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- Taiwanese Institute of Occupational Health and Safety

## 2021 Robert W. Campbell Award Application

Submitted by:  
**Allegion PLC**

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**ALLEGION™**

# Allegion: Where Values Drive Culture and Culture Drives Safety

2021 Robert W. Campbell Award

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# Allegion: Where Values Drive Culture and Culture Drives Safety

2021 Robert W. Campbell Award

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## Table of Contents

Executive Summary .....	i
SECTION I: Business Profile .....	3
SECTION II: Leadership .....	4
Section III: Integrated EHS Management System.....	9
Section IV: Performance Measurements & Information Management .....	26
Section V: Linkage Between EHS & Business Performance .....	28
Section VI: Lessons Learned .....	31

## Executive Summary

### Who is Allegion?

At Allegion, we help keep people safe and secure where they live, work and visit. With more than 30 brands sold in 130 countries across the globe, we specialize in security around the doorway and beyond, including: residential and commercial locks, bike locks, door closers and exit devices, steel doors and frames, access control and workforce productivity systems. At the core of our \$2.7 billion business is the knowledge and experience of the 11,000+ full-time dedicated employees, and 400+ contractors and temporary workers at any given time, behind our brands. We help our customers navigate their toughest security challenges, and we help builders and property owners differentiate themselves by providing innovative and secure solutions. Allegion's first-class safety culture starts by focusing on our company values, such as "be safe, be healthy," to achieve an 88 percent lower injury rate than our industry average in the United States. We don't just hang values on the wall, we live them in our day-to-day lives at work and at home. Living these values drives our company's culture, and that culture ultimately drives safety at Allegion.



### Allegion History

While Allegion is a new name in the security industry as the result of a spin-off, we are not new. For over a century, we have kept people safe and secure with category-leading products. From inventing the "panic release bar" exit device in 1908 to pioneering the first-ever electric-controlled lock, our brands have been innovators for almost as long as people have locked doors.



#### Our Vision

**Seamless access and a safer world.**



#### Our Purpose

**We create peace of mind by pioneering safety and security.**



#### Our Values

Our values aren't stoic or unattainable. They're as real and genuine as we are. They're more than words. Our values drive our culture and business decisions, both large and small. We believe that our culture is a differentiator, and this culture is part of how we define safety and seamless access.



BE SAFE, BE HEALTHY



SERVE OTHERS,  
NOT YOURSELF



DO THE RIGHT THING



BE CURIOUS  
BEYOND THE OBVIOUS



HAVE A PASSION  
FOR EXCELLENCE



ENJOY WHAT YOU DO AND  
CELEBRATE WHO WE ARE



BE EMPOWERED  
AND ACCOUNTABLE



THIS IS YOUR BUSINESS,  
RUN WITH IT



interflex



SCHLAGE



Simons Voss  
technologies



## Overview

In this application you will find evidence that Allegion's values drive culture and culture drives safety.

Differentiators can be seen in the Business Profile and in Allegion's Leadership. Our products are known in the industry for their reliability and allow for the safe exit of people through use of the panic bar device (one example). Similarly, Dave Petratis, Allegion's CEO, is known and has been recognized twice among CEOs Who "Get It" – through his leadership at two different companies. You will also see in the Performance Measurement section that Allegion has experienced safety metric improvements since 2013, when Allegion became a standalone company. This was accomplished through the strong integration of EHS into the business, through leadership commitment (Section II) and through the high value that Allegion places on EHS. This is further proven through the linkage between the EHS and Business Performance sections. In the Lessons Learned and EHS Challenge sections, you will see how Allegion performed well during the pandemic, in part driven by EHS leadership, keeping our essential employees safe and creatively drawing on the strengths of our company, which now continues in 2021.

Throughout this application, you will find QR codes, like you've already seen in our Executive Summary. By scanning these QR codes with a cell phone, you will be able to watch videos that expand on the topic at hand. Allegion has also used this communication tool during the COVID-19 pandemic to provide quick access to employees on safety protocols and safety training topics.

## Our Leadership

Allegion has incorporated its "values" to create a proactive safety culture using leading, lagging and employee engagement indicators. Some of these indicators include injuries, lost time incidents, good catches, layered process audits, near misses, employee surveys, greenhouse gas generation, water use and waste to landfill. These indicators are driven from the top-down and bottom-



up, led by Allegion CEO Dave Petratis. Dave has always had a passion for safety. This stems in part from his role as a Safety Manager and Supervisor early in his career. This learning guided his commitment to safety and has resulted in him leaving his fingerprint on every organization he has subsequently led. This commitment was recognized by the National Safety Council when he received the *CEOs Who "Get It"* award in 2008 and in 2018 while leading employees at two different organizations ([including Allegion](#))!

His passion cascades throughout his leadership team and has resulted in an unprecedented improvement in Incident Rate in the last seven years along with outstanding sustainability results. He is known to talk about safety daily, but always includes an agenda item in monthly and quarterly reviews, in Board meetings – and with most people that spend more than five minutes with him.

Dave believes that safety, quality and operations are the glue that hold an organization together. He further believes that if one of those elements is out of alignment, they will all be out of alignment. Therefore, it is important to him that safety is incorporated into all aspects of the business. He recognizes safety efforts worldwide and provides guidance for new acquisitions to make sure they understand the importance and "value" of safety, starting on the first day of the acquisition.



Dave has set the organization up for success with senior vice president, global operations, and integrated supply chain, and vice president, EHS, remediation, real estate, and risk management. Both positions have a direct connection to Dave and together they share more 70 years of safety, operational, and procurement experience. Both leaders have helped to bring environment, health and safety (EHS) transformation to Allegion. This transformational journey has been filled with many challenges. It is in overcoming these challenges that Allegion has experienced success. This success is measured in many ways and makes Allegion an exceptional candidate for the Campbell Award.



VP EHS,  
Remediation,  
Real Estate and  
Risk  
Management

## SECTION I: Business Profile

### **Business Description**

The scope of this application covers Allegion’s global operations. Allegion is a pioneer in seamless access with 30+ brands, 800+ global active patents and 15,000+ channel partners worldwide. Industry-leading brands like CISA®, Interflex®, LCN®, Schlage®, SimonsVoss® and Von Duprin® are part of the Allegion family. Focusing on security around the door and adjacent areas, Allegion secures people and assets with a range of solutions for residential, commercial, and institutional markets. You can find our products in homes, restaurants, businesses, schools, healthcare facilities and more places where people live, work and thrive. In 2020, Allegion closed the year with \$2.7 billion in revenue.

At the core of our business is helping our customers navigate their toughest security challenges, and we help builders and property owners differentiate themselves by providing innovative and secure solutions. These solutions and our manufacturing facilities primarily operate under International Standard Industrial Classification (ISIC) codes 2593, 2310, 4663 and 8020. These ISIC codes represent, but are not limited to, electroplating, painting, manufacturing, and warehousing.

While mechanical hardware is the foundation of our business and will always be at the core of what we do, we recognize that the future of seamless access lies in addressing the needs of an increasingly connected world. Electronic solutions don’t replace our mechanical products – they make them more powerful. That’s why our core strength in mechanical security, when combined with digital, mobile and interconnected electronic solutions – and our expertise in style and design – makes us a leader in our markets.

Allegion is a global organization with 11,000+ full-time employees, as well as over 400 contractors and temporary workers at any given time. These employees are supported by 60+ EHS professionals ready to serve Allegion and their colleagues around the world. We are proud that this is approximately one safety professional per 200 employees.

At Allegion, we create peace of mind by pioneering safety and security, and we meticulously and intentionally uphold our value of “be safe, be healthy” to positively impact our global environment, employees, customers and local communities. Since our spin as an independent company, Allegion has committed to do business in a safe and environmentally responsible manner. The EHS team has a direct tie to the executive leadership team at Allegion. The vice president of EHS, real estate and remediation leads the entire EHS team globally and reports directly to the vice president of global operations and integrated supply chain for all of Allegion. The Allegion EHS team reports to the board of directors annually on accomplishments and lessons learned, as well as plans to improve and move the company forward. Additionally, the CEO has an open-door policy and makes safety & health a priority for everyone in the organization.





## EHS, Business & Sustainability Challenges

### *What Sets Allegion Apart*

Allegion is a market leader in safety and security products and strives to provide seamless access to its customers. Our legacy is pioneering safety and security. There is a natural business connection to employee safety, and product safety sets us apart from other companies. Our brands are the creators of life-saving security devices: from inventing the “panic release bar” exit device in 1908 to the invention of the bored cylindrical lock in 1920 to pioneering the first-ever electric-controlled lock. With this history of our entrepreneurial spirit, we are constantly challenging ourselves and our business to find the next innovation in securing our people where they work and where they live. Because safety and security are at the core of the business DNA, this readily translates to employee safety as a core function, which is also a differentiator from other companies. This document visualizes the EHS philosophy and how it integrates with the Allegion strategy.

Some other examples of the things that set us apart include:

- [CEO's Who Get it from National Safety Council 2018](#)
- CDP Climate Change C rating
- CDP B minus rating in supplier engagement
- CDP Water Security B rating
- [Manufacturing Leadership Award for EHS project from National Association of Manufacturers in 2019](#)
- Safe Company certification from Labor Secretary in Baja Mexico
- VPP for Allegion's Indiana Manufacturing facility
- Environmental Stewardship Program certification for Indiana Manufacturing facility

In the last 12 months:

- 41 out of 47 facilities have received EHS awards. Some of these awards include:
  - Million hours without a lost time
  - Years without a lost time
  - Zero recordable incidents
- Allegion has not had an environmental violation in any facility around the world since 2014.
- Several locations have achieved zero Waste to Landfill.

While we are excited about the products we make, the natural connection to employee safety, and our awards, we also face many challenges. We face lower cost and quality products from competitors and, in 2020, we also faced the unprecedented COVID-19 pandemic. As so many businesses understand, we are in uncharted territory facing economic constraints, along with competitive market environments. Our people continue to be guided by our values in navigating these.

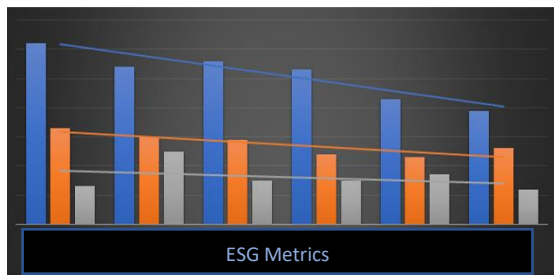
### *EHS Integration*

Another differentiator for Allegion is the integration of EHS throughout the business. EHS is integrated into all the major functions. This integration aids in the overall sustainability of the organization because each function understands the related organizational and safety benefits. While all functions start with cascading metrics, some specific integration examples include:

- Supply Chain
  - Allegion has implemented a Supplier Scorecard that rates suppliers on eight main risk categories and over 20 risk sub-categories.
- Engineering, IT, Regional businesses

- Because Real Estate also falls under the EHS function, all office furniture is specified to meet Allegion's ergonomic standards. This standard work has driven consistency in both branding and ergonomic furniture and has resulted in less complaints and injuries from our office workers.

One way to determine if EHS is integrated into a business, is to look at the results. Our EHS systems are integrated fully into all our operations. The EHS staff at each site is an integral part of the Site Operations Leadership team. Our systems are driven by compliance requirements, ISO 14001 standards and OSHAS



18001 / ISO 45001 standards. We set both annual and long-term goals for our key performance indicators of Total Recordable Incident Rate (TRIR), Lost Time Incident Rate, Greenhouse Gas Emissions, Water Usage and Waste to Landfill. Our EHS initiatives are set to support an aggressive TRIR and environmental metrics through 2030. These trends would not be possible without EHS integration. Organizations that are not integrated see periodic increases, but organizations that

are integrated see consistent downward trends.

### *Corporate Social Responsibility/ESG*

We've made our Corporate Social Responsibility (CSR) and Environment, Social and Governance (ESG) page easily accessible to all at [www.allegion.com/esg](http://www.allegion.com/esg). Our CSR and ESG initiatives focus on the EHS systems of safety and sustainability above, as well as ethics and compliance, policies and procedures for anti-slavery and human trafficking activities, giving back to our global communities, corporate governance guidelines and engagement, equity, inclusion, and diversity activities. "Do the right thing" isn't just a corporate value at Allegion, it's a way of life. From charitable donations to volunteering in our communities and working to protect both our environment and our people, we put this principle into practice daily.



Our EHS system was the basis for our development of a cross-functional ESG Committee. Our strong performance in reducing our environmental footprint and reducing risk within the business made it imperative that we broaden the scope to include other ESG topics and start telling our story. Our ESG Committee is made up of members from EHS, Corporate Communications, Legal, HR, Engineering, Investor Relations, Treasury, Global Integrated Supply Chain, Audit, Sales, Marketing and Finance teams. The ESG Committee reports to the Board of Directors at least once per year and has been encouraged by the Board in recent years to use ESG as an opportunity for Allegion to differentiate itself.

In addition to our work in our communities, Allegion also has many core competencies that require us to lead by example when it comes to safety in our industry. In manufacturing, we are leaders in developing and creating life safety devices, such as panic bars for building exits. These products require many chemical and mechanical processes across the globe including electroplating, powder coating, electrocoating, spray finishing, dip tank coating, and machine pressing and stamping operations. The complexities of these systems involve several inherent employee safety risks and environmental risks. Still, our facilities operate as some of the cleanest and safest in their sectors. At Allegion, this is not by accident. It is the result of a fundamental value of safety and personal ownership built into the business. From the CEO to front-line supervisors, the message is the same. We will perform our tasks as safely as possible. Our journey will not be complete when we are the safest in our industry or even the safest in manufacturing. Our journey's goal is directed at keeping our employees safe and continuing to reduce their risk, so they are there for their families and their communities.

To this end, we also must mention our dedicated EHS teams. Building on the knowledge gained and challenges met by our EHS teams over the years, we have a higher standard when it comes to safety programs. Unable to find adequate products on the market, we have built tools in-house dedicated to identifying and correcting risks associated with machine guarding, hazardous energy control, and job safety analysis.

At Allegion, our values guide us in our decisions and drive us to our goals. Allegion understands that our value of “be safe, be healthy” benefits the business economics as well.



We have improved our “CDP” (formerly the Carbon Disclosure Project) scores over the years, in climate and water categories by increasing our disclosures. The CDP, a third-party organization, runs the global environmental disclosure system. Each year the CDP supports thousands of companies, cities, states, and regions to measure and manage their risks and opportunities on climate change, water, security, and deforestation. This is at the request of investors, purchasers, and city stakeholders. Institutional Shareholder Services group of companies (ISS) is another third-party organization that scores companies on ESG principles. Allegion’s scores have improved significantly. ISS empowers investors and companies to build for long-term and sustainable growth by providing high-quality data, analytics, and insight. ISS is one of the world’s leading providers of corporate governance and responsible investment solutions, market intelligence and fund services, and events and editorial content for institutional investors and corporations, globally.

## **SECTION II: Leadership**

### **Organizational Leadership – Definition/Philosophy & Commitment to EHS Goals**

Leadership at Allegion is dynamic and involves many factors including the ability to gain consensus and commitment to common objectives. Our leaders inspire, build, and sustain a collaborative culture that nurtures positive EHS behaviors and practices. In addition to reviewing and approving annual objectives, our leaders set the tone to ensure there is continued focus on EHS. This can be seen in 2020 videos where several of our leaders presented the importance of safety during the COVID-19 pandemic. There are also videos by leaders on other safety topics including our quarterly financial reviews where safety is typically highlighted. This is unique when comparing us to other companies. Examples can be seen in the QR codes throughout the application.

At Allegion, a key element of effective organizational leadership is the integration of EHS into every Executive Leadership Team (ELT) function. The ELT is led by CEO Dave Petratis (who is also Chairman of the Board of Directors) and CFO Patrick Shannon. Together, they have overall responsibility for the EHS performance. This performance is further detailed in “Section III: Integrated EHS Management System.” In their annual objectives, all ELT leaders have responsibility for risk management, employee accountability, and hazard recognition, including Dave, and they take a personal responsibility toward executing on EHS initiatives. Dave’s role and job description includes the following outlined responsibilities, which he is passionate about: drive excellence in safety and environment; promote healthy living; and invest in continual risk reduction and prevention activities. Furthermore, he continues to emphasize sustainability, with a focus on reduction of energy consumption and waste generation.



The ELT has also set an expectation of employees that they will do their part to be safe and healthy – both at work and at home. Dave, whether speaking to Allegion’s Board, employees, or shareholders, typically starts each message by discussing Allegion’s performance and commitment to EHS and signs off each message by stating “be safe and be healthy.”



We are proud of Dave and the ELT because they drive and support the EHS culture. This can be seen in Dave’s [“2018 CEOs Who ‘Get It’”](#) interview, where he talked about how leadership instills a sense of safety on an ongoing basis. His response was twofold, “First, as one of Allegion’s core values, we beat it like a drum – talking about it regularly, no matter the job at hand. That sets a cultural expectation that our team members will contribute to the safety of their work environments. Second, we make health and safety a priority in our actions. If you look at our managements’ agendas, you’ll see safety habits like team meetings, inspections, and trainings.”

Under Dave’s leadership, paired with that of the Global EHS team, Allegion has a workplace culture where everyone 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 related to their jobs and are empowered to report unsafe conditions. Our employees further embrace and understand their duty to protect themselves, their co-workers, and the environment. This is accomplished through EHS program implementation at each facility. Employees and leaders have individual EHS oriented goals with a periodic cadence. Some of the team members include the ELT, the SVP of Global Integrated Supply Chain and their direct reports, plant managers, supervisors, employees, contractors, suppliers, stakeholders, and the public. Some of the key responsibilities include:



Responsibility
Review of EHS metrics in Monthly Operation Review
EHS Recognition
Attend injury reviews
Townhall
Financial and EHS Results
Board Meeting
Environmental, Social, Governance Committee
2 Safety Touch points per day
Complete EHS and Man Excellence Scorecard
MDI - Managing Daily Information; Safety, Quality, Delivery, Cost, People
Near Miss; Injury Investigation; Layed Audits; minimize negative environmental impacts
MDI - Managing Daily Information; Safety, Quality, Delivery, Cost, People
Near Miss; Injury Investigation; Layered ; minimize negative environmental impacts
Job Safety Analysis
Daily responsibilities - Inspect equipment and area, wear PPE, follow EHS , report unsafe conditions, update JSA's, recycling, reuse of materials
EHS Onboarding; Complete monthly safety training
EHS Onboarding; Contractor Management Program
Supplier Quality Audit; Supplier Risk Assessment Scorecard
Review risk and corrective actions for the business
Understand safety and environmental issues; access Policy

### *Practical Examples*

By incorporating our “be safe, be healthy” value, our leaders put their philosophy and beliefs into individual practice for themselves and their teams in support of the EHS management system. Specifically, this means they work to meet their metrics and identified EHS responsibilities. It also means they support our EHS Leaders.



One practical example can be seen in our vice president of global operations and integrated supply chain, who recognized the need to push the organization forward by establishing “Front-Line Leader Training” with a heavy weighting on safety. This leader believes that if our front-line leaders are embedded in safety and other key operational topics, we will set them up for success. Another example can be seen in our vice president of enterprise excellence, who led and developed an “Operational Scorecard” integrating EHS and other business objectives into a comprehensive review. Similarly, our senior vice president of human resources and communications tracks lagging indicators but also sets leading health indicator metrics, while our chief technology officer stays closely connected with sustainability and life cycle analysis of our products. This group also participates in numerous sustainability initiatives, including Leadership in Energy and Environmental Design (LEED) program, The Living Building Challenge, and the Living Product Challenge. Our vice president of quality, and our vice president of global supply management, work together to reduce risk through the supplier quality and supplier risk assessment processes. These systems specifically address:

- **Contractor Training** - Our contractor training needs are addressed by duplicating the training that our employees receive, in addition to any other training received by the contracting company.
- **Code of Conduct Supplier Requirements** - Allegion publishes a Supplier Code of Conduct that reinforces Allegion’s values and the standards that Allegion holds for itself and for its business partners.
- **Quality Requirements** - Allegion provides expectations of its standards to suppliers in the Global Supplier Requirements Manual. This manual establishes aggressive goals to achieve defect-free, reliable products delivered exactly to our customer’s expectations. This manual is inspired by Allegion’s Values and describes in detail the standards, expectations and processes Supplier Business Partners are expected to achieve and adhere to.
- **Supplier Risk** - Allegion uses a supplier performance and risk management process to assess, measure and comprehensively understand the operational performance of key material suppliers and their business risk to Allegion. Supplier Scorecards are shared with these Supplier Business Partners enabling them to understand their performance and help them identify areas for improvement. Suppliers who consistently perform at the lower end of the scorecards risk loss of business with Allegion compared to those suppliers performing well or demonstrating consistent improvement that are rewarded for their performance.
- **New Supplier Requirements** - The Supplier On-Site Assessment (OSA) process is used to assess qualified new suppliers and help them achieve the operational standards set by Allegion, as well as to re-assess to help ensure their success.
- **Communication** - Supplier expectations and requirements for current and prospective suppliers are posted publicly on Allegion’s website at <https://www.allegion.com/content/allegion-corp/corp/en/footer/policies/supplier-portal.html>

These processes are shared transparently with Supplier Business Partners and collaboratively practiced and managed by the Global Supply Management and Global Quality teams.

Another key example of leadership commitment can be seen with Dave Petratis. He meets both formally and informally with our vice president of EHS, remediation, real estate, and risk management several times a month. These types of activities would not work or be accepted in a culture that has not



embraced EHS. It is examples like this from the entire leadership team that demonstrate how our leaders put their philosophy and beliefs into practice.

## **Organizational Culture/Climate**

Allegion has 11,000+ global employees, with offices and operations in nearly 30 countries and sells products from 30+ brands. When you consider the cultural differences between regions, unions, and working groups, you will discover that we must provide many solutions to many cultures and many customers. However, we are proud to say that while we are made up of many of factors, we are “ONE” Allegion working towards a common goal.

Dave Petratis’ leadership style permeates these diverse cultures and underscores “ONE” Allegion. He often says, “Focus on the right things - like safety - and the rest will fall into place.” The workforce is eager to get on board because safety is something everyone can agree on. Dave and the ELT contribute to corporate culture and inter-company relations through cooperation and mutual respect. The cooperation is apparent because the functional teams are aligned on EHS. The mutual respect has been renewed, especially with intentional global employee conversations on engagement, equity, inclusion, and diversity. We believe that equity, inclusion, and diversity strengthen our teams, build employee engagement, deliver customer excellence, and produce superior business results. Our commitments go beyond our walls with corporate social responsibility and individual actions that make the communities where we live better. We know it's a journey but, together, the people of Allegion are creating a more inclusive workplace and a more equitable, better world. Respect remains the key in this journey.

Respect is also a major component in how Allegion approaches relationships between the workforce, management and contractors. We have a diverse workforce of over 11,000+ that includes employees, unions, contractors, and work councils. Since becoming a standalone company, we have worked hard to improve union relationships and employee relationships. This improvement can be measured in less union/employee complaints, in better union/management relationships, in consistent performance by contractors, and in improved employee engagement scores.

From an EHS perspective, we use ISO 45001, ISO 14001 and ISO 50001 as guiding standards. With these standards and government requirements, we have created Allegion-specific standard procedures and processes for all EHS activities.

For our international sites, our cross-cultural standards are implemented with similar processes to our domestic sites. For example, new acquisitions go through a regimented six-month process to bring them up to Allegion standards. A critical component is the generation of an integration plan.

To complete the integration plan, we use Safety Kaizens to address JSA’s, standard work, procedures, and our management teams to drive consistency with multinational and cross-cultural teams. Our metrics and injury review processes are great examples. See Section III, **Hazard Recognition & Risk Management** for more information.

### *Leadership During and After Critical Events*

Leadership has defined roles in many areas of the business, but leadership has an essential responsibility when the organization is faced with a crisis. Allegion has a formalized Incident Response Team (IRT) led by our SVP, and general counsel, who also serves on the ELT. This program triggers the Incident Response Team (IRT) to address significant issues that have escalated or have the potential to escalate into a crisis. The response program incorporates cross-functional expertise and includes representatives

from EHS, Human Resources, IT, Communications, Risk Management, and Legal. Other functional leaders are brought in as needed (i.e., Finance, regional experts).

In critical situations, the priority of Allegion leadership is, first and foremost, to provide a safe and secure work environment for our employees and share timely, clear and transparent information, both internally and externally, regarding significant incidents that impact our employees, brand, and company.

With that in mind, in times of true crisis, our CEO communicates directly with employees and other stakeholders appropriately, like investors, customers and community leaders. In addition, ELT members keep high levels of engagement with their own teams to ensure open communication. Our executives especially emphasize two-way communication during crisis events, ensuring they're not just talking to employees but listening to employees, through best practices such as live question and answer sessions, all-hands meetings and town halls.

Importantly, the ELT works with its larger IRT to determine whether an incident and its consequences have been contained. This means all issues have been resolved in the right way – embracing the Allegion value of “do the right thing” – and acceptable and responsible solutions are reached, not just for the business and employees, but for impacted stakeholders. In addition, after every critical event, the ELT and their own leadership teams set time aside to debrief and understand “lessons learned,” as well as how to make improvements for future incident response. Based on the learnings, Allegion’s incident response plan is revised as needed. It continuously evolves, as does Allegion leaders’ critical event response.



Some examples of activation of Allegion’s crisis management teams have included earthquakes in Europe, Mexico and New Zealand, flooding in China, freezing gas lines in Texas, and the COVID-19 pandemic. Through the COVID-19 pandemic, Allegion’s ELT met twice daily – every morning and evening, including weekends – to ensure the company was responding in real-time to employee and customer needs. An internal steering committee was also formed to help guide Allegion’s health and safety efforts, best practices for our people, and communications with all stakeholders. The steering committee has held weekly Microsoft Teams meetings for site and business leaders, as well as human resource professionals. This allowed leaders to quickly implement and communicate changes. Some of the decisions made by Allegion executives and the steering committee included the following health and safety efforts: continual employee education on safe hygiene practices; implementation of self-assessment, temperature screening, janitorial, visitor and social distancing protocols; working closely with local health officials; increasing supplies of personal protective equipment like gloves and masks; requiring mask use early on; restricting travel and visitors; updating schedules and work spaces to provide appropriate social distancing; and encouraging those who could work from home to do so. To develop these, Allegion leaders used outside-in thinking – learning from the best practices recommended by experts at the U.S. Centers for Disease Control and Prevention; the European Centre for Disease Prevention and Control; and the World Health Organization. The top priority was always, *always* the safety and health of employees.



While the daily calls have relaxed, there is still a weekly communication cadence to address issues and determine next steps.

In summary, Allegion’s ELT is responsible and plays a critical role in crisis response for our organization. They provide leadership and oversight, while also empowering (per Allegion’s value, “be empowered and accountable”) their own teams to be leading experts. They emphasize proactive preparation as well as evaluation for future improvement.

### Section III: Integrated EHS Management System

#### **Policy, Goals & Objectives**

Allegion's EHS management system is effective because it includes several aspects that work together to identify hazards, control risks, and ensure those controls remain effective. They are sustained by processes that are embedded into our manufacturing daily work. These processes are both formal and informal, and they include:

- Policies, Goals and Objectives
  - The EHS and Sustainability Policy is a formal document that is annually reviewed, updated and approved by the executive leadership team and the Board of Directors. It is the overarching document that sets the tone for the EHS Management system. It was last updated in 2020 to include sustainability concepts. In February of 2021, the Board of Directors agreed that no changes were needed at this time.
  - Some examples of Allegion's philosophy and commitment to safety can be seen in Allegion's Critical Safety Rules. These life savings principles are one of the fundamentals of Allegion's EHS management system. These Critical Safety Rules are supported by specific procedures.
  - Another example is Allegion's EHS "Strategy on a Page." This document highlights our strategic pillars of Training & Awareness, Hazard Identification, Audits & Assessments, Policies & Procedures and Sustainability with a focus of reducing risk to people and the environment. These key elements also tie into our business objectives of customer focus (internal/external), talent, innovation, partnering, pace/agility and collaboration.
  - Allegion establishes short-term EHS targets annually that are designed to support and achieve long-term targets that are also established. As you can see, Allegion is on a glide path to continue to reduce injuries through 2030 and beyond. Strategic operational initiatives designed to reduce risk and support short- and long-term EHS goals are established and approved by the ELT. They are then tracked using an online database.
- Individual plant performance to the sites' EHS targets is measured and communicated across the region and to an enterprise leadership team monthly through Allegion's Monthly Operational Review process (MOR). Sites' progress and maturity around the EHS initiatives are measured and communicated monthly through a regional EHS conference call. The EHS Scorecard was developed in the last 24 months. This is another online tool that is used to measure each site's maturity with the global Allegion's EHS strategic initiatives, in addition to other leading and lagging indicators highlighted in Section IV. In 2021, Allegion's strategic initiatives are focused on Job Safety Analysis program enhancements, continued COVID-19 risk prevention, frontline leader development and involvement in EHS, management of change, greenhouse gas and energy reduction, and significant injury/incident risk reduction.
  - Allegion has both short-term and long-term goals, which are guided by the EHS and Sustainability Policy and approved by the ELT.



Short Term Goals	2021 Goals	Long-Term Goals
100-percent on-time closure of all internal/external audit findings	percent reduction in Greenhouse Gas Emissions	Safety Gliidepath
No safety regulatory violations	percent Waste to landfill	ESG Science Based Targets
Proactive EHS initiatives using EHS "Kaizen" events (defined on page 7)	percent water usage goals	reduction of Greenhouse Gas emissions, Water usage and Waste to Landfill
* Machine Safety	100-percent on-time to closure of all internal/external audit findings	
* Job Safety Analysis	No environmental regulatory violations	
* ISO 14001		
* Leadership involvement		
* PPE		
Significant Recordable Injury Rate (SRIR) Prevention		

We also have leading indicators that are further described in Section IV – Leading & Lagging indicators.

EHS goals are determined with input from the ELT and the Board on an annual basis. After ELT/Board input, the metrics are reviewed with internal stakeholders and then published. These goals are tracked monthly to ensure progress is being made. The database that is used is a robust third-party EHS management software. This software allows us to track, manage and automate many elements of the EHS management system. From a practical standpoint, each manufacturing facility is required to input 15 data points monthly. These 15 metrics include lagging and leading indicators. Leading indicators include “good catches,” near misses, training hours and EMS runs. Lagging indicators include recordable injuries, lost time days, hours worked, waste recycled, waste to landfill, electricity, gas, water, progress on internal/external findings and compliance calendar items. Together, these pieces are rolled up to produce larger global metrics.

Once metrics are entered, a facility may generate an action to plan and have it automatically sent to their leadership team, managers, supervisors, or other people responsible for the actions. This is a very powerful tool that the database manages seamlessly because it tracks progress on the corrective action items.

It is important that these goals and metrics align with strategic operational metrics to become Key Performance Indicators (KPIs) for each manufacturing plant. At all Allegion manufacturing plants, the EHS goals are reviewed daily as part of standard work. This is accomplished at a morning meeting held at the Managing for Daily Improvement (MDI) boards. Besides safety, MDI monitors and measures quality, delivery, cost, and people. The MDI boards are posted in all plants and all key business leaders are required to attend this daily meeting. A daily review of the MDI boards helps keep all metrics on track and allows for adjustments or corrective actions at an early stage to ensure progress is made on each metric. Finally, it also allows all managers to provide input even if it isn't in their primary responsibility. This allows EHS integration into all business functions.

## Communications

Allegion uses internal and external communications as a tool for EHS integration to all functions of the business. Allegion's internal culture of communication flows from management to employees and from employees to management as well as from one business region to another. This internal culture of communication utilizes many forms, from daily stand-downs performed by team leaders, MDI boards (discussed above), daily discussions in Gemba walks, formal announcements from our CEO, and a multitude of visual communications. These communications are delivered locally and globally in many different forms, including direct emails and e-newsletters, articles on our company intranet, printed posters, flyers, handouts and signs, videos, QR (quick read) codes, mailings, etc. These communications are a vital way we continue to ensure our people are informed on the latest topics and can "be empowered and accountable."



Allegion's EHS team uses communications to share important details and ways to stay safe and prevent injuries or illness from occurring in the workplace and at home. From monthly health and safety topics that are presented to leadership in the Monthly Operations Review to toolbox talks created by manufacturing, warehouse or office sites, these messages are encouraged, driven, and lived by our CEO to employees working on the factory floor. Just this year, Allegion's EHS team launched a new "Allegion Academy" series for frontline manufacturing leaders on safety – *Through the Safety Lens of Leaders*. This example, in which executives and other leaders from across the company share their safety experiences and advice, is just one more way we're working to make employee health and safety a part of everyday conversation. In addition, our EHS team has spun up a new library of videos for all employees on safety considerations like ergonomics and stretching.

Communication from employees to management occurs formally and informally. Formally, the entire organization participates in an annual engagement survey. These surveys help us understand not only how engaged our employees are, but if they feel their voices are heard, and if their needs are met. Safety is specifically addressed in two different questions and has received some of the highest scores. This leading metric is tracked by each site, each department, and in a global roll-up. Sites host monthly round table discussions to develop improvement targets and discussions are held between employees throughout the facility to discuss topics of concern, such as safety. As part of our continuous improvement journey, we are planning to add an additional question in 2021 related to the supervisor role and safety.



EHS communications occur in several different forums. Our site EHS leaders share "best practices" with each other during monthly calls, conferences, and as needed. Sharing these "best practices" helps change the game at each of our facilities. This is inherent to building a "passion for excellence" within the EHS team that influences Allegion as a whole. The team also holds calls when a recordable injury or a significant near miss occurs at a facility. These calls involve all EHS leaders, plant leaders, regional leaders, and the senior vice president of global operations and integrated supply chain. In these calls, we discuss how the team has drilled into the root cause of the injury by being "curious beyond the obvious," the contributing factors, and ways to make positive changes to prevent future injuries. By including this team, we can share information and stress the importance for this team to look at their own facilities for similar concerns and make changes promptly. These injury reviews also lead to other teams distributing safety alerts and holding safety stand-downs, not only in the area that injuries have occurred, but in other facilities that may have similar processes or potentials for these types of injuries. During safety stand-downs, the teams discuss the "how" and "why" an injury occurred and what they are doing to prevent the injury from occurring again. Many times, it is fixing a process, a part, or a machine, but other times it is working with the employees to fix behaviors as well. This behavior-based approach to creating a safe work environment allows us to



start with ensuring employees are properly trained and working safely. These communication tools have become part of our DNA and have been copied by other functions as a best practice.

Allegion's external communication includes communication with communities, customers, shareholders, and the public. Allegion not only strives for a high level of internal communication but seeks the same level of diligence externally.

One of the reasons our communities recognizes Allegion is due to the external speaking engagements from our EHS leaders and the external communication from our CEO. Some of the external EHS speaking engagements include conferences such as Wastewater Industrial Technical Training and Education (WITtec), and the Indiana Annual Pollution Prevention Conference. WITtec is a technical education conference of industrial wastewater operators and municipal pretreatment coordinators that meets annually. Allegion has had multiple wastewater treatment facilities and associated operators recognized for their efforts to advance the wastewater treatment field. Additionally, multi-site recognition has been received from the National Association of Manufacturers (NAM) for efforts in process streamlining and water reduction projects.

To extend the positive public image and to share our EHS journey, the EHS team averages five external presentations annually to different organizations including, WITtec, college presentations to talk with students about opportunities in the manufacturing field, professional organizations like MAPI, and presentations to regional VPP programs to discuss our implementation of safety mentor programs. In 2021, members of the EHS team were interviewed by the *Wall Street Journal* and the National Safety Council as experts and thought leaders in the safety field.

Dave Petratis also continues to reinforce and communicate updates to the Board of Directors and shareholders routinely. Dave starts every meeting by talking about safety and its importance not only at work, but also at home. As mentioned previously, Dave discusses Allegion's EHS performance to our standards and, in comparison, to our industry peer group in investor calls.

### **Audits & Assessments**

Audits are an essential component of the EHS management system at Allegion. The methods that are employed include both internal and external EHS audits to evaluate compliance with policies and procedures. At the manufacturing level, the internal audits review conformance to work instruction and layered process audits are employed to ensure tasks are being performed safely and in alignment with the JSA or standard work. Layered process audits are multifunctional audits that occur by employees, process leaders, supervisors, managers, EHS team members, union and other teams. The idea is to have a variety of teams or individuals auditing a variety of safety elements. This layering effect reduces risk by identifying and correcting hazards.

Additionally, we generally conform to ISO 14001 standards and OSHAS 18001 / ISO 45001 standards and many of our facilities are certified by an external third party. These certifications also require internal audits to conform to the respective standards.

Corporate audits follow detailed protocols based on purchased subscriptions for the industry, country, state and/or local regulations. Additionally, a review is conducted against Allegion-specific standards. All audit findings are tracked using the EHS database that was discussed in Section III under "Policy, Goals and Objectives." This EHS database allows for tracking of corrective actions and for automated notifications. These methods ensure that the audits are effective because of the variety of audits employed, the standard work required for audits, the training requirements for audits, and because we purchase the most recent government requirements.

At Allegion, the assessment or audit strategy and the “5-Why” strategy are similar. However, “5-Why” investigations focus on identifying root cause, while the audits focus on compliance or conformance. To determine root cause, our teams conduct “5-Why” investigations for injuries and significant near misses. This methodology behind the “5-Why’s” allows us to not only identify and correct the symptoms of the issue to improve upon.

Individuals are required to do daily inspections, such as safety and equipment checks, to ensure we continue to maintain our passion for excellence at our facilities. Other periodic inspections are required on a schedule to identify and correct hazards. Examples of site inspections may include daily housekeeping inspections, machine safety inspections, safety committee inspections, and daily process safety observations.

Implementation of an environmental management system is an Allegion expectation for all our manufacturing facilities. This is even more relevant at our manufacturing sites where electroplating, anodizing, and solvent-based painting processes occur. This environmental management system is to be modeled off the components listed in the ISO 14001:2015 standard. Allegion makes public statements to this effect in our annual filings with regulators (Irish and U.S. proxy statements and annual report). While not a requirement, third-party certification of the system is encouraged, as it lends credibility to our process. Sites that are third-party certified to the standard have found value in the waste and cost reductions the process drives, the outside ideas that are brought by the auditors to help address issues and the validation they receive knowing they are performing at the highest environmental levels.

### **Hazard Recognition & Risk Management**

Allegion’s EHS management system utilizes a multi-layered approach for hazard recognition and risk management. This approach has been successful at reducing higher hazard tasks that have the potential for injuries and/or environmental risk. These risk identification and mitigation tools include:

- Job Safety Analyses (JSAs) – Allegion developed a robust Job Safety Analysis process, and quantitative tool, to identify hazards and measure risk. EHS team members are trained on how to use this tool and are encouraged to utilize safety committees and/or host “Kaizens” (defined previously and below) to create and update JSAs. Recent upgrades to the process and template, which were based on feedback from our site EHS leaders and aligned to our corporate initiative of Significant Injury Reductions, include enhanced JSA tool features and the ability to more effectively measure higher risk tasks and compare risk scores between routine and non-routine tasks. Allegion uses multiple ergonomic evaluation tools to supplement the JSA process. The updated Allegion JSA specifically recommends that an ergonomic evaluation be conducted, in addition to the JSA, where any combination of the following ergonomic hazards exists - repetitive work, awkward body postures, sustained static postures and elevated forces/weights.
- In 2018, Allegion developed and implemented a Machine Safeguarding Assessment tool. The tool is designed to assess machines quickly and objectively throughout the facility for compliance and risk potential. Typically, this assessment is completed using a “Kaizen” approach, where a team is dedicated to completing the assessment throughout the plant in three to five days. “Kaizens” are usually comprised of members from EHS, maintenance, engineering, and operations at the local site and from other Allegion locations. Sites are encouraged to implement recognition programs designed to encourage and reward Allegion employees to recognize, report, and assist with the correction or mitigation of hazards that they encounter. The most popular program, which has been adopted at many of our locations, is called the “Allegion Good Catch Program.”
- As part of our Enterprise Risk Management Program, Allegion has partnered with Factory Mutual Global (FM Global) to assess physical risks at our facilities. These assessments are conducted globally and cover many safety topics. Over the last five years, Allegion has reduced risk by

implementing sprinklers at several locations. This required involvement from several departments/leaders and the budgeting of capital dollars. This is another example of Allegion's commitment to protect our people and our property. We are always looking for continuous improvement opportunities in our partnership with FM Global to drive risk out of the business and provide the safest environment for our employees.

Environmental risks are determined by the types of manufacturing processes conducted at a facility. Electroplating, anodizing, and wet painting have higher potential for risk and negative environmental impacts and more review is given to those locations.

- Other risks to the business, like IT risks, supplier risks, workplace violence, and mental health risks, are harder to quantify, but still exist. From a risk management philosophy, these risks are evaluated using conservative principles to reduce the potential for risk. Because the EHS management system includes physical security, supplier evaluations and workplace violence programs, there is a natural overlap and EHS integration and partnerships with other functions have been key in reducing these risks.
- In 2021, as part of the ESG journey, Allegion is creating a materiality prioritization matrix. A survey process allows shareholders, Board members, ELT, and subject matter expert employees to rank key elements. Some of these elements include:

Environmental 	Social 	Governance 
<ul style="list-style-type: none"> <li>• Greenhouse Gas ("GHG") Emissions</li> <li>• Air Quality</li> <li>• Energy Management</li> <li>• Water &amp; Wastewater Management</li> <li>• Waste &amp; Hazardous Materials Management</li> <li>• Ecological Impacts (including opportunities in Green building and renewable energy)</li> <li>• Materials Sourcing &amp; Efficiency</li> <li>• Manufacturing/Supply Chain Footprint &amp; Logistics</li> <li>• Physical Impacts of Climate Change</li> </ul>	<ul style="list-style-type: none"> <li>• Human Rights &amp; Community Relations</li> <li>• Customer Privacy</li> <li>• Data Security</li> <li>• Access &amp; Affordability</li> <li>• Product Quality &amp; Safety</li> <li>• Customer Welfare</li> <li>• Selling Practices &amp; Product Labeling</li> <li>• Labor Practices</li> <li>• Employee Health &amp; Safety</li> <li>• Employee Engagement, Diversity &amp; Inclusion</li> <li>• Human Capital Development</li> <li>• Product Design &amp; Lifecycle Management</li> <li>• Business Model Resilience</li> <li>• Supply Chain Management including Supply Chain Labor Standards</li> </ul>	<ul style="list-style-type: none"> <li>• Business Ethics &amp; Compliance</li> <li>• Competitive Behavior</li> <li>• Management of the Legal &amp; Regulatory Environment</li> <li>• Enterprise Risk Management including Critical Incident Risk Management</li> <li>• Board Diversity</li> </ul>

- The process is taking place in two steps. The first is to conduct a ranking/prioritization survey of the topics as defined by Sustainability Accounting Standards Board (SASB). The results of this survey will be combined with input from key external stakeholders. The combination will form Allegion's Materiality Matrix and is expected to be completed by third-quarter 2021.

## Enterprise Risk Management

In addition to the specific EHS areas of risk identification and mitigation listed above, Allegion also operates an Enterprise Risk Management matrix. This process takes a broad view of risks that could negatively impact Allegion overall. Many of these risks, like worker's compensation, insurance policy management, and manufacturing risks, are the direct responsibility of the EHS team. Legal and Finance carry risk management responsibilities through their respective management of product liability and captive risk retention.



As part of this Enterprise Risk Management program, the legal department conducts a risk survey of key stakeholders biennially. These topics are evaluated by managers and leaders to determine the impact and vulnerability of the business for each risk. With this prioritization, action plans are written so the company can focus efforts to improve performance around risk activities with the goal of improving the overall strength of the business.

### **Prevention Through Design**

Because the Real Estate function is part of the EHS function, EHS hazards are addressed in the planning and design stage of facility construction. In the last six years, the real estate team, led by our vice president of EHS, remediation, real estate, and risk management has built manufacturing facilities and completely renovated two buildings, and has built a new wing onto a facility. Additionally, the real estate team has established and implemented furniture standards with ergonomic features for all office relocations and upgrades totaling 10-15 different projects in the last eight years. The real estate process for new space considerations starts with a core team at the design stage and reflects optimum physical and psychological compatibility between the employee, the process, and the environment. This is accomplished by obtaining input, creating a design, reviewing the design with stakeholders, communicating the design to a broader audience, and by surveying the varying stakeholders during the process. The result has generated open-concept workspaces with telephone booths, “huddle rooms” for quick meetings, and casual, less formal meeting spaces that incorporate Green Building concepts. In 2021, one project will be submitted for an award for many of the design elements that were incorporated that are beneficial to employees and to the environment. Most recently, the process was used to return office workers back to more than 200 offices as we recover from the pandemic. New spaces were needed that allowed for collaboration while maintaining social distancing. These spaces also needed to allow workers the flexibility to work from home or in the office to gain work-life balance in environments that allowed for their best work.

When adding manufacturing production lines, making upgrades to existing lines, changing materials, and changing equipment, EHS hazards are addressed in the planning stage or as part of the change management process along with other cross-functional reviews. From an EHS perspective, this review process includes, but is not limited to, OSHA regulatory and environmental permitting compliance, equipment safety and machine guarding, ergonomics and sustainability. Once operational, there is an ongoing review of the area or equipment to ensure the set-up is working as planned and an ergonomic review confirms employee risk meets Allegion’s standards.

One example can be seen in one of our manufacturing operations, where they are in the process of installing a finishing line. For the past 18 months, multiple EHS professionals have been included in the design, build, and startup of the system. The site’s environmental specialist has focused on permitting and sustainability. Being involved in the design stage enabled the consideration and implementation of water re-use methods, energy conservation techniques, and an estimated hazardous waste generation avoidance of over 100,000 pounds per year.

Besides manufacturing changes, we also look at product changes. Currently, 29 product families have gone through the Environmental Product Declarations (EPDs) analysis and are reviewed and updated periodically. EPDs are independently verified documents that communicate transparent and comparable information about the environmental impact of products throughout their life cycle. These product life cycle analyses are posted on the website along with LEED, Leadership in Energy and chemical declarations. They are updated as needed and can be found at <https://investor.allegion.com/company-profile/sustainability>.



What remains critical to the success of operational and product changes is an integrated EHS management system, and input from cross-functional teams – from the beginning to the end of the process. Finally, Allegion understands the resource requirements of money, time, and people, and is

committed to ensuring the safety of employees and customers because it is part of what makes us successful and aligns to our “do the right thing” value.

## **Operational EHS Programs**

Allegion works to ensure that the EHS management system policies and procedures meet or exceed regulatory requirements. Because of our varied geographical regions and SIC codes, we have included additional standards to ensure implementation of best practices. These standards include OHSAS 18001, ISO 14001, ANSI Z10, Factory Mutual requirements, LEED, ISO 50001, Green Building, VPP and ISO 9001. We also incorporate government requirements that are stricter than the U.S., even though that’s where we have a large portion of our manufacturing footprint. For example, certain countries have certain regulations that are stricter than those in the U.S. We have been able to incorporate U.K. risk assessment requirements with OHSAS 18001 to create a quantitative Job Safety Analysis tool that not only identifies and quantifies risk but helps to ensure regulatory compliance because of the detail.

There are several processes and programs that work together to maintain the EHS management system while upholding the operations of the organization. Allegion operationalizes the EHS management system through integration because EHS complements operational efforts. Some of the complementary operational processes include Managing for Daily Improvement (MDI) boards, new equipment process and training programs. The MDI boards monitor and measure safety, quality, delivery, cost, and people. The MDI boards are posted in all plants and all key business leaders are required to attend a daily morning meeting to review the status of each metric. The MDI boards are part of Allegion’s standard work and operational leaders understand that the health of the business is based on all metrics, not just delivery, cost or productivity. When new equipment is purchased, a key component of the change management process includes an EHS review the equipment. Finally, training on all business topics will mirror the EHS training process. When EHS is truly integrated, operations won’t change processes unless they have partnered with EHS. They don’t see it as a constraint, but rather a step that helps them and the organization succeed.

## **Significant Risk Management Initiative**

Since spin, Allegion has implemented initiatives, tools, and processes designed to specifically identify, assess, and reduce high-potential risks that could lead to a significant injury. Our strategic EHS initiative, referred to as Significant Risk Management Initiative, further details this ongoing journey. This initiative is similar a SIF outside of Allegion.

Accomplishments to date include:

- Developed and implemented EHS-102 (EHS Critical Safety Rules) requirement.
- Implemented a new driver metric, Serious Recordable Incident Rate (SRIR), measuring the company’s performance for these types of injuries. Refer to Section III Policy, Goals & Objectives for more details.
- This driver metric, along with the site’s progress within the Significant Risk Management Initiative roadmap, are both integrated into the EHS Scorecard.
- Upgraded our Job Safety Analysis (JSA) tools and processes to measure and prioritize the potential for risks more accurately.
- Created an Allegion-specific machine guarding risk assessment scorecard.
- Enhanced our company’s lockout-tagout requirements, tools, training, and procedures.
- Performed numerous machine-guarding and lockout-tagout Kaizens throughout our manufacturing operations.
- Began scheduling post-incident all-plant calls to discuss the details of events (including near misses) that have the potential to result in a significant injury.

- Created and completed workplace violence and Allegion-specific active shooter preparedness training.
- Enhanced our incident communication template to ensure that all incidents are evaluated for their SRIR potential, in addition to the actual incident outcome.

## **Contractor & Supply Chain Management**

Allegion's contractor management strategy is to identify and source contractors that can act as an extension of Allegion's workforce. This means they need to follow the same EHS values and operational standards that are followed by Allegion employees. As indicated in Section II, our vice president of global quality, and our vice president of global procurement, work together on Allegion's contractor program. This requires vetting and pre-approval of all contractors prior to commencing any onsite work. These processes include a review of the contracting company's qualifications, health, and safety performance (EMR, TRIR, LTIR, DART, violations), liability insurance coverage, compliance history, employee training programs and prior onsite safety performance. Once approved, additional requirements (e.g., site-specific safety training, PPE, inspections, safety stand-downs, daily debriefs, job monitoring, etc.) are required based on the nature and potential risk of the work. A project manager is assigned and verifies all requirements are met prior to commencing onsite work.

The EHS Contractor Management process identifies risk and works to control external exposures from onsite contractors, vendors, temporary workers and other contractors through the vetting and training process. This includes training on our EHS & Sustainability and Critical Safety Rules. If a contractor fails to follow the Critical Safety Rules, they will be terminated. This has occurred in recent history, when there were questions on PPE, ladder safety, and lockout tagout.

There is a similar process for suppliers. This Supply Chain team was created to develop strong suppliers and logistics partners globally. They utilize a scorecard to hold suppliers accountable for their performance. Each manufacturing site has a department responsible for supplier quality to ensure the products received meet listed specifications and do not pose additional risk to employees or customer safety, or environmental compliance.

The Allegion Global Supplier Management team provides comprehensive management of our supply base around the world. The team utilizes a standard operating system, consisting of business practices, processes, and data analytics, combined with strategic thought leadership to create a competitive advantage by enabling value across the supply chain. CDP (previously Climate Disclosure Project) has rated Allegion's supply chain a B- based on their processes.

The Allegion supplier selection process and supplier qualification process provides a way to make sure suppliers are qualified and meet our established standards. Suppliers are performance managed via quarterly scorecards that were developed in-house. They have metrics for cost, value, quality, responsiveness, and delivery. An annual supply risk management scorecard similarly measures risk to the supply chain via eight metrics, to assess and confirm financial health, resiliency, stability of the supply chain, customer safety and environmental compliance. The process is governed by a Sourcing Council that manages and approves risk mitigation actions as needed. If suppliers experience low risk management scores, they are given action plans until they reduce the identified risk, and their scores demonstrate improvement.

Finally, a global supplier quality manual emphasizes and outlines the quality, safety, regulatory compliance and ethical sourcing requirements that are expected for all Allegion suppliers.



## Management of Change

Aligned to Allegion's value "be empowered and accountable" and commitment to continual improvement, Allegion encourages, and expects constant change. Through proper design, organizational acceptance, and effective communication, the chance of a successful change is significantly increased. These are the foundations of change management at Allegion and is part of our continuous improvement journey.



When change occurs within Allegion, we recognize the revision of EHS information, procedures and practices is critical to the EHS integration and success of the change. The authorization to approve and track changes for materials, chemicals, technology, equipment, procedures, personnel or facilities can be and is often managed by different leaders.

While management of change processes exist at Allegion, a focus area for Allegion in 2021 has been to standardize these procedures. This focus has been specifically incorporated in two of our EHS initiatives: Job Safety Analyses and Point of Operation Safety. We have also added an EHS review process to capital projects.

When we think about best practices, one location has set the expectation for what we want each change management process to resemble at our sites. Their program is engrained into their daily standard work at all levels. Whether it is a new machine, a modified process, or a change to a new chemical, the management of change process is immediately implemented. This process also establishes the responsibilities of each function associated with the change, including the associates, EHS, maintenance, and project leaders responsible for changes. Although the process is supported throughout all functions and levels, maintenance and EHS carry the primary responsibilities to obtain all levels of approval before the machine or process is released for operation. The plant manager is responsible for holding everyone accountable to the process. Stakeholders are involved and informed on an established cadence. Schedules for communication and training are reviewed by the project or at the MDI boards (previously defined in "Operational Performance"). One example is the management of change process that was implemented with the purchase of a robot. The success of this change resulted in employee engagement and ownership when a change of this magnitude would usually result in disengagement. It can be directly attributed to the management of change process and the discipline employed from concept to implementation.

The site's EHS manager and plant manager presented their best practice processes to the rest of the plant managers and EHS managers during our annual EHS conference in February 2020. Other robotic capital expenditures have continued to follow this example led by our vice president of global advanced manufacturing.

## Workforce Empowerment

One of Allegion's core values is "be empowered and accountable." Empowerment is key to the success of an EHS management system because it drives ownership and supports EHS policies and procedures. Employees are key to our workplace safety, environmental sustainability, and business performance, and by allowing ownership in hazard identification and solutions for risk mitigation, they are more invested in the continued success of the business.



Empowerment can be measured by employee engagement. Allegion measures employee engagement through the annual Gallup survey that is taken by all employees. Unlike other company surveys, the Gallup survey is made up of 12 core questions and the six company-specific questions below.

Elements of Engagement							
Q01	I know what is expected of me at work <i>Focus me</i>		Q05	My supervisor, or someone at work, seems to care about me as a person <i>Care about me</i>		Q09	My associates or fellow employees are committed to doing quality <i>Help me feel proud</i>
Q02	At work, I have the materials and equipment I need to do my work right <i>Free me from unnecessary stress</i>		Q06	There is someone at work who encourages my development <i>Help me grow</i>		Q10	I have a best friend at work <i>Help me build mutual trust</i>
Q03	At work, I have the opportunity to do what I do best every day <i>Know me</i>		Q07	At work, my opinions seem to count <i>Hear me</i>		Q11	In the last six months, someone at work has talked to me about my progress <i>Help me review my contributions</i>
Q04	In the last seven days, I have received recognition or praise for doing good work <i>Help me see my value</i>		Q08	The mission or purpose of my company makes me feel my job is important <i>Help me see my importance</i>		Q12	This last year, I have had opportunities to learn and grow <i>Challenge me</i>
Accountability Index	*I received feedback on the last Employee Engagement Survey at my workplace. *My team participated in an effective action planning session following the last Employee Engagement Survey. *My team has made progress on the goals set during our action planning sessions after the last Employee Engagement Survey. <b>I feel safe in my work environment.</b>		Supervisor Index	*My supervisor is an active supporter of the changes that affect our workgroup. *My supervisor creates an environment that is trusting and open. *My supervisor inspires me to do more than I thought I could. *My supervisor creates an environment where it is okay to fail fast and learn from my mistakes.		Culture of Inclusion Index	*If I raised a concern about ethics and integrity, I am confident my employer would do what is right. *My workplace is committed to building the strengths of each associate. *At work, I am treated with respect. At work, people are always treated with respect. Everyone at Allegion is treated fairly regardless of differences not related to job performance.
Company	I would recommend my company as a great place to work I plan to be working at my company one year from now.		Company	Leaders help me see how changes made today will affect my company's future		Company	I know what my company stands for, and what makes our brand different from our competitors

Allegion's engagement journey to date has resulted in an overall improvement in engagement year over year. We believe that our people are our most important asset at Allegion.

Some of the ways management facilitates empowerment and engagement is through participation in activities such as safety committees, first aid teams, safety inspections, "Journey to Health" committees, "Safety Mentors," auditors, sustainability committees, JSA/EHS "Kaizens," and more. These activities allow for delegation and decision-making because of the empowerment and ownership employees receive from their service on these teams or committees. One of the most significant ways that employees are empowered is through their ability to stop work if there is an unsafe condition. After work is stopped, they are expected to communicate the concern and be part of the solution. They are also part of the decision to restart the work.



Another example of increased workforce motivation and support of organizational objectives from empowerment is utilization of Safety Mentors. These volunteer Safety Mentors have the authority to take a leadership role to address safety issues that have been identified. They listen and define the problem, then work to provide options for solutions, pulling in other resources as necessary.

Some practical examples of employee engagement can be seen in employee responses from a facility that was acquired in 2017.

- "I feel safer working here since Allegion took over this facility."
- "Since the policy of the Good Catch Program was implemented, I feel like it puts the value 'do the right thing' to the test."
- "The company cares about my safety and my well-being, and this idea comes from the value of 'be safe and be healthy.'"
- "Since Allegion has taken over this facility, I feel less likely to have an injury while I am at work. Safety measures that have been put in place have made a safer work environment overall."



DO THE RIGHT THING



BE SAFE, BE HEALTHY

- “I like my job; I like who I work with. I have been here for the past 15 years, and it has changed significantly for the better.”



## Inclusion and Diversity

Diversity and Inclusion is important to Allegion and is important to the EHS function. At Allegion, we believe that bringing different experiences, skillsets, and perspectives to the table help to make us better problem solvers and a better company. Engagement, equity, inclusion, and diversity work together to spark a wider array of creative thought that helps Allegion solve new and challenging problems on the manufacturing floor and in the marketplace. We strive to create a company where all people feel welcome, valued, and respected. Because safety, both physical and psychological, and environmental issues are core principles that readily support diversity and inclusion, we are excited to continue this journey with the broader Allegion team. One of our EHS team members has been nominated to serve on Allegion’s Inclusion Council, which sets priorities for the whole organization. We are proud that our EHS team represents gender, racial and ethnic diversity, and we are committed to continuing to build diversity within our team and the rest of Allegion.

## Training & Competency Development

Our employees are Allegion’s most important asset. Their growth and development are the key to both our immediate and future success. Consistent with this idea, and Allegion’s value to “do the right thing,” all employees go through multiple levels of training (i.e., classroom training, online training, and on-the-job training) to ensure they are competent to do their job safely. Employees, including contractors and temporary associates, are expected to complete a formal onboarding course. The onboarding process may vary from site to site, or perhaps even role to role. It is designed to deliver key information to allow the employee to perform their job safely. Once in a role, routine training, including a variety of monthly safety topics, is also required.



Allegion’s approach to training and competency development utilizes many tools, including career roadmaps and annual developmental goals that consider both regional and cultural differences and opportunities. These are reviewed and revised by a supervisor or mentor and are updated after competency is confirmed and developmental goals are met. Developmental goals are reinforced as part of the Annual Performance Management Plan. This ensures a checks and balance.

Both tools are used in the succession planning process and there is a roll-up review by the ELT. The fact that the ELT reviews succession plans is a differentiator from other companies and demonstrates the importance of the succession planning process. It also requires a review of previous succession plans to ensure there is a cadence of progress and continuous improvement. This process is actively used throughout Allegion to ensure adequate succession planning is in place.

Many of our sites use a formal competency matrix to document each person’s knowledge and competency within a given role. This matrix enables a proactive means to ensure a minimum number of qualified employees for each job, and a visible means to ensure someone is competent to perform a given task and/or train someone else to perform that task. One example of this is a wastewater treatment operator. To qualify for the role of operator of the wastewater system, there is a documented six-week training program inclusive of testing and evaluation. The position also requires Department of Transportation certification by an offsite vendor. All of this is documented on the department competency matrix. Allegion also offers, and highly encourages the use of, a tuition reimbursement program. This program provides financial assistance to employees to acquire skills and knowledge that enhance performance and prepare the employee for future promotions or opportunities. Team members in the EHS function are one of the highest users of this benefit, with a significant number of people that are currently or previously enrolled in a degree or certification program. Another example of this is that all five of the corporate

EHS staff have achieved their CSP certification, three have received their CHMM designation, and there are numerous other one-off certifications.

Finally, the importance of mentorship cannot be over-emphasized. An astounding 75 percent of executives say mentorship has been a key factor in their career, according to a 2018 survey by the [American Society for Training and Development](#). Allegion's year-long mentorship program not only offers employees the opportunity to embody several of our values (most notably “serve others, not yourself”), but also supports a new network for employees. The program, which launched in 2015, started small. Participants were offered professional development in a strategic and supportive way as well as opportunities for leadership development, knowledge sharing, diversity enhancement and talent development. Since then, Allegion has grown this mentorship network with employees from every corporate function in Allegion across all regions.



There are many tools that Allegion uses for training and competency development. Employees and managers/supervisors can use education, mentors, competency matrixes, internal and external training, professional organizations, and job experience to set developmental goals and to create a career roadmap. These are used in the succession planning process and are driven by human resources, and ultimately, linked to the ELT. This underscores the importance of training and competency at Allegion and is a differentiator compared to other organizations.

## Health & Wellbeing

Our value of “be safe, be healthy” demonstrates Allegion’s commitment to health and wellness both on and off the job. We support employees physical, mental, and financial health with robust benefits and wellness programs. These programs help to mitigate risk to employees, their families and, ultimately, the Allegion business. CEO Dave Petratis discusses the importance of health and safety in every employee meeting. He has challenged the entire organization to “know your personal health metrics and work to improve those metrics.” He believes that a healthy employee is good for their family and good for our business. This is such a priority for him and the ELT that health goals are recommended when setting individual annual objectives. Additionally, to underscore the importance of wellness and health, our leadership and local team members have partnered with organizations around the world such as the American Heart Association, American Cancer Society, Australian Fight Cancer Foundation, and many others. Participation is encouraged and can be used as an annual objective.



Our robust benefit programs allow employees to participate in health insurance options, retirement savings plans, stock options, paid and unpaid leaves of absence, a pretax Health Savings Accounts (HSA), dental, vision, life insurance for employee and spouse, employee assistance programs, short-term disability, long-term disability, and accidental death and dismemberment insurances.

Our wellness programs include annual HSA cash contributions when certain milestone goals are met. Those milestones can be tracked on a mobile app and include biometric screening; annual physical or preventive visit; tracking sleep, food and exercise; and by submitting a health assessment. In 2020, we saw a very high percentage of participation. These incentive programs encouraged employees to value their health and wellbeing, which in turn reduced their personal risk factors. Allegion also has an employee assistance program (EAP) that offers confidential assistance to employees and their families that are struggling with their wellbeing, including mental health. Given the global pandemic, in 2020, we expanded our EAP program to additional countries for Allegion employees.

Allegion’s benefits and wellness options are annually reviewed and continually communicated on Allegion’s website, in emails, newsletters, mailings, and posters.

One unique wellness option at Allegion includes an extensive injury prevention and intervention program. This program assists in identifying ergonomic and repetitive motion hazards through “Kaizen” events, individual conversations, and daily safety walks. The program involves early intervention of minor aches and pains that could be the result of on-the-job or off-the-job activities and would typically go unattended until a more serious injury developed. This program has not only led to the reduction in recordable injuries but has helped educate our employees and empower them to take preventative actions that could include stretching, strengthening exercises, posture control, resting affected body parts, job rotation, and fatigue management. This program has resulted in the lowering of recordable, cumulative trauma, and repetitive motion injuries.



Another wellness option for employees involves local fitness activities. Allegion provides a corporate budget for facilities to use to promote health and wellness locally. Examples of local options include fitness centers, walking or biking trails, yoga, aerobics, etc. Additionally, for those individuals that wish to attend local gyms, they can be reimbursed based on activity levels. Of course, all facilities have CPR/first responder teams to ensure the continued health and safety of workers on-site while conducting fitness activities.

In 2021, based on feedback from employees and managers, we launched an Emotional Wellness training class in partnership with our director of global benefits and payroll. This was launched because employees were feeling the stress of the COVID-19 pandemic: many employees knew people that had died, some employees were managing their full-time jobs with kids at home full-time given school shutdowns, and some were feeling overwhelmed in other ways. This class was the first class we held that brought people together in a classroom setting since March 2020. It was taught in small groups to observe social distancing, as well as other current safety protocols, and was taught by a recognized emotional health expert.

### *Employee Return to Work*

For employees that are injured at work and unable to return to their normal duties immediately, Allegion has a focused process to help the employee transition back to unrestricted work. This process is managed through a team that is made up of EHS, HR, risk management, and a worker’s compensation case manager. Optional team members could include corporate EHS, managers, supervisors (to discuss work restriction options) and legal (as needed). For the health and recovery of our employee, we will consider options that include work restrictions and transitional duty, along with other options (job rotation, restricting certain jobs) that could be beneficial to the employee. When there is a work-related injury, the worker’s compensation representative or HR will communicate to the employee, and will help coordinate their care, depending on the severity of the injury. After an injury, EHS will review a job profile with the supervisor and update it, if needed. Continued medical treatment will be coordinated until the employee is returned to full duty. Upon return to work, EHS will communicate daily with the employee and the supervisor and collaborate with all parties to adjust as needed. The goal is to return the employee back to physical and mental health, and the team works diligently to meet the needs of the employee to make this happen.

### *Fatigue Management*

We recognize that fatigue management affects every area of the business. It is a challenging issue in part, because it is based on personal decisions and circumstances. To help employees with this decision-making process, we are committed to providing guidance to employees on how to identify and assess fatigue risk. We also communicate strategies to minimize fatigue for employees who work for extended periods, who have non-work-related factors (medical, lifestyle), who perform physically demanding or high concentration tasks, who work in extreme environmental conditions, who travel, who drive for




extended periods of time, who have high levels of stress, or who perform work with exposure to other factors that place them at higher risk for fatigue.

Strategies for fatigue risk mitigation include: Planning of work tasks, making schedule adjustments, ergonomic assessment, more frequent breaks and breaks with water, sports drinks or popsicles in high heat, as well as training to understand the signs of, and alternative actions, to mitigate fatigue risk.

Training is key to help employees understand the risk and the mitigation strategies. It is also considered in all incident investigations. For manufacturing employees, Allegion has developed an interactive training module on fatigue (or tiredness). It is part of a series of training modules called the Allegion Safety Initiative (ASI) that addresses human factors that have the potential to increase risk. There are six modules. In the “Tiredness” module, employees are taught to identify signs of tiredness, how to protect against tiredness at home and at work, importance of the body clock, how sleep deprivation can be similar to blood alcohol levels, how judgement and response time can be impaired and how tiredness can cause adverse health effects (example below).

**How does Tiredness Impact Safety?**


Lack of sleep results in fatigue and fatigue decreases alertness, diminishes focus, and impairs cognitive and behavioral function. These are essential to coherent decision making, thus, leading to workplace accidents.



- According to a systematic review by Uehli (2014) found that workers with sleep problems have 1.62 times higher risk of injury
- 13% of work injuries can be attributed to sleep problems
- Injury rates peak among workers who regularly get less than five hours of sleep a night are 7.89 injuries per 100 employees
- Injury rates also peak among workers who typically work more than 60 hours a week, 4.34 injuries per 100 employees

Allegion has designed a fatigue management prevention procedure that helps sites evaluate and address potential risks.

9 | EHS



We measure success of the training (mitigation efforts) through employee engagement and accident investigations.

ASI modules are one of the game changers for Allegion. These modules can be taught in small or large groups and are very interactive and the feedback is favorable because of the activities and role playing. You can actually see the concepts begin to sink in. The overall program success is measured through the training feedback, the number of accidents involving fatigue, health surveys on fatigue, and the number of employees trained.

## Environmental & Social Responsibility

“Do the right thing” isn’t just a corporate value at Allegion – it’s a way of life. From charitable donations to volunteering in our communities and working to protect both our environment and our people, we put this principle into practice daily.



### *Environmental Management System*

Allegion facilities operate with an integrated EHS management system. This is integral to our ability to control our risks associated with finishing and metal forming. The environmental management system is set up with overarching corporate requirements to achieve long-term goals over 5- and 10-year spans. With the corporate EHS team, each location develops site-specific programs to address the corporate and compliance requirements. Our locations participate on monthly EHS calls where performance and best practices are shared. If sites are struggling to meet their goals, this call is an opportunity to reach out for help. If a site has identified an opportunity, this is shared on the call so that learnings are maximized. It is also communicated to the other regions.

Chemical management is another important element. We strive to maintain tight controls for generation, storage, inventory and ultimate disposal. Many of our manufacturing facilities globally are ISO 14001:2015, ISO 50001 and ISO 45001. These standards also help to ensure, via third-party verification, we are making continuous improvements around our EHS footprint and reducing our risk and impacts. By ensuring compliance with EHS, Legal, and Corporate requirements, we have prioritized the health of the communities and environments where we operate.

Allegion has conducted life-cycle analysis of multiple products and are constantly reviewing which products would benefit from this analysis ([Allegion LEED Documentation](#)). Life-cycle analysis is also a consideration under the ISO 14001:2015 standard and we are seeing this reviewed in more detail at our internal audits. Whether the analysis is around the product or the process, we look to our employees, our customers, and our contracted third-party auditors to help us identify areas we will see the most benefit for the investment and drive the continual improvement of Allegion.

Allegion also participates in multiple local and national environmental organizations, with team members who serve on the board of directors for: the Indiana Industrial Operators Association, which participates in establishing the requirements and training needs of wastewater operators across the country; the National Association of Manufacturers Sustainability Council; Manufacturers Alliance for Productivity and Innovation; and the Executive Committee of the Indiana Department of Environmental Management Partners for Pollution Prevention program. Through this involvement, Allegion has a voice in setting the standards and guiding regulations in the environmental field.

### *Social Responsibility & Community Involvement*

At Allegion, we have a cross-functional Environmental, Social and Governance Council (ESGC). This council initially grew from the activities identified from the EHS group. The activities became important aspects to our shareholders and as this attention grew, the group migrated to include a broader social and governance focus. The ESGC has a cross-functional team perspective and has an obligation to the Board of Directors to drive Allegion's ESG performance and direction. In 2020, we broadened our transparency to include additional ESG on our website [www.allegion.com/esg](http://www.allegion.com/esg). Allegion is also honored 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 where they live and work. Three philanthropic pillars guide our giving back: Safety and security; wellness; and communities where we live and thrive. Our efforts throughout our global communities include:

- **Habitat for Humanity:** One way Allegion uses its passion for safety and security to help others is through work with Habitat for Humanity, a nonprofit that builds homes for those less fortunate in our communities. Each year, our company sponsors the build cost for homes, and our people volunteer to build them. In fact, our commercial security business started building these homes 10+ years ago – so, this service is in our roots. As a standalone company, we've expanded our support of Habitat for Humanity projects. In 2015, Allegion began supplying hardware to Habitat for Humanity ReStores across the United States and has now donated more than \$2 million in retail value. Today, we also supply all the hardware for Central Indiana builds. In 2016, we added a multi-year commitment to projects in Mexico, and in 2017, we were part of the Jimmy & Rosalynn Carter Work Project in Canada. Even during the pandemic, we provided support to Habitat for Humanity, and in July 2021, we plan to build frames at Allegion's regional headquarters. Our Kryptonite brand has also joined the cause, donating bike locks to Habitat for Humanity across the United States, where there's a need. To date, our people have contributed more than 17,000 volunteer hours to support the dream of homeownership, in addition to more than \$1 million in sponsorships and in-kind donations Allegion has put forth.
- **School Security:** In the United States, children spend nearly 11,500 hours in schools throughout their K-12 careers. There is an unprecedented number of safety and security threats facing our students, including fires, natural disasters, and intruders. Still, many schools are antiquated, and securing funding for upgrades is challenging. In fact, instructional buildings of the approximately 100,000 K-12 public schools in the U.S. are, on average, more than 40 years old. Many schools don't have the updated hardware and technology that's available to protect students, teachers, and administration because they don't have access to funding. Our employees are convening education, industry, public safety, law enforcement, corporate, and community leaders to work

together to ensure the security of our nation's schools through research, pilot programs, the promotion of best practices and fundraising. In the words of Allegion Senior Vice President and President of Allegion International, "Security companies have a moral obligation to make sure that our schools are safe and secure."

- Local Initiatives:
  - At the Americas regional offices in Indiana, an employee-led "GIVE" group and a community relations committee work to organize volunteers and raise funds for the local Boys & Girls Club, United Way, and The Ronald McDonald House, among other organizations near and dear to employees, annually.
  - In Canada, the Daily Bread Food Bank is an organization that many employees appreciate for its efforts to fight hunger in local communities. Recently, Allegion Canada team members helped sort nearly 12,000 pounds of food there, in addition to making financial donations. Similarly, sales offices across the region regularly hold friendly competitions to collect items for local foodbanks.
  - To truly make a difference in their communities, employees in Mexico support orphanages in the three cities where Allegion operates. In addition to cash donations from Allegion, employees give food, cleaning supplies, clothes, and toys. On "Día del Niño" (Children's Day) each year, a group of Allegion team members visits the orphanages, delivering these donations as well as cupcakes, party favors, and piñatas to make the children truly feel special.
  - In China, employees volunteer as mentors in the subjects of manufacturing and security for local university students.
  - In Singapore, donations are made to support book purchases for local students.
  - In New Zealand, employees sponsor an organization called "Eat My Lunch" to provide free lunches to local students who would otherwise go without.
  - Annually, Allegion employees and their families in Australia and New Zealand participate in "Round the Bays" and other fun-runs to raise money for local charities.
  - Each year, for Allegion's anniversary, team members in India organize a special way to give back to their communities. Since 2014, these charitable activities have ranged from serving at a local orphanage to cleaning up neighborhoods to providing local school children with needed books, computers, and even sports equipment.
  - Across Europe, team members rally around organizations that truly make an impact in the lives of those who need it most – when they need it most.
  - In Italy, this has taken the form of donations to a fund set up to help victims from the August 2016 earthquake. While no Allegion employees were injured and all Allegion facilities remained operational, more than 30,000 neighbors in the broader communities were left homeless – and our team members felt a strong urgency to help.
  - Our other operations – in countries like France, Germany, and the U.K. – offer support for organizations like Doctors Without Borders and Save the Children.
- Food Insecurity & Extra Pandemic Support: In December 2020, Allegion made donations to hunger-relief organizations around the world amounting to more than \$500,000. These one-time gifts were designated on behalf of all Allegion employees to help support the growing number of people facing food insecurity in the wake of the ongoing COVID-19 pandemic. In addition to the December hunger-relief donations, during calendar year 2020, Allegion provided more than \$450,000 in support to community organizations and nonprofits around the world. The company also contributed nearly \$1 million in in-kind security product donations – which included hardware for homes, as well as hundreds of bicycle lights and locks for essential healthcare workers in need of safe commutes to work. Throughout the COVID-19 pandemic, Allegion additionally supported healthcare providers with a total donation of 45,000 masks.



We're proud to have team members who believe in the importance of such worthy causes.

Allegion additionally believes businesses have a central role to play in respect for human rights, combating modern slavery, and human trafficking. In staying true to one of our core values, “do the right thing,” we prohibit and have zero tolerance for all forms of modern slavery, human trafficking, and child exploitation throughout our global organization, operations, and supply chains. We are strongly committed to fair labor practices and the protection of workers against labor rights violations. Allegion will continue to maintain and improve processes while implementing systems and controls to ensure that our business and supply chains across the globe are free of such practices.



#### **Section IV: Performance Measurements & Information Management**

One of the mechanisms we use to measure the effectiveness of an EHS management system is to evaluate progress to established goals and ensure we have leading indicators that address continuous improvement and safety/environmental risks and trends.

At Allegion we have short-term (annual) goals and long-term (5-10 year goals) based on an evaluation of: TRIR, LTIR, DART, SRIR (significant recordable injury rate) trends, analysis of previous year root causes of injuries, leading/lagging indicators, and gaps that were identified from audits. Allegion's commitment to EHS has resulted in record-setting achievements. We continue to drive for continuous improvement using the evaluation process with the goal of reducing injuries and reducing EHS risk.

#### **Leading & Lagging Indicators**

To track leading and lagging indicators, Allegion uses formal and informal tools. Formal tools include a robust, third-party EHS database and the Allegion EHS scorecard. As a company, we also benchmark Allegion with external companies and look at specific country data as another comparison.

We employ a comprehensive list of leading and lagging indicators to track, monitor and analyze data to make improvement decisions. Formal leading and lagging indicators are added to the database from our facilities at the end of every month and to the scorecard quarterly.

Each EHS leading/lagging indicator is evaluated based on how risk to the organization can be decreased and how employee engagement can be increased. We measure and analyze “good catches,” near misses, and first aids, which are important elements in the evaluation and continuous improvement process. The saying, “What gets measured, gets done,” is especially true with EHS metrics. Therefore, at Allegion, we are strategic about what is measured and communicated. On a monthly basis, the following leading/lagging metrics are communicated to all sites, business units, region leaders, and ELT members: TRIR, LTIR, greenhouse gas emissions, water usage, waste to landfill, regulatory violations, safety celebrations, competitor data, EHS highlights, injury reports for the last 30 days, and graphs. This report has become standard work and is cascaded throughout the organization. Because of the wide influence of the report, there is a high level of focus on EHS metrics and both leaders and employees are willing to jump in if a metric begins to slip. Periodically, this monthly report is also shared with the Board of Directors.

Because these metrics are cascaded and they were previously approved, they aligned with organizational goals. All employees throughout Allegion create individual leading and lagging goals that align so that the organizational goals can be achieved.

Below is list of leading and lagging indicators that are considered:

Leading		Lagging
Action tracking closure rates from third-party and internal audits		Total Recordable Incident Rate (TRIR)
Required safety training completion rates		Lost Time Incident Rate (LTIR)
Allegion Safety Initiative participation (a tiered, interactive, behavior based safety program customized to site needs with six modules)		Days Away Restrictions and Transfer Rate (DART)
Positive reinforcement ("Good Catch") programs		Serious Injury Reduction Rate (SIRR)
Positive reinforcement ("Good Catch") programs		Total Waste to Landfill percentage change year over year (normalized)
Quantitative job safety analysis (reviewed and updated as changes occur)		Greenhouse Gas Emissions percentage change year over year (normalized)
Proactive EHS Initiatives using EHS Kaizen events		
* Machine Guarding	* PPE	
* Hazardous Energy	* ISO 14001	
* Lacerations and Hand Safety		
Preventive ergonomic assessments throughout facilities		Total Water Usage percentage change year over year (normalized)
EHS touch-point discussions		The number of safety and environmental violations
Voluntary external certifications		
Identification and review of near misses/first aids and of risks found on scorecard		
Energy and waste efficiency at sites		
Layered process audits		
Corporate EHS audits		
Wellness programs		
Stretching Program		
Off the Job Safety (training, activities)		

## Measurement Quality & Data Evaluation

Allegion uses a data analysis online service to collect, report, and track all information ranging from monthly metrics to near misses. Every month, each manufacturing and warehouse facility enters datapoints into the database. Verification of the data is required prior to submitting. The verification process allows us to recognize and correct the data and provides a high degree of confidence on the quality of the data.

All information (~10 years) is housed within a user-friendly online dashboard that is easily accessible. This system is accessible to EHS leaders, managers, and supervisors, and it allows all users to report all events at the touch of a button in real time. Using this system, data charts and injury mapping can be generated allowing continuous review of top injury concerns and can target manufacturing processes and departments. These concerns are evaluated and discussed internally with site EHS managers and the corporate EHS group. The same data mining techniques can be utilized to generate reports based on injury, first aid, near miss, or good catch data. We have used existing data, to predict future rates if mitigation measures were not put in place. By tracking and reporting our highest risk potential and most injured body parts, we developed early intervention, and ergonomic processes to address risk and protect our employees. In doing this, we have been able to reduce the number of sprains and strains significantly.

The database allows each user to generate reports, evaluate trends, and analyze data. Each facility generates reports that are shared with their management team and employees. The corporate EHS team rolls-up data and generates regional, business unit, and enterprise-wide roll-up reports monthly. These reports are provided to regional leaders, business units, and to the ELT for the monthly operations review (MOR). Periodic reports are also provided to the Board of Directors. The effectiveness of the measures is evaluated by the results of the monthly metrics. In addition to internal reports (monthly, quarterly, annual, business unit, and regional), the data is also reported externally. Allegion's Annual Report is available to the public, employees, and shareholders. Another external report is through the CDP (previously the Climate Disclosure Project) database which currently provides scores for water, climate, and supply chain. Part of our continuous improvement process is to improve transparency and add more data to the Annual Report and the CDP database. Internal continuous improvements will follow the existing process and incorporate changes as trends or exposures are identified.

## Benchmarking & Transparency

Allegion is a leader in our industry when comparing our metrics to two of our largest competitors and to the industry average (as reported by the U.S. Bureau of Labor and Statistics) annually. Our ELT members are motivated to be able to communicate that Allegion has some of the best numbers in our industry. We believe a key competitor is demonstrating significant improvement, in part, because of our statements. One learning is that if you don't seek continuous improvement, you will lose ground; and while competition is important, the real benefit is the benefit and protection of employees and the reduction of risk to the business.

Allegion's EHS team tracks, monitors and provides reports and trends on our overall performance to each region monthly. The EHS team sends out an MOR report to our senior vice president of global operations and integrated supply chain, and it is cascaded to the ELT, all the regional operations leaders, plant managers, and plant EHS managers. From there, it is cascaded to all employees. In this way, everyone has the information on hand to make informed decisions. In this report, the following global data is tracked: injury rate, lost time rates, environmental metrics (water, total waste to landfill, and greenhouse gas percentages are reported as a change year over year when normalized to hours worked) and recordable injury details. This report also provides year-over-year comparison by metric, the number of regulatory violations and proactive EHS highlights.

By reviewing national injury trends as well as industry trends, and reviewing our competitors annual reports, we can extract lessons learned at other companies and deploy proactive programs to prevent their occurrence at Allegion. Through MOR reports, our team is more "empowered and accountable," which allows us to focus on injury prevention versus reacting to injuries that have already occurred.



Allegion has metrics for all functions and throughout all areas of the business. At our manufacturing facilities, metrics include safety, quality, delivery, inventory, and people. These metrics – which include key performance indicators (KPI's) – are reviewed daily at the MDI boards. The KPI's are included on every employee's annual performance review, ensuring every team member has a responsibility to achieve the set goals.

## Section V: Linkage Between EHS & Business Performance

### Integration of EHS & Business

At Allegion, our team members and their engagement are at the core of all we do. We work to build relationships based upon trust. When our team members know they are safe and trust their colleagues and leaders, they actively engage in improving customer quality and delivery satisfaction along with supporting work to drive improved shareholder value. The EHS focus and attention serves as the foundation of engaging our team members in improving and delivering outstanding performance to our customers and shareholders. As stated by our U.S. vice president of operations and integrated supply chain, "The primary part of building our trusting relationships is creating a safe work culture and environment." The integration of EHS is a critical component of building trust into our business and the success is driven by the CEO and the ELT.

Because the EHS goals are approved by the CEO and the ELT, they can be seamlessly integrated into the business and aligned with business drivers. These goals are then cascaded throughout the organization, and each facility and employee is responsible to create goals that align to meet the organizational objectives. This demonstrates commitment to the organizational goals and confidence that everyone is working toward a common purpose. The organizations business



practices support the goals and EHS practices because of the strong leadership support and because protecting our people is the right thing to do.

Some of the key tools used to drive EHS integration, awareness, and engagement that have been previously mentioned include: EHS “Kaizens,” JSAs, early intervention, monthly EHS reports, videos from leaders, positive reinforcement programs (Good Catch), ASI events, layered audits, and milestone celebrations, to name a few.

### **Operational Performance through EHS**

Our CEO believes that operational performance starts with EHS: “If we don’t get safety right, we won’t get anything right. If we get safety, all other parts of the business will fall into place. While the stage is set at the top, safety has to be a core fundamental value with every employee in the organization.” We believe that the EHS performance is an important differentiator that sets our operational performance apart from our competition and from other manufacturers.

At Allegion, the close examination of EHS has led to a deeper understanding and improvements in efficiency, productivity, quality, profitability, and other business metrics. One example can be seen in that the Operational Excellence business metrics have incorporated EHS leading/lagging indicators into their process. Another example is the JSA process that pulls in operations and quality personnel to create standard work that is used not only as a safety document, but also used as the Standard Operating Procedures (SOPs). Our operational leaders understand and value this interdependence.

The value we place on EHS has been a part of Allegion’s transformation as an independent, publicly traded company. Our monthly reports and visible metrics to the ELT are the mechanism by which we measure contributions to the business, EHS improvements, and gains while addressing public image. EHS is such a core value that it is used as an advantage to help shape our public image.

Allegion is one of the few companies that actively talks about safety performance in shareholder calls, Board reviews, monthly business reviews, and daily discussions because safety performance is a differentiator that can contribute to the bottom line.

Another example of how EHS contributes to the bottom line is through proactive management of impacted properties. Allegion has partnered with governments around the world to create tangible strategies to return properties to beneficial use. All of these demonstrate that Allegion is a great place to work which will also help us to attract and retain talent – another key metric for high performing companies.

These examples of EHS contributions to the bottom line demonstrate that outstanding EHS performance and business excellence are complementary. EHS performance and business excellence are not competing forces in a business. Allegion’s value “have a passion for excellence” makes the expectation clear – EHS excellence and business excellence make for a strong partnership.



### **Organizational Effectiveness**

Allegion aspires to be the manufacturer of choice for doors, door hardware, locks, and technology around door openings. Because EHS is an important differentiator to the shareholders, employees, Allegion leaders, and the public, organizational effectiveness is key. Organizational effectiveness can be seen in our management of staff, our handling of resources management of our contractors, and management of our waste. An important part of managing staff is creating opportunities and ensuring that each staff member has a career path to grow personally and professionally, Allegion uses an annual survey to get feedback on the effectiveness of growth. We ensure consistency with contractors through our contractor program, training, and verification that they are meeting our standards. In addition, we remain diligent to

evaluate monthly metrics and strive to make improvements to the EHS management system in real time to assist our manufacturing, warehouse, and office employees.

Another measurement for organizational effectiveness is how natural resources are converted to waste, how waste is managed, and how it is disposed. Because mismanagement of waste can increase liability, waste is one of the key metrics that we track. At Allegion, waste is tracked by categories: waste to landfill, recycling, and hazardous waste. Altogether, we measure and manage EHS staff, contractors, and waste in various ways. We utilize the most respected standards to measure organizational effectiveness including OSHA, ANSI, ISO along with international government standards. We also use benchmarking data from the National Association of Manufacturers, MAPI, and other reputable organizations.

Some examples of operational effectiveness can be seen in wellness programs. Wellness programs are designed to benefit an organization by creating opportunities for each employee to reduce their health risk. This is a benefit to Allegion because it also reduces the risk of losing production due to illness.

Another way to measure operational effectiveness is through energy management. Allegion uses a database for energy that tracks renewable energy, nonrenewable energy, and greenhouse gases created using energy. By tracking and communicating energy conservation, Allegion has seen the operational value that managing energy can provide.

Utilizing the application of materials science and environmental technology can push an organization forward and demonstrate operational effectiveness. Allegion has also employed environmental technology. Some of the cutting-edge technology that we have employed is the use of bioremediation and *in-situ* thermal treatment. *In-situ* thermal treatment “boils” groundwater, which then releases contaminants that can be captured and treated. This is another differentiator for Allegion and is a prime example of EHS operational effectiveness that provides a link to business performance.

### **Continuous Performance Improvement & Sustainability**

As mentioned above, we establish both short-term year over year goals and long-term objectives. We have developed programs targeted to address specific risks within our business that will drive continuous improvement. We also review each site individually and evaluate how it contributes to the overall Allegion vision for safety. Of course, our goal is always zero, but to measure in a meaningful way, each location is given an overarching goal of zero with a specific target for measurement purposes.

For our environmental sustainability goals, we operate in a very similar manner. We set short-term year-over-year targets and have a long-term objective of reducing our water consumption, waste to landfill and greenhouse gases. More information can be found on [our website](#).

We are currently outperforming our expected metrics. They are reviewed annually to address any needed adjustments. To date, these have not been adjusted due to the dramatic effect acquisitions can have on these goals. It should also be noted that we do not take any carve outs or reductions for our acquisitions as they relate to EHS goals.

While many of these targets are set out of desire to “do the right thing,” achieving them provides Allegion with a competitive advantage with lowered overhead costs. This may be in the form of reduced utility charges to make the same number of parts, the monetary savings associated with lower workers compensation costs and associated insurance premiums, or adding cash flow back to the business upon the sale of a successfully remediated property.

Allegion maintains ISO 14001 and OSHAS 18001 / ISO 45001 practices across our EHS operations. With these guiding principles and certifications, there are requirements that many of our





significant aspects demonstrate an improvement over a defined period. An example of this can be found below.

- One site acquired a new metal machining process. When this process was first brought on site, it was generating oil every two months. The site created a cross-functional team from EHS, engineering, operations, and maintenance to review the process. They were able to develop a filtering process that allows the oil to be used many times over. It now takes the site approximately one year to generate the same volume of oil that was previously generated in two months. This process has an obvious environmental benefit as it pertains to the second principle of waste management: reuse. However, it also has an inherent safety benefit in the reduced amount of container management and shipping. It additionally demonstrates organizational effectiveness.

Allegion leverages our EHS program, ISO standard certifications and other voluntary programs to identify risk with our processes. By identifying risk and developing programs to reduce or eliminate these risks, we reduce the opportunity for injuries to occur. While each step is incrementally more difficult to achieve, it is a key component when driving to achieve an injury-free workplace.

## **Section VI: Lessons Learned**

### **Lessons Learned**

At Allegion, employees are encouraged to use every situation as a learning opportunity. Successes are constantly analyzed to determine what behaviors or inputs were in place to deliver the “win.” Similarly, failures are analyzed to create opportunities to learn from mistakes. Less desirable outcomes to a project or initiative are also encouraged to be viewed as a learning opportunity. These are examined to prevent recurrence of less desirable outcomes in the future and to maximize the favorable outcomes.

Most recently, Allegion’s EHS team has continuously used this approach to stay ahead of the curve throughout the COVID-19 pandemic. A “COVID-19 Reflections and Lessons Learned” assessment was immediately created at the beginning of the pandemic to document everything that went well, aspects that did not go as planned, and to identify what helped and what hindered the process. This document is routinely updated and examined to ensure that all key points are included. Where immediate opportunities for improvement are identified, they are quickly shared and implemented as outlined below. This information will also be used to improve our health and safety management system (e.g., pandemic response plan, business continuity plans, communication strategy, etc.) as we continue the current and post-pandemic journey.

As a global company, Allegion began to act immediately once reports of COVID-19 were first seen in China. Our EHS and procurement teams immediately partnered to source PPE and cleaning supplies, which allowed for our global plants to continue operating with materials necessary to do so safely. However, due to recurring changes in importing and exporting regulations in China, and the global shortage of these materials that followed, we quickly identified risk to maintain necessary stock levels. Allegion immediately began investigating in the value, “this is your business, run with it,” and, within days, began producing face masks, face shields, and hand sanitizer for our people. Several employees from our corporate location started volunteering their time to procure, prep, and assemble these materials. The employees not only saw the demand for these personal protective supplies, but they “enjoy what they were doing and celebrated” the success in the process for being able to keep our employees safe. These materials were distributed globally to Allegion facilities – used to restock our facilities until cloth masks could be procured and distributed to all facilities. In total, Allegion made 20,000 face masks over a two-month period. These





masks allowed our facilities to remain operational when other manufacturers had to shut down because they couldn't comply with government orders requiring employees to wear masks.

Allegion has always promoted best practice sharing. In fact, a monthly meeting between all sites is held, allotting half the time to best practice sharing. Through an early evaluation of our COVID-19 response, it was identified that creating more opportunities to share best practices would be critical during this unprecedented time. EHS pulse calls were scheduled frequently throughout the month to allow sites to communicate specific challenges, share best practices, and discuss tactical actions and strategic plans. Photos of best practices were shared often. As individual sites reflected and identified site specific lessons learned, or opportunities for improvement, these were also shared across the company. Examples of best practices that were shared include social distancing markings, barrier designs to protect employees when full-scale social distancing was not possible, temperature screening processes, techniques for improving the reliability of thermometers during temperature screening, communications, and signage.

At Allegion, EHS has become a priority for all employees and management. Prior to Allegion becoming a standalone company, our business had multiple sites in the same region with different levels of management systems in place, each focused on their own goals and at times struggling to achieve the ultimate, collective goal of regulatory compliance. When Allegion started, the focus was shifted, and sites began to work cohesively on all EHS programs and systems. As a result of the collective effort, the regulatory compliance goal was met. This was the first time some managers had completed a year without a violation. They had expected violations to occur. Now, it is an expectation (even a job requirement) that violations should not occur.

By starting with safety, all goals were met, and the safety of our most valuable assets, our employees, was the priority. One thing that helped make this possible was the implementation of the organized management system based on international standards. We learned that the focus should not just be on individual procedures, but the bigger picture of the whole system working together.

Once we had everyone on the same page, we were able to focus more simply on embracing our value “be safe, be healthy,” every day, and on taking care of our environmental results. When all levels of leadership participate and work together, it drives our employees to do the same. Integrating the multiple regional sites as a single unit, instead of a complex site-based system, added to the success.



As we grew into Allegion, adopting the EHS policy with these sites instead of a local site policy, helped employees connect to the company policy and values that lead us today. As we continue forward, we know that with full participation, we will continue to drive improvement. And, to get full participation, we know that investing in our people by integrating health-related campaigns (employee appreciation celebrations, health screenings, etc.) will build that trust and desire for employees to want to work. Employee care and well-being are our top priority, and we work hard to ensure they know it and feel it through the actions of our leaders.

This can also be seen in our acquisitions. Since becoming a standalone company, Allegion has acquired many locations. In some cases, there were so many recordable injuries the target company didn't track or count them (and those countries didn't require it). There were significant cultural and compliance differences as well. Because Allegion's focus on our “be safe, be healthy” value, this was tackled first. Hazard assessments, personal protective equipment, machine guarding, and capital were deployed to make obvious visual impacts and keep safety top of mind for employees. Training was conducted and expectations were set. Allegion is proud of the fact that overall injury rates dropped in every case, despite the cultural and safety differences of target acquisitions, but we are even more proud of the fact that employees weren't being injured. This change doesn't happen with



an email or directive, but by establishing trust, investing in the business, and ensuring employees have the tools and resources to operate safely.

### **Forward Planning**

Like other businesses, Allegion is facing many global challenges from the COVID-19 pandemic. Consistent with other challenges, Allegion's path forward remains grounded in EHS. Allegion will not compromise EHS, capital allocations, goals, or strategy, even during a pandemic. As a matter of fact, Allegion has strengthened its resolve. For health, we have implemented additional measures including: 1- to 2-meter barriers, temperature screening, masks and hygiene supplies, visitor screening, and Phase I through Phase III protocols. Allegion has also strengthened the ESG Committee and added key deliverables.

While the pandemic has been challenging for the business and employees, one benefit of the pandemic was EHS involvement in the Steering Committee and EHS' unprecedented leadership role in so many parts of the business. This has garnered respect and has allowed for greater integration of EHS into the business. This will help as challenges are faced in the future and as we look at the organizations path forward.

There were daily discussions to both internal and external stakeholders. Internal stakeholders included managers, employees, and ELT members while external stakeholders included regulators, members of the public, and customers. Allegion values guided discussions and allowed for transparency in a tumultuous time.

### **Summary**

Thank you for your review of our application. We believe Allegion should be considered for the Campbell Award because EHS is at the core of the business. We make products to keep people safe and secure. This translates to our values and follows all processes throughout the organization. Allegion's values drive each of its employees to do and be the best they can be. Many companies say they are safe, but Allegion lives it and has the process and results to prove it.

We would be honored and excited to handle the pressures and demands that come with being an ambassador of EHS excellence as the 2021 Campbell Award winner, and we welcome the challenge to continue to drive process improvements that will reduce our risk and protect our people.

