ALLEGION™

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November 10, 2016

Institutional Shareholder Services Inc.
policy@issgovernance.com

Re: US Policy – General Share Issuance Mandates for Cross-Market Companies (US-listed, non-US-incorporated companies)

Ladies and Gentlemen:

Institutional Shareholder Services Inc. ("ISS") has requested comments on a consultation paper titled "General Share Issuance Mandates for Cross-Market Companies (US-listed, non-US-incorporated companies)" (the "Consultation Paper"). Allegion plc ("Allegion") appreciates the opportunity to respond to the request for comments on the Consultation Paper.

Allegion is a global pioneer in safety and security, with leading brands like CISA®, Interflex®, LCN®, Schlage®, SimonsVoss® and Von Duprin®. Focusing on security around the door and adjacent areas, Allegion produces a range of solutions for homes, businesses, schools and other institutions. Allegion is a $2 billion company, with products sold in almost 130 countries. Allegion is incorporated in Ireland and listed on the New York Stock Exchange.

Introduction

Companies incorporated in Ireland are required by law to seek separate authorities from shareholders to (i) issue shares and (ii) disapply pre-emption rights in relation to certain such issuances. These authorities are typically renewed at least once every 5 years for an amount of shares and for a term (up to 5 years) the shareholders deem appropriate.

For companies seeking these authorities, ISS's current policy is to apply local Irish and UK stock exchange listing rules and practices, even though the companies are not listed on the stock exchanges in Ireland or the UK. ISS is contemplating amending its policy.

The Consultation Paper proposes to establish a policy that "would recommend in favor of general share issuance authorities (ie. those without a specified purpose) up to a maximum of 20 percent of currently issued capital, as long as the duration of the authority is clearly disclosed and reasonable" (the "Policy"). The intent of the Policy is to "better reflect U.S. listing and the expectations of investors in the U.S. market."

The Consultation Paper requests comments on the following specific points:

- As proposed, the new policy would effectively extend the NYSE/NASDAQ requirement for shareholder approval of issuances above 20% to scenarios in which the listing rules do not currently apply, such as public share issuances for cash. ISS has queried whether participants believe that 20% is an appropriate threshold for such cross-market companies, or would it be more appropriate to grant a mandate for issuances up to a lower or higher level?
- Should such companies seek annual approval for share issuance mandates, or would a longer mandate (e.g. 2 years or 3 years) be acceptable?

- Should the same policy also apply to companies treated by the U.S. SEC as Foreign Private Issuers?

Allegion appreciates ISS's recognition of an issue faced by it and other U.S. listed Irish companies. Allegion fully supports the intent of proposed Policy and the need to align company practices with investor expectations. Allegion, however, respectfully disagrees with the Consultation Paper because the Policy does not fulfill the stated intent for the following reasons, which are discussed in greater detail below:

1. Investors in Allegion and other U.S. listed Irish companies expect U.S. norms to guide corporate governance practices.
2. Applying additional requirements to U.S. listed Irish companies will place them at a competitive disadvantage and potentially harm shareholders.
3. Shareholders of U.S. listed companies are supportive of general share issuance and disapplication of pre-emption authorities.

Allegion recommends that ISS consistently apply uniform policies to all U.S. listed companies, regardless of jurisdiction of formation, and not adopt policies that will disadvantage U.S. listed Irish companies.

Investors in Allegion and other U.S. listed Irish companies expect U.S. norms to guide corporate governance practices.

Allegion's securities are solely registered with the U.S. Securities and Exchange Commission and are solely listed on the New York Stock Exchange. As a result, we look to U.S. securities rules and regulations, New York Stock Exchange listing requirements and U.S. public company practices and norms when evaluating and establishing our corporate governance practices.

Our approach to corporate governance has been firmly established with investors since we became public in 2013. In connection with our spin-off and in each proxy statement since then, we have communicated the following to our investors:

> ***Application of Non-U.S. Corporate Governance Codes***
>
> Our Corporate Governance Guidelines and general approach to corporate governance as reflected in our Memorandum and Articles of Association and our internal policies and procedures are guided by U.S. practice and applicable federal securities laws and regulations and NYSE requirements. Although we are an Irish public limited company, we are not listed on the Irish Stock Exchange and therefore are not subject to the listing rules of the Irish Stock Exchange or any of its governance standards or guidelines.

Based on discussions with our investors, we believe our approach to corporate governance is consistent with their expectations. The proposed Policy in the Consultation Paper would require a change to our approach to corporate governance. The Policy would place additional burdens on Allegion and other U.S. listed Irish companies that are not contemplated by investors and would be inconsistent with investor expectations.

Applying additional requirements to U.S. listed Irish companies will place them at a competitive disadvantage and potentially harm shareholders.

Under applicable listing rules, U.S. listed companies are generally required to obtain shareholder approval prior to the issuance of more than 20% of the company's stock, other than in public offerings (the "20% Rule"). (See, NYSE Rule 312.03(c) and Nasdaq Rule 5635(d)). The proposed Policy would extend the 20% Rule to include public offerings.

Extending the 20% Rule is inconsistent with investor expectations and places Irish companies at a disadvantage. Requiring a special shareholder meeting prior to a public offering would burden and potentially damage Irish companies in three significant ways:

1. Holding a shareholders meeting to approve a public offering would clearly signal the market that the Irish company is intending to raise capital. This signal would create unwanted attention and raise questions that could negatively impact an Irish company's potential competitive advantage. In addition, it would create unintentional pressure on the Irish company's stock.
2. Holding a shareholders meeting to approve a public offering would significantly increase the execution risk of any associated acquisition or similar transaction. A significant factor in any M&A transaction is the confidence the seller has in the buyer's ability to close. The proposed Policy would undermine the certainty that an Irish company could provide a seller in a transaction.
3. Holding a shareholders meeting to approve a public offering would reduce the speed at which an Irish company could access the capital markets and significantly limit an Irish company's ability to address both risks and opportunities that develop.

Allegion believes the proposed Policy would negatively impact the ability of Irish companies to timely access capital markets which would expose shareholders to unexpected risks and increase the risk of investing in Irish companies.

Shareholders of U.S. listed companies are supportive of general share issuance and disapplication of pre-emption authorities.

Many U.S. listed Irish companies have sought the share issuance and disapplication of pre-emption rights authorities to the maximum extent permitted by Irish law in the past few years. These company proposals are intended to align the Irish company's practices with other U.S. listed companies. Despite ISS's recommendation against such proposals, a majority of shareholders have consistently voted in favor of renewing the authorities. These voting results are consistent with company and investor expectations that U.S. listed companies follow U.S. practices and norms.

Recommendation

Allegion believes that investors expect all U.S. listed companies, regardless of jurisdiction of formation, to follow U.S. securities rules and regulations, U.S. exchange listing requirements and U.S. public company practices and norms. Therefore, Allegion recommends that ISS not adopt the proposed Policy and that ISS change its current policy to fully conform to U.S. practice. Allegion recommends that ISS consistently apply uniform policies to all U.S. listed companies, regardless of jurisdiction of formation. Adopting policies that treat U.S. listed companies differently based upon the jurisdiction of formation will likely create confusion in investor expectations and expose investors to unknown risks.

Concurring Opinions

Allegion is aware that the law firms of Arthur Cox and A&L Goodbody have submitted comment letters regarding the Consultation Paper. In addition to Allegion's comments herein, we concur with the opinions reflected in those letters.

Conclusion

We appreciate the opportunity to comment on the Consultation Paper and would be happy to discuss any questions on our comments. Any such questions may be directed to me at (317) 810-3158.

Best Regards,

S. Wade Sheek
Secretary
Allegion plc