Risk Factors Comparison 2024-02-20 to 2023-02-22 Form: 10-K

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We are subject to future events, risks and uncertainties – many of which are beyond our control – that could materially and adversely affect our business, financial condition, results of operations and cash flows. You should carefully consider the risk factors discussed below, together with all the other information included in this Form 10- K, in evaluating us ~~, our ordinary shares~~ and our **securities** ~~senior notes~~. If any of the events, risks or uncertainties below actually occurs, our business, financial condition, results of operations and cash flows could be materially and adversely affected. Any such adverse effect may cause the trading price of our **securities** ~~ordinary shares~~ to decline, and as a result, you could lose all or part of your investment in us. Our business, financial condition, results of operations and cash flows may also be materially and adversely affected by events, risks and uncertainties not known to us or events, risks and uncertainties that we currently believe to be immaterial. Economic, Market and Financial Risks Our business operations and performance have been, and are expected to continue to be, impacted by global macroeconomic factors. Ongoing macroeconomic challenges could adversely impact our business, results of operations, financial conditions and cash flows. Macroeconomic challenges, including ongoing supply chain disruptions and delays, material, electronic component and labor shortages, cost inflation, rising interest rates and volatility in the capital markets, have impacted, and may continue to impact, our business, our customers and our suppliers. These challenges may also make it more challenging for us to manufacture and deliver products to our customers, could cause periodic production interruptions and supply constraints, impact our ability to forecast and plan for future business activities and, if not adequately managed, could have a material adverse impact on our business, results of operations, financial condition and cash flows. Further, demand for our products and solutions is impacted by the strength of institutional, commercial and residential construction and remodeling markets, which are sensitive to national, regional and local economic conditions. As a result, deterioration of these macroeconomic conditions (or weakness in these conditions existing for an extended period of time), a decline in general economic activity or recession in the U. S. or global economy could slow demand for new construction or remodeling projects and result in our customers cancelling or delaying orders, which in turn could erode average selling prices and result in declines in our revenues, profitability and cash flows. Increased prices and inflation could negatively impact our margin performance and our financial results. Elevated levels of inflation, including rising prices for raw materials, parts and components, freight, packaging, labor and energy, increases our costs to manufacture and distribute our products and services, and we may be unable to pass these increased costs on to our customers. We do not currently use financial derivatives to hedge against volatility in commodity prices; however, we utilize firm purchase commitments, where possible, to help mitigate risk. The pricing of some materials, parts and components we use is based on market prices. To mitigate this exposure, we may use annual price contracts to minimize the impact of inflation and to benefit from deflation. Additionally, we are exposed to fluctuations in other costs such as packaging, freight, labor and energy prices. If inflation in these costs increases beyond our ability to control for them through measures such as implementing operating efficiencies, or we are not able to increase prices to sufficiently offset the effect of various cost increases without negatively impacting customer demand, our margin performance and results of operations would be negatively impacted. Our global operations subject us to economic risks. Our businesses operate around the world in various geographic regions and product markets. Additionally, we procure various products, parts, components and services from supplier partners located throughout the world. Our global operations depend on products manufactured, purchased and sold in the U. S. and internationally, including in Australia, Canada, China, Europe, Mexico, New Zealand and the Middle East. The political, economic and regulatory environments in which we operate are becoming increasingly volatile and uncertain. Accordingly, we are subject to multiple risks that are inherent in operating and sourcing globally, including: • Changes to trade agreements, sanctions, import and export regulations, including imposition of burdensome tariffs and quotas, and customs duties; • Changes in applicable tax regulations and interpretations; • Economic downturns; • Social and political unrest, instability, national and international conflict, including **the conflicts in the Middle East and the** war **between Russia and Ukraine** , border closures, civil disturbances, terrorist acts and other geographical disputes and uncertainties; • Government measures to restrict business activity, for example, to prevent the spread of a communicable disease; • Changes in laws and regulations or imposition of currency restrictions and other restraints in various jurisdictions; • Limitation of ownership rights, including expropriation of assets by a local government, and limitation on the ability to repatriate earnings; • Sovereign debt crises and currency instability in developed and developing countries; • Difficulty in staffing and managing global operations; • Difficulty in enforcing agreements, collecting receivables and protecting assets through non- U. S. legal systems; and • Difficulty in transporting materials, components and products. These risks have increased our cost of doing business in the U. S. and internationally. These risks may also increase our counterparty risk, disrupt our operations, disrupt the ability of suppliers and customers to fulfill their obligations, increase our effective tax rate, increase the cost of our products, limit our ability to sell products and services in certain markets, reduce our operating margin and cash flows and / or negatively impact our ability to compete. Our business relies on the institutional, commercial and residential construction and remodeling markets. Demand for our security products and solutions relies on the institutional, commercial and residential construction and remodeling markets, which are marked by cyclicality based on overall economic conditions, including consumer confidence and disposable income, corporate and government spending, work- from- home trends, availability of credit and demand for new housing and infrastructure. Weakness or instability in one or more of these markets may cause current and potential customers to delay or cancel major capital projects or otherwise choose not to make purchases, which could negatively impact the demand for our products and solutions and erode average selling prices. Currency exchange rate fluctuations have had, and may continue to have, an adverse effect on our business, financial condition, results of operations and cash flows. We are exposed to a variety of market risks, including the effects of changes in currency exchange rates. See" Part II, Item 7A. Management' s Discussion and Analysis of Financial Condition and Results of Operations – Quantitative and Qualitative Disclosures About Market Risk." Approximately 25 % of our ~~2022~~ **2023** Net revenues were derived outside the U. S., and we expect sales to non- U. S. customers to continue to represent a significant portion of our consolidated Net revenues. Although we may enter into currency exchange contracts to reduce our risk related to currency exchange fluctuations, changes in the relative fair values of currencies occur from time to time and in some instances ~~, as was the case in 2022,~~ have had a significant impact on our ~~Net revenues~~ **results of operations** . We do not hedge against all our currency exposure, and therefore, our results of operations will continue to be susceptible to impacts from currency fluctuations. We also translate assets, liabilities, revenues and expenses denominated in non- U. S. dollar currencies into U. S. dollars for our Consolidated Financial Statements based on applicable exchange rates. Consequently, fluctuations in the value of the U. S. dollar compared to other currencies may have a material impact on the value of these items in our Consolidated Financial Statements, even if their value has not changed in their original currency. Further, certain of our businesses may invoice customers in a currency other than its functional currency, or may be invoiced by suppliers in a currency other than its functional currency, which could result in unfavorable translation effects on these businesses and our results of operations. We may be required to recognize impairment charges for our goodwill, indefinite- lived intangible assets and other long- lived assets. At December 31, ~~2022~~ **2023** , the net carrying value of our goodwill and other indefinite- lived intangible assets totaled approximately $ 1. 4 billion and $ ~~110~~ **104** million, respectively. Pursuant to U. S. generally accepted accounting principles (" GAAP"), we are required to annually assess our goodwill and indefinite- lived intangible assets for impairment. In addition, interim assessments must be performed for these and other long- lived assets whenever events or changes in circumstances indicate that an impairment may have occurred. Significant disruptions to our business or end market conditions, protracted economic weakness (including a potential economic downturn or recession), unexpected significant declines in operating results of reporting units, divestitures or market capitalization declines may result in recognition of impairment charges to our goodwill, indefinite- lived intangible or other long- lived assets. Any charges relating to such impairments could have a material adverse impact on our results of operations in the periods when recognized. **Based on our 2023 assessment, it was determined that two of the Company' s indefinite- lived trade names in the International segment were impaired, and we recorded a $ 7. 5 million impairment charge.** The capital and credit markets are important to our business. Continued instability in U. S. and global capital and credit markets, including market disruptions, limited liquidity and interest rate volatility or reductions in the credit ratings assigned to us by independent ratings agencies, could reduce our access to capital markets, increase our costs of borrowing or adversely impact our ability to obtain favorable financing terms in the future. In particular, if we are unable to access capital and credit markets on terms that are acceptable to us, we may not be able to execute potential merger and acquisition plans, make other investments or fully execute our business plans and strategy. Our suppliers and customers are also dependent upon the capital and credit markets. Limitations on the ability of customers, suppliers or financial counterparties to access credit could lead to insolvencies of key suppliers and customers, limit or prevent customers from obtaining credit to finance purchases of our products and services, delay institutional, commercial and / or residential construction and remodeling projects and cause delays in the delivery of key products from suppliers. There are risks associated with our outstanding and future indebtedness. We had approximately $ 2 ~~. 1~~ billion of outstanding indebtedness at December 31, ~~2022~~ **2023** . **In addition, we have a** ~~Included in this total was $ 69 million outstanding under our~~ senior unsecured revolving credit facility (the" 2021 Revolving Facility") that permits borrowings of up to $ 500 million. A portion of our cash flows from operations is dedicated to servicing our indebtedness and will not be available for other purposes, including our operations, capital expenditures, payment of dividends, share repurchases or future business opportunities or other strategic investments. **At** Our ability to make scheduled payments or...... and other obligations. Additionally, at December 31, ~~2022~~ **2023** , our borrowings included a variable rate term loan facility (the" 2021 Term Facility", and together with the 2021 Revolving Facility, the" 2021 Credit Facilities"). The 2021 Credit Facilities had a combined outstanding variable rate balance of $ ~~306~~ **225** . ~~5~~ **0** million at December 31, ~~2022~~ **2023** , which exposes us to variable interest rate risk. Applicable variable interest rates have increased throughout ~~2022~~ **2023** , resulting in increased Interest expense. We are also exposed to the risk of continued rising interest rates to the extent we fund our short or long- term financing needs with variable- rate borrowings under the 2021 Revolving Facility. If variable base rates under the 2021 Credit Facilities continue to increase in the future, our Interest expense could increase as well. For more details about our interest rate exposure under the 2021 Credit Facilities, please see Part II. Item 7A. Our ability to make scheduled payments or to refinance our debt obligations depends on our financial and operating performance,which is subject to prevailing economic and competitive conditions and to certain financial,business and other factors beyond our control,such as the credit ratings assigned to us by independent ratings agencies or our ability to access capital markets on acceptable terms.If our cash flows and capital resources are insufficient to fund our debt service obligations,we may be forced to reduce or delay capital expenditures,reduce or eliminate the payment of dividends,sell assets,seek additional capital or seek to restructure or refinance our indebtedness.These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations.In such event,we could face substantial liquidity problems and might be required to sell material assets or operations to attempt to meet our debt service and other obligations. ~~If we are~~ **Additionally,at** Strategic and Operational Risks Increased competition, including from technological developments, could adversely affect our business. The markets in which we operate include a large number of participants, including multi- national, regional and small, local companies. We primarily compete on the basis of quality, innovation, expertise, effective channels to market, breadth of product offering and price. We may be unable to effectively compete on all these bases. Further, in a number of our product offerings, we compete with our retail customers and technology partners who use their own private labels. If we are unable to anticipate evolving trends in the market or the timing and scale of our competitors' activities and initiatives, including increased competition from private label brands, the demand for our products and services could be negatively impacted. In addition, we compete in an industry that is experiencing the convergence of mechanical, electronic and digital products. Technology and innovation play significant roles in the competitive landscape. Our success depends, in part, upon the research, development and implementation of new technologies and products including obtaining, maintaining and enforcing necessary intellectual property protections. Securing and maintaining key partnerships and alliances, recruiting and retaining highly skilled and qualified employee talent and having access to technologies, services, intellectual property and solutions developed by others will play a significant role in our ability to effectively compete. The continual development of new technologies **, such as artificial intelligence and machine learning,** by existing and new competitors, including non- traditional competitors with significant resources, could adversely affect our ability to sustain operating margins and desirable levels of sales volumes. To remain competitive, we must develop new products and service offerings and respond to new technologies in a timely manner. Our growth is dependent, in part, on the development, commercialization and acceptance of new products and services. We must develop and commercialize new products and services that meet the varied and evolving needs of our customers and end- users in order to remain competitive in our current and future markets and in order to continue to grow our business. End users are continually adopting more advanced technologies in their facilities and homes, accelerated by the increasing adoption of IoT technologies and connected devices, which will require us to devote significant effort and resources to the development, maintenance and enhancement of ~~the~~ **our** IT ~~systems~~ **Systems (as defined below)** and other infrastructure required to support and / or enhance the functionality of our electronic products and solutions. The speed of development by our competitors and new market entrants is increasing. We cannot provide any assurance that any new product or service will be successfully commercialized in a timely manner, if ever, or, if commercialized, will result in returns greater than our investment. Investment in a product or service could divert our attention and resources from other projects that become more commercially viable in the market. We also cannot provide any assurance that any new product or service will be accepted by the market. Changes in customer and consumer preferences and the inability to maintain beneficial relationships with large customers could adversely affect our business. We have significant customers, particularly major retailers, although no one customer represented 10 % or more of our total Net revenues in any of the past three fiscal years. The loss or material reduction of business, either due to a reduction in demand from one or more of our significant customers, or our inability to timely meet any elevated level of customer demand for various reasons, the lack of success of sales initiatives or changes in customer preferences or loyalties for our products related to any such significant customer could have a material adverse impact on our business. In addition, major customers who are volume purchasers are much larger than us and have strong bargaining power with their suppliers. This limits our ability to recover cost increases through higher selling prices. Furthermore, unanticipated inventory adjustments by these customers can have a negative impact on sales. We also sell our products through various trade channels, including traditional retail and e- commerce channels. If we or our major customers are not successful in navigating the shifting consumer preferences to distribution channels such as e- commerce, our expected future revenues may be negatively impacted. If our products or solutions fail to meet certification and specification requirements, are defective, cause, or are alleged to have caused, bodily harm or injury, or otherwise fall short of end- users' needs and expectations, our business may be negatively impacted. The security and access control product markets we serve often have unique certification and specification requirements, reflecting local regulatory requirements and highly variable end- user needs. While we strive to meet all certification and specification requirements, if any of our products or solutions do not meet such requirements, or contain, or are perceived to contain, defects or otherwise fall short of end- users' needs and expectations, fail to perform as intended, or are otherwise alleged to result in property damage, bodily injury and / or death we may become subject to personal injury lawsuits and / or product liability claims, and if found liable, may incur significant costs, which could negatively impact our business, results of operations or financial condition. Additionally, electronic security products and solutions are increasingly more sophisticated and technologically complex than the mechanical security products we sell and have an increased risk of design, cybersecurity or manufacturing defects, which could lead to recalls, product replacements or modifications, write- offs of inventory or other assets and significant warranty and other expenses. Product quality issues could also adversely affect the end- user experience, resulting in reputational harm, loss of competitive advantage, poor market acceptance, reduced demand for products and solutions, delay in new product and service introductions and lost sales. Further, adverse publicity, whether or not justified, or allegations of product or service quality issues, even if false or unfounded, could damage our reputation and negatively affect our sales. Our business and innovation strategies include making acquisitions of, and investments in, external companies. These acquisitions and investments could be unsuccessful, consume significant resources or increase our exposure to cybersecurity, data privacy or other regulatory risks, which could adversely affect our business, financial condition, results of operations and cash flows. Our long- term growth strategies include the acquisition of businesses or product lines to strengthen our industry position, enhance our existing set of products and services offerings or expand into adjacent markets. ~~For example, in July 2022, we completed the acquisition of the Access Technologies business.~~ However, we cannot provide assurance that we will identify or successfully complete acquisitions with suitable candidates in the future, nor can we provide assurance that completed or future acquisitions will be successful or otherwise achieve the anticipated strategic and financial benefits, including cost and revenue synergies. Acquisitions often place significant demands on management, operational and financial resources, which could decrease management' s capacity to focus on other important business strategies or divert resources from other parts of our business. Further, the success of future or completed acquisitions will depend, in large part, on the successful integration of operations, sales and marketing, information technology, finance and administrative operations. We cannot provide assurance that we will be able to successfully integrate these new businesses. Additionally, the financing of future business acquisitions may increase our leverage, impact our credit rating and / or diminish our financial position and ability to re- invest in our existing businesses. Future acquisitions may also be dependent on our ability to access the capital and credit markets to obtain new debt or equity financing to fund the purchase price on terms that are acceptable to us. Some of the businesses we may seek to acquire may be marginally profitable or unprofitable. For these businesses to achieve acceptable levels of profitability, we may need to improve their management, operations, products and market penetration or incur significant capital expenditures. We may not be successful in this regard, the costs of doing so may exceed our original estimates or we may encounter other potential difficulties. Acquisitions also involve numerous other risks, including: • Difficulties in obtaining and verifying the financial statements and other business information of acquired businesses **; • Our ability to raise capital on reasonable terms to finance attractive acquisitions** ; • Inability to obtain regulatory approvals and / or required financing on favorable terms; • Potential loss of key employees, key contractual relationships or key customers of acquired companies or of us; • Difficulties competing in any new markets we may enter; • Assumption of the liabilities and exposure to unforeseen liabilities (including, but not limited to, regulatory, legal and product or personal liability claims) of acquired companies; • Cybersecurity related vulnerabilities or data security incidents that may be present in the IT Systems of acquired companies, or emerge when integrating the acquired company into our IT Systems; • Dilution of interests of holders of our ordinary shares through the issuance of equity securities or equity- linked securities; • Labor disruptions, work stoppages or other employee- related issues, particularly if employees of the acquired companies are represented by labor unions or trade councils; and • Difficulty in integrating financial reporting systems and implementing controls, procedures and policies, including disclosure controls and procedures and internal control over financial reporting appropriate for public companies of our size at companies that, prior to the acquisition, had lacked such controls, procedures and policies. Further, as part of our innovation strategy, from time to time we invest in start- up companies and / or development stage technology or other companies. In evaluating these opportunities, we follow a structured evaluation process that considers factors such as potential financial returns, new expertise in emerging technology and business benefits. Despite our best efforts to calculate potential return and risk, some or all of the companies we invest in may be unprofitable at the time of, and subsequent to, our investment. We may lose money in these investments, including the potential for future impairment charges on the investments, and the anticipated benefits of the technology and business relationships may be less than expected. We may pursue business opportunities that diverge from our core business. We may pursue business opportunities that diverge from our core business, including expanding our products or service offerings, seeking to expand our products and services into new international markets, investing in new and unproven technologies and forming new alliances with companies to develop and distribute our products and services. We can offer no assurance that any such business opportunities will prove successful. Certain international markets may be slower than our established markets in adopting our services and products, and our operations in such markets may not develop at a rate that supports our level of investment. Among other negative effects, our investment in new business opportunities may exceed the returns we realize. New investments could have higher cost structures than our current business, which could reduce operating margins and require more working capital. In the event that working capital requirements exceed operating cash flow, we may be required to draw on the 2021 Revolving Facility or pursue other external financing, which may not be readily available. Additionally, our pursuit of new business opportunities that diverge from our core business may expose us to different risks and uncertainties other than those described in this " Risk Factors " section or elsewhere in this Annual Report on Form 10- K. In addition to the risks outlined above, expansion into certain new markets may require us to compete with local businesses with greater knowledge of the market, including the tastes and preferences of end- users, and higher market shares. Our strategic initiatives, including enterprise excellence efforts among other significant capital expenditure projects, may not achieve the improvements or financial returns we expect. We utilize a number of tools to improve efficiency and productivity. Implementation of new processes to our operations could cause disruptions and may prove to be more difficult, costly or time consuming than expected. Additionally, from time to time **,** we undertake substantial capital projects for varying reasons, such as to increase production capacity or to insource certain products, parts or components. We invest in areas we believe best align with our business strategies and that will optimize future returns. However, there can be no assurance that all our planned enterprise excellence projects or other capital expenditures will be fully implemented, or if implemented, will realize the expected improvements or financial returns. We may not be able to effectively manage and implement restructuring initiatives or other organizational changes. We have, from time to time, restructured or made other adjustments to our workforce and manufacturing footprint, and may need to do so in the future, in response to market or product changes, performance issues, changes in strategy, acquisitions and / or other internal or external considerations. These restructuring activities and other organizational changes often result in increased restructuring costs, diversion of management' s time and attention from daily operations, cybersecurity and other operational risks and temporarily reduced productivity. If we are unable to successfully manage and implement restructuring and other organizational changes, we may not achieve or sustain the expected growth or cost savings benefits of these activities or do so within the expected timeframe. These effects could recur in connection with future acquisitions and other organizational changes and our results of operations could be negatively affected. The effects of global climate change or other unexpected events, including global health crises, may disrupt our operations and have a negative impact on our business. The effects of global climate change, such as extreme weather conditions and natural disasters occurring more frequently or with more intense effects, or the occurrence of unexpected events including wildfires, tornadoes, hurricanes, earthquakes, floods, tsunamis and other severe hazards in the countries where we operate or sell products and services, could adversely affect our business, financial condition, results of operations and cash flows. These events could disrupt our operations by impacting the availability and cost of materials needed for manufacturing, cause physical damage or closure of our manufacturing sites or distribution centers, lead to loss of human capital and / or cause temporary or long- term disruption in the manufacturing or delivery of products and services to customers. These events and disruptions could also adversely affect our customers' and suppliers' financial condition or ability to operate, resulting in reduced customer demand, delays in payments received or supply chain disruptions. Further, these events and disruptions could increase insurance and other operating costs, including impacting our decisions regarding construction of new facilities to select areas less prone to climate change risks and natural disasters, which could result in indirect financial risks passed through the supply chain or other price modifications to our products and services. ~~Additionally~~ **Many governmental and other regulatory bodies worldwide are enacting regulations to mitigate the impacts of climate change. If we or others in our supply chain are required to comply with these laws and regulations, or if we choose to take voluntary steps to reduce or mitigate our impact on the climate, we may experience increased costs for energy, production, transportation, and raw materials, increased capital expenditures, or increased insurance premiums and deductibles, each of which could adversely impact our operations. In addition, inconsistent regulations among jurisdictions may also affect our cost to comply with such laws and regulations. Any assessment of the potential impact of future climate change legislation, regulations, or industry standards** , as ~~we have experienced in recent years~~ **well as any international treaties and accords** , **is uncertain given the wide scope of potential regulatory change in the countries in which we operate. Global health crises, such as** the COVID- 19 pandemic ~~created significant volatility, uncertainty and economic disruption, both for our business (and many of our customers and suppliers) and the U. S. and global economy more generally. It also led, both directly and indirectly, to significant operating challenges, including disruptions to our and our suppliers' operations, shortages of electronic and other parts and components, freight delays, increased labor shortages and logistical challenges. Although most governments have eased or eliminated their restrictions on travel and social interactions, and lifted non- essential business closures, several jurisdictions in which we have operations, such as China, have public health and government mandates that restrict business activities. These mandates and restrictions have, and could continue to have, an impact on our business and operations, and on the operations of some of our suppliers. Global health crises, such as the COVID- 19 pandemic~~ or any other actual or threatened epidemic, pandemic, or outbreak and spread of a communicable disease or virus in the countries where we operate or sell products and provide services **,** could adversely affect our operations and financial performance. Further, any national, state or local government mandates or other orders taken to minimize the spread of a global health crisis could restrict our ability to conduct business as usual, as well as the business activities of our key customers and suppliers, including the potential for labor shortages. In particular, the ultimate extent of the impact of any epidemic, pandemic or other global health crisis on our business, financial condition and results of operations will depend on future developments which are highly uncertain and cannot be predicted. We may be subject to risks relating to our information technology and operational technology systems. We rely extensively on information technology and operational technology systems, networks and services including hardware, software, firmware and technological applications and platforms (collectively," IT Systems") to manage and operate our business from end- to- end, including ordering and managing materials from suppliers, design and development, manufacturing, marketing, selling and shipping to customers, invoicing and billing, managing our banking and cash liquidity systems, managing our enterprise resource planning and other accounting and financial systems and complying with regulatory, legal and tax requirements. There can be no assurance that our current IT Systems will function properly. We have invested and will continue to invest in improving our IT Systems. Some of these investments are significant and impact many important operational processes and procedures. There is no assurance that newly implemented IT Systems will improve our current systems, improve our operations or yield the expected returns on the investments. In addition, the implementation of new IT Systems may be more difficult, costly or time consuming than expected and cause disruptions in our operations and, if not properly implemented and maintained, negatively impact our business. If our IT Systems cease to function properly or if these systems do not provide the anticipated benefits, our ability to manage our operations could be impaired. We currently rely on third- party service providers for many of the critical elements of our global information and operational technology infrastructure, and their failure to provide effective support for such infrastructure could increase our cybersecurity risk or otherwise negatively impact our business and financial results. We have outsourced many of the critical elements of our global information and operational technology infrastructure to third- party service providers in order to achieve efficiencies. If such service providers experience a disruption due to a cyberattack or other internal or external factors, or they do not perform or perform effectively, we may not be able to achieve the expected efficiencies and may have to incur additional costs to address failures in providing service by the service providers. Depending on the function involved, such non- performance, ineffective performance or failures of service may lead to business disruptions, processing inefficiencies or security breaches. Disruptions or breaches of our information systems could adversely affect us. Despite our implementation of cybersecurity measures, which have focused on prevention, mitigation, resilience and recovery, our network and products, including access solutions, may be vulnerable to cybersecurity attacks, computer viruses, malicious codes, malware, ransomware, phishing, social engineering, denial of service, hacking, break- ins and similar disruptions. Cybersecurity attacks and intrusion efforts are continuous and evolving, and in certain cases they have been successful at the most robust institutions. The scope and severity of risks that cyber threats present have increased dramatically and include, but are not limited to, malicious software, ransomware attacks, attempts to gain unauthorized access to data or premises, exploiting weaknesses related to vendors or other third parties that could be exploited to attack our systems, denials of service and other electronic security breaches that could lead to disruptions in systems, unauthorized release of confidential or otherwise protected information and corruption of data. Any such event could have a material adverse effect on our business, financial condition, results of operations and cash flows as we face regulatory, reputational and litigation risks resulting from potential cyber incidents, as well as the potential of incurring significant remediation costs. Further, while we maintain insurance coverage that may, subject to policy terms and exclusions, cover certain aspects of our cyber risks, such insurance coverage may be insufficient to cover our losses or all types of claims that may arise in the continually evolving area of cyber risk. Our daily business operations also require us to collect and / or retain sensitive data such as intellectual property, proprietary business information and data related to customers, employees, suppliers and business partners within our networking infrastructure including data from individuals subject to the European Union' s General Data Protection Regulation, that is subject to privacy and security laws, regulations and / or customer- imposed controls. Despite our efforts to protect such data, the loss or breach of such data due to various causes including material security breaches, catastrophic events, extreme weather, natural disasters, power outages, system failures, computer viruses, improper data handling, programming errors, unauthorized access and employee error or malfeasance could result in wide reaching negative impacts to our business. As such, the ongoing maintenance and security of this information is pertinent to the success of our business operations and our strategic goals. In addition, we operate in an environment where there are different and potentially conflicting data privacy laws and regulations in effect or expected to go into effect in the future, including regulations related to devices connected through IoT, in the various jurisdictions in which we operate, and we must understand and comply with such laws and regulations while ensuring our data is secure. Our networking infrastructure and related assets may be subject to unauthorized access by hackers, employee error or malfeasance or other unforeseen activities. Such issues could result in the disruption of business processes, network degradation and system downtime, along with the potential that a third party will exploit our critical assets such as intellectual property, proprietary business information and data related to our customers, suppliers and business partners. To the extent that such disruptions occur, and our business continuity plans do not effectively address these disruptions in a timely manner, they may cause delays in the manufacture or shipment of our products and the cancellation of customer orders and, as a result, our business operating results and financial condition could be materially and adversely affected, resulting in a possible loss of business or brand reputation. **Finally, the regulatory environment around cybersecurity is increasingly challenging, with additional reporting requirements around cybersecurity, risk management, strategy and governance, as well as increased disclosure obligations around the occurrence of material cybersecurity incidents. These requirements may present material obligations and risks to our business, including significantly expanded compliance burdens, costs and enforcement risks. We may also be obligated to report a cybersecurity incident before we have been able to fully assess its impact or remediate the underlying issue, and it could potentially reveal system vulnerabilities to threat actors. Failure to timely report incidents under these or other similar rules could also result in monetary fines, sanctions, or subject us to other forms of liability.** Our ability to successfully grow and expand our business depends on our ability to recruit and retain a highly qualified and diverse workforce. Our ability to successfully grow and expand our business is dependent upon our ability to recruit and retain a workforce with the skills necessary to develop, manufacture and deliver the products and services desired by our customers. We need highly skilled and qualified personnel in multiple areas, including engineering, sales, manufacturing, information technology, cybersecurity, business development, strategy and management. We must therefore continue to effectively recruit, retain and motivate highly qualified, skilled and diverse personnel to maintain our current business and support our projected growth. A shortage of these employees for various reasons, including intense competition for skilled employees, labor shortages, increased labor costs, candidates' preference to work remotely, changes in laws and policies regarding immigration and work authorizations or any government or public health mandates in jurisdictions where we have operations that may result in workforce attrition and difficulty with recruiting, may jeopardize our ability to grow and expand our business. ~~We continue to~~ **In recent years, we have** ~~experience~~ **experienced** ~~increased~~ labor ~~shortages at some of our production and distribution facilities. While we have historically experienced some level of ordinary course turnover of employees, the COVID- 19 pandemic increased turnover and the ensuing negative macroeconomic environment exacerbated labor shortages and contributed to further increases in employee turnover. Labor~~ shortages and increased turnover rates **that** have led to, and could in the future lead to, increased costs, such as increased overtime to meet customer demand and increased wage rates to attract and retain employees and could negatively affect our ability to efficiently operate our production facilities or otherwise operate at full capacity. An overall or prolonged labor shortage, lack of skilled labor, increased turnover or sustained level of wage inflation could have a material adverse impact on our business, financial position, results of operations and cash flows. Disruptions in our global supply chain, including product manufacturing and logistical services provided by our supplier partners, may negatively impact our business. We procure certain products, including raw materials and other commodities, including steel, zinc, brass and other non- ferrous metals, as well as parts, components (including electronic components) and logistical services from supplier partners located throughout the world. Our ability to meet our customers' needs and achieve cost targets depends on our ability to maintain key manufacturing and supply arrangements, including supplier execution and certain sole supplier or sole manufacturing arrangements. Our reliance on these third parties reduces our control over the manufacturing and delivery process, exposing us to risks including reduced control over product costs and delivery. Additionally, because not all of our supply arrangements provide for guaranteed supply and some key parts and components may be available only from a single supplier or a limited group of suppliers, we are also subject to supply and pricing risks, which could negatively impact our margin performance, results of operations, inventory levels and cash flows. If we are unable to effectively manage these relationships, or if these third parties experience delays, disruptions, shortages of materials, labor, electronic and other components, capacity constraints, regulatory issues or quality control problems in their operations, freight delays and other supply chain constraints and disruptions, or otherwise fail to meet our future requirements for timely delivery, our ability to ship and deliver certain of our products to our customers could be impaired and our business could be harmed. Legal and Compliance Risks We are subject to risks related to corporate social responsibility and reputational matters. Our reputation and the reputation of our brands, including the perception held by our customers, end- users, business partners, investors, other key stakeholders and the communities in which we do business are influenced by various factors. There is an increased focus from our stakeholders, as well as regulatory authorities both within the U. S. and internationally, on ESG practices and disclosure. If we fail, or are perceived to have failed, in any number of ESG matters, such as environmental stewardship, DEI, good corporate governance, workplace conduct and support for local communities, or to effectively respond to changes in, or new, legal, regulatory or reporting requirements concerning climate change or other sustainability concerns, we may be subject to regulatory fines and penalties, and our reputation or the reputation of our brands may suffer. Further, we have made several public commitments regarding our intended reduction of carbon emissions, including a commitment to achieve carbon neutral emissions by 2050. Although we intend to meet these commitments, we may be required to expend significant resources to do so, which could increase our operational costs. Further, there can be no assurance of the extent to which any of our commitments will be achieved, or that any future investments we make to achieve such commitments will meet investor, legal and / or any other regulatory expectations and requirements **. Moreover, we may determine that it is in the best interest of our Company and our stockholders to prioritize other business, social, governance or sustainable investments over the achievement of our current commitments based on economic, technological developments, regulatory and social factors, business strategy or pressure from investors, activist groups or other stakeholders** . If we are unable to meet our commitments, we could incur adverse publicity and reaction from investors, advocacy groups or other stakeholders, which could adversely impact our reputation and brand perception. Such damage to our reputation and the reputation of our brands may negatively impact our business, demand for our products and services, our financial condition and results of operations. In addition, negative or inaccurate postings or comments on social media or networking websites about our company or our brands could generate adverse publicity that could damage our reputation or the reputation of our brands. If we are unable to effectively manage real or perceived issues, including concerns about product quality, safety, corporate social responsibility or other matters, sentiments toward the Company or our products could be negatively impacted, and our financial results could suffer. Our brands are important assets of our businesses, and violation of our trademark rights by imitators could negatively impact revenues and brand reputation. Our brands and trademarks enjoy a reputation for quality and value and are important to our success and competitive position. Unauthorized use of our trademarks may not only erode sales of our products but may also cause significant damage to our brand name and reputation, interfere with relationships with our customers and increase litigation costs. There can be no assurance that our on- going effort to protect our brand and trademark rights will prevent all violations. Material legal judgments, fines, penalties or settlements imposed against us or our assets could adversely affect our business, financial condition, results of operations and cash flows. We are currently, and may in the future become, involved in legal proceedings, claims and disputes incidental to the operation of our business in the ordinary course. Our business may be adversely affected by the outcome of these proceedings and other contingencies (including, without limitation, environmental, product and warranty liability, claims for property damage, physical harm or bodily injury, antitrust, intellectual property, data protection, privacy and labor and employment matters) that cannot be predicted with certainty. As required by GAAP, we establish reserves based on our assessment of the probability of contingencies and whether we are able to reasonably estimate the expected range of loss. Subsequent developments in legal proceedings and other contingencies may affect our assessment and estimates of the loss contingency recorded as a reserve, and we may incur additional costs or be required to make material payments beyond our previously recorded reserves. Allegations that we have infringed the intellectual property rights of third parties could negatively affect us. We may be subject to claims of infringement of intellectual property rights by third parties. In particular, we often compete in areas having extensive intellectual property rights owned by others, and we have become subject to claims alleging infringement of intellectual property rights of others. In general, if it is determined that one or more of our technologies, products or services infringes the intellectual property rights owned by others, we may be required to cease marketing those products or services, to obtain licenses from the holders of the intellectual property at a material cost or to take other actions to avoid infringing such intellectual property rights. The litigation process is costly and subject to inherent uncertainties, and we may not prevail in litigation matters regardless of the merits of our position. Adverse intellectual property litigation or claims of infringement against us may become extremely disruptive if the plaintiffs succeed in blocking the trade of our products and services and may have a material adverse effect on our business. Our reputation, ability to do business and results of operations could be impaired by improper conduct by any of our employees, agents or business partners. We are subject to regulation under a variety of U. S. federal and state and non- U. S. laws, regulations and policies including laws related to anti- bribery and anti- corruption, export and import compliance, competition and anti- money laundering due to our global operations. We provide compliance training for our employees and have other controls and procedures in these areas. We cannot provide assurance that our internal controls will always protect us from the improper conduct of our employees, agents and business partners. Any improper conduct could damage our reputation and subject us to, among other things, civil and criminal penalties, material fines, equitable remedies (including profit disgorgement and injunctions on future conduct), securities litigation, adverse publicity and a general loss of investor or public confidence. Our operations are subject to regulatory risks. Our U. S. and non- U. S. operations are subject to a number of laws and regulations, including fire and building codes and EHS standards. We have incurred, and will be required to continue to incur, significant expenditures to comply with these laws and regulations. Changes to, or changes in interpretations of, current laws and regulations, including climate change legislation or other environmental mandates, could require us to increase our compliance expenditures, cause us to significantly alter or discontinue offering existing products and services or cause us to develop new products and services. Altering current products and services or developing new products and services to comply with changes in the applicable laws and regulations could require significant research and development investments, increase the cost of providing the products and services and adversely affect the demand for our products and services. In the event a regulatory authority concludes that we are not or have not at all times been in full compliance with these laws or regulations, we could be fined, criminally charged or otherwise sanctioned. Certain environmental laws assess liability on current or previous owners of real property or operators of manufacturing facilities for the costs of investigation, removal or remediation of hazardous substances or materials at such properties or at properties at which parties have disposed of hazardous substances. Liability for investigative, removal and remedial costs under certain U. S. federal and state laws and certain non- U. S. laws are retroactive, strict and joint and several. In addition to cleanup actions brought by governmental authorities, private parties could bring personal injury or other claims due to the presence of, or exposure to, hazardous substances. We have received notifications from U. S. and non- U. S. governmental agencies, including the EPA and similar state environmental agencies, that conditions at a number of current and formerly owned sites where we and others have disposed of hazardous substances require investigation, cleanup and other possible remedial action. These agencies may require that we reimburse the government for its costs incurred at these sites or otherwise pay for the costs of investigation and cleanup of these sites, including by providing compensation for natural resource damage claims from such sites. For more information, see" Item 1. Business – Regulatory Matters." While we have planned for future capital and operating expenditures to maintain compliance with environmental laws and have accrued for costs related to current remedial efforts, our costs of compliance, or our liabilities arising from past or future releases of, or exposures to, hazardous substances, may exceed our estimates. We may also be subject to additional environmental claims for personal injury or cost recovery actions for remediation of facilities in the future based on our past, present or future business activities. As a global business, we have a relatively complex tax structure, and there is a risk that tax authorities will disagree with our tax positions. Since we conduct operations worldwide through our subsidiaries, we are subject to complex transfer pricing regulations in the countries in which we operate. Transfer pricing regulations generally require that, for tax purposes, transactions between us and our affiliates be priced on a basis that would be comparable to an arm' s length transaction and that contemporaneous documentation be maintained to support the tax allocation. Although uniform transfer pricing standards are emerging in many of the countries in which we operate, there is still a relatively high degree of uncertainty and inherent subjectivity in complying with these rules. To the extent that any tax authority disagrees with our transfer pricing policies, we could become subject to significant tax liabilities and penalties. Our tax returns are subject to review by taxing authorities in the jurisdictions in which we operate. Although we believe we have provided for all tax exposures, the ultimate outcome of a tax review could differ materially from our provisions. We could be subject to changes in tax rates, the adoption of new tax legislation or exposure to additional tax liabilities. Our future effective tax rate and cash tax obligations could be adversely affected by shifts in our mix of earnings in countries with varying statutory tax rates, changes in the valuation of our deferred tax assets or liabilities or changes in tax laws, regulations, interpretations or accounting principles, as well as certain discrete items. In addition, we are subject to regular review and audit by tax authorities. As a result, we have received, and may in the future receive, assessments in multiple jurisdictions on various tax- related assertions. Any adverse outcome of such a review or audit could have a negative effect on our operating results and financial condition. In addition, the determination of our worldwide provision for income taxes and other tax liabilities requires significant judgment, and there are many transactions and calculations where the ultimate tax determination is uncertain. Although we believe our estimates are reasonable, the ultimate tax outcome may differ from the amounts recorded in our Consolidated Financial Statements and may materially affect our financial results in the period or periods for which such determination is made. Furthermore, due to shifting economic and political conditions, tax policies, laws, interpretations and rates in various jurisdictions may be subject to significant change, which could materially affect our financial position and results of operations. For example, many countries in Europe, as well as a number of other countries and organizations, have recently proposed, recommended or implemented changes to existing tax laws or have enacted new laws that could significantly increase our effective tax rate or cash tax obligations in countries where we do business or require us to change the manner in which we operate our business. **Additionally, the European Commission has been investigating whether various tax regimes or private tax rulings provided by a country to a particular taxpayer may constitute State Aid. We continue to examine the impact the above items may have on our business and the amount of tax we must pay.** The **implementation of global tax reforms could negatively impact our financial results. In recent years, the** Organization for Economic Cooperation and Development (" OECD ") has led international efforts ~~in recent years to devise a permanent two~~ - **to implement various international** ~~- pillar solution to address the~~ tax ~~challenges arising from~~ **reforms, including** the ~~digitization~~ **introduction** of ~~the economy. Pillar One focuses on nexus and profit allocation. Pillar Two provides for~~ a global minimum effective corporate tax **(" GMT ")** rate of 15 %, applied on a jurisdiction- by- jurisdiction basis. ~~We currently expect~~ **Over 130 countries agreed** to ~~be outside~~ the ~~scope~~ **general framework** of the **GMT** ~~Pillar One proposals. In December 2021, the OECD published detailed~~ rules ~~that define the scope of the Pillar Two proposal~~ and **approximately 25 countries have implemented** ~~, based on our current understanding of the minimum revenue thresholds contained in these~~ - **the GMT** rules ~~, we expect to be within their scope and implementation~~ . **Further** ~~A number of countries are currently proposing to implement core elements of the Pillar Two proposal by the start of 2024~~ , ~~and~~ on December 15, 2022, the European Union adopted a Council Directive which requires **GMT** ~~certain Pillar Two~~ rules to be transposed into member states' national laws starting in 2024. ~~As~~ **On December 18, 2023, Ireland, the location of our incorporation, enacted legislation which includes provisions regarding the implementation of GMT. We are currently assessing the impact of the legislation, but we expect our effective income tax rate to increase beginning in 2024. Further, we anticipate the continued and ongoing release of OECD GMT interpretive guidance. We are continuing to evaluate the potential impact of this interpretative guidance and the release of GMT- implementation legislation in other countries, and such guidance or legislation could result in** a ~~consequence,~~ **material increase in** our ~~global~~ effective tax rate ~~could be materially impacted by such legislation, or any resulting local country legislation enacted in response to any potential global minimum tax rates. Additionally, the European Commission has been investigating whether various tax regimes or private tax rulings provided by a country to particular taxpayers may constitute State Aid. We cannot currently predict the outcome of any of these potential changes or investigations in any jurisdiction, but if any of the above occurs and impacts us, this could increase our tax burden and / or effective tax rate. We continue to examine the impact the above items may have on our business, including their impact on the amount of tax we must pay~~ . Risks Related to Our Incorporation in Ireland Irish law differs from the laws in effect in the United States and may afford less protection to holders of our securities. The U. S. currently does not have a treaty with Ireland providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters. As such, there is some uncertainty as to whether the courts of Ireland would recognize or enforce judgments of U. S. courts obtained against us or our directors or officers based on U. S. federal or state civil liability laws, including the civil liability provisions of the U. S. federal or state securities laws, or hear actions against us or those persons based on those laws. As an Irish company, we are governed by the Companies Act 2014 of Ireland, as amended, which differs in some material respects from laws generally applicable to U. S. corporations and shareholders, including, among others, differences relating to interested director and officer transactions and shareholder lawsuits. Likewise, the duties of directors and officers of an Irish company generally are owed to the company only. Shareholders of Irish companies generally do not have a personal right of action against directors or officers of the company and may exercise such rights of action on behalf of the company only in limited circumstances. Accordingly, holders of our securities may have more difficulty protecting their interests than would holders of securities of a corporation incorporated in a jurisdiction of the U. S. In addition, Irish law allows shareholders to authorize share capital which then can be issued by a board of directors without shareholder approval. Also, subject to specified exceptions, Irish law grants statutory preemptive rights to existing shareholders to subscribe for new issuances of shares for cash. At our annual general meeting of shareholders, our shareholders authorized our Board of Directors to issue up to 33 % of our issued ordinary shares and further authorized our Board of Directors to issue up to 5 % of such shares for cash without first offering them to our existing shareholders. Both of these authorizations will expire after a certain period unless renewed by our shareholders, and we cannot guarantee that the renewal of these authorizations will always be approved. If the Directors' authority to issue ordinary shares is not renewed, then we may be limited in our ability to use our shares, for example, as consideration for acquisitions. Changes in tax laws, regulations or treaties, changes in our status under the tax laws of many jurisdictions or adverse determinations by taxing authorities could increase our tax burden or otherwise affect our financial condition or operating results, as well as subject our shareholders to additional taxes. The realization of any tax benefit related to our incorporation and tax residence in Ireland could be impacted by changes in tax laws, tax treaties or tax regulations or the interpretation or enforcement thereof by the tax authorities of many jurisdictions. From time to time, proposals have been made and / or legislation introduced to change the tax laws of various jurisdictions or limit tax treaty benefits that if enacted could materially increase our tax burden and / or our effective tax rate. Moreover, other legislative proposals could have a material adverse impact on us by overriding certain tax treaties and limiting the treaty benefits on certain payments, which could increase our tax liability. We cannot predict the outcome of any specific legislation in any jurisdiction. While we monitor proposals that would materially impact our tax burden and / or our effective tax rate and investigate our options, we could still be subject to increased taxation on a going forward basis no matter what action we undertake if certain proposals are enacted, certain tax treaties are amended and / or our interpretation of applicable tax law is challenged and determined to be incorrect. In particular, any changes and / or differing interpretations of applicable tax law that have the effect of disregarding our incorporation in Ireland, limiting our ability to take advantage of tax treaties between jurisdictions, modifying or eliminating the deductibility of various currently deductible payments or increasing the tax burden of operating or being resident in a particular country, could subject us to increased taxation. Dividends received by our shareholders may be subject to Irish dividend withholding tax. In certain circumstances, we are required to deduct Irish dividend withholding tax of 25 % from dividends paid to our shareholders. In the majority of cases, shareholders residing in the U. S. will not be subject to Irish withholding tax, and shareholders resident in a number of other countries will not be subject to Irish withholding tax provided that they complete certain Irish dividend withholding tax forms. However, some shareholders may be subject to withholding tax, which could discourage the investment in our stock and adversely impact the price of our shares. Dividends received by our shareholders may be subject to Irish income tax. Dividends paid in respect of our shares generally are not subject to Irish income tax where the beneficial owner of these dividends is exempt from Irish dividend withholding tax, unless the beneficial owner of the dividend has some connection with Ireland other than his or her shareholding in Allegion. Our shareholders who receive their dividends subject to Irish dividend withholding tax will generally have no further liability to Irish income tax on the dividends unless the beneficial owner of the dividend has some connection with Ireland other than his or her shareholding in Allegion. Certain provisions in our Memorandum and Articles of Association, among other things, could prevent or delay an acquisition of us, which could decrease the trading price of our ordinary shares. Our Memorandum and Articles of Association contains provisions to deter takeover practices, inadequate takeover bids and unsolicited offers. These provisions include, amongst others: • A provision of our Articles of Association which generally prohibits us from engaging in a business combination with an interested shareholder (being (i) the beneficial owner, directly or indirectly, of 10 % or more of our voting shares or (ii) an affiliate or associate of us that has at any time within the last five years been the beneficial owner, directly or indirectly, of 10 % or more of our voting shares), subject to certain exceptions; • Rules regarding how shareholders may present proposals or nominate directors for election at shareholder meetings; • The right of our Board of Directors to issue preferred shares without shareholder approval in certain circumstances, subject to applicable law; and • The ability of our Board of Directors to set the number of directors and to fill vacancies on our Board of Directors. We believe these provisions will provide some protection to our shareholders from coercive or otherwise unfair takeover tactics. These provisions are not intended to make us immune from takeovers. However, these provisions will apply even if the offer may be considered beneficial by some shareholders and could delay or prevent an acquisition that our Board of Directors determines is in our best interests and our shareholders' best interests. These provisions may also prevent or discourage attempts to remove and replace incumbent directors. In addition, several mandatory provisions of Irish law could prevent or delay an acquisition of us. For example, Irish law does not permit shareholders of an Irish public limited company to take action by written consent with less than unanimous consent. We also will be subject to various provisions of Irish law relating to mandatory bids, voluntary bids, requirements to make a cash offer and minimum price requirements, as well as substantial acquisition rules and rules requiring the disclosure of interests in our shares in certain circumstances. Also, Irish companies, including us, may alter their Memorandum of Association and Articles of Association only with the approval of at least 75 % of the votes of the company’ s shareholders cast in person or by proxy at a general meeting of the company.