



**Our Pursuit:  
More Innovative,  
More Sustainable**

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## Seeing is Inspiring

Last month, I stood in a rainforest in Uuxactún, Guatemala, with colleagues from Avery Dennison and our partners from Rainforest Alliance. We met with members of the local community who have developed their land into a source for Forest Stewardship Council (FSC)-certified wood products. There I felt the full impact of our decision to buy greener materials. We observed economic development that is sustainable both ecologically and economically: we are ensuring that natural resources are conserved, harvested and used with the future in mind, and we are enabling communities large and small to participate in the global economy while maintaining the integrity of their way of life. This is the kind of far-reaching effect that the decisions of a responsible corporation can have.

Five years ago, Avery Dennison made a public commitment to become a more sustainable company. Since then, as this

report shows, we've made solid progress toward meeting our goals for greener products and operations, compliance with workplace standards, and community investment. We are continuously finding ways to fulfill our vision — to provide materials, products and solutions that enhance brands and make the world more intelligent — that also enhance the world we live in.

As we've moved toward our 2015 milestones, we've discovered just how much more we can do. As a manufacturer and supplier, we see up and down the value stream and measure the impact of our products and solutions in comprehensive terms. And as an industry leader, we are in a position to bring together a full range of stakeholders to work on solutions that make entire industries more sustainable. In fact, we believe it's our responsibility.

At the same time we are reducing the amount of waste

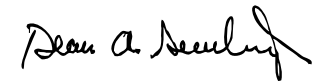
we send to landfills, we are facilitating a network for printers, packagers and packaged goods brands to reduce waste across the industry. We are contributing our experience with Avery Dennison® Greenprint to the efforts of the Sustainable Apparel Coalition to develop the Higg Index for measuring the environmental and social impacts of apparel. In Bangladesh, our team maintains conditions in our two factories far above local standards, and we are consulting with apparel industry authorities on nationwide improvements.

As I write this, we are in the process of setting new long-term targets. We will raise the bar for energy, greenhouse gas emissions, waste, and workplace safety, and at the same time continue to work with our stakeholders on recycling and social compliance. We are also setting ambitious goals for our three most important materials: paper, plastic films

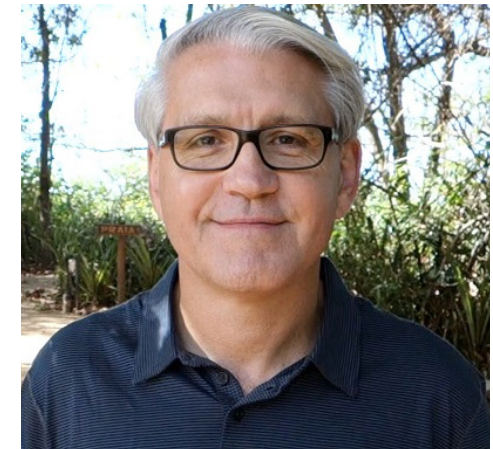
and the chemicals used in labels and adhesives. We are implementing our responsible paper sourcing policy with the ultimate goal of achieving full certification. We also intend to explore bio-based alternatives to petroleum-based resins and chemicals. We believe we can help bring the packaging and apparel industries toward widespread use of these more sustainable materials and at the same time reduce our costs.

Five years into this journey, we have expanded our sense of what's possible. We envision a world in which all label and packaging materials are responsibly sourced. We see a retail apparel industry with a fully transparent global supply chain and facilities that are great places to work. And we see corporations partnering with customers and communities to address significant problems in ways that benefit people and the planet. Our founder, R. Stanton Avery, once said he wanted to spend his life helping people, and that by

running a great business he could help more people than he could on his own. We are passionate in our belief that we can make a difference for all of our stakeholders.



Dean Scarborough  
Chairman, President  
and Chief Executive Officer  
Avery Dennison Corporation



## Avery Dennison at a Glance

Avery Dennison Corporation (Avery Dennison) is a global leader in labeling and packaging materials and solutions. Our applications and technologies are an integral part of products used in every major market and industry. With operations in more than 50 countries and over 26,600 employees worldwide, we deliver insights and innovations to customers that help make brands more inspiring and the world more intelligent.

Headquartered in Pasadena, California, Avery Dennison is organized into two financial reporting segments: Pressure-sensitive Materials (PSM) and Retail Branding and Information Solutions (RBIS), and an additional group of other specialty converting businesses. Avery Dennison (NYSE: AVY) is a Fortune 500® company with sales from continuing operations of \$6 billion in 2012.

# 71%

**Pressure-sensitive Materials**



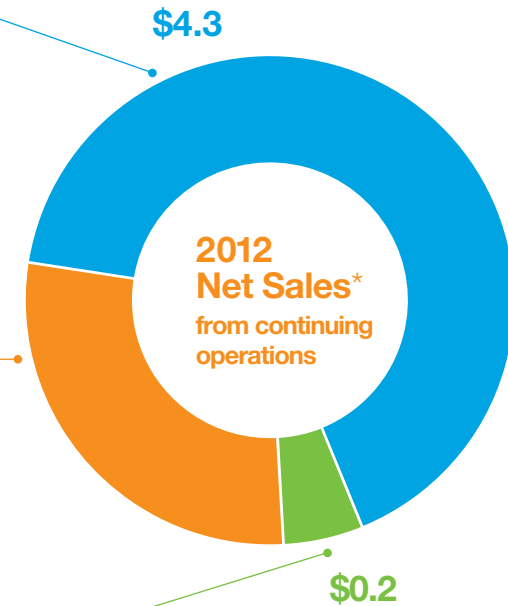
# 25%

**Retail Branding and Information Solutions**



# 4%

**Other Specialty Converting Businesses**



\* Sales data, in billions, is as presented in the Avery Dennison 2012 Annual Report, when Other Specialty Converting Businesses included Designed and Engineered Solutions (DES) as well as Vancive Medical Technologies. DES was divested in 2013.

This report primarily details the 2011 and 2012 performance of our two financial reporting segments, PSM and RBIS. Within PSM, information focuses on Materials Group (MG), which comprises Label and Packaging Materials, Graphics Solutions, Reflective Solutions, and Performance Tapes.

## Pressure-sensitive Materials



PSM is a global leader in pressure-sensitive solutions. We leverage a broad, global portfolio of innovations and proven solutions to help its customers grow in a variety of market segments. Our products span a wide range of applications including pressure-sensitive label materials, packaging materials and solutions, roll-fed sleeves, performance polymer adhesives and engineered films, graphic imaging media, reflective materials and pressure-sensitive tapes. PSM, which goes to market as Materials Group, comprises Label and Packaging Materials, Graphics Solutions, Reflective Solutions, and Performance Tapes.

### Market Segments

Food, beverage, spirits, household products, pharmaceuticals, health and beauty, durables, fleet, vehicle/automotive, variable information end markets (shipping labels, bar codes), architectural/retail, promotional/advertising, traffic, safety, transportation, original equipment manufacturing, personal care, electronics, building and construction

### Customers

Label converters, package designers, packaging engineers and manufacturers, industrial manufacturers, printers, distributors, designers, advertising agencies, government agencies, sign manufacturers, graphic vendors, electronics original equipment manufacturers, construction firms, personal care product manufacturers

### 2012 Sales in Millions

**\$ 4,255**

## Retail Branding and Information Solutions



RBIS is a global leader in apparel and footwear industry solutions. RBIS provides intelligent, creative and sustainable solutions that elevate brands and accelerate performance throughout the global retail supply chain. We elevate brands through graphic tickets, tags and labels, embellishments and packaging solutions that enhance consumer appeal. We accelerate performance through RFID enabled inventory and loss prevention solutions, price management, global compliance, and brand security solutions.

### Market Segments

Apparel manufacturing and retail supply chain, food service and supply chain, hard goods and supply chain, pharmaceutical supply chain, logistics

### Customers

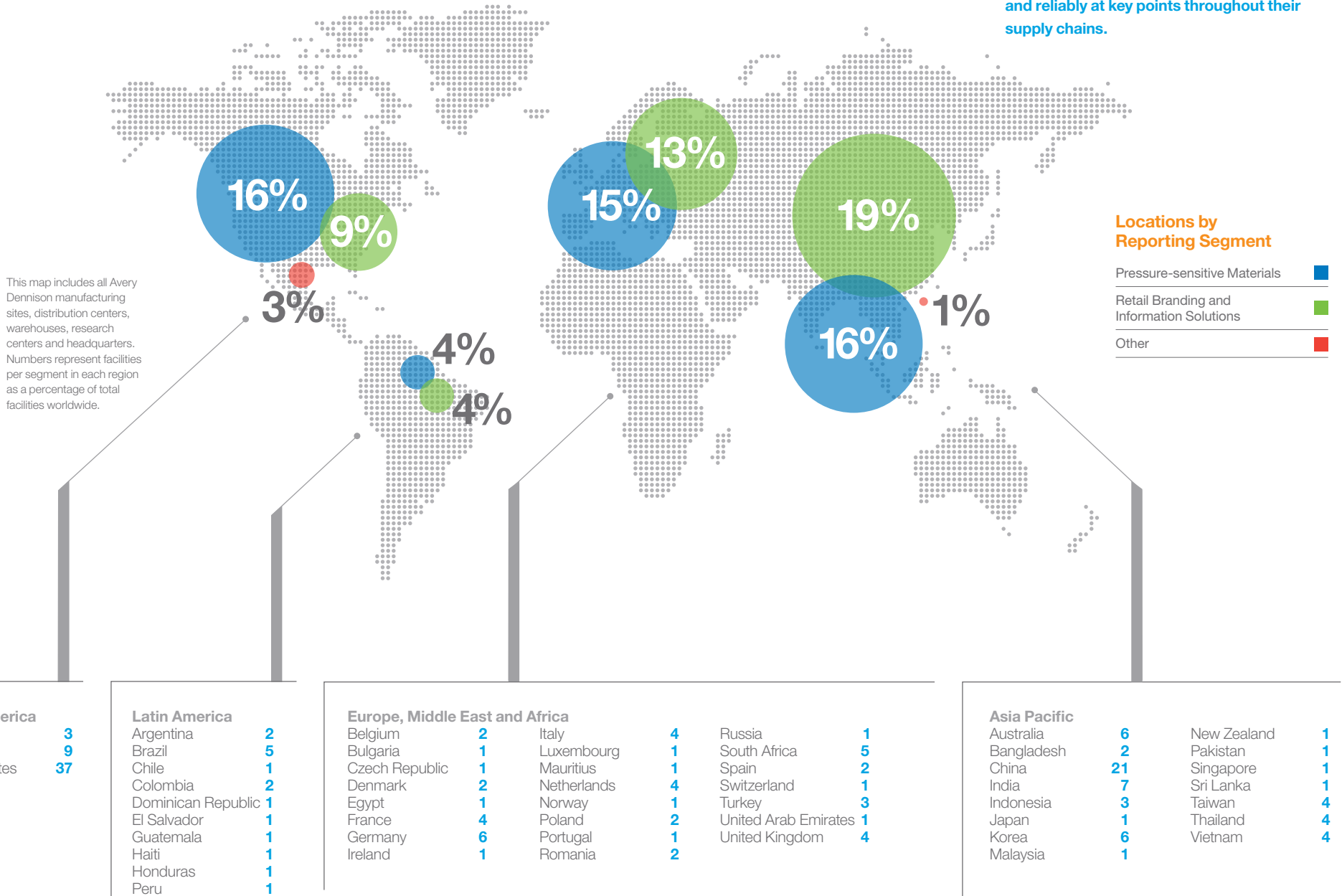
Apparel brands, manufacturers and retailers; food service, grocery and pharmaceutical supply chains; consumer goods brands, manufacturers and retailers; automotive manufacturers; transportation companies

### 2012 Sales in Millions

**\$1,534**

## Our Global Operations

As of July 2013, we operated 179 sites in 51 countries. Our global footprint enables us to serve customers rapidly, flexibly and reliably at key points throughout their supply chains.



### North America

Canada	3
Mexico	9
United States	37

### Latin America

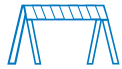
Argentina	2
Brazil	5
Chile	1
Colombia	2
Dominican Republic	1
El Salvador	1
Guatemala	1
Haiti	1
Honduras	1
Peru	1

### Europe, Middle East and Africa

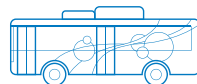
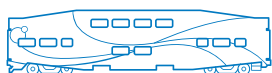
Belgium	2	Italy	4	Russia	1
Bulgaria	1	Luxembourg	1	South Africa	5
Czech Republic	1	Mauritius	1	Spain	2
Denmark	2	Netherlands	4	Switzerland	1
Egypt	1	Norway	1	Turkey	3
France	4	Poland	2	United Arab Emirates	1
Germany	6	Portugal	1	United Kingdom	4
Ireland	1	Romania	2		

### Asia Pacific

Australia	6	New Zealand	1
Bangladesh	2	Pakistan	1
China	21	Singapore	1
India	7	Sri Lanka	1
Indonesia	3	Taiwan	4
Japan	1	Thailand	4
Korea	6	Vietnam	4
Malaysia	1		



# Our Sustainability Commitment



Our pursuit of a more sustainable future at Avery Dennison is having far-reaching consequences.

With each step forward, we're forging deeper, more productive relationships with our customers, transforming our products and the ways we make them, and energizing our employees around the world to participate and achieve.

We're discovering the powerful ripple effect that we can have on global value chains, from cotton farm to retail mall, from manufacturing plant to grocery shelf, from rainforest to landfill. And all the people and processes in between.

It's exhilarating and humbling at the same time. Because, for a company like ours, with materials, products and solutions that touch virtually every major industry and, through them, billions of consumers, there is always more to do. Much more.

Our core commitment has not changed: to improve our own sustainability performance while helping our partners do the same. But our experiences as we've pursued these goals have broadened our vision, emboldened our ambitions and inspired us to reach further and move faster.

In this report, we share with you what we have accomplished to date and where we are headed next.

## Vision to Action

Companywide five-year targets, using a 2010 baseline, and our progress in achieving them.



\* U.S. OSHA, 2011



## Collaborate with Stakeholders



## Partnering with Others

We work with a number of industry organizations, trade associations and non-governmental organizations to identify and champion important sustainability opportunities. Through broad engagement, we hope to advance our own sustainability goals and help others operate more sustainably.

Select Industry Organization Affiliations:



Leading regional trade associations for pressure-sensitive labeling and narrow web converting including:

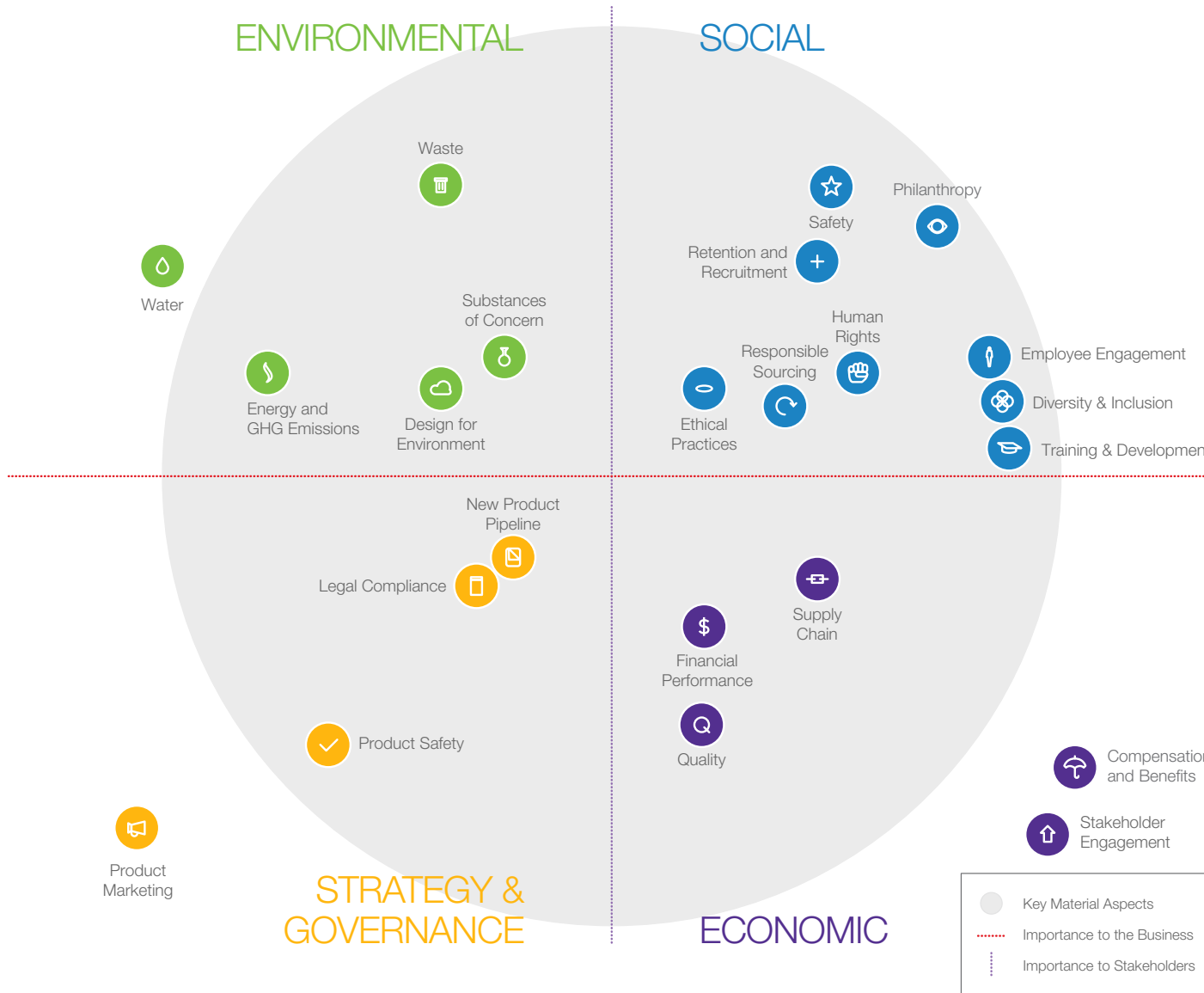


## Partnering with NAPCOR to Improve Polyethylene Terephthalate (PET) Recyclability

Many of our customers are working to increase the use of recycled PET in their products. To do so, they require access to a stable, high-quality supply of recycled PET resin. Supply, however, can be impacted by labels that impede the recycling process. To help improve the recyclability of PET containers, Avery Dennison joined NAPCOR, the trade association for the PET plastic packaging industry in the United States and Canada. Through this partnership, we contribute our knowledge of labeling technology while learning how to reduce the impact of labels on PET recycling. As a result, we've developed labeling solutions that readily separate from the container during the recycling process without contaminating PET with adhesives or label material. As part of the product development process, we work with other NAPCOR members to test our products in their recycling facilities. We then send the materials to a third-party lab to further validate that the labels will not adversely impact the creation of food-grade recycled PET flake. This collaboration, which is ongoing, is helping to generate new innovative technologies while facilitating the sustainable use and recycling of PET plastic for the entire industry.

## Identify, Measure and Adjust

Identifying challenges and opportunities is the first step in the development of our sustainability strategy and measurements; we then assess their potential impact on our stakeholders, employees and businesses. The issues shown below have been identified as important and are ordered in terms of priority. We conduct a materiality assessment biennially and more often if warranted.



Our materiality assessment highlighted several new issues, most of which were related to product innovation, the area we believe has the greatest potential for improving our sustainability performance. These issues included new product pipeline, responsible sourcing, supply chain and substances of concern.

We also added ethical practices and financial performance to our assessment to acknowledge the importance of these foundational issues to our stakeholders, particularly customers, brand owners and shareholders. Our sustainability strategy is focused on these priorities as highlighted throughout the report.

To conduct our assessment, we interviewed more than 35 internal subject matter experts who interact frequently with our various stakeholders. We also reviewed a variety of sources, including internal strategic plans and reports, customer surveys, media coverage and internet postings.

A full list of significant issues, and their relative ranking, is shown in our current materiality assessment grid in Appendix A.

## Ensure Focused Leadership

Avery Dennison's commitment to a robust sustainability plan of action involves the active support and participation of the company's entire senior leadership team, which is held accountable for progress by the company's Board of Directors.

Our Sustainability Charter, which is regularly reviewed and updated, articulates the policies, goals and guidelines by which the company and its leaders embed sustainability goals into strategic planning, product development and operations.

Our Corporate Sustainability Committee, comprised of a team of corporate leaders that includes our chief executive officer, establishes, reviews and oversees implementation of our sustainability strategy.

In 2012, our two primary business units, Materials Group and Retail and Branding and Information Solutions, formed cross-functional Sustainability Steering Committees to improve their ability to tailor strategies relevant to their unique circumstances.

Our management provides periodic sustainability performance updates to the Governance and Social Responsibility Committee of the Board of Directors. Updates on environment, health and safety performance are periodically provided to the Board's Audit Committee.

### Sustainability Governance Structure\*



#### Board of Directors' Governance and Social Responsibility Committee

*Guides vision for sustainability agenda and reviews performance*



#### CEO

*Executive Sponsor of Sustainability*



#### Corporate Sustainability Committee

*Reviews vision for sustainability and guides implementation*



#### Materials Group Steering Committee

*Develops business-specific sustainability strategies*



#### RBIS Steering Committee

*Develops business-specific sustainability strategies*

\* As of July 2013

## Deliver Sustainable Results

Our sustainability efforts require an investment of time and resources. We believe they can generate meaningful business value, advance our leadership in the markets we serve, and strengthen our long-term ability to deliver competitive returns to our shareholders—a critical stakeholder group for our business.

Our experience shows that incorporating greater sustainability characteristics into products can deliver both performance and environmental advantages that are attractive to our customers, generate new revenue streams, and enhance our competitive differentiation in the marketplace.

We have also found that strengthening employee engagement in our overall

business goals, and championing employees in their own business and community leadership aspirations, can contribute to improved productivity and lower turnover.

Our multi-year focus on developing lean manufacturing capabilities across our company, a program we call Enterprise Lean Sigma, has consistently increased our operating efficiency, improved our service quality and reliability, and reduced our raw material and energy costs.

All of these factors can contribute to an improved financial performance, which allows us to reinvest in our business priorities and provide a healthy return to our shareholders.

### Company Results versus Long-Term (2012 –2015) Targets<sup>(1)</sup>

	Long-term Targets	2012 Results
Organic Sales Growth*	3% –5%	4%
Adjusted Net Income <sup>*(2)</sup> Growth	10% –15%	16%
Adjusted Earnings Per Share <sup>*(2)</sup> Growth	15% –20%+ <sup>(3)</sup>	20%
Annual Free Cash Flow <sup>*(4)</sup>	\$300M+	\$312M

### Financial Performance (2010-2012)<sup>(5)</sup>

Dollars in millions, except per share amounts	2010	2011	2012
Net sales	\$5,782.0	\$6,026.3	<b>\$6,035.6</b>
Income from continuing operations before taxes	239.0	232.9	<b>255.5</b>
Net income from continuing operations	241.8	154.4	<b>169.1</b>
Adjusted net income from continuing operations <sup>*(2)</sup>	255.5	185.3	<b>215.1</b>
Net income	316.9	190.1	<b>215.4</b>
Net income per common share, assuming dilution	2.97	1.78	<b>2.08</b>
Adjusted net income per common share, assuming dilution <sup>*(2)</sup>			
Continuing operations	2.39	1.74	<b>2.08</b>
Discontinued operations	0.76	0.42	<b>0.56</b>
Total Company	3.15	2.16	<b>2.64</b>
Dividends per common share, assuming dilution	0.80	1.00	<b>1.08</b>
Total assets	5,099.4	4,972.7	<b>5,105.3</b>
Total debt	1,337.2	1,181.3	<b>1,222.4</b>
Shareholders' equity	1,645.7	1,658.5	<b>1,580.9</b>

\* Non-GAAP financial measure. All non-GAAP financial measures are reconciled to the most directly comparable GAAP measures in Appendix B.

1. All long-term target percentages are for results from continuing operations and reflect compound annual growth rates, with 2011 as the base period.

2. Excluding restructuring charges and other items

3. Excluding the impact of share repurchase utilizing the proceeds from divestitures

4. Cash flow from operations less payments for property, plant and equipment, software and other deferred charges, plus proceeds from sale of property, plant and equipment, plus (minus) net proceeds from sales (purchases) of investments, plus discretionary pension plan contributions from divestiture proceeds

5. 2010-2012 results from continuing operations exclude the results of the Office and Consumer Products business, which was divested in 2013.

A close-up photograph of two hands, one from the left and one from the right, gently holding a glowing, golden orb. The background is a soft, out-of-focus bokeh of warm, golden light, suggesting a sunset or sunrise. The hands are positioned as if they are carefully cradling the light. The overall mood is inspirational and hopeful.

## Inspired Purpose

Each day, in hundreds of communities in more than 50 countries, thousands of people choose to come to work for Avery Dennison. Our employees represent a rich tapestry of talent, creativity and integrity. It is their hands, their minds and their hearts that build our company, express our values and shape our future. This is where our inspiration begins.

## Our Values in Action

Our values and leadership principles shape our culture as a dynamic workplace where employees are encouraged to think big, act boldly and work collaboratively across boundaries. We hold one another accountable to act with integrity.

All employees are bound by the [Avery Dennison Code of Conduct](#). The Code and its implementing programs are designed to encourage an ongoing dialogue about the choices we make every day. Each member of our workforce receives training on the Code and affirms their commitment to comply. Our chief executive officer and senior financial officers have an additional [Code of Ethics](#) which they must follow.

Our corporate compliance office works to ensure that everyone is aware of our commitment to ethical business practices and the consequences of failing to live up to them. Ethics-focused programs engage internal stakeholders from the executive office to the plant floor. These programs are continuously evaluated and updated to address employee feedback, emerging issues and changing risks. In 2012, employees registered for more than 42,000 online classes on topics ranging from conflicts of interest and gifts to information security, imports and customs compliance and working with agents and intermediaries.

**I'm proud to work for a company that places such a strong emphasis on values and ethics. Our local line managers are visibly committed to ensuring that we operate ethically and responsibly, and we receive ongoing training in areas such as trade compliance and local regulatory requirements to assist in our day-to-day decisionmaking. The training helps us do our work without fear or questions about what's right and wrong.**

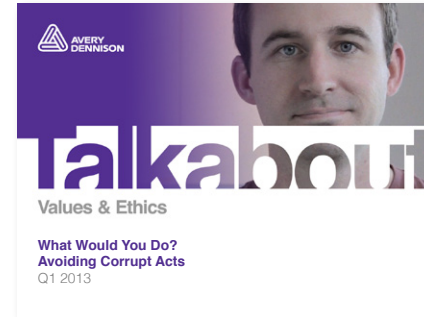
Leonardo Jacinto, Customer Service Representative, RBIS  
Santiago de los Caba, Dominican Republic

## Our Values in Action

Our employees are encouraged to seek counsel about or report any issues of potential misconduct. They may contact leadership, human resources representatives, the Office of General Counsel or Group Ethics Counsels, or use the Avery Dennison Business Conduct GuideLine (a confidential phone and online service available 24 hours a day, 7 days a week).

In 2012, we received 189 ethics-related inquiries. In addition to reporting issues of potential misconduct, employees also asked questions regarding compliance issues, health and safety concerns and employment practices. Reports are investigated and any substantiated incidences of misconduct result in disciplinary action, up to and including termination.

Once a year, employees at the director level or above complete an Attestation of Legal and Ethical Compliance to ensure that any matters related to legal or ethical compliance are reported, investigated and resolved. The process is intended to confirm that key employees have read, understand and comply with our policies on Legal and Ethical Conduct. Additionally, to prevent conflicts of interest, we annually survey employees at the manager level and above, or those with signature authority of \$1,000 or greater. Disclosures of any matters that may result in an actual or perceived conflict are reviewed by senior management and reported to the Board's Governance and Social Responsibility Committee.



## Values and Ethics Talkabout

Avery Dennison Talkabout toolkits facilitate ethics-related discussions between teams and supervisors. Each issue-specific toolkit includes an introductory video, a Talkabout slide deck providing relevant work scenarios for discussion, other interactive activities and supervisor training tips.



## We Give You a World to Work With

The global nature of our business requires collaboration and fuels a constant exchange of skills, knowledge and ideas. It also provides opportunities for employees to gain the hands-on experience and global perspective critical for building a rewarding career. We work to provide meaningful, tailored opportunities for personal growth and professional development worldwide, from the manufacturing floor through executive leadership.

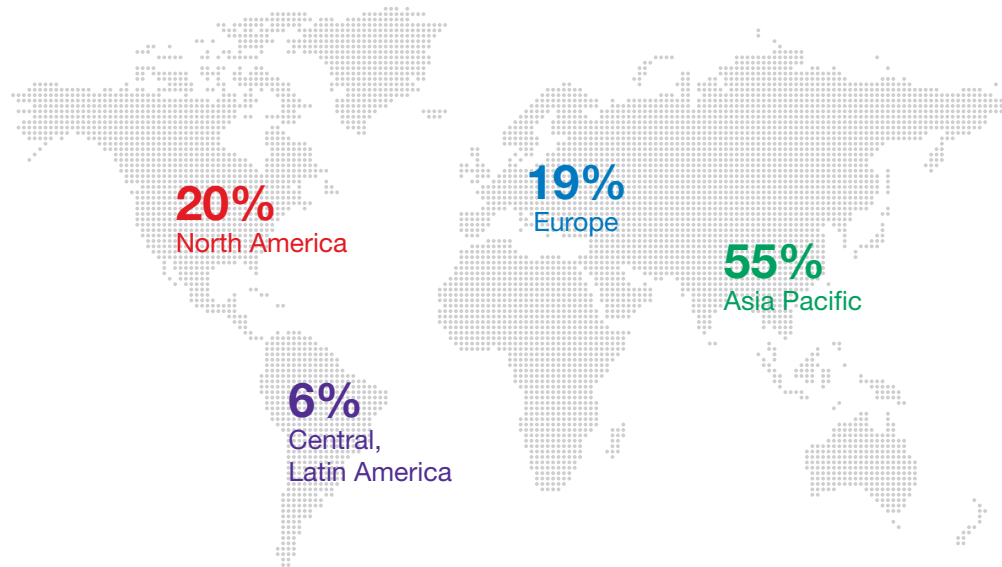
### Providing Global Opportunities

With over 26,000 employees in 50 countries, collaboration across boundaries is the norm. Many employees work on global teams or initiatives that span functions, business units and geographies.

We also offer employees opportunities to experience different aspects of our business through short-term assignments, internal transfers and international roles. These opportunities provide employees with necessary hands-on training to

be successful in their careers while creating a more skilled and diverse workforce to help the Company achieve its mission. In 2012, we filled almost 40% of open positions at the manager level and above with internal candidates – up from 17% in 2010.

### Our Global Workforce by Region



### Our Global Workforce, Total Employees

2010	<b>28,100</b>
2011	<b>26,900</b>
2012	<b>26,600</b>

### Internal Mobility

Percent of Positions Filled with Internal Candidates for Manager Level and Above

2010	<b>17%</b>
2011	<b>25%</b>
2012	<b>39%</b>

## We Give You a World to Work With

### Engaging Employees

Avery Dennison seeks employees who are enthusiastic about their work and eager to make positive contributions that propel product innovation and improve business operations. We encourage employees to contribute their ideas through many avenues, including engagement surveys, employee communities and lean manufacturing initiatives.

### Engagement Surveys

Each of our business units regularly surveys employees to understand how their needs can be better addressed. In 2012, MG and RBIS surveyed employees in management roles. The results showed high levels of employee engagement but also found some areas for improvement, such as leadership development and employee communication. The results are helping shape the development of each unit's strategic plan.

### The Beat

In 2012, Avery Dennison launched The Beat, a community of highly engaged Avery Dennison employees from all business units, functions, geographies and positions within the organization. Beat members are asked to provide monthly feedback to further a high priority initiative. This information is of critical value. For example, Beat members

provided real-time feedback to validate the strategic focus of the Avery Dennison Foundation. In addition to giving employees a voice in shaping the future of the Company, The Beat provides global networking opportunities and allows employees to preview new initiatives.

**The Beat has revolutionized the way employees make their mark at Avery Dennison. Through this global team, employees have the opportunity to connect with colleagues worldwide, engage in meaningful two-way dialogue, and weigh in on initiatives that impact the entire organization. I'm constantly inspired by this passionate and diverse group!**

Kristin L Wong, Manager, Internal Communications,  
Corporate Communications, Pasadena, California, U.S.A.

## We Give You a World to Work With

### InfoXchange

InfoXchange is an online forum where employees can share resources and tools, connect with colleagues and manage their benefits and career development. Today, the portal boasts over 2,600 communities that provide employees the opportunity to connect with other members, host discussion forums and share files.

In late 2013, Avery Dennison is transitioning to a new intranet and social collaboration platform with the tools to extend on-line collaboration to include contractors, partners and customers.

### Enterprise Lean Sigma

Through “kaizen” (Japanese for “improvement”) activities, cross-functional teams collaborate to help reengineer processes to create operational efficiencies. Through these exercises, employees at all levels are empowered to contribute their ideas for making tangible improvements in our operations. Learn more about lean manufacturing efforts in [Inspired Processes](#).



## Building Employee Communities

Many of the people we employ in the Asia-Pacific region travel far from their homes and families for work. We try to provide a supportive work environment, as well as living accommodations and activities that help create a home-away-from-home. At many of our largest plants, we have game rooms, libraries and other recreational facilities. We also sponsor wellness programs and extracurricular activities to foster a sense of community, including cooking classes, film screenings, athletic competitions and volunteer events.

## We Give You a World to Work With

### Skill Building and Leadership Development

We understand the value each individual brings to our organization and work to match them with the resources and opportunities needed to grow their careers and meet their professional goals. Our commitment begins with competitive compensation and reward packages and extends to formal coaching and professional development programs tailored to individual needs.

### Rewarding Employees

Our compensation packages are designed to reward and support the needs of employees and their families. To verify that packages are fair and equitable, we conduct annual compensation studies to ensure our practices are in line with market expectations. During 2011 and 2012, we substantially reduced the number of unique job descriptions within our company from 14,000 to 500, enabling us to more consistently evaluate and compensate individuals in similar roles.

Each year, our professional employees establish goals in consultation with their supervisors and receive mid-year and annual performance reviews. In 2012, more than 90 percent of our professional employees completed

reviews, which are used to shape our compensation and promotions processes. We also strengthened our Leadership Development Review process to maintain a robust talent pipeline at the director level and above, facilitating succession planning.

**The skill building that the Global Process Technology team has offered in the past year has helped me grow both as an individual process engineer and as part of a larger engineering team. Specifically, the MGNA Process Seminar focusing on dryer and NDC exercises allowed for the newer engineers to gain in-depth knowledge of Avery Dennison's core technologies and apply them to our individual processes.**

Christina Lindsay, Process Engineer,  
Label and Packaging Materials, Fort Wayne, Indiana, U.S.A.

## We Give You a World to Work With

### Talent Development

Over the last two years, we've invested heavily in global training systems and programs to extend the reach and breadth of employee development opportunities. Through online training, we significantly expanded the number of courses available to employees around the world. We have also launched several leadership development programs, including advanced training for seasoned leaders and intensive rotational programs for those early in their careers.

**Knowledge Builder:** In 2012, we piloted Knowledge Builder, a new on-line learning management system to provide self-service access to more than 80 training courses in a variety of formats. In January 2013, the site was rolled out to all employees with a corporate email address (approximately half of Avery Dennison employees). During the first half of 2013, over 60 percent of employees with access to the system completed courses.

**Global Leadership and Development Program:** In 2011, we launched our Global Leadership and Development program to build core skills of managers, directors and vice presidents. In its first year, approximately 1,300 employees attended courses in Leadership Fundamentals, Leading with Systems Thinking, and Leading through Strategy and Engagement. In 2012, the number rose to approximately 2,500 employees.

**Rotational Programs:** Avery Dennison offers four rotational leadership development programs in the areas of finance, operations, technology, and marketing and sales. The programs enable recent graduates and young leaders to accelerate their careers by gaining hands-on experience in multiple roles within a collapsed time frame. Many graduates go on to accept full-time leadership positions within the Company. For instance, since the inception of our Global Operations Leadership Development (GOLD) program in 2006, 98 percent of the more than 300 participants went on to full-time positions.



## Life Skills Training in Bangladesh

In developing markets, Avery Dennison provides employees with professional development opportunities to advance their knowledge and skills. At our RBIS facility in Bangladesh, we developed a skills program that includes English language, computer proficiency and persuasive communication skills training to help employees gain confidence in their ability to succeed in a professional work environment. To date, over 100 associates and supervisors have participated in the program.

**As a member of the GOLD Program, I was excited to be joining all of the Americas GOLD Associates for a near month-long Lean Immersion training in Clinton, SC - what better way to rally us all into one passionate team set out to win! The investment Avery Dennison makes in each of its employees is clear and impressive. Great career path decision? I think so!**

Steve Berselli, GOLD Associate, Global IT Supply Chain, RBIS, Westborough, Massachusetts, U.S.A.

## We Give You a World to Work With

### Creating a Diverse and Inclusive Workplace

As an Affirmative Action and Equal Opportunity Employer, we are committed to creating a diverse and inclusive workplace. Over the last two years, we've implemented female recruitment initiatives, veterans outreach and programs aimed at young college graduates, to further increase the diversity of our workforce.

We are particularly focused on recruiting more women into our organization, as females are historically underrepresented in engineering and manufacturing environments. At the vice president level and above, we have instituted a women's recruitment initiative focused on increasing the number of female applicants for every position. We also emphasize female recruitment in our leadership development programs. For instance, in 2012, over 50 percent of our GOLD program graduates were women. In Asia-Pacific, we

support a number of grassroots women's groups through our Avery Dennison Women in Service and Excellence (WISE) program. Today, women account for 35 percent of our total company workforce and 35 percent of management. Additionally, two of our seven-member Corporate Leadership Team and two of our twelve Board members are women.



## Women in Service and Excellence (WISE)

The WISE network, composed of 10 volunteer committees in Bangladesh, Pakistan, India and Sri Lanka, works to create an environment inside and outside Avery Dennison where women feel safe, supported and empowered, both professionally and personally. During 2012, WISE sponsored women's networking events; professional training and development courses; workplace harassment and domestic violence prevention workshops; health and wellness seminars; and community service events. The network also recognizes exemplary women leaders with its annual WISE awards.

### Workforce Diversity

	2010	2011	2012
Percent of Females, Management	31%	34%	35%
Percent of Females, All other employees*	35%	34%	35%

\*Administrative, professional, manufacturing and sales/marketing employees

**I'm actively involved in WISE, a women's forum in Bangladesh. The forum sponsored a number of sessions on topics including women in leadership, worklife balance, job stress management, breast cancer and reproductive health. I'm proud to work for a company that supports these initiatives for women and am grateful that Avery Dennison understands and promotes work-life balance. The AD-WISE program is such an inspiration! It provides a powerful forum to network and interact with other women across Avery Dennison.**

Samia Mahboob, Officer, Customer Services, RBIS, Bangladesh

## We Give You a World to Work With

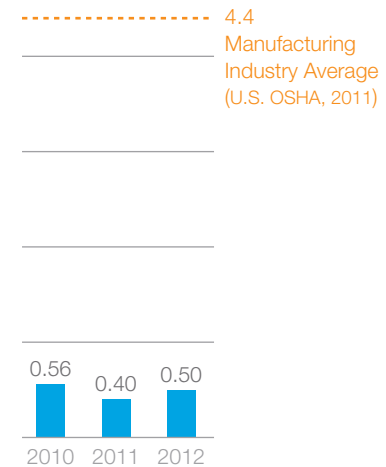
### Employee Safety

Our vision is to achieve an injury-free workplace and protect the environment so that no harm befalls our employees or the communities where we do business. In 2011, we launched “ZERØ Is Achievable” to enhance our focus on eliminating injuries, spills, releases and waste. This aggressive target challenges our employees to become more actively engaged in EHS management and contribute solutions for sustainable improvements.

In 2010, Avery Dennison set a goal of achieving a world-class recordable incident rate (RIR) of 0.5 recordable injuries per 100 employees. After surpassing this goal in 2011 with an RIR of 0.4, we revised our 2015 goal to reflect this higher standard. In 2012, we recorded an RIR of 0.5, an increase over 2011 performance driven in part by operational changes in manufacturing, as well as by increased reporting efforts at acquired international locations.

Overall for this reporting period, our results have continued to be significantly lower than the U.S. OSHA general manufacturing RIR average of 4.4 and lost time case rate of 2.4. Moreover, approximately 67 percent of our facilities work injury-free each year. We attribute this exceptional performance directly to our employees’ commitment to stay safe and protect their colleagues.

### Recordable Incident Rate\*



\* RIR is calculated using the definition provided by U.S. OSHA regulations. RIR is defined by U.S. OSHA as the number of work-related injuries or illnesses per 100 employees requiring more than first-aid treatment.

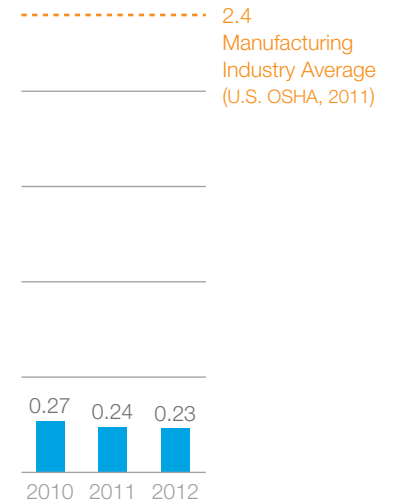
## We Give You a World to Work With

### Employee Safety

To continuously improve our performance, we report and track actual and “near miss” safety incidents through our EHS management system. This helps us identify opportunities to prevent similar occurrences in the future. Over the last two years, we have implemented several initiatives to further advance our safety culture and reduce injuries. These include:

- » **EHS Leadership Program:** In 2011, we introduced an EHS Leadership handbook and training module to enhance our operational leaders’ skills in improving incident prevention and reporting. The program encourages leaders to become personally and visibly involved in safety prevention by helping team members eliminate risks.
- » **Two Hands, Two Gloves Policy:** After a review of safety incident trends, we identified an elevated number of hand lacerations and determined that employees face a higher risk of injury while performing high-frequency manual tasks during machine setup, working in tight areas, troubleshooting and using tools such as knives. In response, MG instituted a new policy in 2010 that replaced all open-blade knives with self-retracting knives and implemented the use of cut-resistant gloves for most hand tasks. This initiative resulted in a 55 percent reduction in hand laceration injuries.
- » **Black Flag Near-Miss Reporting:** We view near-miss reporting as a way to actively engage our team members in preventing potential exposures and incidents. In 2012, we piloted an improved near-miss reporting process, Black Flag, at our facility in Fort Wayne, Indiana. The program empowers team members to immediately stop production and address an unsafe behavior or condition in the workplace. This program was key to the facility achieving its first injury-free year in 2012. This process is being rolled out across all North American MG operations in 2013.

### Lost-Time Incident Rate\*



\* LTIR is calculated using the definition provided by U.S. OSHA regulations. LTIR is defined by U.S. OSHA as the number of work-related injuries or illnesses per 100 employees that result in days away from work, restricted work or transfer.



## Social Responsibility: Living up to A World of Expectations

Avery Dennison is committed to ensuring that our operations reflect our values and respect for fundamental human rights and the environment. With our marketplace partners, we strive to ensure that our supply chain also conforms to these standards. With 179 facilities and thousands of suppliers in more than 50 countries around the world, we are working to leverage company policies, our own business systems and industry efforts to promote social progress and improve environmental protection across the value chain.

Our commitment begins with our employment standards and [Global Supplier Standards](#). These standards, informed by the UN Declaration of Human Rights and International Labour Organization Conventions (ILO), reflect our expectations

for ethical workplace practices across our own operations and those of our supply chain. Across our owned and operated facilities, regular social compliance audits are performed to ensure that we are upholding these commitments. In collaboration with our customers and industry partners, we are also working to advance human rights through supply chain auditing and capacity-building initiatives.

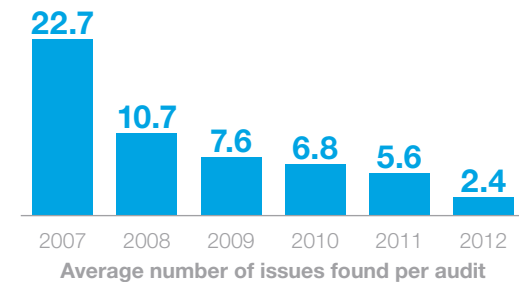
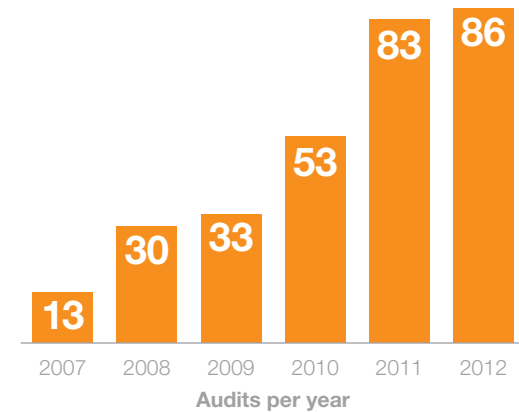
### Respecting Human Rights in Owned Operations

We conduct periodic social compliance audits at our owned facilities to ensure compliance with our Employment Standards. We use a risk-based approach to prioritize facilities based on factors such as the prevailing labor conditions in the countries where we operate and past audit performance.

This allows us to focus on the sites where we can have the greatest impact. In addition to audits, we provide employee training to ensure managers and employees understand their rights and our expectations. In areas of relatively high risk, we also develop specialized training. For example, we recently completed fire safety training at our facilities in Bangladesh.

At the majority of our company-owned facilities in emerging markets, we also participate in on-going third-party audits. For example, between 2011 and 2012, RBIS customers conducted over 160 audits. We are pleased that the number of findings per audit has continued to decline across RBIS.

### RBIS Social Compliance Program Audits



## Serving Local Communities

### Avery Dennison Foundation: Inspiring Human Promise

Our founder, Stan Avery, instilled the value of improving the quality of life in the communities where our employees live, learn and work. This legacy continues through the Avery Dennison Foundation (Foundation) and the passion of our employee volunteers who dedicate their time and energy to address human needs in their communities.

In 2011, the Foundation announced a new vision – “to inspire human promise toward a more intelligent and sustainable world” – and refocused efforts on supporting education and sustainability initiatives that improve the lives of people who live near our facilities. Between 2010 and 2012, the Foundation invested almost \$2.2 million in grants and scholarships supporting local community needs, particularly in emerging markets where the majority of our employees are located.

### Global Grantmaking Initiative

To support its new mission, the Foundation launched a Global Grantmaking Initiative to award grants to nonprofit organizations that advance education and environmental sustainability. Over the last two years, the Foundation made 26 grants primarily in our targeted countries of China, India and Brazil.

Examples of recent grant recipients include:

- » **Centro de Controle e Investigacao Imunologica, Dr. A.C. Corsini** – To support projects that educate and promote the consumption of healthy food choices in Campinas, Brazil.
- » **Kunshan Qianjin Middle School** – To expand science education in Kunshan, China.
- » **Skillshare International Trust** – To support education for migrant workers through a mobile unit in Gurgaon, India.

A full list of current grant recipients is available on our [website](#).



## Collaborating to Provide Clean Drinking Water in Sri Lanka

In 2013, Avery Dennison Sri Lanka partnered with Brandix Group, an Avery Dennison customer, to support the construction of a clean drinking water and sanitation system at the 100-year-old Kanduboda Maha Vidyalaya School in Kelaniya, Sri Lanka. The initiative, which included the construction of a 30-foot elevated water storage tank as well as new and refurbished toilets and washrooms, creates a more hygienic and comfortable learning environment for the school's 350 students and 20 teachers.

## Serving Local Communities

### Scholarships

To support individual achievement and the spirit of innovation, the Foundation awards scholarships to talented young people who demonstrate outstanding academic performance. The Avery Dennison Scholars Program provides financial awards, based on academic merit and community service achievement, to employees' children attending qualifying post-secondary education programs in the U.S. and Canada. The program provided over \$200,000 in scholarships between 2011 and 2012.

In 2008, the Foundation launched the InvEnt "Spirit of Invention" Scholarship Program in China to encourage young college students to pursue careers in science and technology and engage in innovation activities. The InvEnt Program also includes a series of engaging, on-campus Discover Innovation Workshops for awardees and other interested members of the academic community at participating universities. Now in its fifth year, the program has supported a total of 66 promising undergraduate students in China, with scholarships amounting to over \$200,000. In 2012, the Foundation expanded the program to India.

### Disaster Relief

To aid global disaster response and preparedness, we make an annual donation to the American Red Cross. We also work to assist with disaster recovery efforts through volunteer and monetary support when disasters strike communities near our facilities. In 2012, Avery Dennison made a \$10,000 donation to support families affected by a school shooting in the Chardon, Ohio public school district. In 2011, the company provided donations to support families impacted by Tropical Storm Lee, Hurricane Irene and the Japan earthquake and tsunami.



## Rewarding Innovation and Entrepreneurial Spirit in India

In 2012, the Foundation expanded the InvEnt "Spirit of Invention" program to India. The program awards scholarships to India's engineering, science and technology students in order to foster a spirit of innovation and entrepreneurship. Open to first-year Indian national students, the program provides \$1,300 merit-based scholarships to students demonstrating academic excellence and a passion for innovation. In its first year, ten students from three of India's most prestigious institutes of higher learning received scholarships.

## Serving Local Communities

### Community Investment Teams

Our employees' desire to make a positive impact on the world begins at home, in the communities where they live and work. Across the globe, Avery Dennison employees band together through Community Investment Teams (CITs) to help address some of the most pressing needs facing their local communities. In recent years, CITs have supported a wide range of causes, including youth mentoring, domestic violence and homelessness. Since its creation in 2010, the program has expanded to over 30 teams in 15 countries. Teams are supported by the Foundation, which provides technical project support as well as funding through the Granting Wishes program.

### Granting Wishes

Launched in 2011, Granting Wishes allows employees to nominate organizations with which they volunteer for grants ranging from \$1,000 to \$3,000. The grants bolster the ability of individuals and CITs to implement impactful projects that will make a lasting difference in their communities. In 2011 and 2012, Granting Wishes provided \$63,000 to 44 organizations across the U.S. and Europe.



## Partnership with Harvey High School in Painesville, OH

Since 2008, the Avery Dennison CIT in Painesville, Ohio has partnered with Thomas W. Harvey High School to help build student self-esteem and increase the number of students going to college. In collaboration with the school chapter of Future Business Leaders of America, over 50 employee volunteers participate each year in events, workshops and seminars designed to help students build professional workplace and business skills. Topics include time management, public speaking and dining etiquette in a business environment. Employees also mentor individual students by providing education and career guidance as well as support for the Harvey High School Science Olympiad Team. In addition, Avery Dennison donates \$50,000 to the school each year.

“Community Investment Teams give passionate employees the chance to not only lend our time, but also make a financial impact on an initiative in the community. Companies often provide the manpower, but not the accompanying financial resources needed to really make a difference. I’m so thankful to be part of such a giving organization.”

Keith Lupton, ELS Project Leader, Performance Tapes, Painesville, Ohio, U.S.A.

## Serving Local Communities

### Employee Engagement Campaigns

Each year, hundreds of employees join forces to support employee giving campaigns and volunteer days. For more than 40 years, Avery Dennison has partnered with United Way® to raise money for local and national charities. In 2011, more than \$470,000 was raised in Pasadena, California, Northeast Ohio and Buenos Aires, Argentina. In 2012, our U.S. partnership expanded to 10 sites throughout the country, raising over \$855,000. Employees in Pasadena and Northeast Ohio also annually participate in a day of service to benefit local NGOs.

### Recognizing Exemplary Volunteers

Each year, the Foundation presents five employees with the H. Russell Smith Community Service Award for their outstanding commitment to community service and volunteerism. Named for our Director Emeritus and former Chairman, President and CEO, H. Russell Smith, the award recognizes employees who have dedicated their time, innovative ideas and talents to improving the quality of life in their communities. [Videos featuring our award winners can be found here.](#)



## Bolstering Community Engagement in China

In 2011, the Foundation gave a grant to Business for Social Responsibility (BSR) to develop a long-term community engagement strategy at our manufacturing facility in Guangzhou, South China. With input from the facility's local Corporate Social Responsibility Committee, plant employees and government and community representatives, BSR helped develop a plan to increase free library access to migrant workers. The new program includes on-line lending systems that allow plant employees, as well as those in the broader Nansha community, access to books and periodicals.



## H. Russell Smith Employee Volunteer Awards

In 2011, Iryna Ivanova received the H. Russell Smith Employee Volunteer award for her work to improve facilities at an orphanage for children with special needs in Donetsk, Ukraine. After consulting with the orphanage's medical staff, Iryna and her team determined the facility's most critical need was a therapy room for children with severe physical challenges. With support from the Granting Wishes program, Building Across Borders and the H. Russell Smith Award, Iryna and her team funded construction of the specialized therapy and play area.

# Inspired Products

Imagine a world in which shopping is a rich, colorful, infinitely varied visual experience. A world where information is a readily available and easily absorbed part of our physical surroundings. Now imagine delivering this world to consumers worldwide with less and less impact on our planet's well-being. We do, every day, at Avery Dennison. This is where our inspiration is leading us.



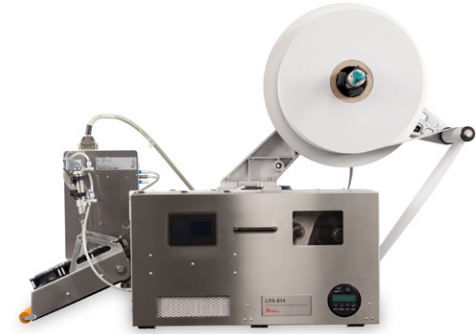
## Improving Product Sustainability

Our journey toward sustainability began with our efforts to reduce the amount of material in our products while advancing their performance. “Downgauging” helped our customers cut costs, reduce waste and improve efficiency – clear and fundamental objectives. Today, however, many of our customers’ sustainability considerations go well beyond material efficiency to include restricted substances, human rights and product certifications. Working across a wide variety of industries and market segments, we have gained greater insights into sustainability challenges up and down our value chain, from one end of the product life cycle to the other.

While our products are often only one component of a brand owner’s ultimate offering – a shirt label, bottle of laundry detergent, or roadside sign – we understand that they can have a substantial impact on a product’s ultimate sustainability profile.

Each of our business units is incorporating customer needs into a strategic approach that embeds sustainability considerations into the product innovation process. MG serves a wide array of consumer and commercial product sectors, focusing on the sustainability challenges facing each sector and developing targeted solutions, many of which translate across regions and customer categories. RBIS, which primarily serves the apparel, footwear and

retail sectors, has aligned its strategy to support the goals of the Sustainable Apparel Coalition (SAC), an organization committed to addressing the apparel and footwear industry’s sustainability challenges. In each case, our businesses are forming cross-functional and cross-industry teams – including suppliers, customers, brand owners and industry partners – to accelerate innovation that can benefit entire industries, while creating a competitive advantage for our company.



## LightSmart Technology

LightSmart™ Technology eliminates the need for wasteful backing paper material when printing content and shipping labels in the manufacturing, packaging and logistics industries for cartons, trays and pallets.

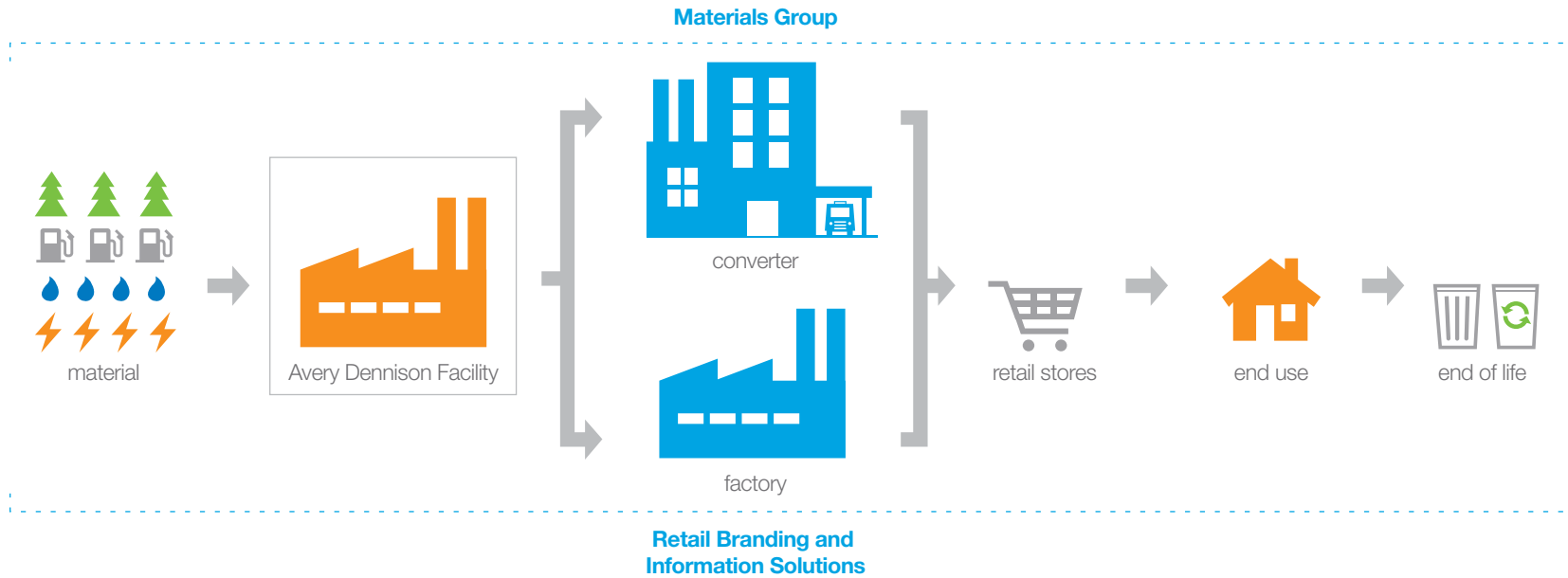
Developed by researchers across the businesses, the innovative “backing paper-free” Print & Apply Labeling Solution offers accelerated performance, intelligence and sustainability.

LightSmart™ Technology’s ability to print flexible length labels enables it to use 100 percent of its materials and print ribbon. LightSmart™ Technology enables the adhesive backing to become heat activated by infrared after the print and cut stage – a key differentiator compared to existing backing paper-free Print and Apply solutions. This innovation received a number of awards including:

» Trophées de l’innovation at the CFIA exhibition in Rennes, France (2013)

» Pack Experts’ Innovation Award at the Emballage tradeshow (2012)

## Improving Product Sustainability



### Raw Materials

- » Selecting responsibly sourced raw materials, such as sustainable forestry products, conflict-free minerals and materials with recycled content
- » Eliminating use of restricted substances
- » Enforcing workplace standards
- » Ensuring environmental protections
- » Building supplier capacity to operate responsibly

### Avery Dennison

- » Designing products with reduced impacts
- » Increasing material efficiency
- » Decreasing energy use, water use and waste
- » Ensuring human rights and fair labor practices

### Converters/End-Use Customers

- » Increasing material and energy efficiency
- » Reducing waste

### Retail Stores

- » Communicating sustainable product attributes to build brands
- » Improving inventory counts to help right-size orders and reduce corresponding social and environmental impacts
- » Reducing waste

### Consumer Use & End-of-Life

- » Educating consumers on sustainable products
- » Improving recyclability



## MG: Developing Tailored Sustainability Solutions

MG works to identify the key sustainability challenges in each industry it serves and then partners with converters and brand owners to help solve their specific challenges. Over the past two years, MG created thinner products that increased the number of labels per roll of material; increased its use of responsibly sourced materials; and reengineered products for recyclability or extended life performance. MG has also begun to leverage Avery Dennison® Greenprint, our proprietary lifecycle-based assessment tool, to encourage the adoption of new technologies by quantifying the sustainability benefits of new products from cradle to cradle.

### Select MG Sustainability Innovations

Product or Product Category	Environmental Benefits
CleanFlake™ Portfolio for PET Recyclability	Facilitates the recyclability of PET containers. Labels can be removed and separated from bottles in conventional recycling streams, leaving no adhesive residue. Meets the Association of Postconsumer Plastics Design for Recyclability™ Guidelines.
MultiCycle™	Reduces waste by facilitating glass bottle reuse. Two-layer label construction endures more than 30 wash cycles, resulting in a 95% reduction in the amount of label material going to landfill over the bottle's life.
Forest Stewardship Council-certified (FSC-certified) Facestocks	Promotes responsibly sourced materials. Product line features multiple paper facestocks commonly used in wine, spirits, dairy and food applications.
Post-Consumer Waste (PCW) Paper Label Portfolio	Reduces the use of virgin materials. Labels contain levels of PCW ranging from 10% to 100%.
TurnLock™ Laminating System	Reduces material use. Our self-laminating label for protected graphics requires no over-laminate and eliminates the need for a two-roll application system, reducing material costs by 30%.



## Global Machine Oriented (MDO) Label

Global MDO, our conformable labeling solution for personal care products, is a more sustainable solution across the value chain. Its unique design allows for high-speed, precision dispensing which keeps customer productivity high. In a comparative lifecycle-based evaluation from label raw materials to end-of-life, Global MDO produces 40 percent less solid waste than conventional labels and requires 37 percent less energy to manufacture.

**I am most proud of our product innovations for thinner and more environmentally friendly products. At the same time, these new products provide converters and end users with greater efficiency and increased shelf appeal.**

Stephan Reis, Director Pricing and Market Intelligence, Materials Group, Leiden, The Netherlands

## MG Sustainability Innovations

Product innovations span a wide array of applications from facilitating recycling to providing sustainable alternatives that meet specific customer requirements.



### Polyvinyl Chloride- and Phthalate-free Films

Some industries, such as the retail and toy manufacturing industries, seek out products free from Polyvinyl chloride (PVC) and Phthalates due to their customers' product preferences. To meet this need, Graphics Solutions created Avery Greenline GP films for promotional applications. The films, which are 100 percent PVC- and Phthalate-free, can be used for a variety of short-term indoor and outdoor promotional graphic applications, such as point of sale promotions, labels and stickers, and window graphics. Additionally, the films are available in an assortment of face film finishes and different solvent-free adhesive options, allowing customers to select the appropriate combination for their specific application.



### CleanFlake™ (Bottle-to-Bottle) Film Portfolio Facilitates PET Recyclability

Many brand owners seek sustainable labeling alternatives that deliver the same quality, clarity and performance as traditional pressure-sensitive labels while reducing environmental impact. For example, PET is a popular plastic package for food and non-food products because of its strength, thermo-stability and transparency. Many PET bottles and containers, however, cannot be recycled or can only be used in lower-grade products because their labels cannot be cleanly separated from the PET flakes during the recycling process. To improve PET container recycling, MG developed its CleanFlake film portfolio.

These labels adhere to the PET until the adhesive bond is broken during recycling, allowing the label and adhesive to cleanly detach and float apart from the PET. Because no residual adhesive remains on the PET flake, the flake can be up-cycled into food-grade recycled PET containers.

This innovation has received a number of awards including:

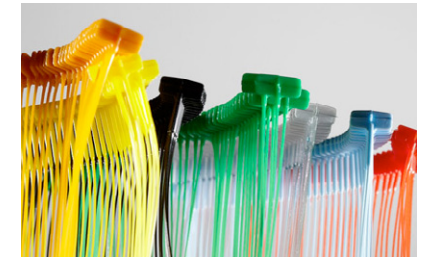
- » Society of Plastic Engineers Environmental Award, Design for Sustainability category, for label materials that facilitate PET recycling (2013)
- » Koreastar, Asiastar, and Worldstar Packaging awards for label materials that facilitate PET recycling (2012-2013)
- » Label Industry Global Green Award for label materials that facilitate PET recycling (2012)

## RBIS: Improving Sustainability across the Value Chain

To help apparel customers elevate their sustainability messaging at the point of purchase, RBIS has increased the number of product offerings that incorporate responsibly sourced, recycled or renewable materials. Other product innovations reduce material use, energy intensity and waste. Beyond branding solutions, RBIS is working to improve the footwear and apparel industry's sustainability performance through participation in the Sustainable Apparel Coalition. RBIS is also helping customers better manage inventory and right-size production through our inventory control systems based on our RFID inlays.

### Select RBIS Sustainability Innovations

Product or Product Category	Environmental Benefits
Tactile Effects Paper Coatings	Uses responsibly sourced materials and facilitate recycling. Tactile or textured coatings can be applied to a variety of coated papers, including papers with FSC and PCW content. Coatings used to create the textured effects are recyclable.
Recycled Plastic Fasteners	Reduces use of virgin materials. Fasteners made of at least 88% recycled material use recovered plastic garment hangers or water bottles. One hundred cartons reduce landfill waste by approximately 750 hangers, or 2,300 plastic bottles.
Recycled Polyester Woven Labels	Reduces use of virgin materials. Labels, ranging from 60-100% recycled blends, are available at the same price as virgin content alternatives.
RFID- SmartFace™	Reduces environmental impacts through the value chain and facilitates recycling. RFID labels provide faster counts to improve inventory control; proprietary technology replaces the PET layer with a paper substrate, improving the label's recyclability.



## Providing Sustainability Solutions for Outdoor Brands

Outdoor brands are built on helping people enjoy the natural environment, so their products must reflect a commitment to environmental responsibility. We work with these brands and retailers to find more sustainable solutions. In 2011, we partnered with outdoor gear and clothing retailer REI to provide redesigned plastic fasteners composed of 95 percent recycled plastic garment hangers. These fasteners are helping REI meet its goal of reducing packaging by 25 percent in 2013. This year, we've also worked with outdoor clothing specialist Patagonia, which pre-approved use of our 80 percent recycled/20 percent virgin polyester tags.

## RBIS Sustainability Innovations

### Improving Inventory Management with RFID

RBIS is a leader in global, ultra-high frequency RFID inlays, tags and labels for retail, aviation, supply chain, healthcare, government and other applications. The majority of our tags help brand owners and retailers track and maintain appropriate inventory levels more quickly and efficiently, allowing them to better manage their natural resource use by right-sizing production with demand.

While RFID inlays ultimately help customers improve their efficiency, they also pose some sustainability challenges that we are actively working to address. For example, conventional RFID products include a PET substrate, making them unrecyclable in some locations. In 2013, we launched SmartFace™, a proprietary technology that replaces the plastic material with a paper substrate to create an RFID inlay that uses only paper, aluminum and a small silicone chip. We are also actively addressing stakeholder concerns regarding the type of information tracked using RFID.

Avery Dennison does not use RFID technology to capture or retain any personally identifiable information. Our products also incorporate a number of mechanisms - physical, chemical and electrical – that limit or inhibit the further use of RFID devices once purchased by the consumer. We routinely monitor evolving stakeholder concerns and pending state, federal and foreign laws and regulations relating to the use of RFID technology, and provide comments to various administrative bodies concerning the capabilities of RFID technology.



### SmartFace™ Facilitates RFID Recyclability

With its new SmartFace™ technology, Avery Dennison can produce RFID inlays that do not contain plastic. Using paper instead of PET for the substrate removes a roadblock to recycling RFID inlays.

## RBIS Sustainability Innovations

### Driving Change through the Sustainable Apparel Coalition (SAC)

In 2012, RBIS became the first branding solutions provider to join the SAC to help advance social and environmental improvements within the apparel and footwear industry. We've contributed to the development of the SAC's Higg Index, an indicator-based tool for understanding and quantifying the sustainability impacts of apparel and

footwear products. RBIS has since aligned its product and business strategy with the index to drive further improvements throughout our retail value chain. An RBIS representative also co-chairs the Index Adoption Working Group, which seeks to increase the number of SAC member companies using the Higg Index by providing training, tools and technical support.

**Avery Dennison's RBIS division was the first solution/trim provider to join the Sustainable Apparel Coalition (SAC) in May 2012. The SAC is an industry-wide group of over 80 leading apparel and footwear brands, retailers, suppliers, nonprofits, and NGOs working to reduce the environmental and social impacts of apparel and footwear products around the world. As a result of our membership and active engagement with the SAC, RBIS has positioned itself as a sustainability leader in the industry.**

Helen Sahi, Sustainability Director, RBIS,  
Westborough, Massachusetts, U.S.A.

## Quantifying the Impact of Sustainable Innovations

To determine the environmental impact of new product innovations, we use Avery Dennison® Greenprint, a life cycle-based screening assessment tool that identifies our products' biggest upstream and end-of-life environmental impacts. The results from this tool inform our product innovations and facilitate dialogue with customers about the environmental advantages of Avery Dennison's products. Over the last year, we have conducted more than 700 Avery Dennison® Greenprint assessments to improve product design and support product development conversations with customers.

When communicating the results of our assessments, we follow our Eco-Communication Guidelines and Environmental Product Claims Standard. These documents guide product managers in making environmental or product claims. In 2011, we updated this standard to reflect the U.S. Federal Trade Commission's "Green Guides."

[Watch the video: Avery Dennison® Greenprint.](#)



### Agility High Definition (AGHD) Heat Transfers\*

AGHD heat transfers provide photographic, high-definition graphics with a soft feel ideally suited to fabrics. While delivering improved durability and crack resistance, the heat transfers also provide environmental savings compared to conventional screen printing applications. Our Avery Dennison® Greenprint analysis, based on 250 million 3" by 4" screen prints, showed the following annual savings:

**81 percent water use reduction**, equivalent to the water needed to fill 196 Olympic-sized swimming pools

**78 percent energy reduction**, equivalent to powering 6,573 U.S. homes for one year

**84 percent carbon footprint reduction**, equivalent to the carbon sequestered by 37,313 acres of pine forest

**44 percent solid waste reduction**, enough to fill 102 standard-sized dump trucks

\* Figures derived from Avery Dennison® Greenprint

## Ensuring Product Integrity

Each year for customers around the globe, Avery Dennison produces thousands of products for a multitude of applications, from food packaging labels to medical devices. These products are subject to a wide array of regulatory requirements, many of which are inconsistent and continuously evolving. Our customers also maintain strict product integrity requirements that change over time. To track new developments and ensure that our products conform with regulatory and customer expectations, we have developed a robust product compliance process. We also collaborate with customers, brand owners, industry associations and regulators to promote regulatory harmonization globally.

### Regulatory Compliance

We use a third-party tool to track both regulatory developments and advocacy

group activities in countries worldwide. We incorporate new requirements and changes into our internal compliance protocols and auditing programs. In 2011 and 2012, our regulatory compliance efforts focused on two new regulations for conflict minerals and responsible forestry practices.

**Conflict Minerals.** In response to the conflict mineral disclosure requirements of the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act, as well as related requirements of the U.S. Securities and Exchange Commission (SEC), we reviewed our product portfolio to identify affected products. We have determined that electronic products in our printer systems division, some RFID antenna components and a few other products contain some conflict minerals. We are currently conducting reasonable country of origin inquiries of our suppliers to identify the origins of their sourced

minerals. We will disclose these results to the SEC by the end of May 2014 as required.

**Responsible Forestry.** In March 2013, the European Union Timber Regulation (EUTR) took effect. This prohibits illegally harvested timber and products derived from such timber from being placed on the EU market. Avery Dennison has worked with its suppliers to

confirm that all paper in Avery Dennison products made or sold in the EU are compliant with EUTR requirements.

In March 2013, we expanded our commitment to support responsible forestry practices by launching our Responsible Paper Procurement Policy, developed in partnership with the Rainforest Alliance. Our policy strives to avoid

controversial fiber sources, increase the use of credibly certified or recycled sources and reward good environmental performance by our supply chain partners. We have started collecting data on fiber origin and species sourcing practices from all of our suppliers globally and target completion by the end of 2013.

**Avery Dennison has set a leading example in the paper industry, demonstrating that paper production and responsible forest management can go hand-in-hand. We look forward to continuing our work with Avery Dennison, helping them further their commitment to sustainability as they implement their responsible paper policy – which was co-created with the help of the Rainforest Alliance.**

Tensie Whelan  
President, Rainforest Alliance

## Restricted Substances Management

Stakeholders are increasingly concerned about chemical use, and many governments, industry groups and customers have created restricted substances lists (RSLs) that ban or limit the use of certain chemicals or other materials in manufacturing or products. To manage our regulatory, liability and market risks and select low-risk substances for product development, we employ our Chemical Risk Management Program for Products. We use the program to maintain our own consolidated RSL, which is based on industry standards, RSLs from our major brand owners and customers, and international packaging requirements. Our RSL is updated periodically to reflect changes in worldwide regulations and additional requirements from customers.

Each of our business units has taken the consolidated RSL and implemented their own RSL program specific to the needs of their particular industries. For example, RBIS has implemented an RSL program specific to the needs of the retail apparel and footwear industry. This RSL applies to all RBIS operations, including suppliers, who must sign a statement indicating that they will adhere to the standard. Incoming materials identified as high-risk due to their chemical composition are routinely evaluated at RBIS facilities. RBIS also samples finished products to ensure RSL conformance.

## Developing a Universal Lead Testing Standard

As an active member of the Global Apparel, Footwear and Textile Initiative (GAFTI), Avery Dennison works with industry partners to improve efficiencies and set global standards. In 2012, GAFTI addressed ongoing concerns that laboratories using different testing methods for lead were achieving different results. Avery Dennison took a leadership role in GAFTI's Lead Working Group to develop a standardized testing method for more accurate and consistent results. This reduces the need for duplicate tests, improves product safety and consumer confidence and further protects human health and the environment.

**As part of the Global Materials Procurement team, I am proud to participate in the responsible sourcing initiative. Over the past several months we have communicated clearly to our suppliers our commitment to purchase raw materials from responsible, sustainable, law-abiding sources. The feedback I have received from suppliers has been both positive and supportive of this initiative.**

Chase Ulicny, Sourcing Manager, Asia Pacific,  
Global Materials Procurement, Shanghai, China



# Inspired Processes

Zero can seem like a hugely ambitious target. Zero manufacturing waste to landfills from our manufacturing facilities. Zero accidents at our operations around the globe. But even when zero seems impossible, it's the target. Because every step toward zero we make—in energy and water use, scrap production, greenhouse gas emissions, industry waste streams, recordable safety incidents—can make a difference for our people and our planet. This is how our inspiration shapes us.



## Environment: Reducing Impacts through Collaboration

We are committed to conserving the earth's limited natural resources by improving the efficiency of our businesses. While we understand that our significant material impacts lie upstream in our supply chain and downstream with our customers, we are also committed to advancing performance of our owned and operated facilities. Across MG and RBIS, we believe our biggest opportunities lie in increasing productivity. By manufacturing products with less material, energy and waste, we increase yield and improve the environmental profile of our products and operations.

### A Culture of Lean Manufacturing

To drive continuous improvement, we engage employees in lean manufacturing practices. Through "kaizen" events, diverse, cross-functional teams work together to redesign processes to make them safer and more efficient. In 2011, our European LPM business unit analyzed our product finishing operations using Enterprise Lean Sigma manufacturing practices. These operations use slitters (equipment which cuts large label stock master rolls into small, salable rolls). The effort resulted in an over 40 percent increase in material output per shift and an increase of more than 20 percent in output per labor hour. Based on these results, we rolled out the new process to five European LPM plants. In 2012, a European team helped train

employees in LPM facilities in North America, Asia and South America. Overall, this effort achieved a 24% increase in operational efficiency in the initial 34 slitting operations that made the improvements in 2012. In addition to saving time, money and resources, these exercises inspired a sense of employee ownership and pride in our operations while fostering a culture of awareness and innovation.



### Tracking Environmental Performance

All our operations maintain an Avery Dennison EHS Scorecard to track performance. This information is used to set new goals for each of our business units, which are then compiled to establish our five-year corporate goals. Our 2015 environmental goals focus on reducing greenhouse gas emissions and waste, which represent two of our significant issues relating to manufacturing. Progress toward and challenges in achieving these goals are described in the following sections.

A number of our facilities also maintain external certifications to demonstrate to outside stakeholders that they operate in conformity with recognized systems for managing environmental risks and performance.

## Energy and Greenhouse Gas Emissions

Many of our manufacturing processes require energy-intensive machinery such as drying ovens, process cooling equipment, printing presses, and heating, ventilation and air-conditioning systems. To reduce our energy costs as well as our impact on climate change, we set a goal to reduce our greenhouse gas emissions indexed to net sales by 15 percent from 2005 levels by 2015. In MG, we focused our efforts on the 30 most energy-intensive facilities, which account for approximately 75 percent of Avery Dennison's energy use and 71 percent of our greenhouse gas emissions. Over the last few years, we organized large-scale "kaizen" initiatives designed to reengineer energy-intensive processes at these facilities.

For example, we reduced the amount of natural gas used in convection dryers at MG coating facilities. Within RBIS, we reduced heat curing requirements in our heat printing processes by using faster-drying inks and operating printing presses at more efficient settings. Due to these and other efforts, our energy use index has declined by 5 percent from 2005 levels.

Our greenhouse gas emissions, however, were up slightly due to increased manufacturing in Asia, which uses electricity more heavily sourced from coal. When normalized against net sales, indexed greenhouse gas emissions fell by 4.8 percent compared to 2005 levels. While we made progress during the period covered by this report, our headway is not in line with our 15 percent reduction goal by 2015. We are currently

assessing opportunities to help us reach our goal. We are also investigating renewable energy alternatives. For instance in 2012, we purchased over 82,000 Guarantees of Origin renewable energy certificates (RECs) for power generated by Norwegian hydroelectric plants to offset part of the energy used by our European plants. Once the Greenhouse Gas Protocol issues further guidance on how to account for RECs, we will begin to factor them into our greenhouse gas inventory.

## Reducing Energy Use of MG Coaters

Avery Dennison's Materials Group uses convection dryers to cure release coatings and dry solvent and emulsion adhesives. While the dryers are extremely effective at this task, they also consume large quantities of natural gas and dissipate much of its energy in the hot air streams exhausted from the equipment. MG's process engineering team embarked on an aggressive campaign over the past year to reduce dryer exhaust rates and maximize the amount of heated air recycled through the dryers. Multiple exhaust optimization projects were completed across North America, Europe and South America, reducing annual natural gas consumption by over 19,200 MWh, all without impacting dryer efficiency or product quality. Further, the savings were achieved without any capital investment. Avery Dennison's research and development team will continue the dryer exhaust reduction campaign in Asia Pacific.

### 2010-2012 Energy Use

	2005	2010	2011	2012
Energy Use (MWh)	1,382,000	1,385,800	1,339,200	1,306,800
Energy Use Indexed to Net Sales (MWh/\$MM net sales)	260	240	230	220
Greenhouse Gas Emissions (tonnes CO2e)	442,100	490,200	471,400	470,800
Scope 1 (tonnes CO2e)	200,500	162,100	156,200	148,700
Scope 2 (tonnes CO2e)	241,600	328,000	315,100	322,100
Greenhouse Gas Emissions Indexed to Net Sales (tonnes CO2e /\$MM net sales)	81	87	81	78

## Waste Management

Waste is generated from the manufacture and use of our products at many points along our value chain. Many of these are under the control of our downstream partners; we are working to find creative solutions for reducing waste through collaboration with our customers, brand owners and other industry stakeholders.

The primary waste generated at our manufacturing facilities is composed of unused raw materials and scrap. Scrap is the excess facestock, adhesive, liner, fabric or other materials not turned into finished product. Further downstream, converters and brand owners generate matrix waste by trimming self-adhesive label materials or liner waste when they remove the backing of self-adhesive labels. Consumers also create waste when they dispose of our products, such as a tag on a shirt or a label on a beverage bottle.

To prevent waste from ending up in landfills, we have set an aggressive, long-term goal of achieving “zero waste to landfill” for our manufacturing facilities. We have also implemented several programs along our value chain to reduce waste, facilitate recycling and divert waste streams into other beneficial uses.

### Reducing Waste at Avery Dennison Facilities

In 2011, we set an interim target of diverting 85 percent of manufacturing waste from landfills by 2015 compared to 2010 levels. We have established several initiatives, often in collaboration with outside partners, to reduce or recycle waste streams. In Europe, MG works with several suppliers to recycle release liners, some of which become new liners for our products. Additionally, RBIS has reduced scrap from printed fabric labels by 70 percent since 2011. When recycling options are not available, we look for other beneficial uses for waste, such as turning it into electricity or

heat power through waste-to-energy facilities. As of 2012, 28 sites had partnerships with waste-to-energy facilities. In North America alone, waste-to-energy facilities helped MG increase the amount of waste diverted from landfills from 58% in 2011 to 81% in 2012.

Overall, the percentage of waste Avery Dennison diverted from landfills increased from 68 percent in 2010 to 80 percent in 2012. Of the waste that was diverted, 68 percent went to a beneficial use, with 52 percent recycled and 16 percent sent to waste-to-energy facilities. The remaining waste was disposed of through incineration and other methods.



## Partnering with Supplier to Recycle Release Liner

We strive to find opportunities to collaborate with partners to meet collective sustainability objectives. At our French manufacturing facilities, we needed to find a beneficial use for non-siliconized glassine liner waste remaining from production runs. In 2010, we partnered with Ahlstrom, a release liner supplier, to recycle the waste into new release liners, some of which are used in our products. This process has resulted in the recycling of 8-10 truckloads of release liners per year. Moreover, the program has been economically advantageous for both companies. Avery Dennison has decreased its waste disposal and materials costs, while Ahlstrom has reduced its natural resources costs, creating a win-win situation for our companies and the environment.

**Performing a job where I have the responsibility to find sustainable alternatives for diverting waste from landfill is both challenging and fulfilling. Helping make our ‘zero waste’ goal a reality makes me very proud to be associated with Avery Dennison.**

Alfredo Neves, EHS Manager, Label and Packaging Materials, Vinhedo, Brazil

## Waste and Water Use

### Reducing Waste throughout Our Value Chain

We also actively use our unique reach, influence and resources to find solutions that reduce the waste generated by value chain partners outside of our owned and operated facilities. MG engages with suppliers to promote programs that collect and recycle release liners in Europe. In North America, MG launched a North American [matrix recycling tool](#) to help converters divert scrap from landfills. The tool's interactive map features a directory that

indicates the locations of available waste management or waste-to-energy facilities that will not landfill the waste stream. Most of these operations convert discarded pressure-sensitive scrap materials into new energy sources, such as fuel pellets. These can be substituted for and have lower carbon emissions than coal. We have also introduced product innovations across business units to facilitate the recycling of product packaging and containers by end consumers. Examples include our CleanFlake™ portfolio and recyclable RFID tags. For more information on these initiatives, please see [Inspired Products](#).

### Water Consumption

In 2010, we made a commitment to track our global water use and determine if we should develop a water reduction strategy. We concluded that Avery Dennison uses relatively little water compared to other industries. For example, a 2010 study by researchers at Carnegie Mellon University found that agriculture

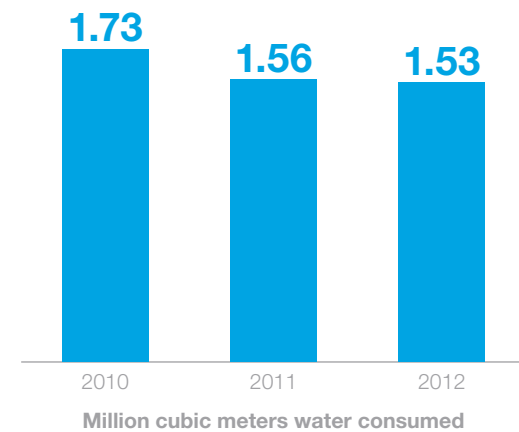
and power generation were responsible for over 90 percent of direct water withdrawals in the U.S.\* While we will continue to track water consumption and identify opportunities for more efficient water usage – given the importance of this issue to external stakeholders – we believe it's more beneficial to focus our efforts on other environmental priorities.

\* Blackhurst MF, Hendrickson CT, Sels i Vidal J. "Direct and Indirect Water Withdrawals for U.S. Industrial Sectors." Environmental Science and Technology, 44 (6), pp 2126–2130.

#### 2010-2012 Total Manufacturing Waste (metric tons)

	2010	2011	2012
Total Waste	116,300	110,800	114,000
Waste Diverted from Landfill	64,400	70,000	88,000
% of Waste Diverted from Landfill	55%	63%	77%

#### 2010-2012 Water Consumption



## Supply Chain Sustainability

We set high standards for our suppliers and expect them to integrate the workplace practices outlined in the [Global Supplier Standards](#) into their own operations and those of their subcontractors. To ensure compliance, we reserve the right to conduct unannounced audits, which include inspection of facilities, gathering information from employees and review of relevant documentation and records. Our goal is to publicly report on the social compliance performance of our key suppliers by 2015.

Avery Dennison also partners with the global program Better Work, including Better Work Indonesia and Better Work Vietnam. Better Work is a partnership between the ILO, the International Finance Corporation (IFC) and other stakeholders aimed at improving compliance with labor standards and

competitiveness in global supply chains. The insights gained through our Better Work collaborations inform our supplier compliance assurance programs and engagement practices. Additionally, in mid-2013, we piloted customized on-line training courses with select suppliers on topics including fire safety, hiring practices, environmental protection, health and safety and wages and benefits.

Beyond social compliance, we are working to improve the environmental performance of our supply chain. By the end of 2013, we plan to develop a scorecard for assessing suppliers' environmental practices. Our 2015 goal is for all strategic suppliers to achieve a preferred environmental performance rating. Through this program, we hope to accelerate adoption of environmental best practices among our supply base.

## Standardizing Social Compliance Auditing within RBIS

Between 2007 and 2012, the number of external audit requests from RBIS customers grew by 940 percent, although many covered similar requirements and/or the same facilities. To streamline this process, we developed the Integrated Compliance Assurance Program (ICAP). ICAP creates one comprehensive audit protocol by combining the requirements of the Avery Dennison Code of Conduct with 24 customer and non-governmental codes and sustainability standards.

This initiative encompasses human rights, EHS and other sustainability standards. We monitor major developments within these frameworks and update our protocol accordingly. We are currently auditing our RBIS China facilities against the ICAP protocol every six months. We plan to roll it out to the rest of our RBIS facilities by 2015.

As of mid-2013, 11 of our major customers accept ICAP audit results in lieu of their own on-site audits, and we are working to increase that number. This will significantly reduce the time and resources needed to facilitate multi-facility audits, allowing those facilities to refocus their resources on continuous performance improvement.

**With the recent increase in social compliance concerns around the globe, the RBIS integrated social compliance program (called ICAP) has become such an important tool as we build relationships with our customers. The program, which ensures that we're meeting high standards in the areas of human rights and the environment, differentiates us from our competitors. I feel that the program gives us an industry advantage when it comes to Social Compliance.**

Amanda Castelda  
Regional Compliance Manager, Americas, RBIS,  
Greensboro, North Carolina, U.S.A.

## Looking Ahead

We are inspired by the progress Avery Dennison has made over the last two years. Through collaborative efforts up and down our value chain, we are helping our stakeholders achieve their social and environmental goals while advancing our own performance. We know that there is much more to do, but remain optimistic in our ability to deliver meaningful and impactful results.

**We welcome your feedback on this report and  
Avery Dennison's sustainability efforts.  
Please email [sustainability@averydennison.com](mailto:sustainability@averydennison.com).**

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## GRI Index

Avery Dennison's 2011-2012 Sustainability Report adheres to the Global Reporting Initiative's (GRI) G3.1 Reporting Guideline. The GRI Index details where information on each topic may be found throughout the

report. Based upon our own review, we declare that this report meets the requirements for an Application Level B. Since our 2010 Report, we have divested our Office and

Consumer Products (OCP) and Designed and Engineered Solutions (DES) businesses. All data in this report reflects our current operations, with the exception of our financial data, which include DES, consistent

with our 2012 annual report. Annual figures are reported on a calendar year basis, except for financial data, which ends on the last Saturday of the year. All monetary figures are reported in U.S. dollars.

GRI Indicator	Description	Avery Dennison Reference/ Response	Disclosure Status
<b>Standard Disclosures: Profile Disclosures</b>			
<b>Strategy and Analysis</b>			
1.1	CEO Statement	0.1: Seeing is Inspiring	Full
1.2	Key Impacts, risks, and opportunities	0.3: Sustainability Commitment 0.4.01: Identifying What's Important	Full
<b>Organizational Profile</b>			
2.1	Name of the organization	0.2 Avery Dennison at a Glance	Full
2.2	Primary products/services	0.2 Avery Dennison at a Glance We manufacture the majority of our products, but outsource certain operations where external suppliers can provide those services more efficiently.	Full
2.3	Operational structure	0.2 Avery Dennison at a Glance	Full
2.4	Location of headquarters	0.2 Avery Dennison at a Glance	Full
2.5	Countries with major operations	0.2 Avery Dennison at a Glance	Full
2.6	Nature of ownership and legal form	0.2 Avery Dennison at a Glance	Full
2.7	Markets served	0.2 Avery Dennison at a Glance	Full
2.8	Scale of the organization	0.2 Avery Dennison at a Glance	Full
2.9	Significant changes	5: GRI Index	Full
2.10	Awards	2.1: Improving Product Sustainability 2.1.01: MG: Developing Tailored Sustainability Solutions	Full



GRI Indicator	Description	Avery Dennison Reference/ Response	Disclosure Status
<b>Report Parameters</b>			
3.1	Reporting period	0.2 Avery Dennison at a Glance	Full
3.2	Date of previous report	5: GRI Index	Full
3.3	Reporting cycle	Biennial	Full
3.4	Contact point	4: Looking Ahead	Full
3.5	Defining report content	0.4.01: Identifying What's Important	Full
3.6	Boundary of report	0.2 Avery Dennison at a Glance 5: GRI Index	Full
3.7	Report scope	0.2 Avery Dennison at a Glance 5: GRI Index	Full
3.8	Reporting on joint ventures	0.2 Avery Dennison at a Glance 5: GRI Index	Full
3.9	Data measurement techniques	2.2: Quantifying the Impact of Sustainable Innovations 3.1: Environment: Reducing Impacts Through Collaboration 5: GRI Index GHG emissions are calculated using the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition).	Full
3.10	Re-statements of information	5: GRI Index	Full
3.11	Significant changes from previous reports	5: GRI Index	Full
3.12	Location of standard disclosures	5: GRI Index	Full
3.13	External assurance	Financial data in this report is sourced from our 2012 annual report, which was audited according to generally accepted accounting principles in the U.S. All other data is self-reported.	Full
<b>Governance, Commitments, and Engagement</b>			
4.1	Governance structure	The Board operates four committees: the Audit Committee, the Compensation and Executive Personnel Committee, the Finance Committee, and the Governance and Social Responsibility Committee. A description of the committees can be found on the <a href="#">corporate governance page</a> of our website. Membership of each committee is detailed in our <a href="#">2013 Proxy Statement</a> . 1.2.04. Creating a Diverse and Inclusive Workplace	Full

GRI Indicator	Description	Avery Dennison Reference/ Response	Disclosure Status
4.2	Independence of Board Chair	Our President and CEO currently serves as Chairman and we have a Lead Independent Director with broad authority and responsibility. We believe that this structure is appropriate because it allows for one individual to speak as our leader with a cohesive vision for our company, the ability to execute that vision, and the understanding of the significant enterprise risks that need to be mitigated or overcome to achieve that vision. Further, combined leadership at the top allows for the necessary flexibility for us to respond to the changing needs of our diverse businesses in today's globally interdependent economic environment. Balancing our combined Chairman and CEO is our Lead Independent Director, who has critical duties in the boardroom to ensure effective and independent oversight. With robust and candid discussions of non-management directors at frequent executive sessions presided over by the Lead Independent Director (who is also the Chairman of the Compensation Committee) and with three other directors serving as independent Chairmen of the three other Committees, we believe our Board leadership structure provides independent oversight of our company.	Full
4.3	Board independence	The board is composed of twelve directors, all of whom, with the exception of our Chairman and CEO, Dean Scarborough are independent. 1.2.04. Creating a Diverse and Inclusive Workplace	Full
4.4	Stakeholder mechanisms	0.4.02: Engaging Others 1.2.02: Engaging Employees	Full
4.5	Executive compensation	Executive compensation is described in our <a href="#">2013 Proxy Statement</a> .	Full
4.6	Conflict of interest avoidance	1.1: Our Values in Action	Full
4.7	Leadership compensation, qualification, and expertise determination	Board members are nominated based upon their experience, knowledge and abilities as described in our <a href="#">2013 Proxy Statement</a> .	Full
4.8	Corporate mission, values, codes	Our vision, values and leadership principles are detailed in the <a href="#">Avery Dennison Code of Conduct</a> .	Full
4.9	Board-level sustainability monitoring	0.4: Managing Sustainability Performance	Full
4.10	Evaluation of leadership ESG performance	0.4: Managing Sustainability Performance	Full
4.11	Precautionary principle	2.3: Ensuring Product Integrity	Full
4.12	External initiatives	0.4.02: Engaging Others	Full
4.13	Memberships in associations	0.4.02: Engaging Others	Full
4.14	Stakeholder groups engaged	0.4.02: Engaging Others	Full
4.15	Identification, selection of stakeholders	0.4.02: Engaging Others	Full
4.16	Approaches to engagement	0.4.02: Engaging Others	Full
4.17	Response to stakeholder concerns	0.4.02: Engaging Others	Full

GRI Indicator	Description	Avery Dennison Reference/ Response	Disclosure Status
<b>Standard Disclosures: Performance Indicators</b>			
<b>Economic</b>			
EC1	Direct economic value	0.2: Avery Dennison at a Glance 0.5.01: Our 2012 Performance 1.3: Serving Local Communities	Partial
EC2	Climate change implications, risks, and opportunities	While we do not consider our company to be exposed to substantive physical climate parameter risks or opportunities, the company could be impacted by regulatory and customer risks and opportunities. Because Avery Dennison is a worldwide company, we face a constantly changing array of environmental regulations with which we must comply. Climate change regulation could affect our operations in one or more regions in the world by increasing operational costs by affecting the prices of key inputs such as electricity and natural gas. Increased customer attention on environmental performance of products, including the carbon footprint, could also affect our business. We have an opportunity to increase sales by developing products that have a relatively lower carbon footprint than those of our competitors.	Full
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement. (Core)	1.3: Serving Local Communities	Full
<b>Environment</b>			
EN3	Direct energy consumption by primary energy source. (Core)	Direct fuel consumption in 2012 was the equivalent of 874,769 MWh. The breakdown by fuel type is as follows: 850,820 MWh natural gas, 16,870 MWh diesel/gas oil and 7,079 MWh propane.	Full
EN4	Indirect energy consumption by primary source. (Core)	Electricity consumption in 2012 totaled 574,134 MWh.	Full
EN5	Energy saved due to conservation and efficiency improvements. (Additional)	3.1: Environment: Reducing Impacts Through Collaboration, Energy and Greenhouse Gas Emissions	Partial
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives. (Additional)	2.1: Improving Product Sustainability 2.2: Quantifying the Impact of Sustainable Innovations	Partial
EN7	Initiatives to reduce indirect energy consumption and reductions achieved. (Additional)	3.1: Environment: Reducing Impacts Through Collaboration, Energy and Greenhouse Gas Emissions	Full
EN8	Total water withdrawal by source. (Core)	3.1: Environment: Reducing Impacts Through Collaboration, Water Consumption	Partial

GRI Indicator	Description	Avery Dennison Reference/ Response	Disclosure Status
EN16	Total direct and indirect greenhouse gas emissions by weight. (Core)	3.1: Environment: Reducing Impacts Through Collaboration, Energy and Greenhouse Gas Emissions In 2012, gross global Scope 1 emissions were 160,558 metric tonnes CO2e and gross global Scope 2 emissions were 367,087 metric tonnes CO2e. GHG emissions are calculated using the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition).	Full
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved. (Additional)	3.1: Environment: Reducing Impacts Through Collaboration, Energy and Greenhouse Gas Emissions	Full
EN22	Total weight of waste by type and disposal method. (Core)	3.1: Environment: Reducing Impacts Through Collaboration, Reducing Waste at Avery Dennison Facilities	Full
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation. (Core)	2.1: Improving Product Sustainability 2.2: Quantifying the Impact of Sustainable Innovations	Full
EN28	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations. (Core)	In 2012, we did not pay any fines or receive and non-monetary sanctions for non-compliance with environmental laws and regulations. In addition to complying with the Toxic Release Inventory Program of the U.S. EPA, in 2012, we began consolidating toxic release inventory data from our North American facilities to analyze performance trends.	Full
<b>Social: Labor Practices and Decent Work</b>			
LA1	Total workforce by employment type, employment contract, and region, broken down by gender. (Core)	1.2.01: Providing Global Opportunities. In addition to our global workforce, we employ several thousand contractors/temporary employees at seasonal highpoints.  Workforce by Employment Type, 2012 Administrative 3% Manufacturing 52% Professional 36% Sales and Marketing 9%  1.2.04: Creating a Diverse and Inclusive Workplace	Full
LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region. (Core)	Voluntary Turnover 2012 2011 2010  Annualized 11.8% 13.2% 12.0%  By Length of Service <1 year 3.5% 4.7% 4.2% 1-3 years 3.8% 3.8% 4.2% 3-5 years 1.9% 2.4% 1.9% 5-10 years 1.7% 1.5% 1.2% 10+ years 0.8% 0.8% 0.6%	Partial

GRI Indicator	Description	Avery Dennison Reference/ Response	Disclosure Status
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender. (Core)	1.2.05: Employee Safety	Partial
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings. (Additional)	1.2.03: Skill Building and Leadership Development	Partial
LA12	Percentage of employees receiving regular performance and career development reviews, by gender. (Additional)	1.2.03: Skill Building and Leadership Development	Partial
LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity. (Core)	1.2.04: Creating a Diverse and Inclusive Workplace See also LA1.	Partial
<b>Social: Human Rights</b>			
HR1	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening. (Core)	Our <a href="#">Global Supplier Standards</a> apply to all suppliers.	Full
HR2	Percentage of significant suppliers, contractors, and other business partners that have undergone human rights screening, and actions taken. (Core)	3.2: Social Responsibility: Living up to a World of Expectations	Partial
<b>Social: Society</b>			
SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs. (Core)	1.3: Serving Local Communities	Partial
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures. (Core)	1.1: Our Values in Action	Full
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes. (Additional)	In 2011 and 2012, we received no notices of noncompliance with government regulations concerning anti-competitive behavior, anti-trust and monopoly practices.	Full
SO8	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations. (Core)	None.	Full

GRI Indicator	Description	Avery Dennison Reference/ Response	Disclosure Status
<b>Social: Product Responsibility</b>			
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures. (Core)	2.1: Improving Product Sustainability 2.3: Ensuring Product Integrity	Full
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes. (Additional)	In 2011 and 2012, we received no notices of noncompliance with government regulations concerning health and safety impacts of products.	Full
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements. (Core)	2.3: Ensuring Product Integrity	Full
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes. (Additional)	In 2011 and 2012, we received no notices of noncompliance with government regulations concerning marketing communications.	Full
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship. (Core)	2.2: Quantifying the Impact of Sustainable Innovations	Full
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes. (Additional)	In 2011 and 2012, we received no notices of noncompliance with government regulations concerning marketing communications.	Full

## Appendix A: Materiality Assessment



## Appendix B: Reconciliation of Non-GAAP Financial Measures

### Organic sales change

As reported sales change	
Less: Foreign currency translation	
Organic sales change <sup>(1)</sup>	

<sup>(1)</sup> Total may not sum due to rounding and other factors

<b>2012</b>
0%
-3%
<b>4%</b>

### Adjusted Net Income

As reported net income from continuing operations			
Non-GAAP adjustments, net of tax:			
Restructuring costs and other items			
Adjusted Non-GAAP Net Income from Continuing Operations			
Adjusted net income growth (2012 vs. 2011)			

<b>2012</b>	<b>2011</b>	<b>2010</b>
\$169.1	\$154.4	\$241.8
46.0	30.9	13.7
\$215.1	\$185.3	\$255.5
<b>16%</b>		

### Adjusted Earnings Per Share

As reported net income per common share from continuing operations, assuming dilution			
Non-GAAP adjustments per common share, net of tax:			
Restructuring costs and other items			
Adjusted Non-GAAP Net Income Per Common Share from Continuing Operations, assuming dilution			
Adjusted earnings per share growth (2012 vs. 2011)			

<b>2012</b>	<b>2011</b>	<b>2010</b>
\$1.63	\$1.45	\$2.27
0.45	0.29	0.12
\$2.08	\$1.74	\$2.39
<b>20%</b>		

As reported net income per common share from discontinued operations, assuming dilution			
Non-GAAP adjustments per common share, net of tax:			
Restructuring costs and other items			
Adjusted Non-GAAP Net Income Per Common Share from Discontinued Operations, assuming dilution			

<b>2012</b>	<b>2011</b>	<b>2010</b>
\$0.45	\$0.33	\$0.70
0.11	0.09	0.06
<b>\$0.56</b>	<b>\$0.42</b>	<b>\$0.76</b>

### Free Cash Flow

Net cash provided by operating activities	
Purchases of property, plant and equipment, net	
Purchases of software and other deferred charges	
Purchases of investments, net	
Free Cash Flow	
Estimated free cash flow from continuing operations	
Estimated free cash flow from discontinued operations	

<b>2012</b>
\$513.4
(95.0)
(59.1)
(6.7)
<b>\$352.6</b>
\$312.2
40.4
<b>\$352.6</b>