

AVERY DENNISON CORPORATION
CORPORATE GOVERNANCE GUIDELINES*

1. Director Qualifications

The Board of Directors (the “Board”) will have a majority of Directors who meet the criteria for independence required by the New York Stock Exchange. The Governance and Social Responsibility Committee is responsible for reviewing with the Board the requisite skills and characteristics of new Board members, as well as the composition of the Board as a whole. This assessment will include consideration of member’s and nominee’s qualification as independent, as well as relevant business experience (considering factors such as size, the particular industry, scope, complexity and international operations); attendance; time commitments; conflicts of interest; ability to contribute to the oversight and governance of the Company; as well as an ability to represent the balanced interests of stockholders as a whole, rather than those of any special interest group in the context of the needs of the Board. Nominees for Directorship will be selected by the Governance and Social Responsibility Committee.

It is the sense of the Board that a size of 10 to 12 is about right. However, the Board would be willing to go to a somewhat larger size in order to accommodate the availability of an outstanding candidate.

It is the sense of the Board that individual Directors who change the principal occupation, position or responsibility they held when they were elected to the Board should volunteer to resign from the Board. It is not the sense of the Board that in every instance the Directors, who retire or change from the position they held when they joined the Board, should necessarily leave the Board. There should, however, be an opportunity for the Board through the Governance and Social Responsibility Committee to review the continued appropriateness of Board membership under the circumstances.

Directors should advise the Chairman of the Board and the Chairman of the Governance and Social Responsibility Committee in advance of accepting an invitation to serve on another public company board. There should be an opportunity for the Board, through the Governance and Social Responsibility Committee, to review the Director’s availability to fulfill his or her responsibilities as a Director if he or she serves on more than five other public company boards. The retirement of a Director should normally occur on the date of the annual stockholders meeting following the date on which a director becomes 72.

The Board does not believe it should establish term limits. While term limits could help insure that there are fresh ideas and viewpoints available to the Board, they have the disadvantage of losing the contribution of Directors who have been able to develop, over a period of time, increasing insight into the Company and its operations and, therefore, provide an increasing contribution to the Board as a whole.

* Guidelines adopted by the Board on Jan 29, 2004.

2. Director Responsibilities

The basic responsibility of the Directors is to exercise their reasonable business judgment on behalf of the Company. In discharging that obligation, Directors should be entitled to rely on the honesty and integrity of the Company's senior executives and outside advisors and auditors. The Directors shall also be entitled to have the Company purchase reasonable directors' and officers' liability insurance on their behalf, to the benefits of indemnification to the fullest extent permitted by law and to exculpation as provided by state law and the Company's articles of incorporation.

Directors are expected to attend Board meetings and meetings of Committees on which they serve, and to spend the time needed and meet as frequently as necessary to properly discharge their responsibilities. It is the policy of the Company to encourage the attendance of the directors at the annual stockholders meetings. Information and data that are important to the Board's understanding of the business to be conducted at a Board meeting should generally be distributed in writing to the Directors before the meeting, and Directors should review in advance materials sent to them before the meeting. Board meetings may be held at the location of or in the vicinity of an operating unit of the Company.

The Board has no policy with respect to the separation of the offices of Chairman and the Chief Executive Officer ("CEO"). The Board believes there is no single organizational model that is the best and most effective in all circumstances. As a consequence, the Board periodically considers whether the offices of Chairman and CEO should be combined and who should serve in such capacities. The Board retains the authority to separate or combine the positions of Chairman and CEO as it deems appropriate.

The Chairman will establish the agenda for each Board meeting. At the beginning of the year the Chairman will establish a schedule of agenda subjects to be discussed during the year (to the degree this can be foreseen). Each Board member is free to suggest the inclusion of items on the agenda. Each Board member is free to raise at any Board meeting subjects that are not on the agenda for that meeting. The Board will review the Company's long-term strategic plans during at least one Board meeting each year.

The non-management Directors will meet at regularly scheduled meetings in executive session. If the Chief Executive Officer is also the Chairman, the non-management Directors will select an independent Director to serve as the Lead Independent Director, who shall: (i) preside over executive sessions of the Board and (ii) preside over meetings of the Board at which the Chairman is not present. The Lead Independent Director shall also: (a) serve as liaison between the Chairman and the non-management Directors; (b) approve information sent to the Board; (c) approve meeting agendas for the Board; (d) approve meeting schedules to assure that there is sufficient time for discussion of all agenda items; (e) have the authority to call meetings of the independent Directors; (f) if requested by major shareholders, ensure that (s)he is available for consultation and direct communication; and (g) have such other duties and powers as may be delegated to the Lead Independent Director by the Board.

The name of the Lead Independent Director, if any, will be disclosed in the annual proxy statement. If the group of non-management directors includes any directors who are not

independent, then at least once per year an executive session comprising only independent directors will be scheduled. The Company will disclose a method on its website whereby interested shareholders may communicate with the Lead Independent Director or Non-Executive Chairman, as the case may be.

The Board believes that the management speaks for the Company. Individual Board members may, from time to time, meet or otherwise communicate with various constituencies that are involved with the Company. But it is expected that Board members will do this with the knowledge of the management and, absent unusual circumstances or as contemplated by the Committee charters or as otherwise required, only at the request of management.

3. Board Committees

The Board will have at all times an Audit Committee, Compensation and Executive Personnel Committee and Governance and Social Responsibility Committee. All of the members of these Committees will be independent. The Board also has a Finance Committee. The Board has the flexibility to form new Committees, disband a current Committee, or amend the charter of any Committee.

Each Committee will have its own charter. The charters will set forth the purposes, goals and responsibilities of the Committees. The charters will also provide that each Committee will annually evaluate its performance.

The chairman of each Committee, in consultation with the Committee members, will determine the frequency and length of the Committee meetings consistent with any requirements set forth in the Committee's charter. The chairman of each Committee, in consultation with the appropriate members of the Committee and management, will develop the Committee's agenda.

4. Director Access to Officers and Employees

Directors have full and free access to officers and employees of the Company. Any meetings or contacts that a Director wishes to initiate may be arranged through the CEO, the Secretary or directly by the Director. The Directors will use their judgment to ensure that any such contact is not disruptive to the business operations of the Company.

The Board and each Committee have the power to hire at the expense of the Company independent legal, financial or other advisors, as they may deem necessary.

The Chief Financial Officer and the General Counsel and Secretary attend Board meetings on a regular basis. The Chairman may invite additional officers to attend Board meetings.

5. Director Compensation

The form and amount of Director compensation will be determined by the Compensation and Executive Personnel Committee. The Committee will consider that Directors' independence may be jeopardized if Director compensation and perquisites

exceed customary levels, or if the Company makes substantial payments to an entity with which a director is affiliated as a director or executive officer.

6. Director Orientation and Continuing Education

All new Directors will participate in a Company orientation program, which should be conducted after the director joins the Board. This orientation will familiarize new Directors with the Company's strategic plans, its significant financial, accounting and risk management issues, its compliance programs, its conflict policies, code of ethics and other controls, its principal officers, and its internal and independent auditors. All continuing Directors are also invited to attend the orientation program and participate in continuing education.

7. CEO Evaluation and Management Succession

The Compensation and Executive Personnel Committee ("Compensation Committee") will conduct an annual review of the CEO's performance. The Board of Directors will review the Compensation Committee's report in order to confirm that the CEO is providing effective leadership for the Company in the long- and short-term.

The Compensation Committee should periodically report to the Board on succession planning including CEO selection and performance review, as well as policies regarding succession in the event of an emergency or the retirement of the CEO. The entire Board will work with the Compensation Committee to nominate and evaluate potential successors to the CEO. The CEO should at all times make available his or her recommendations and evaluations of potential successors, along with a review of any development plans recommended for such individuals.

8. Annual Performance Evaluation

The Board of Directors will conduct an annual self-evaluation to determine whether it and its Committees are functioning effectively. The Governance and Social Responsibility Committee will receive comments from all Directors and report annually to the Board with an assessment of the Board's performance. This will be discussed with the Board. The assessment will focus on the Board's contribution to the Company and focus on areas in which the Board or management believes that the Board could improve.