverse publicity that could damage our reputation or the reputation of our brands. If we are unable to effectively manage real or perceived issues, including concerns about product quality, safety, corporate social responsibility or other matters, sentiments toward the Company or our products could be negatively impacted, and our financial results could suffer.

Our brands are important assets of our businesses, and violation of our trademark rights by imitators could negatively impact revenues and brand reputation.

Our brands and trademarks enjoy a reputation for quality and value and are important to our success and competitive position. Unauthorised use of our trademarks may not only erode sales of our products but may also cause significant damage to our brand name and reputation, interfere with relationships with our customers and increase litigation costs. There can be no assurance that our on-going effort to protect our brand and trademark rights will prevent all violations.

Material adverse legal judgements, fines, penalties or settlements could adversely affect our business.

We are currently and may in the future become involved in legal proceedings and disputes incidental to the operation of our business. Our business may be adversely affected by the outcome of these proceedings and other contingencies (including, without limitation, environmental, product liability, antitrust, intellectual property, data protection, privacy and labour and employment matters) that cannot be predicted with certainty. As required by U.S. GAAP, we establish reserves based on our assessment of contingencies. Subsequent developments in legal proceedings and other contingencies may affect our assessment and estimates of the loss contingency recorded as a reserve, and we may be required to make additional material payments.

Allegations that we have infringed the intellectual property rights of third parties could negatively affect us.

We may be subject to claims of infringement of intellectual property rights by third parties. In particular, we often compete in areas having extensive intellectual property rights owned by others and we have become subject to claims alleging infringement of intellectual property rights of others. In general, if it is determined that one or more of our technologies, products or services infringes the intellectual property rights owned by others, we may be required to cease marketing those products or services, to obtain licenses from the holders of the intellectual property at a material cost or to take other actions to avoid infringing such intellectual property rights. The litigation process is costly and subject to inherent uncertainties, and we may not prevail in litigation matters regardless of the merits of our position. Adverse intellectual property litigation or claims of infringement against us may become extremely disruptive if the plaintiffs succeed in blocking the trade of our products and services and may have a material adverse effect on our business.

Our reputation, ability to do business and results of operations could be impaired by adverse publicity or improper conduct by any of our employees, agents or business partners.

We are subject to regulation under a variety of U.S. federal and state and non-U.S. laws, regulations and policies including laws related to anti-corruption, export and import compliance, anti-trust and money laundering due to our global operations. We cannot provide assurance that our internal controls will always protect us from the improper conduct of our employees, agents and business partners. Any improper conduct could damage our reputation and subject us to, among other things, civil and criminal penalties, material fines, equitable remedies (including profit disgorgement and injunctions on future conduct), securities litigation and a general loss of investor confidence.

Our operations are subject to regulatory risks.

Our U.S. and non-U.S. operations are subject to a number of laws and regulations, including fire and building codes and environmental, health and safety standards. We have incurred, and will be required to continue to incur, significant expenditures to comply with these laws and regulations. Changes to, or changes in interpretations of, current laws and regulations could require us to increase our compliance expenditures, cause us to significantly alter or discontinue offering existing products and services or cause us to develop new products and services. Altering current products and services or developing new products and services to comply with changes in the applicable laws and regulations could require significant research and development investments, increase the cost of providing the products and services and adversely affect the demand for our products and services.

In the event a regulatory authority concludes that we are not or have not at all times been in full compliance with these laws or regulations, we could be fined, criminally charged or otherwise sanctioned.

Certain environmental laws assess liability on current or previous owners of real property or operators of manufacturing facilities for the costs of investigation, removal or remediation of hazardous substances or materials at such properties or at properties at which parties have disposed of hazardous substances. Liability for investigative, removal and remedial costs under certain U.S. federal and state laws and certain non-U.S. laws are retroactive, strict and joint and several. In addition to cleanup actions brought by governmental authorities, private parties could bring personal injury or other claims due to the presence of, or exposure to, hazardous substances. We have received notification from U.S. and non-U.S. governmental agencies, including the EPA and similar state environmental agencies, that conditions at a number of current and formerly owned sites where we and others have disposed of hazardous substances require investigation, cleanup and other possible remedial action. These agencies may require that we reimburse the government for its costs incurred at these sites or otherwise pay for the costs of investigation and cleanup of these sites, including by providing compensation for natural resource damage claims from such sites. For more information, see the Non-Financial Statement section of the Directors' Report below.

While we have planned for future capital and operating expenditures to maintain compliance with environmental laws and have accrued for costs related to current remedial efforts, our costs of compliance, or our liabilities arising from past or future releases of, or exposures to, hazardous substances, may exceed our estimates. We may also be subject to additional environmental claims for personal injury or cost recovery actions for remediation of facilities in the future based on our past, present or future business activities.

As a global business, we have a relatively complex tax structure, and there is a risk that tax authorities will disagree with our tax positions.

Since we conduct operations worldwide through our subsidiaries, we are subject to complex transfer pricing regulations in the countries in which we operate. Transfer pricing regulations generally require that, for tax purposes, transactions between us and our affiliates be priced on a basis that would be comparable to an arm's length transaction and that contemporaneous documentation be maintained to support the tax allocation. Although uniform transfer pricing standards are emerging in many of the countries in which we operate, there is still a relatively high degree of uncertainty and inherent subjectivity in complying with these rules. To the extent that any tax authority disagrees with our transfer pricing policies, we could become subject to significant tax liabilities and penalties. Our tax returns are subject to review by taxing authorities in the jurisdictions in which we operate. Although we believe that we have provided for all tax exposures, the ultimate outcome of a tax review could differ materially from our provisions.

We could be subject to changes in tax rates, the adoption of new tax legislation or exposure to additional tax liabilities.

Our future effective tax rate and cash tax obligations could be adversely affected by shifts in our mix of earnings in countries with varying statutory tax rates, changes in the valuation of our deferred tax assets or liabilities or changes in tax laws, regulations, interpretations or accounting principles, as well as certain discrete items. In addition, we are subject to regular review and audit by tax authorities. As a result, we have received, and may in the future receive, assessments in multiple jurisdictions on various tax-related assertions. Any adverse outcome of such a review or audit could have a negative effect on our operating results and financial condition. In addition, the determination of our worldwide provision for income taxes and other tax liabilities requires significant judgement, and there are many transactions and calculations where the ultimate tax determination is uncertain. Although we believe our estimates are reasonable, the ultimate tax outcome may differ from the amounts recorded in our financial statements and may materially affect our financial results in the period or periods for which such determination is made. Furthermore, due to shifting economic and political conditions, tax policies, laws, interpretations and rates in various jurisdictions may be subject to significant change, which could materially affect our financial position and results of operations. For example, many countries in Europe, as well as a number of other countries and organisations, have recently proposed, recommended or implemented changes to existing tax laws or have enacted new laws that could significantly increase our effective tax rate or cash tax obligations in countries where we do business or require us to change the manner in which we operate our business.

Risks Related to Our Incorporation in Ireland

Irish law differs from the laws in effect in the United States and may afford less protection to holders of our securities.

The U.S. currently does not have a treaty with Ireland providing for the reciprocal recognition and enforcement of judgements in civil and commercial matters. As such, there is some uncertainty as to whether the courts of Ireland would recognise or enforce judgements of U.S. courts obtained against us or our directors or officers based on U.S. federal or state civil liability laws, including the civil liability provisions of the U.S. federal or state securities laws, or hear actions against us or those persons based on those laws.

As an Irish company, we are governed by the 2014 Act of Ireland, as amended, which differs in some material respects from laws generally applicable to U.S. corporations and shareholders, including, among others, differences relating to interested director and officer transactions and shareholder lawsuits. Likewise, the duties of directors and officers of an Irish company generally are owed to the company only. Shareholders of Irish companies generally do not have a personal right of action against directors or officers of the company and may exercise such rights of action on behalf of the company only in limited circumstances. Accordingly, holders of our securities may have more difficulty protecting their interests than would holders of securities of a corporation incorporated in a jurisdiction of the U.S.

In addition, Irish law allows shareholders to authorise share capital which then can be issued by a board of directors without shareholder approval. Also, subject to specified exceptions, Irish law grants statutory preemptive rights to existing shareholders to subscribe for new issuances of shares for cash. At our annual meeting of shareholders, our shareholders authorised our Board of Directors to issue up to 33% of our issued ordinary shares and further authorised our Board of Directors to issue up to 5% of such shares for cash without first offering them to our existing shareholders. Both of these authorisations will expire after a certain period unless renewed by our shareholders, and we cannot guarantee that the renewal of these authorisations will always be approved. If the directors authority to issue ordinary shares is not renewed, then we may be limited in our ability to use our shares, for example, as consideration for acquisitions.

Changes in tax laws, regulations or treaties, changes in our status under the tax laws of many jurisdictions or adverse determinations by taxing authorities could increase our tax burden or otherwise affect our financial condition or operating results, as well as subject our shareholders to additional taxes.

The realisation of any tax benefit related to our incorporation and tax residence in Ireland could be impacted by changes in tax laws, tax treaties or tax regulations or the interpretation or enforcement thereof by the tax authorities of many jurisdictions. From time to time, proposals have been made and/or legislation introduced to change the tax laws of various jurisdictions or limit tax treaty benefits that if enacted could materially increase our tax burden and/or our effective tax rate. Moreover, other legislative proposals could have a material adverse impact on us by overriding certain tax treaties and limiting the treaty benefits on certain payments, which could increase our tax liability. We cannot predict the outcome of any specific legislation in any jurisdiction.

While we monitor proposals that would materially impact our tax burden and/or our effective tax rate and investigate our options, we could still be subject to increased taxation on a going forward basis no matter what action we undertake if certain proposals are enacted, certain tax treaties are amended and/or our interpretation of applicable tax law is challenged and determined to be incorrect. In particular, any changes and/or differing interpretations of applicable tax law that have the effect of disregarding our incorporation in Ireland, limiting our ability to take advantage of tax treaties between jurisdictions, modifying or eliminating the deductibility of various currently deductible payments or increasing the tax burden of operating or being resident in a particular country, could subject us to increased taxation.

Dividends received by our shareholders may be subject to Irish dividend withholding tax.

In certain circumstances, we are required to deduct Irish dividend withholding tax of 25% from dividends paid to our shareholders. In the majority of cases, shareholders residing in the U.S. will not be subject to Irish withholding tax, and shareholders resident in a number of other countries will not be subject to Irish withholding tax provided that they complete certain Irish dividend withholding tax forms. However, some shareholders may be subject to withholding tax, which could discourage the investment in our stock and adversely impact the price of our shares.

Dividends received by our shareholders may be subject to Irish income tax.

Dividends paid in respect of our shares generally are not subject to Irish income tax where the beneficial owner of these dividends is exempt from Irish dividend withholding tax, unless the beneficial owner of the dividend has some connection with Ireland other than his or her shareholding in Allegion.

Our shareholders who receive their dividends subject to Irish dividend withholding tax will generally have no further liability to Irish income tax on the dividends unless the beneficial owner of the dividend has some connection with Ireland other than his or her shareholding in Allegion.

Certain provisions in our Memorandum and Articles of Association, among other things, could prevent or delay an acquisition of us, which could decrease the trading price of our ordinary shares.

Our Memorandum and Articles of Association contains provisions to deter takeover practices, inadequate takeover bids and unsolicited offers. These provisions include, amongst others:

- A provision of our Articles of Association which generally prohibits us from engaging in a business combination with an interested shareholder (being (i) the beneficial owner, directly or indirectly, of 10% or more of our voting shares or (ii) an affiliate or associate of us that has at any time within the last five years been the beneficial owner, directly or indirectly, of 10% or more of our voting shares), subject to certain exceptions;
- Rules regarding how shareholders may present proposals or nominate directors for election at shareholder meetings;
- The right of our Board of Directors to issue preferred shares without shareholder approval in certain circumstances, subject to applicable law; and
- The ability of our Board of Directors to set the number of directors and to fill vacancies on our Board of Directors.

We believe these provisions will provide some protection to our shareholders from coercive or otherwise unfair takeover tactics. These provisions are not intended to make us immune from takeovers. However, these provisions will apply even if the offer may be considered beneficial by some shareholders and could delay or prevent an acquisition that our Board of Directors determines is in our best interests and our shareholders' best interests. These provisions may also prevent or discourage attempts to remove and replace incumbent directors.

In addition, several mandatory provisions of Irish law could prevent or delay an acquisition of us. For example, Irish law does not permit shareholders of an Irish public limited company to take action by written consent with less than unanimous consent. We also will be subject to various provisions of Irish law relating to mandatory bids, voluntary bids, requirements to make a cash offer and minimum price requirements, as well as substantial acquisition rules and rules requiring the disclosure of interests in our shares in certain circumstances. Also, Irish companies, including us, may alter their Memorandum of Association and Articles of Association only with the approval of at least 75% of the votes of the company's shareholders cast in person or by proxy at a general meeting of the company.

Human Capital

The Company's human capital strategy is foundational to achieving our business strategy and the responsibility of our Senior Vice President – Human Resources and Communications. To ensure we attract and retain top talent, we strive for a diverse and inclusive culture that rewards performance, provides growth and development opportunities and supports employees and their families through competitive compensation, benefits and numerous volunteer and charitable giving opportunities.

As of 31 December 2020, we had approximately 11,500 employees around the world, the vast majority working full time. Our employee base is supplemented by contingent labour where demand fluctuates or we experience short-term needs for specialised skills.

Compensation and Benefits

Compensation and benefit programs are tailored to be competitive in the geographies where we work, including the total package (which varies by country/region) that includes hourly and salaried compensation, performance incentive and equity plans, retirement, insurance and government social welfare programs, disability and family leave, education benefits to pursue degrees and certifications and additional offerings to support financial stability and personal planning. Health and wellness programs are provided globally and contribute to a productive, sustainable workforce by empowering our employees to take personal responsibility for their health, safety and well-being. In addition, we maintain tobacco-free facilities and pursue strategies to incentivise healthy behaviours and outcome-driven rewards. Pay for performance strategies consider not only accomplishments, but how individuals achieve results. The Allegion Leadership Behaviours – be a pioneer, break boundaries, coach, champion change, be courageous and inspire – are used to identify key talent and to train and develop aspiring leaders. They also work in concert with our performance management system to reinforce our values and code of conduct in assessing how people lead and deliver top performance.

Talent Attraction

Talent attraction efforts begin well before people walk in our doors. Around the world, our sites partner with schools and support teachers, providing mentoring, grants, scholarships, internships, co-op programs, classroom technology and on-site activities. Our sites also sponsor science, technology, engineering and math ("STEM") programs and competitions such as robotics and engineering competitions. These programs expose students to careers in manufacturing and technology and provide educators with programming to encourage academic excellence and social development.

Key capabilities have been identified for our long-term corporate business strategy: talent, customer focus, innovation, partnering, pace and agility and collaboration. In recruiting for open positions, we participate in community job fairs and outreach to secondary schools, technical training programs, colleges and universities; promote open positions through internal and external recruiters, on websites and through social media; and encourage Company employees to refer talent.

Talent Development and Succession Planning

Talent development and succession planning at all levels of the organisation are instrumental in ensuring we have the key capabilities to deliver the value proposition expected by our customers and employees. Inclusive succession planning is supported through the Allegion Leadership Behaviours, individual career mapping, assessment of performance and talent pipeline planning up to and including the Chief Executive Officer ("CEO"). On a quarterly basis, the executive team reviews talent development, focusing on developing a diverse succession bench, as part of their quarterly business review and a key component of the Allegion Operating System, our system of annual operation to support governance, reporting processes and management of the business. These cross-functional reviews highlight individuals who are ready for new opportunities, individuals who are on a special assignment or project and individuals early in their career that demonstrate emerging leadership skills.

Learning and Development

Opportunities for on-going learning and development are delivered to employees through structured coursework, on-site and expert-led training and experiential, applied development. The Allegion Academy is offered globally, supporting multiple languages and providing more than 17,000 self-guided online courses, as well as community channels on targeted skills and inclusion and diversity. We offer programs to provide successive levels of development, including reskilling and upskilling existing employees, as well as strengths-based leadership curriculum. Enterprise excellence initiatives and sprint teams expand skills in lean manufacturing and quality principles and lead to redesigning workflow to boost productivity and reduce waste. Employee-led resource and affinity groups provide enrichment opportunities for women's leadership, early-career professionals, creativity and innovation, health and fitness, community volunteering and philanthropy.

Engagement, Inclusion and Diversity

A commitment to engagement, inclusion and diversity is core to the Allegion Operating System. Engagement surveys provide team leaders with insights on potential areas of focus and help them prioritise and take action on their teams' foundational, inclusion, growth and development needs. Strengths-based leadership is an element of our commitment to inclusion: the more employees understand their own strengths, the better equipped they are to add value and appreciate the contributions of diverse members of their teams.

Inclusion and diversity are topics for learning communities, employee roundtables and ongoing, regular analysis and dialogue among our people leaders, executive leadership and our Board of Directors. We believe in fundamental standards that support our employees, including a commitment to building and maintaining diverse and inclusive workplaces, safe and healthy practices and competitive wages and benefits. We embrace all differences and similarities among colleagues and within the relationships we foster with customers, suppliers and the communities where we live and work. Whatever background, experience, race, colour, national origin, religion, age, gender, gender identity, disability status, sexual orientation, protected veteran status or any other characteristic protected by law, we make sure that potential and current employees have every opportunity for application and the opportunity to give their best at work because it's the right thing to do.

We are dedicated to fulfilling equal opportunity commitments in all decisions regarding all employment actions and at all levels of employment. In partnership with the Company's Human Resources organisation, the Company's Equal Employment Opportunity Officer ensures that the applicable policy and procedures are appropriately established, implemented and disseminated, including those prohibiting discrimination, harassment, bullying and/or retaliation.

Civic Involvement

Civic involvement is part of the value proposition we offer employees and supports inclusion, diversity, growth and development. The Company and its employees provide multi-faceted support for our communities, guided by three philanthropic pillars: safety and security; wellness; and addressing the unique needs of the communities where we work, live and thrive. Corporate sponsorships and voluntary employee payroll deductions support a wide range of non-profits, including those that address housing and school security and safety; children and youth programs; education and scholarships for people of colour and those who are economically disadvantaged and support for Historically Black Colleges and Universities; community safety nets for basic needs (e.g., food, shelter, transportation) for underserved people and to break the cycle of poverty; wellness, mental health, health research, emergency relief and blood supply initiatives; and programs to advance equality, justice and address systemic bias. In addition to corporate sponsorships, site leaders and employees are encouraged to organise local volunteer and fundraising activities, provide grants to local organisations and serve on boards and committees. Recognising the growing number of people facing food insecurity in the wake of the COVID-19 pandemic, we supplemented on-going food drives at local sites with a one-time $500,000 gift to support communities in need in the fourth quarter of 2020.

Respect for Human Rights

Our respect for human rights is expressed in standards for our employees, our business partners, our customers and our communities. We have adopted and continue to uphold our Global Human Rights Policy, with standards that align with basic working conditions and human rights concepts advanced by international organisations such as the International Labour Organisation and the United Nations. This policy also represents our own minimum standards for working conditions and human rights in our business and supply chains. In addition, we conduct risk assessments and continue to have conversations with the suppliers and companies we work with about the importance of human rights. For further details on respect for human rights please refer to the Non-Financial Statement section of the Directors' Report below.

Employee Health and Safety

Employee health and safety are top priorities, and we consistently rank as the safest among leading competitors on core measures such as the total recordable incident rate. 'Be safe, be healthy' is a core organisational value in our proactive safety culture and has guided our response to the COVID-19 pandemic throughout 2020. We have adopted numerous health and safety measures in accordance with best-practice safe hygiene guidelines issued by recognised health experts like the U.S. Centers for Disease Control and Prevention ("CDC"), the European Centre for Disease Prevention and Control ("ECDC") and the WHO, as well as any applicable government mandates. These health and safety measures include, but are not limited to:

- Work-from-home arrangements for employees, where possible;
- Continuous safe hygiene education in accordance with evolving guidelines;
- Regular communication updates to leadership and team members;
- Aggressive and regular deep cleaning and disinfecting schedules;
- Social distancing measures, such as signage and physical barriers or reconfigurations of workspaces;
- Reduced density measures, such as staggering work shifts and breaks;
- Mask use requirements and expectations at our facilities;
- Temperature and health screenings prior to entering facilities;
- Increased available supplies for employees, like masks, cleaning solutions, hand sanitisers, thermometers and gloves; and
- Temporary travel, visitor and in-person meeting restrictions.

Senior executives and the CEO have responsibility for risk management, employee accountability and safety hazard recognition and take a personal responsibility toward executing on safety initiatives. The Company monitors leading and lagging indicators related to health and safety as part of its ongoing management of the Allegion Operating System and regularly updates the Corporate Governance and Nominating Committee of the Board of Directors on key accomplishments and employee health and safety topics.

Non-Financial Statement

Introduction

The European Union Regulations 2017 requires the Company to identify and report on our business model and key non-financial matters related to the Company's activities, including information, relevant policies and principal risks with regard to environmental matters, respect for human rights, social and employee matters and bribery and corruption. The non-financial matters discussed below represent such matters.

Overview of business model

Allegion's strategy and vision are built on five growth pillars: expand in core markets; deliver new value in access; be the partner of choice; enterprise excellence; and capital allocation. We believe these pillars will produce expanded opportunities to continually deliver the best experience and value for our customers. For further information, please refer to our website at www.allegion.com under the heading, "About Allegion - Annual Report & More".

We believe our success is a direct reflection of our people and culture. In fact, we believe that our values-driven culture is a formidable competitive advantage - one that should be fostered and protected. Allegion's vision is "seamless access and a safer world," and our purpose is to "create peace of mind by pioneering safety and security".

For an overview of the Company's principal activities, history and developments, and products and brands please refer to Pages 3-5 of the Directors' Report.

Principal risks

Principal risks in relation to the non-financial matters outlined below are covered, if applicable, under the Principal Risks section of the Directors' Report beginning on Page 19.

Environmental, Health, Safety & Sustainability Policy Statement

Allegion is committed to conducting its business in a safe, environmentally responsible, and sustainable manner, in compliance with all applicable environmental, health and safety laws and regulations, and in a manner that helps promote and protect the health and safety of our environment, associates, customers, contractors and members of our local communities worldwide.

Allegion operates with principles that support our proactive commitment, including:

- Integrate sound environmental, health, safety (EHS) and sustainability strategies in all elements of our business functions, including objectives and measurements;
- Conduct periodic, formal evaluation of our compliance status and annual review of objectives and targets;
- Create a workplace culture where everyone at Allegion is responsible for safety:
    - Our managers and supervisors are expected to lead by example to ensure a safe, healthy and environmentally friendly workplace.
    - Our associates are trained and expected to understand the EHS and sustainability issues associated with their jobs and are empowered to report unsafe conditions.
    - Our associates understand they have a duty to protect themselves, their co-workers and the environment. This is accomplished through EHS and sustainability consultation and participation during program development and/or program implementation;
- Make continuous improvements in EHS and sustainability management systems and performance, including the reduction in the usage of natural resources, waste minimisation, prevention of pollution and prevention of workplace accidents, injuries and risks;
- Design, operate and maintain our facilities in a manner that minimises negative EHS and sustainability impacts;
- Use of materials responsibly, including, where feasible, the recycling and reuse of materials; and
- Act in a way that shows sensitivity to community concerns about EHS and sustainability issues.

Allegion recognises that these principles are critical to our future success. As a global leader, we are committed to protecting the health, safety and environment in the communities where we operate.

Environmental, Health, Safety & Sustainability Results

Allegion values the importance of a safer and cleaner world and commits to be a responsible member of our global communities. Key EHS and sustainability achievements in 2020 are as follows:

- 29% year-over-year reduction in the Lost Time Injury Rate (LTIR)*
- 8% year-over-year reduction in water usage*+[1]
- 2% year-over-year reduction in greenhouse gas emissions*+[2]
- 4% year-over-year increase in waste to landfill*+[3]
- 9% year-over-year reduction in Total Recordable Incident Rate (TRIR)*

* Data is normalised to hours worked. To the extent actual hours worked are not available for any full-time employee, an average of 40 hours per week is used.

\+ Actual data collected for manufacturing facilities and certain warehouses globally. For all other facilities, data is based on certain estimates as indicated below. From 1 April through 31 December 2020, a 50% reduction was applied to the below estimates for water usage and waste to landfill in office type locations to take into account the remote work environment during the COVID-19 pandemic.

[1] Assumes an average of 15 gallons (or 57 litres) of water used per employee per workday.

[2] Assumes an average of 2000 BTU of gas usage and and 0.6 Kilowatt-hours of electricity usage per square footage per month for warehouse locations and 2700 BTU of gas usage and 1.5 KwH of electricity usage per square footage per month for office type locations.

[3] Assumes an average of 40 lbs. (18 kilograms) of non-hazardous waste per employee per month.

A number of Allegion manufacturing sites are ISO 14001:2015 and/or OHSAS 18001:2007 certified. We will continue working to achieve certification at appropriate manufacturing sites. To learn more about Allegion's EHS and sustainability efforts - including LEED, Life Cycle Assessment and Environmental Product Declarations - please refer to www.allegion.com under the heading, "About Allegion - Corporate Social Responsibility & ESG".

Respect for human rights

Allegion believes in fundamental standards that support our commitment to our employees, our business partners, our customers and our communities. Safe, healthy workspaces, respect for diversity, and competitive wages and benefits reflect our commitment to increase the enjoyment of human rights. Risk assessments and on-site reviews help Allegion continue to have conversations with the companies we work with about the importance of human rights. Allegion has adopted and continues to uphold the following:

- Global Human Rights Policy - many of the standards set forth in the policy align with basic working conditions and human rights concepts advanced by international organisations such as the International Labour Organisation and the United Nations, but the policy also represents Allegion's own minimum standards for working conditions and human rights.
- Section 54 of the UK Modern Slavery Act 2015, Australian Modern Slavery Act 2018, and the California Supply Chains Act of 2010 (SB 657) require Allegion disclose our efforts to combat slavery and human trafficking and details the steps Allegion has taken to ensure such issues are not taking place in our business and

supply chains. Allegion has chosen to not only apply these standards for the business units under the jurisdiction of the regulations, but also to all wholly owned locations and facilities. To review the full Anti-Human Trafficking Statement, visit Allegion's website at www.allegion.com under the heading, "About Allegion - Corporate Social Responsibility & ESG".

Allegion has provided training to employees and made the information available to vendors working with us to increase awareness on human rights and supply chain transparency. In 2020, training was provided to Allegion's key global suppliers by its third-party partner, through Allegion's compliance activities, to raise awareness on human rights initiatives at the company and engaging suppliers in conversation regarding the topic. Also, in 2020, Allegion conducted privacy trainings to targeted cross-functional groups related to privacy best practices and education of data handlers on internal procedural changes.

Social and employee matters

Allegion is committed to being a good corporate citizen globally as well as creating a positive employee environment. Allegion also strives to be a leader in doing what's right. Our Code of Conduct details Allegion's core values, reinforces our commitment to lawful and ethical conduct and applies to all our officers, employees and directors of the Company. Our code guides our business relationships with customers, suppliers and each other. It also emphasises what's expected of Allegion by shareholders, government regulators and the communities we serve. Allegion is committed to building and maintaining a diverse and inclusive environment. As an equal employment opportunity and affirmative action employer, Allegion is fully committed to its equal employment opportunity stance and will not discriminate based on race, sex, colour, national origin, creed, religion, pregnancy, age, disability, military status, protected veteran status, sexual orientation, gender identity, genetic information, marital status or any legally protected status. We are dedicated to fulfilling this commitment as it relates to all decisions regarding all employment actions at all levels of employment. In partnership with the Company's Human Resources organisation, the Company's Equal Employment Opportunity Officer ensures that the applicable policy and procedures are appropriately established, implemented, and disseminated. For more details, please refer to our website at www.allegion.com under the heading, "Careers - Equal Opportunity Employer".

In 2020, Allegion continued its commitment to building and maintaining a diverse and inclusive environment and continued its stance on prohibiting discrimination, harassment, bullying and/or retaliation via its Global Harassment and Discrimination Policy. In addition, inclusion and diversity are topics for learning communities, employee roundtables, and ongoing, regular analysis and dialogue among our people leaders, executive leadership and our Board. Additionally, policy updates, procedural changes and training continued as part of a multi-phase project targeting all employees to keep promoting compliance with privacy regulations, customer and employee data security, and awareness of rights around data and information. Allegion is honoured to support our global communities, not just with our vision to make the world safer, but also through the passions and service of our people. We empower employees to identify local needs and make a difference through three philanthropic pillars: safety and security, wellness, and supporting communities where we live and thrive. Allegion has also made great strides in supporting our global communities and improving the wellness of our employees during the year; some of our highlights have been outlined on our website at www.allegion.com under the heading, "About Allegion - Corporate Social Responsibility & ESG" and in the website newsroom.

Bribery and corruption

Allegion strives to be a leader in doing what's right. Our Ethics & Compliance Program ("E&C Program") and Code of Conduct details Allegion's core values, reinforces our commitment to lawful and ethical conduct, and applies to all of our officers, employees and directors. Based on a combination of written standards and procedures, regular training, communication and regular monitoring, our E&C Program provides practical application guidance that employees and business partners can understand and follow. Our global team reviews and updates our policies and processes as needed. Every new employee joining Allegion is educated on our Code of Conduct. In addition, all salaried employees are trained throughout the year on topics such as global harassment prevention, conflicts of interest and appropriate gifts and entertainment. During 2020, specific communication content was developed to help raise awareness on ethical culture and compliance topics using a variety of communication methods and continues to be a key element in our 2021 awareness program.

Allegion communicates our Business Partner Code of Conduct, which includes topics such as protection of human rights, data privacy expectations and our stance on anti-corruption practices, to every customer and supplier through our terms and conditions. Our reputation is important, and Allegion holds our partners to the same standards, which includes assessing representative partners before engaging to do business. All employees interacting with external third-party business partners received refresher training on the importance of third-party due diligence and reputational management to continue to emphasise the importance of this step when generating new relationships. The Allegion Ethics Helpline is accessible to all employees, shareholders, customers and any other outside parties in approximately 30 languages. Allegion takes each report seriously and conducts thorough investigations, all while enforcing our strict non-retaliation policy. For more information or inquiries, please contact Allegion's Chief Compliance Officer at ethicsandcompliance@allegion.com or visit our website at www.allegion.com under the heading, "About Allegion - Corporate Social Responsibility & ESG".

Significant Events in 2020 and 2019

Acquisitions

In December 2020, we acquired Yonomi, Inc. ("Yonomi"), a U.S. based smart home integration platform provider and innovation leader in IoT Cloud platforms. Yonomi has been integrated into our Americas segment.

Impairment of Goodwill and Intangible Assets

As a result of the global economic disruption and uncertainty due to the COVID-19 pandemic, we performed interim impairment tests on the goodwill balances of our EMEA and Asia Pacific reporting units, as well as on certain indefinite-lived trade name assets in these two regions, during the first quarter of 2020. As discussed in Note 17 to the Consolidated Financial Statements, the results of these interim impairment tests indicated that the estimated fair value of our Asia Pacific reporting unit and three indefinite-lived trade names were impaired. Consequently, goodwill and intangible asset impairment charges totalling $96.3 million were recorded.

Further impairment charges were recorded in our Asia Pacific segment during the year ended 31 December 2020, including $2.6 million related to supply chain disruptions that reduced a brand's expected future cash flows and $2.8 million related to declines in volumes and pricing pressure for a separate subsidiary in the region.

Loss on Assets Held for Sale

The assets and liabilities of our QMI business met the criteria to be classified as held for sale as of 31 December 2020. Accordingly, QMI's net assets, which primarily included working capital and long-lived assets, were written down to fair value, estimated based on expected sales proceeds, less cost to sell, resulting in a Loss on assets held for sale of $37.9 million.

Turkey and Colombia Divestitures

In 2019, we closed our production facility in Turkey to help streamline our footprint in EMEA and subsequently sold certain of the production assets, which represented a business, for total proceeds of approximately $4.1 million. We recorded a loss on divestiture of $24.2 million ($25.5 million, net of tax), primarily driven by the reclassification of $25.0 million of accumulated foreign currency translation adjustments to the profit and loss account upon sale. We also sold our interests in our Colombia operations in 2019 for a nominal amount, recording a net loss on divestiture of $5.9 million, of which $1.2 million related to the reclassification of accumulated foreign currency translation adjustments to the profit and loss account upon sale.

2020 Dividends and Share Repurchases

We paid quarterly dividends of $0.32 per ordinary share to shareholders on record as of 17 March 2020, 16 June 2020, 16 September 2020, and 16 December 2020. We paid a total of $117.3 million in cash for dividends to ordinary shareholders and repurchased approximately 1.9 million shares for approximately $208.8 million during the year ended 31 December 2020.

Other Financing Activities

In 2019, we issued $400.0 million of 3.500% Senior Notes. Net proceeds from the issuance of the 3.500% Senior Notes, along with cash on hand, were utilised to make a $400.0 million principal payment to partially pay down the Company's Term Facility balance. As a result of this payment, we have satisfied our obligation to make quarterly instalments on the Term Facility up to its maturity date, with the remaining outstanding balance of $238.8 million due on 12 September 2022.

Results for the year and proposed transfer to reserves

The results for the year are set out in the Consolidated Profit and Loss Account on Page 45. The balance to be transferred to reserves is $314.3 million.

Future Developments

We intend to maintain profitable growth in the markets we serve today and in adjacent product categories by being the preferred, trusted security partners to our end-users. In doing this, the Company continues to monitor the COVID-19 pandemic and its likely impact on our business. Please refer to Page 5-6 of the Directors' Report for further details.

Accounting Records

The directors are responsible for ensuring that the Company keeps proper books of accounting records and appropriate accounting systems to secure compliance with the requirements of Sections 281 to 285 of the 2014 Act. To achieve this, the directors have appointed a Chief Financial Officer who makes regular reports to the Board of Directors and to the Audit and Finance Committee of the Board of Directors. In addition, the head of the Company's internal audit department and the General Counsel make regular reports to the Audit and Finance Committee, including matters, if any, regarding fraud and other financial-related irregularities. The Audit and Finance Committee which is comprised of five members, all of whom are independent directors, in turn, briefs the full Board of Directors as appropriate on significant financial matters arising from reports of the Chief Financial Officer, the head of internal audit, the General Counsel and the external auditor. The measures taken by the directors to secure compliance with the Company's obligation to keep proper books of account are the use of appropriate systems and procedures and employment of competent persons. The books of account are kept at Block D, Iveagh Court, Harcourt Road, Dublin 2, D02 VH94, Republic of Ireland.

Going Concern

The Board of Directors have formed a judgement at the time of approving the financial statements that there is a reasonable expectation that we have adequate resources to continue as a going concern. In arriving at this conclusion, the Board has taken account of the uncertainties driven by the COVID-19 pandemic in its going concern assessment. Please refer to the Recent Developments section of the Directors' Report for further details on these uncertainties. In response to these uncertainties, there are potential measures that the Company can put in place to maintain a sound financial footing, if required, such as:

- the temporary suspension or reduction of our share repurchase program;
- the delay of discretionary expenditures;
- the curtailment of potential investments;
- the restriction of employee travel or a freeze on headcount in select locations;
- the utilisation of the Revolving Facility; and,
- the delay, suspension or reduction of future dividends.

The Board believes it is unlikely that we would be required to initiate all of these measures, but the flexibility is available if the need arises to implement these, to remain a going concern.

Events since Year End

New reporting segment

Effective 1 January 2021, we have combined our EMEA and Asia Pacific operations into a new segment named Allegion International, in addition to renaming our Americas segment "Allegion Americas". The new Allegion International segment has been created to drive speed and efficiency, simplify our operating segments and optimise our non-U.S. operations.

Dividends declared and paid

On 5 February 2021, the Company's Board of Directors declared a quarterly dividend of $0.36 cents per ordinary share. The dividend was paid on 31 March 2021 to shareholders of record on 17 March 2021.

Share repurchases

As of 8 April 2021, the Company had repurchased and cancelled approximately 1.3 million ordinary shares of $0.01 each, under the Company's existing share authorisation at a weighted-average price of approximately $116 since the year ended 31 December 2020.

Sale of QMI business

On 28 February 2021, the Company, through one of its subsidiaries, closed on the sale of its QMI business, for a nominal amount.

Directors and Secretaries

The names of the persons who were directors or secretaries at any time during the year ended 31 December 2020 are set out below:

David D. Petratis (Appointed 1 December 2013)
Kirk S. Hachigian (Appointed 17 November 2013)
Martin E. Welch III (Appointed 1 December 2013)
Carla Cico (Appointed 1 December 2013 and retired 27 January 2020)
Dean Schaffer (Appointed 9 April 2014)
Nicole Parent Haughey (Appointed 6 September 2017)
Charles L. Szews (Appointed 4 April 2018)
Steven C. Mizell (Appointed 6 February 2020)
Dev Vardhan (Appointed 27 October 2020)
Jeffrey N. Braun - Company Secretary (Appointed 20 April 2018 and retired 8 April 2020)
Hatsuki Miyata - Company Secretary (Appointed 8 April 2020)

Directors and Secretaries Interests in Shares

No director, the Company secretary nor any member of their immediate families had any interest in shares or debentures of any subsidiary. Directors remuneration is set forth in Note 11 to the Consolidated Financial Statements. The beneficial interests, including the interests of spouses and minor children, of the directors and secretary in office at 31 December in the share capital of Allegion plc pursuant to Section 329 of the 2014 Act, are presented in the table below:

	At 31 December 2020		At 31 December 2019 (or date of appointment if later)	
Directors:	Shares Held	Options and Awards Unvested	Shares Held	Options and Awards Unvested
David D. Petratis	236,848	199,775	202,915	331,401
Kirk S. Hachigian	6,555	1,099	5,566	981
Martin E. Welch III	6,329	1,099	5,418	981
Dean Schaffer	6,385	1,099	5,400	981
Nicole Parent Haughey	1,690	1,099	779	981
Charles L. Szews	1,690	1,099	779	981
Steven C. Mizell	—	1,099	—	—
Dev Vardhan	—	—	—	—
Secretary:				
Hatsuki Miyata	533	2,417	533	2,417

Political Donations

No political contributions that require disclosure under Section 26 (1) Electoral Act 1997 (as amended) were made during the financial year 2020.

Subsidiary Companies and Associates

Information regarding subsidiary undertakings and associates are provided in Note 39 to the Consolidated Financial Statements.

Directors' Compliance Statement

The Directors acknowledge that they are responsible for securing the Company's compliance with its relevant obligations (as defined in the 2014 Act and, as required by Section 225 of the 2014 Act, the Directors confirm that:

- Allegion plc is committed to being compliant with all laws applicable to its operations. In particular, it is the policy of Allegion plc to comply with the Company's relevant obligations as defined in Section 225 of the 2014 Act. A compliance policy statement has been drawn up by the Company in accordance with Section 225(3)(a) of the Act setting out the Company's policies;
- appropriate arrangements and structures are in place that, in our opinion, are designed to secure compliance with the Company's relevant obligations; and
- during the financial year ended 31 December 2020, the arrangements and structures referred to above were reviewed.

Disclosure of Information to Auditors

The directors in office at the date of this report have each confirmed that:

- as far as he/she is aware, there is no relevant audit information of which the Company's statutory auditors are unaware; and
- he/she has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's statutory auditors are aware of that information.

Audit Committee

The Company established an Audit and Finance Committee in 2013. Refer to the Accounting Records section of the Directors' Report for further details on the function and responsibility of the Audit and Finance Committee.

Auditors

The Company's independent auditor PricewaterhouseCoopers, has indicated its willingness to continue in office, and a resolution that they be re-appointed will be proposed at the Annual General Meeting.

Annual General Meeting

The Annual General Meeting ("AGM") of Allegion plc will take place at Allegion, 11819 N. Pennsylvania Street, Carmel, Indiana 46032, U.S.A. on 3 June 2021, at 2:00 p.m. Eastern Daylight Time.

Other

In addition to this report, for your reference, we want to remind readers that our annual and quarterly reports and other filings with the U.S. Securities and Exchange Commission ("SEC") are available at www.sec.gov under "Company Filings" and also on our website at https://investor.allegion.com.

On behalf of the Directors

David D. Petratis	*Martin E. Welch III*
David D. Petratis	Martin E. Welch III
Director	Director

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' report and the financial statements in accordance with Irish law.

Irish law requires the directors to prepare financial statements for each financial year giving a true and fair view of the Consolidated and Parent Company's assets, liabilities and financial position as at the end of the financial year and of the profit or loss of the Group for the financial year. Under that law, the directors have prepared the Consolidated Financial Statements in accordance with U.S. accounting standards, as defined in Section 279 (1) of the 2014 Act, to the extent that the use of those principles in the preparation of the financial statements does not contravene any provision of the 2014 Act or of any regulations made thereunder and the Parent Company Financial Statements in accordance with Generally accepted accounting practice in Ireland (accounting standards issued by the Financial Reporting Council and Irish Law) including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102").

Under Irish law, the directors shall not approve the financial statements unless they are satisfied that they give a true and fair view of the Consolidated and Parent Company's assets, liabilities and financial position as at the end of the financial year and the profit or loss of the Group for the financial year.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the Consolidated Financial Statements of the Group comply with accounting principles generally accepted under U.S. GAAP to the extent that they do not contravene Irish Company Law and that the stand-alone entity financial statements of the Parent Company comply with accounting standards issued by the Financial Reporting Council of the UK and promulgated by the Institute of Chartered Accountants in Ireland and Irish Law, subject to any material departure from those standards being disclosed and explained in the Notes to the Financial Statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to:

- correctly record and explain the transactions of the Group;
- enable, at any time, the assets, liabilities, financial position and profit or loss of the Group to be determined with reasonable accuracy; and
- enable the directors to ensure that the financial statements comply with the 2014 Act and enable those financial statements to be audited.

The directors are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website www.allegion.com under the heading, "Investors Relations - Financial Information". Legislation in Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditors' report to the members of Allegion plc

Report on the audit of the financial statements

Opinion

In our opinion:

- Allegion plc's consolidated financial statements and parent company financial statements (the "financial statements") give a true and fair view of the group's and the parent company's assets, liabilities and financial position as at 31 December 2020 and of the group's profit and cash flows for the year then ended;
- the consolidated financial statements have been properly prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"), as defined in Section 279 of the Companies Act 2014, to the extent that the use of those principles in the preparation of consolidated financial statements does not contravene any provision of Part 6 of the Companies Act 2014;
- the parent company financial statements have been properly prepared in accordance with Generally Accepted Accounting Practice in Ireland (accounting standards issued by the Financial Reporting Council of the UK, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and Irish law); and
- the financial statements have been properly prepared in accordance with the requirements of the Companies Act 2014.

We have audited the financial statements, included within the Annual Report, which comprise:

- the Consolidated Balance Sheet as at 31 December 2020;
- the Parent Company Balance Sheet as at 31 December 2020;
- the Consolidated Profit and Loss Account and Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated Statement of Cash Flows for the year then ended;
- the Consolidated Reconciliation of Movements in Shareholders' Funds for the year then ended;
- the Parent Company Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) ("ISAs (Ireland)") and applicable law. Our responsibilities under ISAs (Ireland) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, which includes IAASA's Ethical Standard as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

	Materiality • \$24.5 million (2019: \$25 million) - consolidated financial statements • Based on circa 5% of profit before tax adjusted for the goodwill impairment charge and loss on assets held-for-sale (2019: Based on circa 5% of profit before tax, adjusted for loss on divestitures). • \$39.8 million (2019: \$42 million) - Parent company financial statements • Based on circa 1% of net assets (2019: based on circa 1% of net assets). We used the lower overall consolidated financial statements materiality of \$24.5 million (2019: \$25 million) on any balances and transactions that do not eliminate on consolidation.

Audit scope

- We conducted audit procedures on 12 components representing business units across the Group. We included these components due to their size or risk characteristics as well as to ensure appropriate audit coverage. Full scope audits were performed on three components and specified procedures were performed on an additional nine components.

- Additionally, certain centralised Group functions, including treasury, taxation, equity and stock compensation, goodwill and intangible assets, and pensions were subject to full scope audit procedures.

- Taken together, the Components and Group functions resulted in audit coverage of in excess of 80% of Group turnover and in excess of 75% of Group total assets.

Key audit matters

- Valuation of Goodwill – EMEA and Asia Pacific.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	***How our audit addressed the key audit matter***
Valuation of Goodwill – EMEA and Asia Pacific As described in Notes 2 Significant Accounting Policies and 17 Intangible Assets to the consolidated financial statements, the Group's consolidated goodwill balance was $819.0 million as of 31 December 2020, and the goodwill associated with the EMEA and Asia Pacific reporting units was $309.9 million and $8.0 million, respectively. Goodwill is tested annually for impairment during the fourth quarter or whenever there is a significant change in events or circumstances that indicate that the fair value of the reporting unit is more likely than not less than the carrying amount of the reporting unit. If the estimated fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is not impaired. To the extent that the carrying value of the reporting unit exceeds its estimated fair value, a goodwill impairment charge will be recognised for the amount by which the carrying value of the reporting unit exceeds its fair value, not to exceed the carrying amount of goodwill.	We tested the effectiveness of controls relating to management's goodwill impairment assessment, including controls over the valuation of the Group's EMEA and Asia Pacific reporting units. We tested management's process for developing the fair value measurements of the reporting units; evaluated the appropriateness of the discounted cash flow and market multiple of earnings models; tested the completeness and accuracy of underlying data used in the models; and evaluated the reasonableness of significant assumptions used by management related to revenue growth rates, margin assumptions, terminal growth rates, discount rates, peer group determination, and market multiple selections. We evaluated management's assumptions related to revenue growth rates and margin assumptions by considering (i) the current and past performance of the reporting units including the impact of COVID-19, (ii) the consistency with external market and industry data, and (iii) whether these assumptions were consistent with evidence obtained in other areas of the audit.

As of 31 March 2020, management identified a triggering event for the EMEA and Asia Pacific reporting units, and as a result, performed interim goodwill impairment analyses. The results of the impairment testing indicated that the estimated fair value of the Asia Pacific reporting unit was less than its carrying value, and as such, the Group recorded an impairment charge of $88.1 million. For the impairment analyses performed as of 31 March 2020, the estimated fair values of the EMEA and Asia Pacific reporting units were based on a discounted cash flow model (income approach). For the annual impairment analyses, the estimated fair values of the EMEA and Asia Pacific reporting units were based on two valuation techniques, a discounted cash flow model (income approach) and a market multiple of earnings (market approach), with each method being weighted in the calculation. As set out in Note 17 Intangible Assets to the consolidated financial statements the income approach relies on management's estimates of revenue growth rates, margin assumptions, terminal growth rates, and discount rates. The market approach requires the determination of an appropriate peer group, which is utilised to derive estimated fair values based on selected market multiples. The annual impairment analysis performed during the fourth quarter did not result in further impairment charges. We determined the goodwill impairment assessment of EMEA and Asia Pacific reporting units to be a key audit matter due to the significant judgement by management when developing the fair value measurements of the reporting units, including management's significant assumptions related to revenue growth rates, margin assumptions, terminal growth rates, discount rates, peer group determination and market multiple selections.	We evaluated the Group's peer group determination included by assessing the appropriateness of the identified peer companies. We were assisted by PwC professionals with specialised skill and knowledge in evaluating management's significant assumptions related to terminal growth rates and discount rates used in the income approach, and selected peer group determinations and market multiples used in the market approach.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group, the accounting processes and controls, and the industry in which the group operates.

The group is structured along three geographic segments being Americas, EMEA and Asia Pacific. Each segment provides security products and solutions through various brands resulting in a number of management reporting entities identified as components by the group engagement team. The consolidated financial statements are a consolidation of the aforementioned components. In determining our audit scope, we first focused on individual components and determined the type of work that needed to be performed at the components by us, as the Irish group engagement team, PwC US as the US component team, or other component auditors within other PwC network firms. Where the work was performed by PwC US and other component auditors, we determined the level of involvement we needed to have in the audit work of those components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the financial statements as a whole.

Three components were identified as significant components, and full scope audits were performed at these components by the PwC US component engagement team. Based on our risk assessment and to achieve the overall level of audit coverage we considered appropriate, specified audit procedures on specific account balances, classes of transactions or disclosures were performed in respect of nine additional components. The PwC US component team performed specified procedures at three of these components with the remainder performed by other PwC network firms. Additionally, certain centralised group functions, including treasury, taxation, equity and stock compensation, goodwill and intangible assets, and pensions were subject to full scope audit procedures by the PwC US component team.

The group engagement team performed additional risk assessment procedures for the remaining components where full scope audits or specified procedures were not performed. Through the full scope audits performed, specified procedures performed, and centralised group functions and accounts tested by the PwC US component engagement team, we obtained audit coverage in excess of 80% of group turnover and in excess of 75% of group total assets.

The group team was responsible for the scope and direction of the audit process. Where the work was performed by component auditors, we determined the level of involvement the group team needed to have to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole. The supervision of the component teams included a combination of regular calls with the senior members of the component audit teams and review of detailed memoranda of work performed by component teams. In addition to this, the Group engagement team reviewed certain of the audit working papers of significant components.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Consolidated financial statements	***Parent company financial statements***
Overall materiality	$24.5 million (2019: $25 million).	$39.8 million (2019: $42 million).
How we determined it	Circa 5% of profit before tax adjusted for the goodwill impairment charge and loss on assets held-for-sale (2019: Based on circa 5% of profit before tax, adjusted for loss on divestitures).	Circa 1% of net assets (2019: based on circa 1% of net assets).
Rationale for benchmark applied	We believe that profit before tax, adjusted for the goodwill impairment charge and loss on assets held-for-sale, provides us with a consistent year on year basis for determining materiality by eliminating the non-recurring disproportionate impact of these items and is a metric against which the recurring performance of the Group is commonly measured by its stakeholders.	The parent company is a holding company. Consequently, we consider that net assets is the most relevant measure to reflect the nature of its activities and transactions. We used the lower overall consolidated financial statements materiality of $24.5 million (2019: $25 million) on any balances and transactions that do not eliminate on consolidation.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above $2 million (group audit) (2019: $2 million) and $2 million (parent company audit) (2019: $2 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the group's and the parent company's ability to continue to adopt the going concern basis of accounting included:

> Obtaining management's going concern assessment for the going concern period of twelve months from the date on which the financial statements are authorised for issue, including review of management's cash flow forecasts.

> Understanding the process undertaken by management to perform the going concern assessment;

> Evaluating the key assumptions underpinning the group's forecasts;

> Assessing management's sensitivities performed over the group's cash flow forecasts;

> Assessing current liquidity and financial condition position including the debt and credit facilities in place as disclosed in note 26 to the financial statements;

> Evaluating the feasibility of mitigating actions disclosed in note 2 to the financial statements, and assessing whether these were within management's control.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent company's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the parent company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Directors' Report, we also considered whether the disclosures required by the Companies Act 2014 (excluding the information included in the "Non Financial Statement" as defined by that Act on which we are not required to report) have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (Ireland) and the Companies Act 2014 require us to also report certain opinions and matters as described below:

- In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report (excluding the information included in the "Non Financial Statement" on which we are not required to report) for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with the applicable legal requirements.
- Based on our knowledge and understanding of the group and parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' Report (excluding the information included in the "Non Financial Statement" on which we are not required to report).

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 38, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view.

The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the IAASA website at:

https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf

This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with section 391 of the Companies Act 2014 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2014 opinions on other matters

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the parent company were sufficient to permit the parent company financial statements to be readily and properly audited.
- The Parent Company Balance Sheet is in agreement with the accounting records.

Other exception reporting

Directors' remuneration and transactions

Under the Companies Act 2014 we are required to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by sections 305 to 312 of that Act have not been made. We have no exceptions to report arising from this responsibility.

Prior financial year Non Financial Statement

We are required to report if the company has not provided the information required by Regulation 5(2) to 5(7) of the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017 in respect of the prior financial year. We have nothing to report arising from this responsibility.

A. Hayden

Alisa Hayden
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin
8 April 2021

Allegion plc
Consolidated Profit and Loss Account
For the year ended 31 December

In millions ($), except for share amounts	Note	2020	2019
Turnover	4	2,719.9	2,854.0
Cost of sales		(1,541.1)	(1,601.7)
Gross profit		1,178.8	1,252.3
Distribution costs		(344.0)	(387.7)
Administrative expenses		(291.7)	(293.6)
Impairment of goodwill and intangible assets	17	(101.7)	(5.9)
Loss on assets held for sale	9	(37.9)	—
Other operating expenses	5	(0.7)	(1.8)
Operating profit		402.8	563.3
Other finance income (expense)	6	12.8	(3.8)
Other interest receivable and similar income	7	0.9	1.8
Interest payable and similar charges	8	(51.1)	(56.0)
Loss on divestitures	9	—	(30.1)
Profit on ordinary activities before taxation	10	365.4	475.2
Tax on profit on ordinary activities	12	(50.9)	(73.1)
Profit on ordinary activities after taxation		314.5	402.1
Attributable to non-controlling interests	15	(0.2)	(0.3)
Profit for the financial year		314.3	401.8
Earnings per share attributable to Allegion plc ordinary shareholders:		**$**	**$**
Basic profit for the financial year:	16	3.41	4.29
Diluted profit for the financial year:	16	3.39	4.26

Allegion plc
Consolidated Statement of Comprehensive Income
For the year ended 31 December

In millions ($)	Note	2020	2019
Profit on ordinary activities after taxation		314.5	402.1
Other comprehensive income (loss):			
Currency translation		57.3	13.4
Cash flow hedges:			
Unrealised net gains arising during period		3.9	—
Net gains reclassified to profit and loss account		(5.8)	(7.5)
Tax benefit		0.5	1.9
Total cash flow hedges	35	(1.4)	(5.6)
Pension and OPEB adjustments:			
Prior service gains (costs) and net actuarial gains (losses)		4.9	(8.3)
Amortisation reclassified to profit and loss account		5.0	6.1
Settlements/curtailments reclassified to profit and loss account		0.1	2.3
Currency translation and other		(2.1)	(2.7)
Tax expense		(2.0)	(0.4)
Total pension and OPEB adjustments	35	5.9	(3.0)
Other comprehensive income		61.8	4.8
Total comprehensive income for the financial year		376.3	406.9
Less: Total comprehensive income attributable to non-controlling interests		0.5	0.2
Total comprehensive income attributable to Allegion plc		375.8	406.7

Allegion plc
Consolidated Balance Sheet
At 31 December

In millions ($)	Note	2020	2019
Fixed assets			
Intangible assets	17	1,306.1	1,384.2
Tangible assets	18	294.9	291.4
Financial assets	19	56.8	57.5
		1,657.8	1,733.1
Current assets			
Stock	20	283.1	269.9
Debtors	21	375.7	373.2
Cash at bank and in hand	22	480.4	358.7
Assets held for sale		5.8	—
		1,145.0	1,001.8
Debtors: amounts falling due after more than one year	23	266.6	232.3
Creditors: amounts falling due within one year	24	(469.9)	(466.9)
Liabilities held for sale		(7.2)	—
Net current assets		667.9	534.9
Total assets less current liabilities		2,592.3	2,500.3
Creditors: amounts falling due after more than one year	25	(1,495.7)	(1,483.2)
Net assets excluding provisions for liabilities		1,096.6	1,017.1
Provisions for liabilities	31	(264.0)	(256.7)
Net assets including provisions for liabilities		832.6	760.4
Capital and reserves			
Called up share capital presented as equity	34	0.9	0.9
Share premium account	35	76.4	71.9
Other reserves	35	(37.1)	(118.9)
Profit and loss account	35	789.2	803.5
Equity shareholders' funds		829.4	757.4
Non-controlling interests	15	3.2	3.0
Total equity		832.6	760.4

Approved by the Board of Directors on 8 April 2021 and signed on its behalf by:

David D. Petratis
David D. Petratis
Director

Martin E. Welch III
Martin E. Welch III
Director

Allegion plc
Consolidated Reconciliation of Movements in Shareholders' Funds

In millions ($)	Total equity	Called up share capital Amount	Called up share capital Shares (Number)	Share premium account	Profit and loss account	Other reserves	Non-controlling interests
Balance at 31 December 2018	654.0	0.9	94.6	65.4	728.5	(143.8)	3.0
Profit for the year	402.1	—	—	—	401.8	—	0.3
Other comprehensive income (loss)	4.8	—	—	—	—	4.9	(0.1)
Repurchase of ordinary shares	(226.0)	—	(2.3)	—	(226.0)	—	—
Share-based compensation activity	26.5	—	0.4	6.5	—	20.0	—
Dividends declared to non-controlling interests	(0.2)	—	—	—	—	—	(0.2)
Cash dividends declared ($1.08 per share)	(100.9)	—	—	—	(100.9)	—	—
Other	0.1	—	—	—	0.1	—	—
Balance at 31 December 2019	760.4	0.9	92.7	71.9	803.5	(118.9)	3.0
Cumulative effect of adoption of ASC 326 (see Note 2)	(2.2)	—	—	—	(2.2)	—	—
Profit for the year	314.5	—	—	—	314.3	—	0.2
Other comprehensive income	61.8	—	—	—	—	61.5	0.3
Repurchase of ordinary shares	(208.8)	—	(1.9)	—	(208.8)	—	—
Share-based compensation activity	24.8	—	0.4	4.5	—	20.3	—
Dividends declared to non-controlling interests	(0.3)	—	—	—	—	—	(0.3)
Cash dividends declared ($1.28 per share)	(117.9)	—	—	—	(117.9)	—	—
Other	0.3	—	—	—	0.3	—	—
Balance at 31 December 2020	832.6	0.9	91.2	76.4	789.2	(37.1)	3.2

Allegion plc
Consolidated Statement of Cash Flows
For the year ended 31 December

In millions ($)	2020	2019
Cash flows from operating activities:		
Profit on ordinary activities after taxation	314.5	402.1
Adjustments to arrive at net cash provided by operating activities:		
Debt extinguishment costs	—	2.7
Depreciation and amortisation	81.0	83.0
Impairment of goodwill and intangible assets	101.7	5.9
Loss on assets held for sale	37.3	—
Loss on divestitures	—	30.1
Share-based compensation	20.8	20.4
Deferred income taxes	(24.4)	(30.2)
Other items	(4.4)	(3.6)
Changes in other assets and liabilities:		
(Increase) decrease in:		
Trade debtors and notes receivable	(1.9)	(6.0)
Stock	(7.8)	5.4
Debtors: amounts falling due within 1 year and after more than 1 year	(46.0)	(15.0)
Increase (decrease) in:		
Trade creditors	(1.6)	(11.0)
Creditors: amounts falling due within 1 year and after more than 1 year	21.1	4.4
Net cash provided by operating activities	490.3	488.2
Cash flows from investing activities:		
Capital expenditures	(47.1)	(65.6)
Acquisition of and equity investments in businesses, net of cash acquired	(12.5)	(7.6)
Proceeds related to business dispositions	—	3.3
Purchase of other investments	(3.0)	—
Other investing activities, net	5.9	(7.7)
Net cash used in investing activities	(56.7)	(77.6)
Cash flows from financing activities:		
Short-term repayments, net	(0.1)	(0.2)
Proceeds from issuance of senior notes	—	400.0
Payments of long-term debt	(0.1)	(417.7)
Debt repayments	(0.2)	(17.9)
Debt issuance costs	—	(4.2)
Dividends paid to ordinary shareholders	(117.3)	(100.6)
Repurchase of ordinary shares	(208.8)	(226.0)
Proceeds from shares issued under incentive plans	4.5	6.5
Other financing activities, net	(0.1)	—
Net cash used in financing activities	(321.9)	(342.2)
Effect of exchange rate changes on cash at bank and in hand	10.0	(0.3)
Net increase on cash at bank and in hand	121.7	68.1
Cash at bank and in hand – beginning of year	358.7	290.6
Cash at bank and in hand – end of year	480.4	358.7

1. BASIS OF PREPARATION

Irish law requires the directors to prepare financial statements for each financial year that give a true and fair view of the Consolidated and Parent Company's assets, liabilities and financial position as at the end of the financial year and of the profit or loss of the Group for the financial year. Under that law, the directors have prepared the Consolidated Financial Statements in accordance with U.S. GAAP as defined in Section 279 (1) of the 2014 Act, to the extent that the use of those principles in the preparation of the financial statements does not contravene any provision of the 2014 Act or of any regulations made thereunder and the Parent Company Financial Statements in accordance with Generally Accepted Accounting Practice in Ireland (accounting standards issued by the Financial Reporting Council of the UK and Irish law). The Consolidated Financial Statements are prepared in accordance with Irish Company Law, to present to the shareholders of Allegion plc and file with the Companies Registration Office in Ireland. Accordingly, these Consolidated Financial Statements include disclosures required by the 2014 Act of Ireland in addition to those required under U.S. GAAP. Certain prior-period amounts have been reclassified to conform to the current year presentation.

The loss attributable to equity shareholders dealt within the Parent Company Financial Statements in 2020 was $11.2 million (2019: loss of $34.8 million). In accordance with Section 304 of the 2014 Act, the Company is availing of the exemption from presenting its Individual Profit and Loss Account at the Annual General Meeting and from filing it with the Registrar of Companies. The financial statements are presented in U.S. dollars.

2. SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies used in the preparation of the accompanying Consolidated Financial Statements follows:

Going concern: The Consolidated and Parent Company Financial Statements have been prepared on the going concern basis. The Board of Directors have formed a judgement at the time of approving the financial statements that there is a reasonable expectation that the Company has adequate resources to continue as a going concern. In arriving at this conclusion, the Board has taken account of the uncertainties driven by the COVID-19 pandemic in its going concern assessment. Please refer to the Recent Developments section of the Directors' Report for further details on these uncertainties. In response to these uncertainties, there are potential measures that the Company can put in place to maintain a sound financial footing, if required, such as:

- the temporary suspension or reduction of our share repurchase program;
- the delay of discretionary expenditures;
- the curtailment of potential investments;
- the restriction of employee travel or a freeze on headcount in select locations;
- the utilisation of the Revolving Facility; and,
- the delay, suspension or reduction of future dividends.

The Board believes it is unlikely that the Company would be required to initiate all of these measures, but the flexibility is available if the need arises to implement these, to remain a going concern.

Accounting convention: These financial statements are prepared under the historical cost convention.

Principles of consolidation: The Consolidated Financial Statements include all controlled subsidiaries of the Company. A non-controlling interest in a subsidiary is considered an ownership interest in a controlled subsidiary that is not attributable to the Company. The Company includes non-controlling interests as a component of Total equity in the Consolidated Balance Sheet and the Profit for the financial year attributable to non-controlling interests are presented as an adjustment from Profit on ordinary activities after taxation used to arrive at Profit for the financial year attributable to Allegion plc in the Consolidated Profit and Loss Account. Equity method affiliates represent unconsolidated entities over which the Company demonstrates significant influence but does not have a controlling financial interest. The Company is also required to consolidate variable interest entities in which it bears a majority of the risk to the entity's potential losses or stands to gain from a majority of the entity's expected returns.

Use of estimates: The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of income and expense during the reporting year. Estimates are based on several factors including the facts and circumstances available at the time the estimates are made, historical experience, risk of loss, general economic conditions and trends and the assessment of the probable future outcome. Some of the more significant estimates include useful lives of tangible assets and intangible assets, purchase price allocations of acquired businesses, valuation of assets and liabilities including goodwill and other intangible assets, product warranties, sales allowances, pension plan benefits, postretirement benefits other than pensions, taxes, lease related assets and liabilities, environmental costs and product liability and other contingencies. Actual results could differ from those estimates. Estimates and assumptions are reviewed periodically, and the effects of changes, if any, are reflected in the Consolidated Profit and Loss Account in the year that they are determined.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Currency translation: Assets and liabilities where the functional currency is not the U.S. dollar have been translated at year-end exchange rates, and income and expense accounts have been translated using average exchange rates throughout the year. Adjustments resulting from the process of translating a subsidiary's financial statements into the U.S. dollar are recorded to Other reserves.

Cash at bank and in hand: Cash at bank and in hand includes cash on hand, demand deposits and all highly liquid investments with original maturities at the time of purchase of three months or less.

Allowance for doubtful accounts: The Company provides for an allowance for doubtful debtors and notes receivable, which represents the best estimate of expected lifetime credit losses inherent in the Company's debtors and notes receivable portfolios. The Company's estimates are influenced by a continuing credit evaluation of customers' financial condition, trade debtors and notes receivable ageing and historical loss experience, as well as reasonable and supportable forecasts of future economic conditions. The Company has reserved \$6.2 million and \$5.6 million for doubtful trade debtors and notes receivable as of 31 December 2020 and 2019, respectively.

Stock: Stock is stated at the lower of cost and net realisable value using the first-in, first-out (FIFO) method.

Tangible assets: Tangible assets are stated at cost, less accumulated depreciation. Assets placed in service are recorded at cost and depreciated using the straight-line method over the estimated useful life of the asset except for leasehold improvements, which are depreciated over the shorter of their economic useful life or their lease term. Repair and maintenance costs that do not extend the useful life of the asset are expensed as incurred. Major replacements and significant improvements that increase asset values and extend useful lives are capitalised. The range of useful lives used to depreciate tangible assets are as follows:

Buildings	10	to	50	years
Machinery and equipment	2	to	12	years
Vehicles	3	to	6	years
Fixtures and fittings	5	to	10	years
Software	2	to	7	years

The Company assesses the recoverability of the carrying value of its tangible assets whenever events or changes in circumstances indicate that the carrying amount of the asset may not be fully recoverable. Recoverability is measured by a comparison of the carrying amount of an asset to the future net undiscounted cash flows expected to be generated by the asset. If the undiscounted cash flows are less than the carrying amount of the asset, an impairment loss is recognised for the amount by which the carrying value of the asset exceeds its fair value.

Investments: The Company periodically invests in debt or equity securities of start-up companies and/or development stage technology or other companies without acquiring a controlling interest. The Company applies the equity method of accounting when the Company has the ability to exercise significant influence over the operating and financial decision making of the investee. Investments in equity method affiliates totalled \$17.4 million and \$18.2 million as of 31 December 2020 and 2019, respectively. Equity investments that have readily determinable fair values in which the Company does not have significant influence are measured at fair value, with any unrealised holding gains and losses being recorded to the profit and loss account. Investments without readily determinable fair values are measured at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or similar investment of the same issuer and are qualitatively assessed for impairment indicators each reporting period. Investments in debt and equity securities not accounted for under the equity method of accounting totalled \$13.7 million and \$18.1 million as of 31 December 2020 and 2019, respectively. The Company's investments are principally recorded within Financial assets within the Consolidated Balance Sheet.

Leases: In accordance with ASC 842, the Company records a right-of-use ("ROU") asset and lease liability for substantially all leases for which it is a lessee. In determining if a contract represents a lease, consideration is given to all relevant facts and circumstances to assess whether or not the contract conveys the right to control the use of an identified asset, either explicit or implicit, for a period of time in exchange for consideration. Judgement and estimation is also required in determining the lease classification and the amount of the ROU asset and corresponding lease liability for each lease, which includes determining the appropriate lease term and an applicable discount rate. The Company assesses the specific terms and conditions of each lease to determine the appropriate classification as either an operating or finance lease. In determining the appropriate length of the lease term, both 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 as of lease commencement are considered. When available, the rate implicit in the lease is utilised as the discount rate to determine the lease liability. If this rate is unavailable, the Company utilises its incremental borrowing rate as the discount rate, which is the rate at inception of the lease that would hypothetically be incurred to borrow over a similar term the funds needed to purchase the leased asset. Refer to Note 28 for further details on the Company's lease accounting policies.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill and intangible assets: The Company records as goodwill the excess of the purchase price of an acquired business over the fair value of the net assets acquired. Once the final valuation has been performed for each acquisition, adjustments may be recorded. In accordance with ASC 350, "Intangibles—Goodwill and Other", goodwill and other indefinite-lived intangible assets are tested and reviewed annually for impairment during the fourth quarter or whenever there is a significant change in events or circumstances that indicate the fair value of a reporting unit or indefinite-lived intangible asset is more likely than not less than the carrying amount of the asset.

Recoverability of goodwill is measured at the reporting unit level. The carrying amount of a reporting unit is compared to its estimated fair value. If the estimated fair value of a reporting unit exceeds it's carrying amount, goodwill of the reporting unit is not impaired. To the extent that the carrying value of the reporting unit exceeds its estimated fair value, a goodwill impairment charge will be recognised for the amount by which the carrying value of the reporting unit exceeds its fair value, not to exceed the carrying amount of the reporting unit's goodwill. Estimated fair value of the Company's reporting units is based on two valuation techniques, a discounted cash flow model (income approach) and a market multiple of earnings (market approach), with each method being weighted in the calculation.

As a result of the global economic disruption and uncertainty due to the COVID-19 pandemic, the Company concluded a triggering event had occurred as of 31 March 2020, and accordingly, performed interim impairment tests on the goodwill balances of its EMEA and Asia Pacific reporting units. Given the high degree of market volatility and lack of reliable market data that existed as of 31 March 2020, the Company determined a discounted cash flow model (income approach) provided the best approximation of fair value of these reporting units for the purpose of performing these interim tests. This was a change in estimate, as historically the determination of reporting unit fair values has been estimated based on both an income and a market approach, as discussed above, with each method being weighted in the calculation. As markets stabilised throughout the year, the Company reverted to utilising both an income and market approach while performing its annual impairment test in the fourth quarter.

Recoverability of other intangible assets with indefinite useful lives (i.e. trade names) is determined on a relief from royalty methodology, which is based on the implied royalty paid, at an appropriate discount rate, to license the use of an asset rather than owning the asset. The present value of the after-tax cost savings (i.e. royalty relief) indicates the estimated fair value of the asset. Any excess of the carrying value over the estimated fair value is recognised as an impairment loss equal to that excess.

Intangible assets such as completed technologies, patents, customer-related intangible assets and other intangible assets with finite useful lives are amortised on a straight-line basis over their estimated economic lives. The weighted-average useful lives approximate the following:

Customer relationships	20	years
Trade names (finite-lived)	25	years
Completed technologies/patents	10	years
Other	7	years

Recoverability of intangible assets with finite useful lives is assessed in the same manner as tangible assets as described above.

Income taxes: The calculation of the Company's income taxes involves considerable judgement and the use of both estimates and allocations. Deferred tax assets and liabilities are determined based on temporary differences between financial reporting and tax bases of assets and liabilities, applying enacted tax rates expected to be in effect for the year in which the differences are expected to reverse. The Company recognises future tax benefits, such as net operating losses and tax credits, to the extent that realising these benefits is considered in its judgement to be more likely than not. The Company regularly reviews the recoverability of its deferred tax assets considering its historic profitability, projected future taxable income, timing of the reversals of existing temporary differences and the feasibility of its tax planning strategies. Where appropriate, the Company records a valuation allowance with respect to future tax benefits.

Cash paid for income taxes, net of refunds, for the twelve months ended 31 December 2020 and 2019 was \$82.6 million and \$103.0 million, respectively.

Product warranties: The Company offers a standard warranty with most product sales, and the value of such warranty is included in the contractual sales price. Standard product warranty accruals are recorded at the time of sale and are estimated based upon product warranty terms and historical experience. The Company regularly assesses the adequacy of its liabilities and makes adjustments as necessary based on known or anticipated warranty claims, or as new information becomes available. Refer to Note 32 for further details regarding product warranties.

Revenue recognition: Turnover is recognised 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company has two principal revenue streams, tangible product sales and services. Approximately 99% of consolidated Turnover involves contracts with a single performance obligation, the transfer of control of a product or bundle of products to a customer. The Company's remaining Turnover involves services, including installation and consulting. See Note 4 for additional information regarding the Company's revenue recognition policies.

Sales returns and customer disputes involving a question of quantity or price are accounted for as variable consideration, and therefore, as a reduction to Turnover and as a contra trade debtor. At 31 December 2020 and 2019, the Company had a customer claim reserve (contra trade debtor) of $48.6 million and $36.5 million, respectively. All other incentives or incentive programs where the customer is required to reach a certain level of purchases, remain a customer for a certain period, provide a rebate form or is subject to additional requirements are also considered variable consideration and are accounted for as a reduction of revenue and a liability.

At 31 December 2020 and 2019, the Company had a sales incentive accrual of $35.0 million and $37.2 million, respectively. Variable consideration is estimated based on the most likely amount expected to be received from customers. Each of these accruals represents the Company’s best estimate of the most likely amount expected to be received from customers based on historical experience. These estimates are reviewed regularly for accuracy, and if updated information or actual amounts are different from previous estimates, the revisions are included in the Company’s results for the period in which they become known. Historically, the aggregate differences, if any, between the Company’s estimates and actual amounts in any year have not had a material impact on the Consolidated Financial Statements. 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 cost of the warranty obligation is accrued as a liability.

Environmental costs: The Company is subject to laws and regulations relating to protecting the environment. Environmental expenditures relating to current operations are expensed or capitalised as appropriate. Expenditures relating to existing conditions caused by past operations, which do not contribute to current or future revenues, are expensed. Liabilities for remediation costs are recorded when they are probable and can be reasonably estimated, generally no later than the completion of feasibility studies or the Company’s commitment to a plan of action. The assessment of this liability, which is calculated based on existing technology, does not reflect any offset for possible recoveries from insurance companies and is not discounted. Refer to Note 31 and Note 32 for further details related to environmental matters.

Research and development costs: The Company conducts research and development activities for the purpose of developing and improving new products and services. These costs are expensed when incurred. For the years ended 31 December 2020 and 2019, expenses related to research and development activities amounted to approximately $54.4 million and $54.7 million, respectively, and primarily consist of salaries, wages, benefits, facility costs and other overhead expenses.

Defined benefit plans: The Company provides a range of defined benefits, including pension, postretirement and postemployment benefits to eligible current and former employees. Determining the costs associated with such benefits is dependent on various actuarial assumptions, including discount rates, expected return on plan assets, compensation increases, employee mortality and turnover rates. Actuaries perform the required calculations to determine expense in accordance with U.S. GAAP. Actual results may differ from the actuarial estimates and are generally recorded to Other reserves and amortised into the Profit for the financial year over future periods. The Company reviews its actuarial assumptions at each measurement date and makes modifications to the assumptions as appropriate. Refer to Note 29 for further details on employee benefit plans.

Other provisions for liabilities: Other provisions for liabilities are recorded for various contingencies arising in the normal course of business, including litigation and administrative proceedings, environmental matters, product liabilities, product warranties, worker’s compensation and other claims. The Company has recorded reserves in the financial statements related to these matters, which are developed using inputs derived from actuarial estimates and historical and anticipated experience data depending on the nature of the reserve and, in certain instances, with consultation of legal counsel, internal and external consultants and engineers. Subject to the uncertainties inherent in estimating future costs for these types of liabilities, the Company believes its estimated reserves are reasonable and does not believe the final determination of the liabilities with respect to these matters would have a material effect on the financial condition, results of operations, liquidity or cash flows of the Company for any year. Refer to Note 31 for further details related to Other provisions for liabilities.

Derivative instruments: The Company periodically enters into cash flow and other derivative transactions to specifically hedge exposure to various risks related to currency and variable interest rates. The Company recognises all derivatives on the Consolidated Balance Sheet at their fair value as either assets or liabilities. For designated cash flow hedges, the changes in fair value of the derivative contract is recorded to Other reserves and reclassified into Profit for the financial year at the time earnings are affected by the hedged transaction. For undesignated derivative transactions, the changes in the fair value of the derivative contract are immediately recognised in Profit for the financial year. Refer to Note 27 for further details regarding derivative instruments.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements

Recently Adopted Accounting Pronouncements:

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." The new guidance within ASU 2016-13, along with related updates (collectively "ASC 326") introduces an approach based on expected losses to estimate credit losses on certain types of financial instruments. The new guidance became effective for annual periods beginning after 15 December 2019, and interim periods within those annual periods.

Accordingly, the Company adopted ASC 326 on 1 January 2020, using the modified retrospective transition method through a $2.2 million cumulative-effect decrease to the profit and loss account within Total equity on the Consolidated Balance Sheet. The Company has also made updates to its policies and internal controls over financial reporting as a result of adoption.

In August 2018, the FASB issued ASU 2018-15, "Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract." The new guidance aligns the requirements for capitalising implementation costs incurred in a cloud-based hosting arrangement that is a service contract with the requirements for capitalising implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). ASU 2018-15 became effective for annual periods beginning after 15 December 2019, and interim periods within those annual periods. Accordingly, the Company adopted ASU 2018-15 on 1 January 2020, using the prospective method of adoption, and the adoption did not have a material impact to the Consolidated Financial Statements.

Recently Issued Accounting Pronouncements:

In December 2019, the FASB issued ASU 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes." The new guidance is intended to simplify the accounting for income taxes by removing certain exceptions and by updating accounting requirements around franchise taxes, goodwill recognised for tax purposes, the allocation of current and deferred tax expense among legal entities, among other minor changes. The ASU is effective for fiscal years beginning after 15 December 2020, including interim periods within those fiscal years. Early adoption is permitted. The Company adopted ASU 2019-12 on 1 January 2021, and the adoption did not have a material impact to the 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. The ASU is effective for fiscal years beginning after 15 December 2020, including interim periods within those fiscal years. Early adoption is permitted. The Company adopted ASU 2020-01 on 1 January 2021, and the adoption did not have a material impact to the Consolidated Financial Statements.

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 U.S. 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 LIBOR and other interbank offered rates to alternative reference rates. The ASU is currently effective and may be applied prospectively at any point through 31 December 2022 at the Company's option. The Company is assessing what impact ASU 2020-04 will have on the Consolidated Financial Statements.

3. BUSINESS SEGMENT INFORMATION

The Company classifies its business into the following three reportable segments based on industry and market focus: Americas, EMEA, and Asia Pacific. Results for the Company's India operations are now included within the Asia Pacific segment results due to an operational change during the year ended 31 December 2020. This change did not result, and is not expected to result, in a material impact to Segment results of operations for either the EMEA or Asia Pacific segment.

The Company largely evaluates performance based on Segment operating profit and Segment operating margins. Segment operating profit 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 profit 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 profit to arrive at a Segment operating profit 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 profit as a percentage of the segment's Turnover.

3. BUSINESS SEGMENT INFORMATION (Continued)

Segment operating profit excludes Other operating expenses as disclosed in Note 5 to the Consolidated Financial Statements. A summary of operations and balance sheet information by reportable segments as of and for the years ended 31 December were as follows:

In millions ($)	2020	2019
Americas		
Turnover	2,016.7	2,114.5
Segment operating profit	580.2	611.6
Segment operating margin	28.8 %	28.9 %
Depreciation and amortisation	34.5	35.7
Capital expenditures	26.9	32.1
Total segment assets	1,249.0	1,239.0
EMEA		
Turnover	554.6	572.5
Segment operating (loss) profit	(5.4)	34.3
Segment operating margin	(1.0)%	6.0 %
Depreciation and amortisation	33.8	33.1
Capital expenditures	8.4	16.9
Total segment assets	1,154.9	1,057.6
Asia Pacific		
Turnover	148.6	167.0
Segment operating (loss) profit	(96.7)	0.5
Segment operating margin	(65.1)%	0.3 %
Depreciation and amortisation	5.2	4.9
Capital expenditures	7.2	11.4
Total segment assets	188.6	281.1
Total Turnover	2,719.9	2,854.0
Reconciliation to Profit on ordinary activities before taxation		
Segment operating profit from reportable segments	478.1	646.4
Unallocated corporate expense	74.6	81.3
Interest payable and similar charges	51.1	56.0
Loss on divestitures	—	30.1
Other operating expenses	0.7	1.8
Other finance (income) expense	(12.8)	3.8
Other interest receivable and similar income	(0.9)	(1.8)
Total Profit on ordinary activities before taxation	365.4	475.2
Depreciation and amortisation from reportable segments	73.5	73.7
Unallocated depreciation and amortisation	4.5	4.4
Total depreciation and amortisation	78.0	78.1
Capital expenditures from reportable segments	42.5	60.4
Corporate capital expenditures	4.6	5.2
Total capital expenditures	47.1	65.6
Assets from reportable segments	2,592.5	2,577.7
Unallocated assets[a]	476.9	389.5
Total assets	3,069.4	2,967.2

(a) Unallocated assets consist primarily of investments in unconsolidated affiliates, tangible assets, ROU assets, deferred income taxes and cash.

3. BUSINESS SEGMENT INFORMATION (Continued)

Effective 1 January 2021, the Company has combined its EMEA and Asia Pacific operations into a new segment named Allegion International, in addition to renaming its Americas segment "Allegion Americas". The new Allegion International segment has been created to drive speed and efficiency, simplify the Company's operating segments and optimise its non-U.S. operations.

Turnover by destination and product type for the years ended 31 December were as follows:

In millions ($)	2020	2019
Turnover		
U.S.	1,905.5	1,988.9
Non-U.S.	814.4	865.1
Total	2,719.9	2,854.0

In millions ($)	2020	2019
Turnover		
Mechanical products	2,146.1	2,247.0
All other	573.8	607.0
Total	2,719.9	2,854.0

In fiscal year 2020 and 2019, no customer exceeded 10% of consolidated Turnover.

At 31 December, long-lived assets by geographic area were as follows:

In millions ($)	2020	2019
Long-lived assets		
U.S.	236.8	242.0
Non-U.S.	426.9	437.3
Total	663.7	679.3

4. TURNOVER

Turnover is recognised 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 Turnover involves contracts with a single performance obligation, 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). Turnover is 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 Turnover 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 cost of the warranty obligation is accrued as a liability (see Note 32).

The Company's remaining Turnover involve services, including installation and consulting. Unlike the single performance obligation to ship a product or bundle of products, revenue recognition related to services revenues is delayed until the service based 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 any established criteria. 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 years ended 31 December 2020 and 2019, no adjustments related to performance obligations satisfied in previous periods were recorded.

The Company applies the practical expedients allowed under ASC 606 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 Turnover.

4. TURNOVER (Continued)

The Company has also elected to account for shipping and handling activities that occur after control of the related goods transfers as fulfilment activities instead of performance obligations. These activities are included in Cost of sales in the Consolidated Profit and Loss Account. The Company's payment terms are generally consistent with the industries in which its businesses operate.

The following table shows the Company's Turnover related to both tangible product sales and services for the years ended 31 December 2020 and 2019, respectively, disaggregated by business segment. Turnover is 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 the two principal revenue streams:

In millions ($)	2020			
Turnover	**Americas**	**EMEA**	**Asia Pacific**	**Consolidated**
Products	2,016.7	530.4	141.8	2,688.9
Services	—	24.2	6.8	31.0
Total turnover	2,016.7	554.6	148.6	2,719.9

In millions ($)	2019			
Turnover	**Americas**	**EMEA**	**Asia Pacific**	**Consolidated**
Products	2,114.5	546.1	158.8	2,819.4
Services	—	26.4	8.2	34.6
Total turnover	2,114.5	572.5	167.0	2,854.0

As of 31 December 2020 and 2019, 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 recognises incremental costs of obtaining a contract, if any, as an expense when incurred if the amortisation period of the asset would have been one year or less. The Company does not have any costs to obtain or fulfil a contract that are capitalised under ASC 606.

5. OTHER OPERATING EXPENSES

In millions ($)	2020	2019
Foreign currency exchange loss	(0.7)	(1.8)
Other operating expenses	(0.7)	(1.8)

6. OTHER FINANCE INCOME (EXPENSE)

During the years ended 31 December, the Company recorded Other finance income (expense) as follows:

In millions ($)	2020	2019
Earnings (loss) from equity method investments	0.3	(0.1)
Net periodic pension and postretirement benefit income (cost), less service cost	2.2	(6.8)
Other	10.3	3.1
Other finance income (expense)	12.8	(3.8)

Other finance income (expense) for the year ended 31 December 2020, included gains of $12.8 million related to the reclassification to earnings of accumulated foreign currency translation adjustments upon the liquidation of two legal entities in EMEA. These gains are included within Other in the table above.

7. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

In millions ($)	2020	2019
Interest income	0.9	1.8
Other interest receivable and similar income	0.9	1.8

8. INTEREST PAYABLE AND SIMILAR CHARGES

In millions ($)	2020	2019
Interest on bank debt	(7.2)	(19.1)
Interest on Senior Notes	(40.9)	(30.7)
Write-off of previously deferred financing costs	—	(2.7)
Amortisation of debt issuance costs	(3.0)	(3.5)
Interest payable and similar charges	(51.1)	(56.0)

Interest payable and similar charges for the year ended 31 December 2020, decreased $4.9 million compared to the same period in 2019, which is due to a lower weighted-average interest rate during the current year on our outstanding indebtedness and a $2.7 million prior year charge for the write-off of previously deferred financing costs related to the Term Facility, which did not recur in the current period.

9. DIVESTITURES

As of 31 December 2020, the net assets of the Company's QMI business, which primarily included working capital and long-lived assets, met the criteria to be classified as held for sale, and accordingly, were written down to fair value, which was estimated based on expected sales proceeds, less cost to sell, in accordance with ASC 360. This remeasurement was based on inputs considered to be Level 3 inputs under the fair value hierarchy (see Note 30) and resulted in a Loss on assets held for sale of $37.9 million. As the expected sales proceeds, less cost to sell, were nominal, no goodwill was allocated to the Assets held for sale, and the goodwill attributable to the 2018 acquisition of QMI remains in the EMEA reporting unit as of 31 December 2020.

In 2019, the Company closed its production facility in Turkey and sold certain of the production assets thereof, which collectively met the definition of a business under ASC 805. Total proceeds from the sale were approximately $4.1 million, and the Company recorded a loss on divestiture of $24.2 million ($25.5 million, net of tax), primarily driven by the reclassification of $25.0 million of accumulated foreign currency translation adjustments to the profit and loss account upon sale. The Company also sold its interests in its Colombia operations in 2019 for a nominal amount, recording a net loss on divestiture of $5.9 million, of which $1.2 million relates to the reclassification of accumulated foreign currency translation adjustments to the profit and loss account upon sale. These losses are included within Loss on divestitures in the Consolidated Profit and Loss Account.

10. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

In millions ($)	2020	2019
Profit on ordinary activities before taxation has been arrived at after charging:		
Staff costs:		
Wages and salaries	595.9	620.4
Social welfare	157.8	159.5
Other pension costs	7.6	14.2
Depreciation (Note 18)	46.5	47.1
Amortisation of intangible assets (Note 17)	31.5	31.2
Auditors' remuneration	5.7	7.4
Restructuring costs (Note 14)	25.6	16.5
Research and development	54.4	54.7

In millions ($)	2020	2019
Audit of the Consolidated and Parent Company statutory accounts	4.0	4.4
Other assurance services	—	0.8
Tax advisory services	1.7	2.2
Auditors' remuneration	5.7	7.4

11. EMPLOYEE COSTS

The average number of persons employed in the Company, including executive directors, during the year was as follows:

Numbers	2020	2019
Americas	7,800	7,211
EMEA	2,926	3,121
Asia Pacific	622	727
Average number of persons employed	11,348	11,059

In millions ($)	2020	2019
Wages and salaries *	595.9	620.4
Social welfare and other pension costs	165.4	173.7
Employee costs	761.3	794.1

*The cost of labour capitalised within Stock as of 31 December 2020 was approximately $16.0 million (2019: $17.5 million).

Directors remuneration

In millions ($)	2020	2019
Emoluments	3.5	4.5
Gains on the exercise of share options	13.3	—
Benefits under long-term incentive schemes	7.6	2.7
Contributions to retirement benefits schemes: Defined contribution	0.2	0.3
Directors remuneration	24.6	7.5

12. TAX ON PROFIT ON ORDINARY ACTIVITIES

Profit on ordinary activities before taxation for the years ended 31 December were taxed within the following jurisdictions:

In millions ($)	2020	2019
U.S.	151.4	211.1
Non-U.S.	214.0	264.1
Total	365.4	475.2

The components of the Tax on profit on ordinary activities for the years ended 31 December were as follows:

In millions ($)	2020	2019
Current tax expense:		
U.S.	55.0	87.1
Non-U.S.	20.3	16.2
Total:	75.3	103.3
Deferred tax benefit:		
U.S.	(13.4)	(25.2)
Non-U.S.	(11.0)	(5.0)
Total:	(24.4)	(30.2)
Total tax expense:		
U.S.	41.6	61.9
Non-U.S.	9.3	11.2
Total	50.9	73.1

12. TAX ON PROFIT ON ORDINARY ACTIVITIES (Continued)

The Tax on profit on ordinary activities differs from the amount of income taxes determined by applying the applicable U.S. statutory income tax rate to pretax income, as a result of the following differences:

	Percent of pretax income	
	2020	**2019**
Statutory U.S. rate	21.0 %	21.0 %
Increase (decrease) in rates resulting from:		
Non-U.S. tax rate differential (1)	(17.5)	(10.6)
State and local income taxes (1)	2.4	3.0
Reserves for uncertain tax positions	1.1	0.5
Tax on unremitted earnings	(0.1)	0.1
Trade incentives	—	0.2
Impairment of goodwill and intangible assets	7.3	—
Impact of divestitures	—	1.6
Other adjustments	(0.3)	(0.4)
Effective tax rate	13.9 %	15.4 %

(1) Net of changes in valuation allowances

The majority of the Company's earnings are considered permanently reinvested, and therefore, the Company has not recorded any incremental withholding or income tax liabilities on earnings of its non-U.S. subsidiaries.

At 31 December, a summary of the deferred tax accounts was as follows:

In millions ($)	**2020**	**2019**
Deferred tax assets:		
Stock and trade debtors	6.5	5.3
Tangible and intangible assets	2.6	2.3
Lease liabilities	22.0	19.0
Postemployment and other benefit liabilities	29.9	31.0
Other reserves and accruals	16.4	14.2
Net operating losses, tax credits and other carryforwards	386.1	346.3
Other	1.8	0.8
Gross deferred tax assets	465.3	418.9
Less: deferred tax valuation allowances	(259.7)	(241.0)
Deferred tax assets net of valuation allowances	205.6	177.9
Deferred tax liabilities:		
Fixed assets and intangibles	(112.0)	(104.3)
Right of use assets	(21.7)	(19.0)
Postemployment and other benefit liabilities	(6.8)	(5.1)
Unremitted earnings of non-U.S. subsidiaries	(1.4)	(2.4)
Other	(5.6)	(3.8)
Gross deferred tax liabilities	(147.5)	(134.6)
Net deferred tax assets	58.1	43.3

At 31 December 2020, $1.4 million of deferred taxes were recorded for certain undistributed earnings of non-U.S. subsidiaries. Historically, no deferred taxes have been provided for any portion of the remaining undistributed earnings of the Company's subsidiaries since these earnings have been, and will continue to be, permanently reinvested in these subsidiaries. For many reasons, including the number of legal entities and jurisdictions involved, the complexity of the Company's legal entity structure, the complexity of tax laws in the relevant jurisdictions and the impact of projections of income for future years to any calculations, the Company believes it is not practicable to estimate, within any reasonable range, the amount of additional taxes which may be payable upon the distribution of earnings.

12. TAX ON PROFIT ON ORDINARY ACTIVITIES (Continued)

At 31 December 2020, the Company had the following tax losses and tax credit carryforwards available to offset taxable income in prior and future years:

In millions ($)	Amount	Expiration Period
U.S. Federal tax loss carryforwards	18.9	2027-2037
U.S. Federal and State credit carryforwards	22.5	2025-2037
U.S. State tax loss carryforwards	22.9	2021-Unlimited
Non-U.S. tax loss carryforwards	1,015.8	2021-Unlimited

The U.S. state loss carryforwards were incurred in various jurisdictions. The non-U.S. loss carryforwards were incurred in various jurisdictions, predominantly in China, Ireland, Italy, Luxembourg and the United Kingdom.

The Company evaluates its deferred income tax assets to determine if valuation allowances are required or should be adjusted. U.S. GAAP requires that companies assess whether valuation allowances should be established against their deferred tax assets based on consideration of all available evidence, both positive and negative, using a "more likely than not" standard. This assessment considers the nature, frequency and amount of recent losses, the duration of statutory carryforward periods and tax planning strategies. In making such judgements, significant weight is given to evidence that can be objectively verified.

Activity associated with the Company's valuation allowance is as follows:

In millions ($)	2020	2019
Beginning balance	241.0	357.1
Increase to valuation allowance	21.1	2.8
Decrease to valuation allowance	(2.8)	(118.6)
Foreign exchange translation	0.4	(0.3)
Ending balance	259.7	241.0

During the year ended 31 December 2020, the valuation allowance increased by $18.7 million, while during the year ended 31 December 2019, the valuation allowance decreased by $116.1 million. The increase for the year ended 31 December 2020, and the decrease for the year ended 31 December 2019, are the result of changes in country specific tax laws, internal restructurings, jurisdictional profitability and changes in judgements and facts regarding the realisability of deferred tax assets.

The Company has total unrecognised tax benefits of $41.2 million and $37.3 million as of 31 December 2020 and 2019, respectively. The amount of unrecognised tax benefits that, if recognised, would affect the effective tax rate is $41.2 million as of 31 December 2020. A reconciliation of the beginning and ending amount of unrecognised tax benefits is as follows:

In millions ($)	2020	2019
Beginning balance	37.3	42.0
Additions based on tax positions related to the current year	6.0	5.7
Additions based on tax positions related to prior years	4.1	1.7
Reductions based on tax positions related to prior years	(1.5)	(7.0)
Reductions related to settlements with tax authorities	(0.3)	(4.0)
Reductions related to lapses of statute of limitations	(5.2)	(0.8)
Translation loss/(gain)	0.8	(0.3)
Ending balance	41.2	37.3

The Company records interest and penalties associated with the uncertain tax positions within its tax on profit on ordinary activities. The Company had reserves associated with interest and penalties, net of tax, of $7.6 million and $6.2 million at 31 December 2020 and 2019, respectively. For the years ended 31 December 2020 and 2019, the Company recognised $1.9 million and $1.3 million in net interest and penalties, net of tax, related to these uncertain tax positions.

The total amount of unrecognised tax benefits relating to the Company's tax positions is subject to change based on future events including, but not limited to, the settlements of ongoing audits and/or the expiration of applicable statutes of limitations. Although the outcomes and timing of such events are highly uncertain, it is reasonably possible that the balance of gross unrecognised tax benefits, excluding interest and penalties, could potentially be reduced by up to approximately $14.8 million during the next 12 months.

12. TAX ON PROFIT ON ORDINARY ACTIVITIES (Continued)

The provision for income taxes involves a significant amount of management judgement regarding interpretation of relevant facts and laws in the jurisdictions in which the Company operates. Future changes in applicable laws, projected levels of taxable income and tax planning could change the effective tax rate and tax balances recorded by the Company. In addition, tax authorities periodically review income tax returns filed by the Company and can raise issues regarding its filing positions, timing and amount of income or deductions and the allocation of income among the jurisdictions in which the Company operates. A significant period of time may elapse between the filing of an income tax return and the ultimate resolution of an issue raised by a tax authority with respect to that return. In the normal course of business, the Company is subject to examination by taxing authorities throughout the world, including such major jurisdictions as Australia, Canada, France, Germany, Italy, Mexico, the Netherlands and the U.S. In general, the examination of the material tax returns of subsidiaries of the Company is complete for the years prior to 2003, with certain matters being resolved through appeals and litigation.

13. ACQUISITIONS

In December 2020, the Company acquired the remaining interest of Yonomi, Inc. ("Yonomi"), a U.S. based smart home integration platform provider and innovation leader in IoT Cloud platforms, through one of its subsidiaries. Prior to acquisition, the Company held a non-controlling interest in Yonomi that was considered an equity method investment. This acquisition has been accounted for as a business combination and did not have a material impact on the Consolidated Financial Statements. Yonomi has been integrated into the Americas segment.

In 2018, the Company completed six acquisitions:

Business	Month
Technical Glass Products, Inc. ("TGP")	January 2018
Hammond Enterprises, Inc. ("Hammond")	January 2018
Qatar Metal Industries LLC ("QMI")	February 2018
AD Systems, Inc. ("AD Systems")	March 2018
Gainsborough Hardware and API Locksmiths ("Door and Access Systems")	July 2018
ISONAS Security Systems, Inc. ("ISONAS")	July 2018

Total cash paid for the acquisitions completed in 2018 was approximately $373 million (net of cash acquired), including $4.6 million during the year ended 31 December 2019. These acquisitions were accounted for as business combinations.

During the years ended 31 December 2020 and 2019, the Company incurred $2.3 million and $2.0 million, respectively, of acquisition and integration related expenses, which are included in Distribution costs and Administrative expenses in the Consolidated Profit and Loss Account.

14. RESTRUCTURING ACTIVITIES

Restructuring charges recorded during the years ended 31 December associated with restructuring activities were follows:

In millions ($)	2020	2019
Americas	5.5	1.4
EMEA	12.4	13.4
Asia Pacific	4.4	1.7
Corporate and Other	3.3	—
Total	25.6	16.5
Cost of sales	5.2	8.3
Distribution costs and Administrative expenses	20.4	6.3
Total	25.6	14.6

Restructuring charges across all regions are primarily related to workforce reductions intended to optimise and simplify operations and cost structure. Restructuring charges in EMEA also included costs related to the closure of the Company's production facility in Turkey in 2019. Approximately $1.9 million of the 2019 restructuring charges related to pension curtailment costs, which are included within Other finance income (expense) within the Consolidated Profit and Loss Account.

14. RESTRUCTURING ACTIVITIES (Continued)

The changes in the restructuring reserve during the years ended 31 December 2020 and 2019, were as follows:

In millions ($)	Total
At 31 December 2018	2.1
Additions, net of reversals	16.5
Cash payments	(17.3)
Currency translation	(0.1)
At 31 December 2019	1.2
Additions, net of reversals	25.0
Cash payments	(21.3)
Currency translation	0.4
At 31 December 2020	5.3

The majority of the costs accrued as of 31 December 2020, will be paid within one year.

The Company also incurred other non-qualified restructuring charges of $1.2 million and $5.7 million during the years ended 31 December 2020 and 2019, respectively, which represent costs directly attributable to restructuring activities, but that do not fall into the severance, exit or disposal category. Approximately $4.3 million of the non-qualified restructuring expenses incurred during 2019 related to the closure of the Company's production facility in Turkey. Non-qualified restructuring charges are included within Cost of sales, Distribution costs and Administrative expenses in the Consolidated Profit and Loss Account.

The Company anticipates additional future restructuring charges of approximately $5 to $10 million related to certain of the restructuring actions initiated during the year ended 31 December 2020, primarily across several businesses and functions intended to optimise and simplify the Company's non-U.S. operations and cost structure. These future costs are expected to be cash expenditures and classified as both qualified and non-qualified restructuring. These costs are expected to be incurred within fiscal year 2021.

15. NON-CONTROLLING INTERESTS

The changes in Non-controlling interests during the years ended 31 December, were as follows:

In millions ($)	2020	2019
At 1 January	3.0	3.0
Share of profit for the financial year	0.2	0.3
Dividends declared to non-controlling interests	(0.3)	(0.2)
Other comprehensive income (loss)	0.3	(0.1)
At 31 December	3.2	3.0

All amounts of Other comprehensive income (loss) attributable to non-controlling interests on the Consolidated Reconciliation of Movements in Shareholders' Funds relate to foreign currency translation items.

16. EARNINGS PER SHARE ("EPS")

Basic EPS is calculated by dividing Profit for the financial year 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 summarises the weighted-average number of ordinary shares outstanding for basic and diluted earnings per share calculations:

In millions	2020	2019
Weighted-average number of basic shares	92.3	93.6
Shares issuable under share-based compensation plans	0.5	0.7
Weighted-average number of diluted shares	92.8	94.3

At 31 December 2020, 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.

17. INTANGIBLE ASSETS

The following table sets forth the gross amount and related accumulated amortisation of the Company's Intangible assets at 31 December:

In millions ($)	Goodwill	Trade names	Customer relationships	Completed technologies/ Patents	Other	Total
Cost						
At 31 December 2019	873.3	205.5	412.7	59.3	17.6	1,568.4
Acquisitions	16.1	—	—	—	—	16.1
Additions	—	—	—	0.3	5.4	5.7
Impairment charge	(88.1)	(9.2)	(7.2)	(1.5)	—	(106.0)
Currency translation	17.7	11.8	27.9	2.7	2.0	62.1
Other	—	0.4	(17.9)	(0.9)	2.0	(16.4)
At 31 December 2020	819.0	208.5	415.5	59.9	27.0	1,529.9
Accumulated amortisation						
At 31 December 2019	—	49.4	107.5	19.2	8.1	184.2
Charge for the year	—	3.4	20.8	5.2	2.1	31.5
Impairment charge	—	—	(4.3)	—	—	(4.3)
Currency translation	—	4.6	9.5	1.5	0.8	16.4
Other	—	—	(3.3)	(0.8)	0.1	(4.0)
At 31 December 2020	—	57.4	130.2	25.1	11.1	223.8
Net book amount						
At 31 December 2019	873.3	156.1	305.2	40.1	9.5	1,384.2
At 31 December 2020	819.0	151.1	285.3	34.8	15.9	1,306.1

Finite-lived and indefinite-lived intangible assets

The Company amortises finite-lived intangible assets on a straight-line basis over their estimated economic lives in accordance with U.S. GAAP. Indefinite-lived intangible assets are not subject to amortisation, but instead are tested for impairment at least annually (more frequently if certain indicators are present). Intangible asset amortisation expense for the years ended 2020 and 2019 was $31.5 million and $31.2 million, respectively. Future estimated amortisation expense on existing intangible assets in each of the next five years amounts to approximately $28.5 million for 2021, $28.5 million for 2022, $28.4 million for 2023, $28.3 million for 2024 and $27.4 million for 2025.

In accordance with the Company's indefinite-lived intangible asset impairment testing policy, the Company performs its annual impairment test in the fourth quarter of each year or whenever there is a significant change in events or circumstances that indicate the fair value of an indefinite-lived intangible asset is more likely than not less than its carrying amount. As a result of the global economic disruption and uncertainty due to the COVID-19 pandemic, the Company concluded a triggering event had occurred as of 31 March 2020, and accordingly, 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 in the EMEA and Asia Pacific segments were impaired, and impairment charges of $8.2 million were recorded. Further intangible impairment charges were recorded in the Asia Pacific segment during the year ended 31 December 2020, including $2.6 million relating to supply chain disruptions, which reduced a brand's expected future cash flows, and $2.8 million related to declines in volumes and pricing pressure for a separate subsidiary in the region.

During the 2019 annual impairment testing, it was determined that two of the Company's indefinite-lived trade names were impaired, resulting in impairment charges totalling $5.9 million.

17. INTANGIBLE ASSETS (Continued)

Goodwill

The changes in the carrying amount of Goodwill were as follows:

In millions ($)	Americas	EMEA	Asia Pacific	Total
At 31 December 2018 (net)	486.1	288.5	108.4	883.0
Acquisitions and adjustments (a)	(1.3)	2.7	(4.4)	(3.0)
Currency translation	0.2	(5.7)	(1.2)	(6.7)
At 31 December 2019 (net)	485.0	285.5	102.8	873.3
Acquisitions	16.1	—	—	16.1
Impairment charge	—	—	(88.1)	(88.1)
Currency translation	—	24.4	(6.7)	17.7
At 31 December 2020 (net)	501.1	309.9	8.0	819.0

(a) In 2019, the Company made reclassifications to goodwill across all segments related to a change in how revenue is managed for a specific immaterial product line where revenue previously managed in the Asia Pacific segment is now being managed in the Americas and EMEA segments.

As a result of the global economic disruption and uncertainty due to the COVID-19 pandemic, the Company concluded a triggering event had occurred as of 31 March 2020, and accordingly, performed interim impairment tests on the goodwill balances of its EMEA and Asia Pacific reporting units. As quoted market prices were not available for these reporting units, and given the high degree of market volatility and lack of reliable market data that existed as of 31 March 2020, the Company determined that a discounted cash flow model (income approach) provided the best approximation of fair value of its EMEA and Asia Pacific reporting units for the purpose of performing these interim tests. This approach relied on numerous assumptions and judgements that were subject to various risks and uncertainties. Principal assumptions utilised, all of which are considered Level 3 inputs under the fair value hierarchy (see Note 30), included the Company's estimates of future revenue and terminal growth rates, margin assumptions and discount rates to estimate future cash flows. The calculations explicitly addressed factors such as timing, with due consideration given to forecasting risk. While assumptions utilised were subject to a high degree of judgement and complexity, the Company made every effort to estimate future cash flows as accurately as possible, given the high degree of economic uncertainty that existed as of 31 March 2020. The results of the interim impairment testing indicated that the estimated fair value of the Asia Pacific reporting unit was less than its carrying value. Consequently, a goodwill impairment charge was recorded for the Asia Pacific reporting unit, as reflected in the table above. As markets stabilised throughout the year, the Company reverted to utilising both an income and market approach while performing its annual impairment test in the fourth quarter, which resulted in no further impairment charges.

18. TANGIBLE ASSETS

At 31 December the major classes of Tangible assets were as follows:

In millions ($)	Land and buildings	Machinery and equipment	Vehicles	Fixtures and fittings	Software	Construction in progress	Total
Cost							
At 31 December 2019	171.4	367.0	1.2	48.9	155.0	42.5	786.0
Additions/transfers	23.6	31.0	0.1	4.9	11.1	(22.6)	48.1
Disposals	(3.9)	(10.5)	(0.1)	(1.5)	(8.8)	—	(24.8)
Currency translation	7.1	8.1	—	1.9	2.2	0.1	19.4
Other	(1.2)	2.1	(0.5)	2.6	(1.8)	0.2	1.4
At 31 December 2020	197.0	397.7	0.7	56.8	157.7	20.2	830.1
Accumulated depreciation							
At 31 December 2019	85.1	263.8	0.9	34.4	110.4	—	494.6
Charge for the year	5.8	22.8	0.1	4.3	13.5	—	46.5
Disposals	(2.3)	(9.6)	(0.1)	(1.3)	(8.7)	—	(22.0)
Currency translation	2.0	5.5	—	1.2	1.3	—	10.0
Other	(0.8)	4.0	(0.3)	2.7	0.5	—	6.1
At 31 December 2020	89.8	286.5	0.6	41.3	117.0	—	535.2
Net book amount							
At 31 December 2019	86.3	103.2	0.3	14.5	44.6	42.5	291.4
At 31 December 2020	107.2	111.2	0.1	15.5	40.7	20.2	294.9

Depreciation expense for the years ended 31 December 2020 and 2019 was $46.5 million and $47.1 million, which includes amounts for software amortisation of $13.5 million and $14.5 million, respectively.

Tangible assets with a carrying amount of $2.8 million were disposed of during the year ended 31 December 2020. The assets had a cost of $24.8 million and accumulated depreciation of $22.0 million. The gain on the disposal of these tangible assets was $3.5 million (2019: loss of $0.7 million).

19. FINANCIAL ASSETS

At 31 December, the Company's financial assets were comprised of:

In millions ($)	2020	2019
Investments in equity method affiliates	17.4	18.2
Investments in debt and equity securities without readily determinable fair value	13.7	18.1
Investments in debt and equity securities with readily determinable fair value	23.5	17.4
Other financial assets	2.2	3.8
At 31 December	56.8	57.5

20. STOCK

Stock is stated at the lower of cost and net realisable value using the first-in, first-out (FIFO) method.

At 31 December the major classes of stock were as follows:

In millions ($)	2020	2019
Raw materials	114.0	116.8
Work-in-process	42.3	33.1
Finished goods	126.8	120.0
At 31 December	283.1	269.9

The estimated replacement cost of stock did not differ significantly from the figures shown above.

21. DEBTORS

In millions ($)	2020	2019
Amounts falling due within one year:		
Trade debtors and notes receivable	364.8	357.0
Less: Allowance for doubtful debtors and notes receivable	(6.2)	(5.6)
Less: Reserve for customer claims	(48.6)	(36.5)
Trade debtors and notes receivable, net	310.0	314.9
Other debtors	11.8	15.1
Derivative instruments (Note 27)	1.5	1.1
Prepayments and accrued income	26.6	27.9
Income tax receivable	25.8	14.2
At 31 December	375.7	373.2

22. CASH AT BANK AND IN HAND

In millions ($)	2020	2019
Cash at bank and in hand	480.4	355.3
Restricted cash	—	3.4
At 31 December	480.4	358.7

23. DEBTORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

In millions ($)	2020	2019
Other debtors	8.7	6.2
Defined benefit plans (Note 29)	37.4	29.3
Deferred tax asset	126.7	112.5
ROU asset (Note 28)	92.0	81.4
Debt issue costs	1.8	2.9
At 31 December	266.6	232.3

24. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

In millions ($)	2020	2019
Current portion of long-term debt (Note 26)	0.2	0.1
Lease liability - current (Note 28)	27.6	25.8
Payments received on account	8.4	10.9
Trade creditors	220.4	221.0
Other creditors	95.0	105.6
Irish dividend withholding tax	1.8	1.1
Income tax	9.6	7.8
Value added tax	8.2	7.0
Salary/Payroll taxes	13.2	6.8
Irish PAYE/PRSI taxes	0.1	0.1
Freight and Excise duty	12.5	9.9
Other taxes	7.1	7.1
Currency derivatives payable (Note 27)	3.3	1.5
Accruals and deferred income	62.5	62.2
At 31 December	469.9	466.9

Other creditors and accruals and deferred income principally comprise of amounts outstanding and relating to sales incentives, compensation and interest payable.

24. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR (Continued)

Trade creditors principally comprise amounts outstanding for day to day purchases and ongoing costs and are payable at various dates in the next three months in accordance with the suppliers' usual and customary credit terms. The directors consider that the carrying amount of trade creditors approximates to their fair value.

25. CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

In millions ($)	2020	2019
Long-term debt (Note 26)	1,429.4	1,427.6
Lease liability - noncurrent (Note 28)	66.3	55.6
At 31 December	1,495.7	1,483.2

26. DEBT AND CREDIT FACILITIES

At 31 December, long-term debt and other borrowings consisted of the following:

In millions ($)	2020	2019
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	0.6	0.7
Total borrowings outstanding	1,439.4	1,439.5
Less discounts and debt issuance costs, net	(9.8)	(11.8)
Total debt	1,429.6	1,427.7
Less current portion of long-term debt	0.2	0.1
Total long-term debt	1,429.4	1,427.6

Unsecured Credit Facilities

As of 31 December 2020, 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 31 December 2020, 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 12 September 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.

At inception, the Term Facility was scheduled to amortise in quarterly instalments at the following rates: 1.25% per quarter starting 31 December 2017 through 31 December 2020, 2.5% per quarter from 31 March 2021 through 30 June 2022, with the balance due on 12 September 2022. Principal amounts repaid on the Term Facility may not be reborrowed. During the third quarter of 2019, the Company made a $400.0 million principal payment to partially pay down the outstanding Term Facility balance. As a result of this payment, the Company has satisfied its obligation to make quarterly instalments on the Term Facility up to the maturity date, with the remaining outstanding balance due on 12 September 2022. In conjunction with this principal pay down, the Company recognised a $2.7 million charge related to the write-off of previously deferred financing costs related to the Term Facility, which is included in Interest payable and similar charges in the Consolidated Profit and Loss Account for the year ended 31 December 2019.

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 31 December 2020, there were no borrowings outstanding on the Revolving Facility and the Company had $15.0 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. The Company pays certain fees with respect to the Revolving Facility, including an unused commitment fee on the undrawn portion of the Revolving Facility of between 0.125% and 0.200% per year, depending on the Company's credit rating, as well as certain other fees.

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 31 December 2020, the outstanding borrowings under the Term Facility accrue interest at LIBOR plus a margin of 1.250%, resulting in an interest rate of 1.51%.

26. DEBT AND CREDIT FACILITIES (Continued)

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 31 December 2020, the Company was in compliance with all covenants.

Senior Notes

As of 31 December 2020, 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 1 April and 1 October of each year, and will mature on 1 October 2024, 1 October 2027, and 1 October 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.

At 31 December 2020, scheduled principal repayments on indebtedness were as follows:

In millions ($)	
2021	0.2
2022	238.9
2023	0.2
2024	400.1
2025	—
Thereafter	800.0
Total	1,439.4

Cash paid for interest for the years ended 31 December 2020 and 2019 was $47.3 million and $48.8 million, respectively.

27. FINANCIAL INSTRUMENTS

In the normal course of business, the Company uses various financial instruments, including derivative instruments, to manage the risks associated with variable 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 recognised 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 Other reserves, while changes in the fair market value of derivatives not deemed to be an effective hedge are recorded in Profit for the financial year 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 will no longer occur, the hedging relationship will be undesignated and any future gains or losses on the derivative instrument will be recorded in Profit for the financial year.

Currency Derivatives

The gross notional amount of the Company's currency derivatives was $218.9 million and $146.4 million at 31 December 2020 and 2019, respectively. At 31 December 2020 and 2019, both the losses included in Other reserves and the amount expected to be reclassified into Profit for the financial year over the next twelve months related to the Company's currency derivatives designated as cash flow hedges were not material, although the actual amounts that will be reclassified to Profit for the financial year may vary as a result of future changes in market conditions.

27. FINANCIAL INSTRUMENTS (Continued)

Gains and losses associated with the Company's currency derivatives not designated as hedges are recorded in Profit for the financial year as changes in fair value occur. At 31 December 2020, the maximum term of the Company's currency derivatives was less than one year.

Interest Rate Swaps

As of 31 December 2019, and through their expiration in September 2020, the Company had interest rate swaps to fix the interest rate paid during the contract period related to $200.0 million of the Company's variable rate Term Facility. Prior to expiration, these swaps met the criteria to be accounted for as cash flow hedges of variable rate interest payments.

The fair values of derivative instruments included within the Consolidated Balance Sheet as of 31 December 2020 and 2019 were not material. The amounts associated with derivatives designated as hedges affecting Profit for the financial year and Other reserves for the years ended 31 December were as follows:

	Amount of gain (loss) recognised in Other reserves			Amount of gain reclassified from Other reserves and recognised into Profit for the financial year	
In millions ($)	2020	2019	Location of gain recognised in Profit for the financial year	2020	2019
Currency derivatives	4.1	1.9	Cost of sales	5.3	4.4
Interest rate swaps	(0.2)	(1.9)	Interest payable and similar charges	0.5	3.1
Total	3.9	—		5.8	7.5

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 finance income (expense) in the Consolidated Profit and Loss Account.

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.

28. LEASES

The Company adopted ASC 842 on 1 January 2019, utilising the transition method allowed per ASU 2018-11. In accordance with ASC 842, the Company records a ROU asset and lease liability for substantially all leases for which it is a lessee. 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 the 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 years ended 31 December 2020 and 2019, was $44.2 million and $43.2 million, respectively, and is classified within Distribution costs and Administrative expenses within the Consolidated Profit and Loss Account. 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 totalled $9.1 million and $8.1 million, respectively, for the years ended 31 December 2020 and 2019. No material lease costs have been capitalised on the Consolidated Balance Sheet as of 31 December 2020 or 2019.

If at lease commencement, 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 utilise 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 categorises its leases into two general categories: real estate and equipment leases.

The Company's real estate leases include leased production and assembly facilities, warehouses and distribution centres, 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.

28. LEASES (Continued)

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 utilises 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 utilised in the Company's production and assembly facilities, warehouses and distribution centres, 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 judgements 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 utilises 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 Consolidated Balance Sheet at 31 December related to the Company's ROU asset and lease liability were as follows:

		2020			2019		
In millions ($)	**Balance Sheet classification**	**Real estate**	**Equipment**	**Total**	**Real estate**	**Equipment**	**Total**
ROU asset	Debtors: amounts falling due after more than one year	59.5	32.5	92.0	57.5	23.9	81.4
Lease liability - current	Creditors: amounts falling due within one year	14.7	12.9	27.6	15.4	10.4	25.8
Lease liability - noncurrent	Creditors: amounts falling due after more than one year	46.5	19.8	66.3	42.1	13.5	55.6
Other information:							
Weighted-average remaining term (years)		7.0	3.2		6.5	2.8	
Weighted-average discount rate		3.9 %	2.7 %		4.5 %	3.8 %	

The following table summarises additional information related to the Company's leases for the years ended 31 December:

	2020			2019		
In millions ($)	**Real estate**	**Equipment**	**Total**	**Real estate**	**Equipment**	**Total**
Cash paid for amounts included in the measurement of lease liabilities	19.0	15.0	34.0	19.2	15.9	35.1
ROU assets obtained in exchange for new lease liabilities	19.2	22.0	41.2	14.7	16.0	30.7

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 31 December 2020, none of these leases provide new rights or obligations to the Company that are material individually or in the aggregate.

At 31 December, the Company's ROU asset movement schedule was as follows:

In millions ($)	**2020**	**2019**
At 1 January	81.4	87.4
Additions / renewals	41.2	30.7
Amortisation / terminations	(31.3)	(35.1)
Other	0.7	(1.6)
At 31 December	92.0	81.4

Future Repayments

Scheduled minimum lease payments required under non-cancellable operating leases for both the real estate and equipment lease portfolios for the next five years and thereafter as of 31 December 2020, were as follows:

28. LEASES (Continued)

In millions ($)	2021	2022	2023	2024	2025	Thereafter	Total
Real estate leases	16.8	13.8	9.1	6.5	5.3	19.5	71.0
Equipment leases	13.6	9.8	5.5	3.2	1.8	—	33.9
Total	30.4	23.6	14.6	9.7	7.1	19.5	104.9

The difference between the total undiscounted minimum lease payments and the combined current and noncurrent lease liabilities as of 31 December 2020, is due to imputed interest of $11.0 million.

29. PENSIONS AND POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

The Company sponsors several U.S. defined benefit and defined contribution plans covering substantially all U.S. employees. Additionally, the Company has non-U.S. defined benefit and defined contribution plans covering eligible non-U.S. employees. Postretirement benefits, other than pensions, provide healthcare benefits, and in some instances, life insurance benefits for certain eligible employees.

Pension Plans

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 additional other supplemental plans for officers and other key employees.

The following table details information regarding the Company’s pension plans at 31 December:

	U.S.		NON-U.S.	
In millions ($)	2020	2019	2020	2019
Change in benefit obligations:				
Benefit obligation at beginning of year	341.0	293.3	404.5	356.8
Service cost	6.7	6.5	1.7	1.7
Interest cost	9.6	11.7	6.6	8.8
Employee contributions	—	—	0.3	0.3
Amendments	—	—	0.2	(0.8)
Actuarial losses	22.5	42.2	43.4	45.7
Benefits paid	(19.0)	(13.0)	(16.3)	(16.9)
Foreign exchange rate changes	—	—	15.9	13.9
Curtailments and settlements	—	—	(0.6)	(5.0)
Other, including expenses paid	0.6	0.3	—	—
Benefit obligation at end of year	361.4	341.0	455.7	404.5
Change in plan assets:				
Fair value at beginning of year	301.5	259.4	409.0	352.2
Actual return on plan assets	45.2	50.4	52.1	55.2
Company contributions	6.3	6.0	5.1	10.6
Employee contributions	—	—	0.3	0.3
Benefits paid	(19.0)	(13.0)	(16.3)	(16.9)
Foreign exchange rate changes	—	—	15.9	15.2
Curtailments and settlements	—	—	(0.6)	(6.2)
Other, including expenses paid	(1.0)	(1.3)	(1.6)	(1.4)
Fair value of assets at end of year	333.0	301.5	463.9	409.0
Funded status:				
Plan assets (less than) over benefit obligations	(28.4)	(39.5)	8.2	4.5
Amounts included in the balance sheet:				
Debtors: amounts falling due after more than one year	—	—	37.4	29.3
Provisions for liabilities	(28.4)	(39.5)	(28.4)	(24.8)
Liabilities held for sale	—	—	(0.8)	—
Net amount recognised	(28.4)	(39.5)	8.2	4.5

29. PENSIONS AND POSTRETIREMENT BENEFITS OTHER THAN PENSIONS (Continued)

It is the Company’s objective to contribute to the pension plans to ensure adequate funds are available in the plans to make benefit payments to plan participants and beneficiaries when required. However, certain plans are not funded due to either legal, accounting or tax requirements in certain jurisdictions. As of 31 December 2020, approximately 6% of the Company's projected benefit obligation relates to plans that are not funded, of which the majority are non-U.S. plans.

The pretax amounts recognised in Other reserves were as follows:

	U.S.		
In millions ($)	Prior service cost	Net actuarial losses	Total
At 31 December 2018	(1.5)	(69.6)	(71.1)
Current year changes recorded to Other reserves	—	(4.2)	(4.2)
Amortisation reclassified to profit and loss account	0.3	4.7	5.0
At 31 December 2019	(1.2)	(69.1)	(70.3)
Current year changes recorded to Other reserves	—	8.1	8.1
Amortisation reclassified to profit and loss account	0.2	3.6	3.8
At 31 December 2020	(1.0)	(57.4)	(58.4)

	NON-U.S.		
In millions ($)	Prior service cost	Net actuarial losses	Total
At 31 December 2018	(4.7)	(66.2)	(70.9)
Current year changes recorded to Other reserves	0.8	(4.8)	(4.0)
Amortisation reclassified to profit and loss account	0.2	1.3	1.5
Settlements/curtailments reclassified to profit and loss account	—	2.3	2.3
Currency translation and other	(0.1)	(2.4)	(2.5)
At 31 December 2019	(3.8)	(69.8)	(73.6)
Current year changes recorded to Other reserves	(0.3)	(4.0)	(4.3)
Amortisation reclassified to profit and loss account	0.1	1.3	1.4
Settlements/curtailments reclassified to profit and loss account	—	0.1	0.1
Currency translation and other	(0.1)	(2.6)	(2.7)
At 31 December 2020	(4.1)	(75.0)	(79.1)

Weighted-average assumptions used:

Benefit obligations at 31 December:	2020	2019
Discount rate:		
U.S. plans	2.5 %	3.3 %
Non-U.S. plans	1.3 %	1.9 %
Rate of compensation increase:		
U.S. plans	3.0 %	3.0 %
Non-U.S. plans	3.0 %	3.0 %

The accumulated benefit obligation for all U.S. defined benefit pension plans was $354.9 million and $332.4 million at 31 December 2020 and 2019, respectively. The accumulated benefit obligation for all non-U.S. defined benefit pension plans was $446.0 million and $396.7 million at 31 December 2020 and 2019, respectively.

The Company estimates the service and interest cost components of net periodic benefit cost utilising a full yield-curve approach. Under this approach, the Company applies discounting using the applicable spot rates derived from the yield curve to discount the cash flows used to measure the benefit obligation. These spot rates align to each of the projected benefit obligations and service cost cash flows.

29. PENSIONS AND POSTRETIREMENT BENEFITS OTHER THAN PENSIONS (Continued)

Information regarding pension plans with accumulated benefit obligations more than plan assets were:

	U.S.		NON-U.S.	
In millions ($)	2020	2019	2020	2019
Projected benefit obligation	24.0	341.0	40.3	34.0
Accumulated benefit obligation	23.3	332.4	34.0	29.1
Fair value of plan assets	—	301.5	11.1	9.5

Future pension benefit payments are expected to be paid as follows:

In millions ($)	U.S.	NON-U.S.
2021	20.0	18.4
2022	29.2	18.8
2023	22.0	19.7
2024	29.8	20.6
2025	20.0	22.0
2026 - 2030	97.0	118.6

The components of the Company's net periodic pension benefit cost (income) for the years ended 31 December were as follows:

	U.S.	
In millions ($)	2020	2019
Service cost	6.7	6.5
Interest cost	9.6	11.7
Expected return on plan assets	(14.5)	(12.5)
Administrative costs and other	1.6	1.7
Net amortisation of:		
Prior service costs	0.2	0.3
Plan net actuarial losses	3.6	4.7
Net periodic pension benefit cost	7.2	12.4

	NON-U.S.	
In millions ($)	2020	2019
Service cost	1.7	1.7
Interest cost	6.6	8.8
Expected return on plan assets	(12.7)	(13.0)
Administrative costs and other	1.6	1.3
Net amortisation of:		
Prior service costs	0.1	0.2
Plan net actuarial losses	1.3	1.4
Net curtailment and settlement losses	0.1	2.3
Net periodic pension benefit (income) cost	(1.3)	2.7

The Service cost component of Net periodic pension benefit cost (income) is recorded in Cost of sales, Distribution costs and Administrative expenses within the Consolidated Profit and Loss Account. The remaining components are recorded within Other finance income (expense) within the Consolidated Profit and Loss Account.

Pension expense for 2021 is projected to be approximately $1.8 million, utilising the assumptions for calculating the pension benefit obligations at the end of 2020.

29. PENSIONS AND POSTRETIREMENT BENEFITS OTHER THAN PENSIONS (Continued)

Weighted-average assumptions used:

Net periodic pension cost for the year ended 31 December	2020	2019
Discount rate:		
U.S. plans	3.3 %	4.3 %
Non-U.S. plans	1.9 %	2.8 %
Rate of compensation increase:		
U.S. plans	3.0 %	3.0 %
Non-U.S. plans	3.0 %	3.3 %
Expected return on plan assets:		
U.S. plans	5.0 %	5.0 %
Non-U.S. plans	3.3 %	3.8 %

The expected return on plan assets reflects the average rate of returns expected on the funds invested or to be invested to provide for the benefits included in the projected benefit obligation and is based on what is achievable given the plan's investment policy, the types of assets held and target asset allocations. The expected long-term rate of return is determined as of the measurement date. Each plan is reviewed, along with its historical returns and target asset allocations, to determine the appropriate expected return on plan assets to be used.

The Company's overall objective in managing defined benefit plan assets is to ensure that all present and future benefit obligations are met as they come due. The goal is to achieve this 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. Each plan's funded status and asset allocation is monitored regularly in addition to investment manager performance.

The fair values of the Company's U.S. pension plan assets at 31 December 2020, by asset category 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)	Assets measured at NAV	Total
Cash, cash equivalents and short-term investments	—	—	—	2.1	2.1
Common collective trusts	—	—	—	288.4	288.4
Other[(a)]	—	—	—	42.5	42.5
Total U.S. pension plan assets	—	—	—	333.0	333.0

(a) Includes a group trust diversified credit fund and real estate investment trust.

The fair values of the Company's U.S. pension plan assets at 31 December 2019, by asset category 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)	Assets measured at NAV	Total
Cash, cash equivalents and short-term investments	—	—	—	4.7	4.7
Common collective trusts	—	—	—	262.5	262.5
Other[(a)]	—	—	—	34.3	34.3
Total U.S. pension plan assets	—	—	—	301.5	301.5

(a) Includes a group trust diversified credit fund and real estate investment trust.

No material transfers in or out of Level 3 occurred during the years ended 31 December 2020 or 2019.

The Company's U.S. pension plan assets are valued using the following methodologies:

- *Cash, cash equivalents and short-term investments* – Short-term investments are valued at their daily net asset value (NAV) per share or the equivalent based upon the fair value of the underlying investments. NAV per share or the equivalent is used for fair value purposes as a practical expedient and is calculated by the investment manager or sponsor of the fund. These investments primarily consist of short-term investment funds.

29. PENSIONS AND POSTRETIREMENT BENEFITS OTHER THAN PENSIONS (Continued)

- *Common collective trusts* - Common collective trust ("CCT") funds are not publicly traded and are valued at NAV per share or the equivalent based upon the fair value of the underlying investments. NAV per share or the equivalent is used for fair value purposes as a practical expedient and is calculated by the investment manager or sponsor of the applicable fund. CCT funds consist of a variety of publicly traded securities, including equity mutual funds, U.S. government and agency obligations, corporate and non-U.S. bonds, securitised credit and emerging market debt. There are no unfunded commitments, redemption frequency restrictions or other redemption restrictions related to such investments.

The fair values of the Company's Non-U.S. pension plan assets at 31 December 2020 by asset category 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)**	**Assets measured at NAV**	**Total**
Cash, cash equivalents and short-term investments	1.6	—	—	92.5	94.1
Equity mutual funds	—	3.3	—	110.0	113.3
Corporate and non-U.S. bonds	—	3.5	—	203.8	207.3
Other[(a)]	—	0.5	4.2	44.5	49.2
Total non-U.S. pension plan assets	1.6	7.3	4.2	450.8	463.9

(a) Primarily includes a core diversified credit fund and derivative contracts.

The fair values of the Company's Non-U.S. pension plan assets at 31 December 2019, by asset category are 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)**	**Assets measured at NAV**	**Total**
Cash, cash equivalents and short-term investments	0.9	—	—	56.9	57.8
Equity mutual funds	—	2.7	—	102.5	105.2
Corporate and non-U.S. bonds	—	118.0	—	70.1	188.1
Other[(a)]	—	9.0	3.4	45.5	57.9
Total non-U.S. pension plan assets	0.9	129.7	3.4	275.0	409.0

(a) Primarily includes a core diversified credit fund and derivative contracts.

No material transfers in or out of Level 3 occurred during the years ended 31 December 2020 or 2019.

The Company's non-U.S. pension plan assets are valued using the following methodologies:

- *Cash, cash equivalents and short-term investments* – Cash equivalents are valued using a market approach with inputs including quoted market prices for either identical or similar instruments. Short-term investments are valued at the closing price or amount held on deposit by the custodian bank, at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer, or at their NAV per share or the equivalent based upon the fair value of the underlying investments. NAV per share or the equivalent is used for fair value purposes as a practical expedient and is calculated by the investment manager or sponsor of the fund. These investments primarily consist of short-term investment funds.

- *Equity mutual funds* – Equity mutual funds are primarily valued at their NAV per share or the equivalent. NAV per share or the equivalent is used for fair value purposes as a practical expedient. NAV is calculated by the investment manager or sponsor of the fund.

- *Corporate and non-U.S. bonds* – Quoted market prices are not available for these securities. Fair values are either estimated using pricing models and/or quoted prices of securities with similar characteristics or discounted cash flows, in which instances such securities are classified as Level 2 or valued at their NAV per share or the equivalent. NAV per share or the equivalent is used for fair value purposes as a practical expedient and are calculated by the investment manager or sponsor of the fund.

The Company made employer contributions of $6.3 million and $6.0 million to the U.S. pension plans in 2020 and 2019, respectively. The Company made required and discretionary contributions to its non-U.S. pension plans of $5.1 million and $10.6 million in 2020 and 2019, respectively.

29. PENSIONS AND POSTRETIREMENT BENEFITS OTHER THAN PENSIONS (Continued)

The Company currently projects that approximately $11.4 million will be contributed to its U.S and non-U.S. plans in 2021. The Company's policy allows it to fund an amount, which could be in excess of or less than the pension cost expensed, subject to the limitations imposed by current tax regulations. The Company anticipates funding the plans in 2021 in accordance with contributions required by funding regulations or the laws of each jurisdiction.

Most of the Company's U.S. employees are covered by defined contribution plans. Employer contributions are determined based on criteria specific to the individual plans and amounted to approximately $17.9 million and $15.6 million in 2020 and 2019, respectively. The Company's contributions relating to non-U.S. defined contribution plans and other non-U.S. benefit plans were $7.0 million and $6.0 million in 2020 and 2019, respectively.

Deferred Compensation Plan

The Company maintains an Executive Deferred Compensation Plan ("EDCP"), which is an unfunded, nonqualified plan that, prior to 2019, permitted certain employees to defer up to 50% of their annual salary and up to 100% of their annual bonus awards, performance stock plan awards and restricted stock units earned until conclusion of their employment with the Company. As of 31 December 2020 and 2019, the deferred compensation liability balance was $18.1 million and $17.4 million, respectively, which was recorded within Provisions for liabilities in the Consolidated Balance Sheet.

Postretirement Benefits Other Than Pensions

The Company sponsors a postretirement ("OPEB") plan that provides for healthcare benefits, and in some instances, life insurance benefits, that cover certain eligible retired employees. The Company funds postretirement benefit obligations principally on a pay-as-you-go basis. Generally, postretirement health benefits are contributory with contributions adjusted annually. Life insurance plans for retirees are primarily noncontributory. Net periodic postretirement benefit income is included within Other finance income (expense) within the Consolidated Profit and Loss Account.

The benefit obligation related to the Company's postretirement plans as of 31 December 2020 and 2019 was $5.2 million and $6.8 million, respectively, and is classified as Provisions for liabilities within the Consolidated Balance Sheet. Net periodic postretirement benefit income was not material for any of the years ended 31 December 2020 and 2019, nor is it projected to be material for 2021. Benefit payments for postretirement benefits, which are net of expected plan participant contributions and Medicare Part D subsidies, are expected to be less than $1 million per year for the foreseeable future.

30. 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 utilises the inputs market participants use to determine the fair value of an asset or liability and establishes a fair value hierarchy to prioritise those inputs. The fair value hierarchy is comprised of the three levels 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 maximise the use of observable inputs and minimise 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 categorisation within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

30. FAIR VALUE MEASUREMENTS (Continued)

Assets and liabilities measured at fair value at 31 December 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
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

Assets and liabilities measured at fair value at 31 December 2019, 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
Recurring fair value measurements				
Assets:				
Investments	—	17.4	—	17.4
Derivative instruments	—	1.1	—	1.1
Total asset recurring fair value measurements	—	18.5	—	18.5
Liabilities:				
Derivative instruments	—	1.5	—	1.5
Deferred compensation and other retirement plans	—	23.1	—	23.1
Total liability recurring fair value measurements	—	24.6	—	24.6
Financial instruments not carried at fair value:				
Total debt	—	1,474.0	—	1,474.0
Total financial instruments not carried at fair value	—	1,474.0	—	1,474.0

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. As of 31 December 2019, these instruments also included interest rate swap contracts, which expired in September 2020, related to the Company's variable rate Term Facility. 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. The fair value of the interest rate swap contracts was determined based on quoted prices for the Company's swaps, which was not considered an active market.
- *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.

30. FAIR VALUE MEASUREMENTS (Continued)

The carrying values of Cash at bank and in hand, Debtors and Creditors: amounts falling due within one year are a reasonable estimate of their fair value due to the short-term nature of these instruments. As discussed in Note 2, the Company also has investments in debt and equity securities without readily determinable fair values, which 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. As these investments are considered to be nonrecurring fair value measurements, they 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 31 December 2020, are the same as those used at 31 December 2019.

31. PROVISIONS FOR LIABILITIES

In millions ($)	2020	2019
Pensions and similar obligations (Note 29)	90.5	96.3
Taxation including deferred taxation (Note 12)	114.3	112.8
Other provisions for liabilities	59.2	47.6
At 31 December	264.0	256.7

The movement on other provisions for liabilities is as follows:

In millions ($)	Warranty	Environmental	Restructuring	Other	Total
At 31 December 2019	15.9	19.3	1.2	11.2	47.6
Arising during the year	8.2	5.1	25.0	6.7	45.0
Utilised in the year	(7.3)	(5.7)	(21.3)	(1.7)	(36.0)
Changes in existing reserves	(0.6)	2.0	—	0.1	1.5
Currency translation	0.3	0.4	0.4	—	1.1
At 31 December 2020	16.5	21.1	5.3	16.3	59.2
Current	11.5	6.1	5.3	1.6	24.5
Non-current	5.0	15.0	—	14.7	34.7
At 31 December 2020	16.5	21.1	5.3	16.3	59.2

Other principally comprises of workers compensation and the deferral of half of the employer portion of the social security tax due 31 December 2020 as permitted under the CARES Act. The timing of the settlement of these provisions has been appropriately reflected above. Refer to Note 14 and Note 32 for a detailed description of these other provisions for liabilities.

32. 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 utilisation 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 utilised 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, from time to time, 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.

32. COMMITMENTS AND CONTINGENCIES (Continued)

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 the Company's 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.

The Company incurred $7.1 million and $1.7 million of expenses during the years ended 31 December 2020 and 2019, respectively, for environmental remediation at sites presently or formerly owned or leased by the Company. Environmental remediation costs are recorded in Costs of sales within the Consolidated Profit and Loss Account.

As of 31 December 2020 and 2019, the Company has recorded reserves for environmental matters of $21.1 million and $19.3 million, respectively. The total reserve at 31 December 2020 and 2019, included $4.4 million and $4.2 million, respectively, related to remediation of sites previously disposed by the Company. Environmental reserves are classified as Provisions for liabilities within the Consolidated Balance Sheet. The Company's total current environmental reserve at 31 December 2020 and 2019, was $6.1 million and $6.2 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 years ended 31 December, were as follows:

In millions ($)	2020	2019
At 1 January	15.9	14.5
Reductions for payments	(7.3)	(8.4)
Accruals for warranties issued during the current period	8.2	10.3
Changes to accruals related to preexisting warranties	(0.6)	(0.4)
Translation	0.3	(0.1)
At 31 December	16.5	15.9

Standard product warranty liabilities are classified as Provisions for liabilities within the Consolidated Balance Sheet.

33. SHARE-BASED COMPENSATION

The Company records share-based compensation awards using a fair value method and recognises 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.

Under the Company's incentive stock plan, the total number of ordinary shares authorised by the shareholders is 8.0 million, of which 2.9 million remain available as of 31 December 2020 for future incentive awards.

Compensation Expense

Share-based compensation expense is included in Cost of sales, Distribution costs and Administrative expenses within the Consolidated Profit and Loss Account. The following table summarises the expenses recognised for the years ended 31 December:

In millions ($)	2020	2019
Stock options	3.8	3.5
RSUs	11.4	10.0
PSUs	5.6	6.9
Deferred compensation	2.4	3.2
Other	—	—
Pretax expense	23.2	23.6
Tax benefit[(a)]	(2.9)	(3.0)
Total	20.3	20.6

(a) Tax benefit reflected in the table above does not include the excess benefit from exercises and vesting of share-based compensation of $4.5 million and $2.8 million for the years ended 31 December 2020 and 2019, respectively.

33. SHARE-BASED COMPENSATION (Continued)

Stock Options / RSUs

Eligible participants may receive (i) stock options, (ii) RSUs or (iii) a combination of both stock options and RSUs. 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 3-year vesting period. However, for stock options and RSUs granted to retirement eligible employees, the Company recognises expense for the fair value at the grant date.

The average fair value of the stock options granted for the years ended 31 December 2020 and 2019, was estimated to be \$25.62 and \$19.58 per share, respectively, using the Black-Scholes option-pricing model. The weighted-average assumptions used were as follows:

	2020	2019
Dividend yield	0.99 %	1.23 %
Volatility	20.70 %	21.44 %
Risk-free rate of return	1.41 %	2.53 %
Expected life	6.0 years	6.0 years

Volatility is based on the Company's historic volatility for the prior six years. 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.

Changes in options outstanding under the plans for the years ended 31 December 2020 and 2019, were as follows:

	Shares subject to option	Weighted-average exercise price (\$)[(a)]	Aggregate intrinsic value (\$ millions)	Weighted-average remaining life (years)
At 31 December 2018	957,198	56.71		
Granted	195,675	88.07		
Exercised	(272,003)	42.97		
Cancelled	(17,248)	85.22		
At 31 December 2019	863,622	67.57		
Granted	161,600	129.26		
Exercised	(256,704)	52.89		
Cancelled	(8,376)	107.23		
Outstanding 31 December 2020	760,142	85.18	25.7	6.6
Exercisable 31 December 2020	440,987	68.70	21.1	5.4

(a) The weighted-average exercise price of awards represents the exercise price of the awards on the grant date converted to ordinary shares of the Company.

The following table summarises information concerning currently outstanding and exercisable options:

Range of exercise price (\$)			Options outstanding			Options exercisable		
			Number outstanding at 31 December 2020	Weighted-average remaining life (years)	Weighted-average exercise price (\$)	Number exercisable at 31 December 2020	Weighted-average remaining life (years)	Weighted-average exercise price (\$)
0.01	—	25.00	3,223	1.1	24.96	3,223	1.1	24.96
25.01	—	50.00	34,206	1.5	31.34	34,206	1.5	31.34
50.01	—	75.00	258,428	5.0	63.40	258,428	5.0	63.40
75.01	—	100.00	307,127	7.4	87.59	143,379	7.1	87.40
100.01	—	125.00	391	9.4	100.68	—	0.0	—
125.01	—	150.00	156,767	9.0	129.33	1,751	2.7	129.33
			760,142	6.6	85.18	440,987	5.4	68.70

At 31 December 2020, there was \$1.5 million of total unrecognised compensation cost from stock option arrangements granted under the plan, which is primarily related to unvested shares of non-retirement eligible employees. The aggregate intrinsic value of the Company's options exercised during the years ended 31 December 2020 and 2019, was \$18.8 million and \$16.3 million, respectively. Generally, stock options expire ten years from their date of grant.

33. SHARE-BASED COMPENSATION (Continued)

The following table summarises RSU activity for the year ended 31 December 2020 and 2019:

	RSUs	Weighted-average grant date fair value (a)($)
Outstanding and unvested at 31 December 2018	244,347	76.51
Granted	134,518	91.75
Vested	(118,060)	73.52
Cancelled	(24,286)	79.53
Outstanding and unvested at 31 December 2019	236,519	86.37
Granted	81,796	124.91
Vested	(113,776)	85.40
Cancelled	(9,249)	91.73
Outstanding and unvested at 31 December 2020	195,290	102.52

(a) The weighted-average grant date fair value represents the fair value of the awards on the grant date converted to ordinary shares of the Company.

At 31 December 2020, there was $6.1 million of total unrecognised compensation cost from RSU arrangements granted under the plan, which is related to unvested shares of non-retirement eligible employees.

Performance Shares

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.

In February 2019 and 2020, 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.

The following table summarises PSU activity for the maximum number of shares that may be issued for the year ended 31 December 2020 and 2019:

	PSUs	Weighted-average grant date fair value (a)($)
Outstanding and unvested at 31 December 2018	156,041	65.07
Granted	68,125	87.02
Vested	(56,773)	61.00
Forfeited	(10,045)	68.63
Outstanding and unvested at 31 December 2019	157,348	75.82
Granted	92,913	113.54
Vested	(101,638)	83.16
Forfeited	(2,647)	121.43
Outstanding and unvested at 31 December 2020	145,976	93.89

(a) The weighted-average grant date fair value represents the fair value of the awards on the grant date converted to ordinary shares of the Company.

At 31 December 2020, there was $4.6 million of total unrecognised compensation cost from the PSP based on current performance, which is related to unvested shares. This compensation will be recognised over the required service period, which is generally the three-year vesting period.

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.

34. CALLED UP SHARE CAPITAL PRESENTED AS EQUITY

The authorised share capital of Allegion is as follows:

In millions ($)	2020	2019
Authorised:		
40,000 ordinary shares of €1 par value	—	—
400,000,000 ordinary shares of $0.01 par value	4.0	4.0
10,000,000 preferred shares of $0.001 par value	—	—
At 31 December	4.0	4.0

Allegion had 400.0 million ordinary shares authorised and 10.0 million $0.001 par value preferred shares authorised (with none outstanding) at 31 December 2020. A reconciliation of ordinary shares is as follows:

Allotted, called up and fully paid equity: **Ordinary shares of $0.01 each**	Number(m)	$m
At 31 December 2019	92.7	0.9
Shares issued under incentive plans	0.4	—
Repurchase of ordinary shares	(1.9)	—
At 31 December 2020	91.2	0.9

Share repurchases

In February 2017, the Company's Board of Directors approved a share repurchase authorisation of up to $500 million of the Company's ordinary shares (the "2017 Share Repurchase Authorisation"). On 6 February 2020, the Company's Board of Directors approved a new share repurchase authorisation of up to, and including, $800 million of the Company's ordinary shares (the "2020 Share Repurchase Authorisation"), replacing the existing 2017 Share Repurchase Authorisation. The 2020 Share Repurchase Authorisation does not have a prescribed expiration date. During the year ended 31 December 2020, the Company paid $208.8 million to repurchase 1.9 million ordinary shares on the open market under these share repurchase authorisations.

35. MOVEMENT ON RESERVES

In millions ($)	Share premium account	Profit and loss account	Other reserves	Total
At 31 December 2018	65.4	728.5	(143.8)	650.1
Profit for the year	—	401.8	—	401.8
Pension and OPEB items	—	—	(3.0)	(3.0)
Currency translation[(a)]	—	—	13.5	13.5
Cash flow hedges	—	—	(5.6)	(5.6)
Repurchase of ordinary shares	—	(226.0)	—	(226.0)
Share-based compensation activity	6.5	—	20.0	26.5
Cash dividends declared ($1.08 per share)	—	(100.9)	—	(100.9)
Other	—	0.1	—	0.1
At 31 December 2019	71.9	803.5	(118.9)	756.5
Cumulative effect of adoption of ASC 326 (see Note 2)	—	(2.2)	—	(2.2)
Profit for the year	—	314.3	—	314.3
Pension and OPEB items	—	—	5.9	5.9
Currency translation[(b)]	—	—	57.0	57.0
Cash flow hedges	—	—	(1.4)	(1.4)
Repurchase of ordinary shares	—	(208.8)	—	(208.8)
Share-based compensation activity	4.5	—	20.3	24.8
Cash dividends declared ($1.28 per share)	—	(117.9)	—	(117.9)
Other	—	0.3	—	0.3
At 31 December 2020	76.4	789.2	(37.1)	828.5

35. MOVEMENT ON RESERVES (Continued)

(a) During 2019, the Company reclassified $26.2 million of accumulated foreign currency translation adjustments to the profit and loss account upon the sale of the Company's business operations in Colombia and Turkey, which is included in Foreign currency items in the table above. See Note 9 for further information on these divestitures.

(b) During 2020, the Company reclassified $12.8 million of accumulated foreign currency translation adjustments to the profit and loss account upon the liquidation of two legal entities in EMEA, which is included in Foreign currency items in the table above.

Dividends declared and paid during the year

In millions ($)	2020	2019
Equity dividends on ordinary shares:		
First interim dividend for 2020 of $0.32 (2019: $0.27)	29.6	25.5
Second interim dividend for 2020 of $0.32 (2019: $0.27)	29.5	25.2
Third interim dividend for 2020 of $0.32 (2019: $0.27)	29.5	25.1
Fourth interim dividend for 2020 of $0.32 (2019: $0.27)	29.3	25.1
At 31 December	117.9	100.9

Our Board of Directors declared dividends of $0.32 per ordinary share on 6 February 2020, 8 April 2020, 1 September 2020 and 2 December 2020. We paid a total of $117.3 million in cash for dividends to ordinary shareholders during the year ended 31 December 2020.

Future dividends

On 5 February 2021, our Board of Directors declared a dividend of $0.36 per ordinary share payable 31 March 2021. Future dividends on our ordinary shares, if any, will be at the discretion of our Board of Directors and will depend on, among other things, our results of operations, cash requirements and surplus, financial condition, contractual restrictions and other factors that the Board of Directors may deem relevant, as well as our ability to pay dividends in compliance with the Irish Companies Act. Under the 2014 Act, dividends and distributions may only be made from distributable reserves. Distributable reserves, broadly, means the accumulated realised profits of Allegion plc (ALLE-Ireland) and are unrelated to any U.S. GAAP reporting amount (e.g. retained earnings). As of 31 December 2020, we had distributable reserves of $3.8 billion. In addition, no distribution or dividend may be made unless the net assets of ALLE-Ireland are equal to, or in excess of, the aggregate of ALLE-Ireland’s called up share capital plus undistributable reserves and the distribution does not reduce ALLE-Ireland’s net assets below such aggregate.

36. LOANS TO DIRECTORS

No loans or quasi-loans have been made to any director of the Company during the financial year.

37. CAPITAL EXPENDITURE COMMITMENTS

In millions ($)	2020	2019
Capital expenditures that have been authorised by the directors but not yet contracted	7.4	16.3

38. RELATED PARTY DISCLOSURES

The principal related party relationships requiring disclosure in the Consolidated Financial Statements pertain to the existence of subsidiaries and associates and transactions with these entities entered into by the Company and the identification of key management personnel as addressed in greater detail below.

Subsidiaries and Associates

The Consolidated Financial Statements include the results of operations, financial positions and cash flows of the Company and its subsidiaries and associates over which the Company has control or which otherwise qualify for consolidation or equity accounting. A listing of the principal subsidiaries and associates is provided in Note 39. Investments in associates that are accounted for under the equity and cost method are included in Note 19 to the Consolidated Financial Statements. The Company has availed of the exemption from disclosing information on its subsidiaries and associates as permitted by Section 315 of the 2014 Act.

Related Party Transactions

There were no related party transactions requiring disclosure under Sch. 3, Section 67 (1) of the 2014 Act.

38. RELATED PARTY DISCLOSURES (Continued)

Compensation of Key Management Personnel of the Company

Key management personnel are the Company's executive and non-executive directors and the following is the aggregate compensation of these directors.

In millions ($)	2020	2019
Emoluments	3.5	4.5
Gains on the exercise of share options	13.3	—
Benefits under long term incentive schemes	7.6	2.7
Contributions to retirement benefits schemes: Defined contribution	0.2	0.3
At 31 December	24.6	7.5

39. PRINCIPAL SUBSIDIARIES AND ASSOCIATES

The subsidiary and associate undertakings at 31 December 2020 are listed below:

Name	Nature of business	Registered office	Country of Incorporation	Percentage of ownership
AD Solutions, Inc.	Manufacturing & Distribution	2201 100th Street SW, Everett, WA 98201	US	100%
Allegion (Australia) Pty Limited	Trading Company	31-33 Alfred Street, Blackburn, VIC 3130	Australia	100%
Allegion (Gibraltar) Holding Limited	Holding Company	57/63, Line Wall Road	Gibraltar	100%
Allegion (Hong Kong) Limited	Trading Company	29th Floor, Fortis Tower, No. 77-79 Gloucester Road, Wanchai	Hong Kong	100%
Allegion (Ireland) Finance Designated Activity Company	Trading Company	Block D Iveagh Court, Harcourt Road, Dublin 2, D02 VH94	Ireland	100%
Allegion (Malaysia) SDN. BHD.	Trading Company	1 & 1A, 2nd floor (room 2) Jalan Ipoh Kecil 50350 Kuala Lumpur	Malaysia	100%
Allegion (New Zealand) Limited	Manufacturing & Distribution	437 Rosebank Road, Avondale Box 19034, Avondale, Auckland	New Zealand	100%
Allegion (Southeast Asia) Pte. Ltd.	Trading Company	178 Paya Lebar Road, 04-10, Paya Lebar 178, Singapore (409030)	Singapore	100%
Allegion (Thailand) Limited	Trading Company	140/37 New ITF Tower, 17th Floor, Silom Rd, Bangrak 1500 Bankok	Thailand	100%
Allegion (UK) Limited	Trading Company	35 Rocky Lane, Aston, Birmingham, B6 5RQ	United Kingdom	100%
Allegion B.V.	Trading Company	Witboom 1, Vianen, 4131PL	Netherlands	100%
Allegion Canada Inc.	Trading Company	2900-550 Burrard Street, Vancouver, BC, V6C 0A3	Canada	100%
Allegion Denmark A/S	Trading Company	c/o Accura Advokatpartnerselskab Tuborg Boulevard 1, 2900 Hellerup	Denmark	100%
Allegion de Mexico, S. de R.L. de C.V.	Non-Operating	Los Olivos 698 S/N, Chavez Tecate, 21440	Mexico	100%
Allegion Deutsche Holding GmbH	Holding Company	Schwarzwaldstrasse 15, 77871 Renchen	Germany	100%
Allegion EMEA BV.	Holding Company	Bloomz Building - Lambroekstraat 5A,B-1831	Belgium	100%
Allegion Fu Hsing Limited	Trading Company	29th Floor, Fortis Tower, No. 77-79, Gloucester Road, Wanchai	Hong Kong	51%
Allegion German Holding I GmbH	Holding Company	Zettachring 16, 70567 Stuttgart	Germany	100%
Allegion German Holding II GmbH	Holding Company	Zettachring 16, 70567 Stuttgart	Germany	100%
Allegion Gulf Trading LLC	Trading Company	West Bay, Al Salam Tower, 7th Floor, Office 702, PO Box 24817	Qatar	100%
Allegion Immobilien GmbH	Holding Company	Zettachring 16, D-70567, Stuttgart	Germany	100%
Allegion India Private Limited	Trading Company	10th floor Tower C, IBC Knowledge Park, 4/1 Bannerghatta Main Road, Bangalore - 560029	India	100%

Allegion International AG	Trading Company	Tafernhof, Mellingerstrasse 207, Baden-Dattwil, CH-5405	Switzerland	100%
Allegion Investments (Switzerland) AG	Holding Company	Tafernhof, Mellingerstrasse 207, 5400 Baden	Switzerland	100%
Allegion Investments (UK) Limited	Holding Company	35 Rocky Lane, Aston, Birmingham, B6 5RQ	United Kingdom	100%
Allegion Investments Holding LLC	Holding Company	c/o The Corporation Trust Company, 1209 Orange Street, Wilmington, New Castle, DE, 19801	US	100%
Allegion Irish Holding Company Limited	Holding Company	Block D Iveagh Court, Harcourt Road, Dublin 2, D02 VH94	Ireland	100%
Allegion Irish Holding Company II Ltd	Holding Company	Block D Iveagh Court, Harcourt Road, Dublin 2, D02 VH94	Ireland	100%
Allegion Korea Ltd.	Dormant Company	Chuneui-dong, Chuneui Techno Park 2cha) 9th floor, 201dong, 18, Bucheon-ro 198beon-gil, Wonmi-gu, Bucheon-si, Gyeonggi-do	Republic of Korea	100%
Allegion LLC	Holding Company	c/o The Corporation Trust Company, 1209 Orange Street,Wilmington, New Castle, DE, 19801, DE, 19801	US	100%
Allegion Lux Financing III S.à r.l.	Holding Company	26,boulevard Royal, L-2449	Luxembourg	100%
Allegion Luxembourg Holding and Financing S.à r.l.	Holding Company	26,boulevard Royal, L-2449	Luxembourg	100%
Allegion Management (DIFC) Limited	Holding Company	Unit GV-00-10-08-OF-09 Level 8 Gate Village Building 10 Dubai International Financial Centre, PO Box 236325, Dubai	United Arab Emirates	100%
Allegion Netherlands B.V.	Manufacturing & Distribution	Energiestraat 2, NL-3903 AV Veenendaal	Netherlands	100%
Allegion NV	Trading Company	Pontbeekstraat 2, 1702 Groot-Bijgaarden	Belgium	100%
Allegion Panama, S. de R.L.	Trading Company	Avenida Samuel Lewis y Calle 54 St, Edificio AFRA, Panamá, República de Panamá	Panama	100%
Allegion S&S Lock Holding Company Inc.	Holding Company	c/o The Corporation Trust Company, 1209 Orange Street, Wilmington, New Castle, DE, 19801	US	100%
Allegion S.A.	Dormant Company	Av. Principal de Boleita con calle Maraima,Galpon Trane Nros. S/N, Urb. Boleita Norte, Municipo Sucre del Estado Miranda	Venezuela	100%
Allegion Security Technologies (CHINA) Co. LTD.	Manufacturing & Distribution	Building No.10, No. 8158, Tingwei Road, Jinshan Industrial Zone, Shanghai	China	100%
Allegion US Holding Company Inc.	Holding Company	c/o The Corporation Trust Company, 1209 Orange Street, Wilmington, New Castle, DE, 19801	US	100%
Allegion Ventures LLC	Holding Company	1209 Orange Street, Wilmington DE 19801	US	100%
ALLGain Pty Ltd	Dormant Company	16-20 Third Avenue, Sunshine, VIC, 3020	Australia	100%
API Services and Solutions Pty Limited	Trading Company	7 Eagleview Place, Eagle Farm QLD 4009	Australia	100%
AXA Stenman Deutschland GmbH	Trading Company	Johann-Krane-Weg 37, 48149 Munster	Germany	100%
AXA Stenman France S.A.S.	Manufacturing & Distribution	Usine de Beaulieu, 58500 Clamecy	France	100%
AXA Stenman Holding B.V.	Holding Company	Energiestraat 2, NL-3903 AV Veenendaal	Netherlands	100%
AXA Stenman Industries B.V.	Holding Company	Energiestraat 2, NL-3903 AV Veenendaal	Netherlands	100%
AXA Stenman Poland Sp Z.O.O	Manufacturing & Distribution	ul. Technologiczna 8, 42-400 Zawiercie	Poland	100%

Bricard S.A.S	Manufacturing & Distribution	1, Rue Paul-Henri Spaak, Saint Thibault de Vignes, 77463	France	100%
CISA Cerraduras S.A.	Trading Company	Poligono Industrial La Charluca, Calle F, parcela M16-17, 50300 Calatayud, Zaragoza	Spain	100%
CISA SpA	Manufacturing & Distribution	no 42, Via Oberdan, Faenza, 48018	Italy	100%
Conneqtech B.V.	Manufacturing & Distribution	Einsteinweg 35a, 3752 LW Bunschoten-Spakenburg	Netherlands	20%
D. Purdue & Sons Ltd.	Trading Company	Elsies River, 7490	South Africa	25%
Dor-O-Matic (Illinois) LLC	Non-Operating	C T Corporation System, 208 S. LaSalle Street, Chicago, IL, 60604	US	100%
Dor-o-Matic of Mid Atlantic States, Inc.	Trading Company	6505 S. Crescent Blvd., Pennsauken, NJ, 08110	US	100%
Eco Schulte GmbH & Co. KG	Manufacturing & Distribution	Iserlohner Landstrasse 89, 58706 Menden, Germany	Germany	20%
Electronic Technologies Corporation USA	Trading Company	11819 North Pennsylvania Street, Carmel, IN, 46032	US	100%
Fire and Security Hardware Pty Limited	Dormant Company	16-20 Third Avenue, Sunshine, VIC, 3020	Australia	100%
Gainsborough Hardware Industries Limited	Dormant Company	7 Eagleview Place, Eagle Farm QLD 4009	Australia	100%
Harrow Industries LLC	Manufacturing & Distribution	c/o The Corporation Trust Company, 1209 Orange Street, Wilmington, New Castle, DE, 19801	US	100%
Harrow Products (Delaware) LLC	Trading Company	c/o The Corporation Trust Company, 1209 Orange Street, Wilmington, New Castle, DE, 19801	US	100%
Harrow Products, LLC	Trading Company	c/o The Corporation Trust Company, 1209 Orange Street, Wilmington, New Castle, DE, 19801	US	100%
Interflex Datensysteme Gesellschaft mbH	Trading Company	Geisselbergstrasse 19/3/6, Vienna, 1110	Austria	100%
Interflex Datensysteme GmbH	Manufacturing & Distribution	Zettachring 16, D-70567, Stuttgart	Germany	100%
Isonas, Inc.	Trading Company	4750 Walnut Street - Suite 110 Boulder, Colorado 80301 USA	US	100%
Milre Systek Co., Ltd	Manufacturing & Distribution	Chun Eui Techno Park 2cha, Chuneui-dong) 9th floor, 201dong located at 18, Bucheon-ro 198beon-gil, Wonmi-gu, Bucheon-si, Gyeonggi-do	Republic of Korea	100%
Newman Tonks (Overseas Holdings) Limited	Dormant Company	35 Rocky Lane, Aston, Birmingham, B6 5RQ	United Kingdom	100%
Normbau France SAS	Trading Company	1 Rue De L'artisanat, 67240, Bischwiller	France	100%
Normbau GmbH	Manufacturing & Distribution	Schwarzwaldstrasse 15, Postfach 1261, Renchen, D-77871	Germany	100%
NT Group Properties Limited	Dormant Company	35 Rocky Lane, Aston, Birmingham, B6 5RQ	United Kingdom	100%
NT Leamington Limited	Non-Operating	35 Rocky Lane, Aston, Birmingham, B6 5RQ	United Kingdom	100%
Nuki Home Solutions GmbH	Trading Company	Muenzgrabenstrasse 92/4, 8010 Graz	Austria	23%
Overtur Architectural Services LLC	Trading Company	11819 N. Pennsylvania Street, Carmel, IN, 46032	US	100%
Pin & Tumbler Studio LLC	Trading Company	1209 Orange Street, Wilmington DE 19801	US	100%
Qatar Metal Const. Ind. LLC	Manufacturing & Distribution	Industrial Area 13, Industrial St. 4, Span Number 2, Mohammed Abdullah Al Khajal Property, PO Box 70723, Sharjah	United Arab Emirates	100%
QMI Building Metal Products Manufacturing LLC	Manufacturing & Distribution	Storage Number M1,M2,M, Seih Shaeeb 2, PO Box 233895, Dubai Industrial City, Bur Dubai	United Arab Emirates	100%

Recognition Systems LLC	Manufacturing & Distribution	CT Corporation System, 818 West Seventh Street, Los Angeles, CA, 90017	US	100%
Republic Doors and Frames, LLC	Manufacturing & Distribution	1209 Orange Street, Wilmington, New Castle, DE, 19801	US	100%
S&S Lock Indemnity (Barbados) Limited	Holding Company	Corporate Managers (Barbados) Ltd, Ground Fl. Belleville Corporate Center, #38 Pine Rd., Belleville, St. Michael	Barbados	100%
S&S Lock Insurance (Arizona) Company	Holding Company	c/o Aon Insurance Managers (USA) Inc., 2555 E. Camelback Road, Suite 700, Phoenix, AZ 85016	US	100%
Schlage De Mexico S.A. DE C.V.	Manufacturing	Calle Los Olivos 698, Col. Chavez, Baja California, 21440 Tecate	Mexico	100%
Schlage Lock Company LLC	Manufacturing & Distribution	c/o The Corporation Trust Company, 1209 Orange Street, Wilmington, New Castle, DE, 19801	US	100%
SimonsVoss Technologies AB	Trading Company	Krejaren 2, Ostermalmstorg 1, 114 42 Stockholm	Sweden	100%
SimonsVoss Technologies BV	Trading Company	Evert van de Beekstraat 104, 118CN, Schiphol	Netherlands	100%
SimonsVoss Technologies FZE	Trading Company	Office No. LB05118, Jebel Ali, Dubai	United Arab Emirates	100%
SimonsVoss Technologies GmbH	Manufacturing & Distribution	Feringstrasse 4, 85774, Unterfoehring	Germany	100%
SimonsVoss Technologies Limited	Trading Company	35 Rocky Lane, Aston, Birmingham, B6 5RQ	United Kingdom	100%
SimonsVoss Technologies SAS	Trading Company	1-3 Rue des Remparts, F 93160 Noisy-le-Grand	France	100%
Technical Glass Products DMCC	Trading Company	Reef Tower, 29th Floor, Jumeirah Lakes Tower Area, 5003317	United Arab Emirates	100%
Technical Glass Products, Inc.	Manufacturing & Distribution	CT Corporation 711 Capital Way S. Suite 204, Olympia, WA 98501	US	100%
TGP Canada Enterprises, ULC	Trading Company	2900 - 550 Burrard Street, Vancouver, BC V6C 0A3	Canada	100%
TGP International, Inc.	Holding Company	701 Fifth Avenue, Suite 4400 Seattle, WA 98104	US	100%
Trelock Asia Pacific Limited	Trading Company	36/F Tower Two, Times Square, 1 Matheson St, Causeway Bay	Hong Kong	100%
Trelock GmbH	Trading Company	Johann-Krane-Weg 37, 48149 Munster	Germany	100%
Trelock Production GmbH	Manufacturing & Distribution	Johann-Krane-Weg 37, 48419, Munster	Germany	100%
VergeSense Inc.	Trading Company	724 Brannan Street, San Francisco, CA, 94103	US	7.1%
Yonomi, LLC	Trading Company	c/o The Corporation Trust Company, 1209 Orange Street, Wilmington, New Castle, DE, 19801	US	100%
Zero Seal Systems Limited	Trading Company	43-45 Ladford Covert, Seighford, Stafford, Staffordshire, ST18 9QG	United Kingdom	51%

40. EVENTS SINCE YEAR END

New reporting segment

Effective 1 January 2021, the Company has combined its EMEA and Asia Pacific operations into a new segment named Allegion International and renamed its Americas segment "Allegion Americas".

Dividends declared and paid

On 5 February 2021, the Company's Board of Directors declared a quarterly dividend of $0.36 cents per ordinary share. The dividend was paid on 31 March 2021 to shareholders of record on 17 March 2021.

Share repurchases

As of 8 April 2021, the Company had repurchased and cancelled approximately 1.3 million ordinary shares of $0.01 each, at a weighted-average price of approximately $116 since the year ended 31 December 2020. The Company had approximately $460.5 million available under the 2020 Share Repurchase Authorisation.

40. EVENTS SINCE YEAR END (Continued)

Sale of QMI business

On 28 February 2021, the Company, through one of its subsidiaries, closed on the sale of its QMI business, for a nominal amount.

41. GENERAL INFORMATION

Allegion plc is a public limited company which is listed on the New York Stock Exchange and is incorporated and domiciled in the Republic of Ireland.

Registered Office
Block D
Iveagh Court
Harcourt Road
Dublin 2
D02 VH94
Ireland

Solicitor
Arthur Cox LLP
Ten Earlsfort Terrace
Dublin 2
D02 T380
Ireland

Registered Number 527370

Principal Banker
J.P. Morgan Bank Luxembourg S.A., Dublin Branch
200 Capital Dock
79 Sir John Rogerson's Quay
Dublin 2
D02 RK57
Ireland

JPMorgan Chase Bank, N.A. - London Branch
25 Bank Street
London
E14 5JP
England

Independent Auditors
PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
One Spencer Dock
North Wall Quay
Dublin 1
Ireland

42. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Financial Statements were approved by the Board of Directors of the Company on 8 April 2021.

Allegion plc
Parent Company Balance Sheet
At 31 December 2020

In millions ($)	Note	2020	2019
Fixed assets			
Financial assets	7	5,304.2	5,262.9
Current assets			
Debtors	8	1.5	31.1
Cash at bank and in hand		17.5	5.3
		19.0	36.4
Creditors: amounts falling due within one year	9	(202.8)	(7.9)
Net current (liabilities)/assets		(183.8)	28.5
Debtors: amounts falling due after more than one year	8	1.0	1.6
Total assets less current liabilities		5,121.4	5,293.0
Creditors: amounts falling due after more than one year	9	(1,140.0)	(998.4)
Net assets		3,981.4	4,294.6
Capital and reserves			
Called up share capital presented as equity	11	0.9	0.9
Share premium account	12	89.4	75.9
Capital redemption reserve	12	0.1	0.1
Share-based payment reserve	12	85.7	74.5
Profit and loss account	12	3,805.3	4,143.2
Shareholders' funds		3,981.4	4,294.6

The Parent Company recorded a loss of $11.2 million for the year ended 31 December 2020 (2019: loss of $34.8 million).

Approved by the Board of Directors on 8 April 2021 and signed on its behalf by:

David D. Petratis
David D. Petratis
Director

Martin E. Welch III
Martin E. Welch III
Director

Allegion plc
Parent Company Statement of Changes in Equity
For the year ended 31 December 2020

In millions ($)	Called up share capital presented as equity	Capital redemption reserve	Share premium account	Share-based payment reserve	Profit and loss account	Total
Balance at 31 December 2018	0.9	—	64.2	59.5	4,504.9	4,629.5
Share-based compensation activity	—	—	11.7	15.0	—	26.7
Loss for the year	—	—	—	—	(34.8)	(34.8)
Repurchase of ordinary shares	—	0.1	—	—	(226.0)	(225.9)
Cash dividends declared ($1.08 per share)	—	—	—	—	(100.9)	(100.9)
Balance at 31 December 2019	0.9	0.1	75.9	74.5	4,143.2	4,294.6
Share-based compensation activity	—	—	13.5	11.2	—	24.7
Loss for the year	—	—	—	—	(11.2)	(11.2)
Repurchase of ordinary shares	—	—	—	—	(208.8)	(208.8)
Cash dividends declared ($1.28 per share)	—	—	—	—	(117.9)	(117.9)
Balance at 31 December 2020	0.9	0.1	89.4	85.7	3,805.3	3,981.4

1. BASIS OF PREPARATION

The Parent Company Financial Statements (the "Financial Statements") have been prepared in accordance with Generally Accepted Accounting Practice in Ireland (applicable accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland and the 2014 Act). The Financial Statements comply with Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102).

The Financial Statements present the Parent Company Balance Sheet (the "Balance Sheet") and the Parent Company Statement of Changes in Equity (the "Statement of Changes in Equity") on a stand-alone basis, including related party transactions.

Allegion plc (the "Parent Company") is a qualifying entity for the purposes of FRS 102. As a qualifying entity, the Parent Company has availed of a number of exemptions from the disclosure requirements of FRS 102 in the preparation of the Financial Statements. The Parent Company has notified its shareholders in writing about, and they do not object to, the disclosure exemptions availed of by the Parent Company in the Financial Statements.

In accordance with FRS 102, the Parent Company has availed of an exemption from the following paragraphs of FRS 102:

- The requirements of Section 7 and paragraph 3.17(d) to present a Statement of Cash Flows; and
- The requirements of paragraph 33.7 regarding key management personnel compensation.

2. SIGNIFICANT ACCOUNTING POLICIES

Accounting convention: The Financial Statements have been prepared under the historical cost convention.

Going concern: At 31 December 2020, the Parent Company is in a Net current liabilities position of $183.8 million (2019: Net assets position of $28.5 million) due to the short term nature of its amounts due to group undertakings, all of which, are within the Group's control. Since year end, the Parent Company entered into a new interest bearing loan facility of $800.0 million with a subsidiary undertaking, refer to Note 15 for further details. The Parent Company relies on the activities of the Group for the purpose of its operational existence and as a result the going concern assessment performed at a Group level was deemed relevant to support the Parent Company's ability to continue as a going concern.

The Board of Directors have formed a judgement at the time of approving the financial statements that there is a reasonable expectation that the Group has adequate resources to continue as a going concern. In arriving at this conclusion, the Board has taken account of the uncertainties driven by the COVID-19 pandemic in its going concern assessment. Please refer to the Recent Developments section of the Directors' Report for further details on these uncertainties. In response to these uncertainties, there are potential measures that the Group can put in place to maintain a sound financial footing, if required, such as:

- the temporary suspension or reduction of our share repurchase program;
- the delay of discretionary expenditures;
- the curtailment of potential investments;
- the restriction of employee travel or a freeze on headcount in select locations;
- the utilisation of the Revolving Facility; and,
- the delay, suspension or reduction of future dividends.

The Board believes it is unlikely that the Group would be required to initiate all of these measures, but the flexibility is available if the need arises to implement these, to remain a going concern.

Functional currency: Items included in these Financial Statements are measured using the currency of the primary economic environment in which the Parent Company operates (the "functional currency"). The Financial Statements are presented in United States dollars, which is the Parent Company's functional currency.

Investments in subsidiaries: The Parent Company's investments in its subsidiaries are stated at cost less provision for any impairment in value. Cost represents the fair value on 1 December 2013, the date of the spin-off, based on Allegion plc's market capitalisation at that time plus subsequent capital contributions and acquisitions.

The Group reviews investments for impairment if events or changes in circumstances indicate that the carrying value may be impaired. The Group assesses whether such indicators exist at each reporting date. Where the recoverable amount of the investment is less than the carrying amount, an impairment is recognised.

Dividends: Dividend income is recognised when the right to receive the payment is established. Interim dividends on ordinary shares to the Parent Company's external shareholders are recognised in the Financial Statements when they are paid.

Currency translation: Transactions during the year denominated in foreign currencies have been translated using average exchange rates throughout the year. Assets and liabilities denominated in foreign currencies are translated to United States dollars at the rates of exchange at the balance sheet date. The resulting profits or losses are dealt with in the profit and loss account.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation: Corporation tax is provided on taxable profits at current rates. Deferred taxation is accounted for in respect of all timing differences at tax rates enacted or substantially enacted at the balance sheet date. Timing differences arise from the inclusion of items of income and expenditure in tax computation in periods different from those in which they are included in the Financial Statements. A deferred tax asset is only recognised when it is more likely than not the asset will be recoverable in the foreseeable future out of suitable taxable profits from which the underlying timing differences can be recovered.

Cash flow statement: The Parent Company has not presented a separate cash flow statement as it has availed of the exemption available under FRS 102 Section 1.12 (b). This exemption is available as 100% of the Parent Company’s voting rights are controlled within the Allegion plc Group and the Consolidated Financial Statements of Allegion plc (in which the Parent Company is included) are publicly available.

Share-based payments: The Parent Company and its subsidiaries operate various equity-settled share-based compensation plans. The fair value of the employee services received in exchange for the grant of performance stock units has been valued using a Monte Carlo simulation based on the grant’s performance criteria and forecasted earnings per share. The fair value of the employee services received in exchange for the grant of restricted stock units has been valued using the fair value of Allegion plc ordinary shares on the date of grant. The fair value of the employee services received in exchange for the grant of options has been valued using the Black-Scholes option-pricing model. In accordance with Section 26 of FRS 102 Section 'Share-based Payments', the resulting cost for the employees is charged to the profit and loss account over the vesting period. The value of the charge is adjusted to reflect expected and actual levels of awards vesting.

The cost for awards granted to the Parent Company's subsidiaries' employees represents additional capital contributions by the Parent Company to its subsidiaries. An additional investment in subsidiaries has been recorded in respect of those awards granted, with a corresponding increase in the Parent Company's shareholders' equity. The additional capital contribution is based on the fair value at the grant date of the awards issued, allocated over the life of the underlying grant's vesting period. Proceeds received from employees, if any, for the exercise of share-based instruments increase the share capital and share premium accounts of the Parent Company. The difference between the proceeds received on issue of shares and the nominal value of the shares is credited to share premium on the Balance Sheet. Note 33 of the Consolidated Financial Statements provides additional details of the Group's share-based compensation plans.

Contingencies: The Parent Company has guaranteed certain liabilities and credit arrangements. The Parent Company reviews the status of these guarantees at each reporting date and considers whether it is required to make a provision for payment on those guarantees based on the probability of the commitment being called. Refer to Note 13 for further details of the Parent Company's guarantees.

Financial instruments: The Parent Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial assets

Basic financial assets include prepayments and cash at bank and in hand. They are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset’s original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities

Basic financial liabilities include amounts due to subsidiary undertakings, debt issuance costs, accrued interest, other payables, pay related social insurance, other creditors, income tax and dividend withholding tax. They are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method. Fees paid on the establishment of loan facilities are recognised as debt issuance costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

All other financial liabilities have been acquired in the ordinary course of business. They are classified as creditors: amounts falling due within one year if payment is due within one year or less from the balance sheet date. If not, they are presented as creditors: amounts falling due after more than one year. Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Cash at bank and in hand: Cash at bank and in hand includes cash on hand and demand deposits with original maturities at the time of purchase of three months or less.

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key risk identified by the directors relates to impairment of Parent Company's investments in its subsidiaries. Consequently the Parent Company assesses at each reporting date whether there is any indication that an investment in a subsidiary has been impaired. If such an indication exists, the Parent Company is required to undertake a review for impairment and estimate the recoverable amount of the asset.

4. LOSS FOR THE FINANCIAL YEAR

A loss of $11.2 million for the year ended 31 December 2020 (loss of $34.8 million for the prior year) has been dealt with in the profit and loss account of the Parent Company, which, as permitted by Section 304 of the 2014 Act, is not presented in these Financial Statements. The Parent Company had no other recognised gains and losses, and accordingly, no statement of total recognised gains and losses is presented.

5. AUDITORS' REMUNERATION

In millions ($)	2020	2019
Audit of the Parent Company's statutory accounts (including expenses)	0.2	0.2
Auditors' remuneration	0.2	0.2

Note 10 of the Consolidated Financial Statements provides additional details of fees paid by the Group.

6. EMPLOYEE COSTS

The average number of persons employed in the Parent Company, including executive directors, during 2020 was 4 (2019: 4).

In millions ($)	2020	2019
Wages and salaries	0.5	0.5
Social insurance costs	—	—
Other pension costs	—	—
Employee costs	0.5	0.5

7. FINANCIAL ASSETS

Shares in group undertakings

In millions ($)	Total
At 31 December 2018	5,246.7
Capital contribution relating to share-based payments	15.3
Investment in group undertakings	0.9
At 31 December 2019	5,262.9
Capital contribution relating to share-based payments	11.1
Investment in group undertakings	30.2
At 31 December 2020	5,304.2

7. FINANCIAL ASSETS (Continued)

Subsidiaries

Details of the Parent Company's direct subsidiaries as at 31 December 2020 are as follows:

Subsidiary company and registered office	Country of Incorporation	Principal Activity	Holding %
Allegion Irish Holding Company Limited - Block D, Iveagh Court, Harcourt Road, Dublin 2, D02 VH94, Ireland	Ireland	Holding Company	100 %
Allegion US Holding Company Inc. - c/o The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	US	Holding Company	100 %
Allegion (Ireland) Finance Designated Activity Company - Block D, Iveagh Court, Harcourt Road, Dublin 2, D02 VH94, Ireland	Ireland	Trading Company	100 %

The Parent Company indirectly owns all other subsidiaries in the Allegion Group. Details of indirect subsidiaries can be found in Note 39 of the Consolidated Financial Statements.

8. DEBTORS

In millions ($)	2020	2019
Amounts falling due within one year:		
Amounts owed by group undertakings	—	30.2
Prepayments and accrued income	1.5	0.9
At 31 December	1.5	31.1

In 2019, amounts owed by group undertakings were unsecured, interest free and repayable upon demand. The directors consider that the carrying amount of Debtors approximates fair value due to the short-term nature of these instruments.

In millions ($)	2020	2019
Amounts falling due after more than one year:		
Debt issuance costs	1.0	1.6
At 31 December	1.0	1.6

Deferred tax

The Parent Company has unrecognised deferred tax assets of $4.6 million related to unused tax losses as of 31 December 2020 ($4.5 million as of 31 December 2019). No deferred tax asset has been recognised in respect of these amounts on the basis that the directors do not consider that there is convincing evidence to conclude that it is probable that losses will be recovered against future taxable profits.

9. CREDITORS

In millions ($)	2020	2019
Amounts falling due within one year:		
Amounts owed to group undertakings	196.1	1.6
Accrued interest	3.7	3.8
Other creditors	0.7	0.7
Pay related social insurance	—	—
Accruals	0.5	0.6
Income tax deducted under PAYE	—	0.1
Dividend withholding tax	1.8	1.1
At 31 December	202.8	7.9

At 31 December 2020, amounts owed to group undertakings falling due within one year are unsecured and have interest rates which range from 0.00% to 1.25%, resulting in a weighted average of 0.17%. At 31 December 2019, amounts owed to group undertakings falling due within one year are unsecured and interest free.

Income tax, pay related social insurance and dividend withholding tax are repayable at various dates over the coming months in accordance with the applicable statutory provisions. Accruals principally comprise amounts outstanding for day to day purchases and ongoing costs and are payable at various dates in the next three months in accordance with the suppliers' usual and customary credit terms. The directors consider that the carrying amount of accruals approximates to their fair value due to the short-term nature of these instruments.

9. CREDITORS (Continued)

In millions ($)	2020	2019
Amounts falling due after more than one year:		
Debt (net of issuance costs) - Note 10	634.5	633.7
Amounts owed to group undertakings	505.5	364.7
At 31 December	1,140.0	998.4

At 31 December 2020, amounts owed to group undertakings falling due after more than one year are unsecured and have interest rates which range from 0.18% to 1.61%, resulting in a weighted average of 1.47%. At 31 December 2019, amounts owed to group undertakings falling due after more than one year are unsecured and have an interest rate of 3.28%.

10. LOANS AND BORROWINGS

Long-term debt consisted of the following:

In millions ($)	2020	2019
Term Facility	238.8	238.8
3.500% Senior Notes due 2029	400.0	400.0
Revolving Facility	—	—
Total borrowings outstanding	638.8	638.8
Less discounts and debt issuance costs, net	4.3	5.1
Total debt	634.5	633.7
Less current portion of long-term debt	—	—
Total long-term debt	634.5	633.7

Unsecured Credit Facilities

As of 31 December 2020, the Parent 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 31 December 2020, 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 12 September 2022, and are unconditionally guaranteed jointly and severally on an unsecured basis by the Parent Company and Allegion US Holding Company Inc. ("Allegion US Hold Co"), the Parent Company's wholly-owned subsidiary.

At inception, the Term Facility was scheduled to amortise in quarterly instalments at the following rates: 1.25% per quarter starting 31 December 2017 through 31 December 2020, 2.5% per quarter from 31 March 2021 through 30 June 2022, with the balance due on 12 September 2022. Principal amounts repaid on the Term Facility may not be reborrowed. During the third quarter of 2019, the Parent Company made a $400.0 million principal payment to partially pay down the outstanding Term Facility balance. As a result of this payment, the Parent Company has satisfied its obligation to make quarterly instalments on the Term Facility up to the maturity date, with the remaining outstanding balance due on 12 September 2022. In conjunction with this principal pay down, the Parent Company recognised a $2.7 million charge related to the write-off of previously deferred financing costs related to the Term Facility, which is included in the profit and loss account of the Parent Company for the year ended 31 December 2019.

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 31 December 2020, there were no borrowings outstanding on the Revolving Facility and the Parent Company had $15.0 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. The Parent Company pays certain fees with respect to the Revolving Facility, including an unused commitment fee on the undrawn portion of the Revolving Facility of between 0.125% and 0.200% per year, depending on the Parent Company's credit rating, as well as certain other fees.

Outstanding borrowings under the Credit Facilities accrue interest at the option of the Parent 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 Parent Company's credit ratings. At 31 December 2020, the outstanding borrowings under the Term Facility accrue interest at LIBOR plus a margin of 1.250%, resulting in an interest rate of 1.51%. The Credit Facilities also contain negative and affirmative covenants and events of default that, among other things, limit or restrict the Parent Company’s ability to enter into certain transactions. In addition, the Credit Facilities require the Parent Company to comply with a maximum leverage ratio and a minimum interest expense coverage ratio, as defined within the agreement. As of 31 December 2020, the Parent Company was in compliance with all covenants.

10. LOANS AND BORROWINGS (Continued)

Senior Notes

As of 31 December 2020, the Parent Company has $400.0 million outstanding of its 3.500% Senior Notes due 2029 (the "3.500% Senior Notes"). The 3.500% Senior Notes require semi-annual interest payments on 1 April and 1 October of each year, and will mature on 1 October 2029. The 3.500% Senior Notes are senior unsecured obligations of Allegion plc, are guaranteed by Allegion US Holding Company Inc. ("Allegion US Hold Co") and rank equally with all of the Parent Company's existing and future senior unsecured indebtedness.

Debt issuance costs

Debt issuance costs consisted of the following:

In millions ($)	2020	2019
At 1 January	6.7	5.9
Incurred during the year	—	4.2
Debt extinguishment costs	—	(1.8)
Amortisation charge for the year	(1.4)	(1.6)
At 31 December	5.3	6.7

At 31 December 2020, future retirements for the amounts outstanding under the Term Facility and the 3.500% Senior Notes are as follows:

In millions ($)	
2021	—
2022	238.8
2023	—
2024	—
Thereafter	400.0
Total	638.8

Cash paid by the Parent Company for interest for the year ended 31 December 2020 was approximately $20.3 million (2019: $21.8 million). Note 26 of the Consolidated Financial Statements provides additional details of loans and borrowings in the Group.

11. CALLED UP SHARE CAPITAL PRESENTED AS EQUITY

In millions ($)	2020	2019
Authorised:		
40,000 ordinary shares of €1 par value	—	—
400,000,000 ordinary shares of $0.01 par value	4.0	4.0
10,000,000 preferred shares of $0.001 par value	—	—
At 31 December	4.0	4.0

Allotted, called up and fully paid equity:

Ordinary shares of $0.01 each	Number(m)	$m
At 31 December 2019	92.7	0.9
Shares issued under incentive plans	0.4	—
Repurchase of ordinary shares	(1.9)	—
At 31 December 2020	91.2	0.9

Share repurchases

In February 2017, the Group's Board of Directors approved a stock repurchase authorisation of up to $500 million of the Parent Company's ordinary shares (the "2017 Share Repurchase Authorisation"). On 6 February 2020, the Group's Board of Directors approved a new share repurchase authorisation of up to, and including, $800 million of the Parent Company's ordinary shares (the "2020 Share Repurchase Authorisation"), replacing the existing 2017 Share Repurchase Authorisation. The 2020 Share Repurchase Authorisation does not have a prescribed expiration date. During the year ended 31 December 2020, the Parent Company paid $208.8 million to repurchase 1.9 million ordinary shares of $0.01 each, at a weighted-average price of $108.86 on the open market under these share repurchase authorisations.

11. CALLED UP SHARE CAPITAL PRESENTED AS EQUITY (Continued)

Distributable reserves have been reduced by $208.8 million being the consideration, including expenses paid for these shares. The repurchase transactions were financed by internally generated funds. The shares repurchased were cancelled and an amount equivalent to their nominal value was transferred to the capital redemption reserve in accordance with the requirements of Section 106(4) of the 2014 Act. The transfer to capital redemption reserve and the premium paid on the shares repurchased were made out of retained profits. During the year ended 31 December 2019, the Parent Company paid $226.0 million to repurchase 2.3 million ordinary shares of $0.01 each, at a weighted-average price of $97.70 on the open market under the 2017 Share Repurchase Authorisation.

12. RESERVES

In millions ($)	Capital redemption reserve	Share premium account	Share-based payment reserve	Profit and loss account	Total
At 31 December 2018	—	64.2	59.5	4,504.9	4,628.6
Share-based compensation activity	—	11.7	15.0	—	26.7
Loss for the period	—	—	—	(34.8)	(34.8)
Repurchase of ordinary shares	0.1	—	—	(226.0)	(225.9)
Cash dividends declared ($1.08 per share)	—	—	—	(100.9)	(100.9)
At 31 December 2019	0.1	75.9	74.5	4,143.2	4,293.7
Share-based compensation activity	—	13.5	11.2	—	24.7
Loss for the period	—	—	—	(11.2)	(11.2)
Repurchase of ordinary shares	—	—	—	(208.8)	(208.8)
Cash dividends declared ($1.28 per share)	—	—	—	(117.9)	(117.9)
At 31 December 2020	0.1	89.4	85.7	3,805.3	3,980.5

The Parent Company's capital redemption reserve, share premium account and share-based payment reserve are not available for distribution.

Dividends declared and paid during the year

In millions ($)	2020	2019
Equity dividends on ordinary shares:		
First interim dividend for 2020 of $0.32 (2019: $0.27)	29.6	25.5
Second interim dividend for 2020 of $0.32 (2019: $0.27)	29.5	25.2
Third interim dividend for 2020 of $0.32 (2019: $0.27)	29.5	25.1
Fourth interim dividend for 2020 of $0.32 (2019: $0.27)	29.3	25.1
At 31 December	117.9	100.9

The Parent Company's Board of Directors declared dividends of $0.32 per ordinary share on 6 February 2020, 8 April 2020, 1 September 2020 and 2 December 2020. The Parent Company paid a total of $117.3 million in cash for dividends to ordinary shareholders during the year ended 31 December 2020.

Future dividends

On 5 February 2021, the Parent Company's Board of Directors declared a dividend of $0.36 per ordinary share payable 31 March 2021. Future dividends on the Parent Company's ordinary shares, if any, will be at the discretion of the Board of Directors and will depend on, among other things, our results of operations, cash requirements and surplus, financial condition, contractual restrictions and other factors that the Board of Directors may deem relevant, as well as our ability to pay dividends in compliance with the Irish Companies Act. Under the 2014 Act, dividends and distributions may only be made from distributable reserves. Distributable reserves, broadly, means the accumulated realised profits of the Parent Company. As of 31 December 2020, the Parent Company had distributable reserves of $3.8 billion. In addition, no distribution or dividend may be made unless the net assets of the Parent Company are equal to, or in excess of, the aggregate of the Parent Company's called up share capital plus undistributable reserves and the distribution does not reduce the Parent Company's net assets below such aggregate.

13. GUARANTEES

On 2 October 2017, Allegion US Hold Co completed the offering of 3.20% Senior Notes and 3.55% Senior Notes in the aggregate principal amount of $800.0 million maturing in 2024 and 2027, respectively.

As of 31 December 2020 and 2019, the full balance of $800.0 million remained outstanding. The five-year Revolving Facility includes up to $100.0 million available for the issuance of letters of credit. As of 31 December 2020, letters of credit of $15.0 million (2019: $16.3 million) have been issued.

13. GUARANTEES (Continued)

Allegion plc has guaranteed the above borrowings and letters of credit of Group undertakings, and the amounts total $815.0 million as of 31 December 2020 (2019: $816.3 million). Note 26 of the Consolidated Financial Statements provides additional details of loans and borrowings in the Group.

14. RELATED PARTY TRANSACTIONS

The Parent Company has not disclosed any other related party transactions as it has availed of the exemption available under the provisions of FRS 102 Section 33.1A "Related Party Disclosures" which exempts disclosure of transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by a member of that group.

15. EVENTS SINCE YEAR END

Dividends declared and paid

On 5 February 2021, the Group's Board of Directors declared a quarterly dividend of $0.36 cents per ordinary share. The dividend was paid on 31 March 2021 to shareholders of record on 17 March 2021.

Share repurchases

As of 8 April 2021, the Group had repurchased and cancelled approximately 1.3 million ordinary shares of $0.01 each, at a weighted-average price of approximately $116 since the year ended 31 December 2020. The Group had approximately $460.5 million available under the 2020 Share Repurchase Authorisation.

Loan facility agreement

On 23 March 2021, the Parent Company entered into a new interest bearing loan facility of $800.0 million with a subsidiary undertaking. As of 8 April 2021, the Parent Company had drawn down $110.0 million of the available facility.

16. APPROVAL OF FINANCIAL STATEMENTS

The Parent Company Financial Statements were approved by the Board of Directors of the Group on 8 April 2021.