



## ALLEGION PUBLIC LIMITED COMPANY CORPORATE GOVERNANCE GUIDELINES

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The following corporate governance guidelines and the charters of the committees of the Board of Directors (the “**Board**”) of Allegion plc (the “**Company**”) have been approved by the Board and provide the framework for the corporate governance of the Company.

### Role of the Board of Directors

The Company’s business is managed under the direction of the Board. The Board delegates to the Chief Executive Officer (“**CEO**”), and through that individual to other senior management, the authority and responsibility for managing the Company’s business. The Board’s role is to oversee the management and governance of the Company and to monitor senior management’s performance.

Among the Board’s core responsibilities, whether performed directly or through one of its committees, are to:

- Select individuals for nomination or appointment to the Board and evaluate the performance of the Board, Board committees and individual directors.
- Select, monitor, evaluate and compensate senior management.
- Select the CEO and assure that management succession planning is adequate.
- Review and approve significant corporate actions.
- Review and monitor implementation of management’s strategic plans and capital allocation strategy.
- Review and approve the Company’s annual operating plans and budgets.
- Monitor corporate performance and evaluate results compared to relevant peers and the Company’s strategic plans and other long-range goals.
- Review the Company’s financial controls and reporting systems.
- Review and approve the Company’s financial statements and financial reporting.
- Oversee the Company’s environmental, social and governance initiatives, strategies, goals and performance.
- Oversee the Company’s key programs, policies and strategies related to its management of human capital resources, including recruitment, development and retention of personnel, talent management, and the Company’s inclusive culture.
- Review the Company’s ethical standards and legal compliance programs and procedures.
- Oversee the Company’s management of enterprise risk, including information technology, cybersecurity, privacy and disruptive technology.
- Monitor relations with shareholders, customers, suppliers, employees, the communities in which the Company operates and other stakeholders.

## **Board Size and Composition**

The Board is comprised of such number of directors as the Board deems appropriate to function efficiently as a body, subject to the Company's Articles of Association. The Corporate Governance and Nominating Committee reviews the composition of the full Board to identify the qualifications and areas of expertise needed to further enhance the composition of the Board, makes recommendations to the Board concerning the appropriate size and needs of the Board and, on its own or with the assistance of management or others, identifies candidates with those qualifications.

The Board is made up of a substantial majority of independent, non-employee directors and the Board considers this to be the appropriate structure. The Board establishes principles and procedures to determine whether or not any particular director is independent in accordance with applicable regulations and the requirements of the New York Stock Exchange. The Board shall make an affirmative determination at least annually as to the independence of each individual director. The standards currently in effect for determining the independence of individual directors are attached as Exhibit I to these Corporate Governance Guidelines.

## **Selection of Directors**

Under the Articles of Association, the Board has authority to fill vacancies in the Board and appoint additional directors (in each case subject to their re-election at the next annual general meeting) and to nominate candidates for election by the shareholders. The screening process is done by the Corporate Governance and Nominating Committee with direct input from the Chair and CEO and from the other directors and from time to time with the assistance of director search firms. In considering candidates for director, the Corporate Governance and Nominating Committee will take into account all factors it considers appropriate, including, among other things, skills, expertise, breadth of experience, understanding of business and financial issues, ability to exercise sound judgment, leadership, achievements and experience in matters affecting business and industry, board experience viewpoints, and other factors that would complement the existing Board and contribute to enhancing the quality of the Board's deliberations and decisions, recognizing that our businesses and operations are diverse and global in nature. The Board is also committed to actively seeking highly qualified women and individuals from minority groups to include in the pool from which new candidates are selected. In selecting and assessing potential Board candidates, the Corporate Governance and Nominating Committee considers the entirety of each candidate's credentials and believes that at a minimum each nominee should satisfy the following criteria: highest character and integrity, independent mindset, personal and professional ethics, business judgment, experience and understanding of strategy and policy-setting, financial literacy, ability and willingness to devote sufficient time to Board matters, and no conflict of interest that would interfere with performance as a director. Shareholders may recommend candidates for Board membership for consideration by the Corporate Governance and Nominating Committee. Such recommendations should be sent to the Committee, care of the Secretary of the Company. Candidates recommended by shareholders are evaluated in the same manner as director candidates identified by any other means.

## **Chair of the Board and CEO**

The Board reserves the right to separate or combine the roles of Chair and CEO as the Board deems appropriate and in the best interests of the Company.

## **Lead Director**

Whenever the Chair is selected from the independent directors, such director shall be elected as Chair for a one- year term, which term may be renewed by the Board every year, or until his/her earlier death, resignation, retirement, removal, term limit as director or until his/her successor is appointed by the Board.

Whenever the Chair is also the CEO or is a director who does not otherwise qualify as an independent director, it is expected that the independent directors will elect from among themselves a Lead Director of the Board (the “**Lead Director**”). The Lead Director will be elected for a one-year term, which term may be renewed by the independent directors every year, or until his/her earlier death, resignation, retirement, removal, term limit as director or until his/her successor is appointed by the independent directors of the Board and shall have the roles and responsibilities set forth in Exhibit II to these Corporate Governance Guidelines.

## **Committees of the Board**

The Board has the following committees: Audit and Finance; Compensation and Human Capital; and Corporate Governance and Nominating. All three committees have written, Board-approved charters detailing their responsibilities and the extent to which they have been delegated powers of the Board. Only independent directors serve on these committees. Chairs and members of these three committees are rotated periodically, as appropriate.

The Audit and Finance Committee meets at least five times each year, the Compensation and Human Capital Committee meets at least four times each year, and the Corporate Governance and Nominating Committee meets at least three times each year. Additional committee meetings are called as necessary or as may be required.

The chair of each committee, in consultation with the committee members, shall develop the committee’s agenda. At the beginning of the year each committee shall establish a schedule of subjects to be discussed during the year (to the extent practicable). The schedule for each committee meeting shall be furnished to all directors.

## **Board Agenda and Meetings**

The Chair establishes the agendas for the Board meetings in conjunction with the Lead Director. Each director is free to suggest items for inclusion in the agenda, and each director is free to raise at any Board meeting subjects that are not on the agenda for that meeting. Board materials relating to agenda items are provided to Board members in advance of meetings to allow the directors to prepare for discussion of matters at the meeting. The Board reviews and approves the Company’s yearly operating plan and specific financial goals at the start of each year, and the Board monitors performance throughout the year. At an expanded Board meeting once a year, the Board reviews in depth the Company’s long-range strategic plan. At the expanded meeting, it also reviews senior management development and succession planning.

Management presentations are made to the Board and its committees regularly on various aspects of the Company’s operations. The directors have unrestricted access to management and corporate staff.

All directors are expected to make an effort to attend all meetings of the Board, meetings of the committees of which they are members and the annual general meeting of shareholders. Directors should review the materials provided by management and advisors in advance of the meetings of the Board and its committees and should arrive prepared to discuss the issues presented.

### **Confidentiality**

The proceedings and deliberations of the Board and its committees are confidential. Each director shall maintain the confidentiality of information received in connection with his or her service as a director (unless otherwise required by law or regulation).

Confidential information includes all non-public information entrusted to or obtained by a director by reason of his or her position on the Board, including information regarding the strategy, business, finances and operations of the Company, minutes, reports and materials of the Board and its committees, other documents identified as confidential by the Company and all other non-public information provided by the Company.

A director or any other participant attending a Board or committee meeting telephonically or by other means of remote communication shall do so in a manner designed to ensure that no other person may hear the proceedings and deliberations of such meeting. Video or audio recordings by any director or participant at any Board or committee meeting are not permitted.

The obligations described above continue even after the directors' service on the Board has ended.

### **Executive Sessions of Independent Directors**

The independent directors meet privately in executive sessions to review the performance of the CEO and the effectiveness of the Board meetings. The independent directors also meet as necessary, but at least four times a year, in executive session to consider such matters as they deem appropriate without management being present. The independent Chair or Lead Director, as the case may be, will preside at the executive sessions.

### **Director Orientation and Continuing Education**

In order to become familiar with the Company, as well as the functioning of the Board, newly-appointed directors receive a variety of materials, including an overview of the Company, its operations and organization. They are also provided with access to key management personnel to provide additional information about the Company, including strategy and significant issues. Management will also maintain a program to keep directors up to date on legal, regulatory and other matters relevant to their positions as directors of a large, publicly-held corporation.

### **Director Compensation and Stock Ownership**

The Corporate Governance and Nominating Committee periodically reviews the Board's compensation and benefits and compares them with director compensation and benefits at peer companies. It is the Board's policy that directors be paid in a mix of cash and stock. Directors are required to acquire Company stock equal to three times the annual cash retainer paid to directors. Directors are required to retain ownership of the shares acquired until the stock ownership requirement is met and directors must maintain compliance thereafter until their retirement from the Board.

It is also the policy of the Board that directors' compensation be the sole compensation received from the Company by any non-employee director. Directors who are also employees of the Company shall receive no additional compensation for Board or committee service.

### **CEO Performance Evaluation**

At the beginning of each year, the CEO presents his or her performance objectives for the upcoming year to the Compensation and Human Capital Committee for its approval. At the end of the year, the Compensation and Human Capital Committee discusses the CEO's performance for the current year against his or her performance objectives. The Compensation and Human Capital Committee uses this performance evaluation in the course of its deliberations when considering the compensation of the CEO. The Compensation and Human Capital Committee and the CEO then meet to review the CEO's performance evaluation and compensation.

### **CEO Succession**

The Board views CEO selection as one of its most important responsibilities. To assist the Board in succession planning, the CEO reports at least annually to the Board providing an assessment of senior managers and their potential to succeed the CEO, either in the event of a sudden emergency or in anticipation of the CEO's future retirement.

### **Director Retirement; Term Limits**

Non-employee directors who change the position or occupation they held when initially elected must offer to resign from the Board promptly following such change. At that time, the Corporate Governance and Nominating Committee will review the continued appropriateness of Board membership under the new circumstances and make a recommendation to the Board. Notwithstanding the foregoing, any non-employee director who is retired shall not be required to offer his or her resignation from the Board if he or she enters into a consulting arrangement with a third party, provided that he or she advises the Chair and the Secretary of the Company of such proposed consulting arrangement prior to entering into the same. Employee directors, including the CEO, must resign from the Board at the time of a change in their status as an officer of the Company, unless the policy is waived by the Board.

Each non-employee director must retire at the annual general meeting immediately following the completion of ten years of service as a director of the Company.

### **CEO Retirement**

The CEO must retire within a year immediately following his or her 65th birthday. The Board may, if they deem it appropriate and in the best interests of the Company, extend the CEO's retirement effective date for up to 3 years immediately following the CEO's 65th birthday.

### **Board and Board Committee Performance Evaluation**

With the goal of increasing the effectiveness of the Board and its relationship to management, the Corporate Governance and Nominating Committee assists the Board in evaluating its performance as a whole and the performance of its committees at least annually. Each Board committee is also responsible for conducting an annual evaluation of its performance. The effectiveness and contributions of individual directors are considered each year when the directors stand for renomination.

## **Board Memberships**

The CEO and other executive officers must seek the approval of the Board (or the Board committee to which this responsibility has been delegated), before accepting outside board memberships with for-profit entities. The CEO may not serve on the board of more than one other publicly held company.

Non-employee directors must advise the Chair of the Board and the Chair of the Corporate Governance and Nominating Committee if they are being considered for election or appointment to a board of directors or audit committee of another publicly-held company, and any other change that could create a conflict of interest or impact the analysis of that director's independence or the director's ability to serve the Company, including service with private company boards and non-profit organizations. The Corporate Governance and Nominating Committee will determine whether the new board membership is compatible with continued service on the Company's Board and whether the new demands on the director's time would detract from, or impair, his/her ability to serve the Company. It is the policy of the Board that: (i) non-employee directors may not serve on the board of more than three other publicly held companies without the prior approval of the Board, except that any new board members shall be given a reasonable transition period to come into compliance with the policy; (ii) non-employee directors who serve as an executive officer of a public company may not serve on the board of more than one other publicly held company without the prior approval of the Board; and (iii) no member of the Audit and Finance Committee may serve on more than three public company audit committees (including the Company's Audit and Finance Committee). In addition to the above, the Corporate Governance and Nominating Committee will take into account any recent trends and expectations of institutional investors and other shareholders, as appropriate, when making its recommendation to the Board.

## **Independent Advice**

The Board shall have the authority to retain special legal, accounting or other consultants to advise the Board. Generally, this would be with the knowledge of the CEO. The Company will provide for such funding as the Board deems appropriate for the payment of compensation to any special legal, accounting or other consultants retained by the Board. The Board may request, as appropriate, any officer or employee of the Company or the Company's outside counsel or independent auditor to attend a meeting of the Board or to meet with any members of, or consultants to, the Board.

## **Communication on behalf of the Company**

The Board believes that senior management should speak for the Company. Individual Board members may, from time to time, meet or otherwise communicate with various constituencies that are involved with the Company in coordination with, and at the request of, senior management.

## **Code of Conduct**

The Company will maintain a code of business conduct and ethics which will articulate for employees, shareholders, customers and suppliers the standards of conduct, including conflicts of interest matters, to which the Company expects to adhere. Directors will also be required to abide by the code of conduct. Any waivers of the conflict of interest requirements of such code in favor of a director or executive officer will be subject to approval by the Board. In the case of the consideration of such a waiver in favor of a director, such director shall not participate in the deliberation or vote relating to such waiver.

### **Internal Audit Function**

The Company will maintain an internal audit function whose head will report directly to the Audit and Finance Committee. The internal audit function is responsible for bringing a systematic, disciplined approach to evaluate the effectiveness of risk management, control and governance processes. Its duties include monitoring the compliance by Company operations with the Company's internal controls and identifying any deficiencies in the design or operation of such internal controls which could adversely affect the Company's ability to record, process, summarize and report financial data.

### **Periodic Review of the Corporate Governance Guidelines**

The Corporate Governance and Nominating Committee shall, from time to time as it deems appropriate, review and reassess the adequacy of these guidelines and recommend any proposed changes to the Board for approval.

**EXHIBIT I**

***Guidelines for Determining Independence of Director***

- (A) A director will not be deemed “*independent*” if: (i) the director is affirmatively determined by the board of directors of the Company to have a material relationship to the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company); (ii) the director is or was within the last three years employed by the Company or any of its subsidiaries; (iii) an immediate family member of the director is or was within the last three years employed by the Company or any of its subsidiaries as an executive officer; (iv) the director or an immediate family member of the director has received during any twelve-month period within the last three years more than \$120,000 in direct compensation (other than director and Board committee fees and pension or other forms of deferred compensation not contingent on continued service as a director from the Company and its subsidiaries), provided, however that for purposes of this subparagraph (iv), compensation received by an immediate family member for service as an employee of the Company (other than an executive officer) shall not be included in determining a director’s independence; (v) the director, or an immediate family member of the director, is a current partner of a firm that is the Company’s internal or external auditor; (vi) the director is a current employee of such audit firm; (vii) an immediate family member of the director is a current employee of such audit firm and personally works on the Company’s audit; (viii) the director or an immediate family member of the director was within the last three years (but is no longer) a partner or employee of such audit firm and personally worked on the Company’s audit within that time; (ix) an executive officer of the Company is, or was within the last three years, on the compensation committee of the board of directors of a company that employed the director, or an immediate family member of the director, as an executive officer at the same time; or (x) the director is a current employee, or has an immediate family member who is a current executive officer, of a company or tax exempt organization having any of the relationships with the Company described in paragraph (B) below.
- (B) The following commercial or charitable relationships are considered to be material relationships that would impair a director’s independence: (i) if a director is a current employee, or an immediate family member of a director is a current executive officer, of another company that has made payments to, or receives payments from, the Company for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of \$1 million or 2% of the other company’s consolidated gross revenues or (ii) if a director is a current employee, or an immediate family member of a director is a current executive officer, of a tax exempt organization, and the Company’s discretionary charitable contributions to the organization in the aggregate are greater than \$1 million, or 2% of that organization’s consolidated gross revenues. (The amount of any “match” of charitable contributions under the Company’s matching gifts program will not be included in calculating the amount of the Company’s contributions for this purpose.) The Board will annually review all commercial and charitable relationships of directors.
- (C) For relationships other than those of the types described in (A) and (B), the determination of whether the director has a material relationship with the Company, and therefore may not be independent, will be made in good faith by the directors who satisfy the guidelines set forth in such preceding paragraphs.
- (D) For purposes of these guidelines the term “immediate family member” includes an individual’s spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law and anyone (other than domestic employees) who shares such individual’s house.
- (E) For purposes of these guidelines the term “executive officer” shall have the same meaning as the term “officer” in Rule 16a-1(f) of the Securities Exchange Act of 1934.

**EXHIBIT II**  
***Lead Director Board Role***

If appointed, the Lead Director coordinates the activities of all of the Board's independent directors. The Lead Director is the principal confidant to the CEO and ensures that the Board has an open, trustful relationship with the Company's senior management team while also ensuring that the Board has independent leadership separate from the Company's management. In addition to the duties of all directors, as set forth in the Company's Corporate Governance Guidelines, the specific responsibilities of the Lead Director, if one is appointed, are as follows:

- Call and chair the meetings of the independent directors when the Chair is not present;
- Ensure the full participation and engagement of all Board members in deliberations;
- Lead the Board in all deliberations involving the CEO's employment, including hiring, contract negotiations, performance evaluations, and dismissal;
- Counsel the Chair on issues of interest/concern to directors and encourage all directors to engage the Chair with their interests and concerns;
- Work with the Chair to develop an appropriate schedule of Board meetings and approve such schedule, to ensure that the directors have sufficient time for discussion of all agenda items, while not interfering with the flow of Company operations;
- Work with the Chair to develop the Board and Committee agendas and approve the final agendas;
- Keep abreast of key Company activities and advise the Chair as to the quality, quantity and timeliness of the flow of information from Company management that is necessary for the directors to effectively and responsibly perform their duties; although Company management is responsible for the preparation of materials for the Board, the Lead Director will approve information provided to the Board and may specifically request the inclusion of certain material;
- Engage consultants who report directly to the Board and assist in recommending consultants that work directly for Board Committees;
- Work in conjunction with the Corporate Governance and Nominating Committee in compliance with the Corporate Governance and Nominating Committee processes to interview all Board candidates and make recommendations to the Board;
- Assist the Board and Company officers in assuring compliance with and implementation of the Company's Corporate Governance Guidelines; work in conjunction with the Corporate Governance and Nominating Committee to recommend revisions to the Corporate Governance Guidelines;
- Call, coordinate and develop the agenda for and chair executive sessions of the Board's independent directors; act as principal liaison between the independent directors and the CEO;
- Work in conjunction with the Corporate Governance and Nominating Committee to identify for appointment the members of the various Board Committees, as well as selection of the Committee Chairs;
- Be available for consultation and direct communication with major shareholders in coordination with the CEO;
- Make a commitment to serve in role of Lead Director for a minimum of three years; and
- Help set the tone for the highest standards of ethics and integrity.

The Chair and CEO of the Company is responsible for working with the Lead Director so that together they achieve the Board governance objectives outlined by the Board.

It is expected that the Chair and CEO will:

- Meet with the Lead Director following each Board meeting to discuss any open matters from the meeting and to receive feedback from the Lead Director regarding issues arising at the executive session(s) of the independent directors.
- Between Board meetings have regular, open and candid conversations with the Lead Director to discuss important issues and seek guidance where appropriate.
- Use the Lead Director as a sounding board and mentor.
- Keep the Lead Director, and as appropriate the full Board, informed about key developments and concerns.
- Consult with the Lead Director on the preparation of Board meeting agendas and content, meeting schedules and the background material provided to the Board.

It should be noted that the Lead Director is not superior to other Directors or Committee Chairs, but rather a focal point and facilitator. The Lead Director is a non-exclusive channel of communication between the CEO and independent Directors and the CEO is encouraged to develop rapport and good communications with all Directors.