What we measure, we improve
Contents

<table>
<thead>
<tr>
<th>Vision and commitment</th>
<th>3</th>
</tr>
</thead>
<tbody>
<tr>
<td>A message from Dean Scarborough</td>
<td>3</td>
</tr>
<tr>
<td>A message from Danny Wong</td>
<td>4</td>
</tr>
<tr>
<td>Avery Dennison at a glance</td>
<td>5</td>
</tr>
<tr>
<td>Values and Leadership Principles</td>
<td>8</td>
</tr>
<tr>
<td>Sustainability reporting and governance</td>
<td>11</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sustainability strategy</th>
<th>12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overview</td>
<td>13</td>
</tr>
<tr>
<td>Achievements and goals</td>
<td>14</td>
</tr>
<tr>
<td>Stakeholder engagement</td>
<td>15</td>
</tr>
<tr>
<td>Our path forward</td>
<td>16</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>More sustainable products</th>
<th>18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Innovating more sustainable materials</td>
<td>20</td>
</tr>
<tr>
<td>Applying Life Cycle Analysis</td>
<td>21</td>
</tr>
<tr>
<td>Reducing customer impact</td>
<td>21</td>
</tr>
<tr>
<td>Ensuring product integrity</td>
<td>23</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>More sustainable processes</th>
<th>24</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reducing our environmental footprint</td>
<td>26</td>
</tr>
<tr>
<td>Establishing benchmarks</td>
<td>26</td>
</tr>
<tr>
<td>Greenhouse gas reduction</td>
<td>27</td>
</tr>
<tr>
<td>Waste reduction</td>
<td>28</td>
</tr>
<tr>
<td>Supply chain sustainability</td>
<td>29</td>
</tr>
<tr>
<td>Responsible sourcing</td>
<td>29</td>
</tr>
<tr>
<td>Supplier standards</td>
<td>30</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>More sustainable purpose</th>
<th>31</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our people</td>
<td>32</td>
</tr>
<tr>
<td>Code of Conduct</td>
<td>33</td>
</tr>
<tr>
<td>Social Compliance Program</td>
<td>33</td>
</tr>
<tr>
<td>Health and safety</td>
<td>34</td>
</tr>
<tr>
<td>EHS Certifications</td>
<td>35</td>
</tr>
<tr>
<td>Community investment</td>
<td>36</td>
</tr>
<tr>
<td>Avery Dennison Foundation</td>
<td>36</td>
</tr>
<tr>
<td>Corporate community investment</td>
<td>37</td>
</tr>
<tr>
<td>Employee giving</td>
<td>38</td>
</tr>
</tbody>
</table>

| Contact us                                                  | 39|

Data in this report cover the period from January 1, 2008, through December 31, 2009.
Welcome to Avery Dennison’s 2010 Sustainability Report.
Sustainability is the logical next step in the evolution of how we go to market. It gives us a holistic view of the impact Avery Dennison has on a wide range of stakeholders, which includes not only our customers, investors, employees, and communities, but also the environment itself. And it is creating new opportunities for us to innovate in ways that can benefit our triple bottom line — economic, environmental and social.

This report describes our evolution over 2008 and 2009. It would be reasonable to assume that the recession slowed down or even stopped our sustainability efforts — in fact, it did not. Sustainability is now a fundamental element of the global economy, and today it is driving our business as our customers’ needs continue to change.

We are embedding sustainability into our strategic planning, our innovation processes and our operations. In keeping with our manufacturing heritage, we are developing rigorous measurements, and in keeping with our values, we are becoming more transparent about it. As the leading global provider of products manufactured from paper, specialty chemicals and petroleum-based materials, we have a responsibility to do so, especially because people around the world interact with our products on a daily basis.

We also define this responsibility to include advancing our technologies and solutions for our customers, especially the companies who place their brands on our labeling, packaging and graphics materials. Our vision is to be not merely a supplier, but a trusted partner who makes brands more inspiring and the world more intelligent.

Sustainability is an integral part of this vision. Our customers have told us how important sustainability is to their brands and their manufacturing and distribution processes. Our focus on our customers’ needs has enabled us to develop promising applications noted in this report. Our future success will depend on our ability to bring more solutions to market that “green” both customers’ brands and their supply chains.

We know we have a great deal to do, and we welcome your input on this report and our results. I’m proud of what we have begun, and as the executive sponsor of our efforts, I’m committed to advancing Avery Dennison’s market leadership through sustainability.

Dean Scarborough
Chairman, President and CEO
A message from Danny Wong
Director of Corporate Sustainability

Becoming more transparent is part of becoming more sustainable. In 2008, Avery Dennison released a brief describing in broad strokes our current and future sustainability efforts. In 2011, we will release a more comprehensive report based on Global Reporting Initiative (GRI) guidelines. This report is the bridge between the two.

The title of this report, What We Measure, We Improve, sums up both the significance of sustainability, and our challenge in making it part of the fabric of our company. As a manufacturing company, we live and breathe process rigor, and we collect and use data on a daily basis to improve outcomes. Measurements provide us with both the means and motivation to improve. We have begun the development of processes for collecting and reporting in accordance with GRI guidelines.

Many companies publish a sustainability report only after they have completed a comprehensive materiality evaluation. Although we are not declaring complete alignment with GRI guidelines yet, we are well down the road, and we feel it is essential to issue a report now precisely because it will help us pursue the external engagement that is a key element of sustainability.

Nearly all of our major tasks involve collaboration. These include more closely aligning our sustainability agenda with our customers’ agendas, developing more sustainable products and solutions, building our Life Cycle Analysis capabilities and increasing our engagement on social compliance matters with NGOs and brand owners. We are encouraged by the feedback we have received so far, which tells us we are becoming a more trusted partner in our customers’ value chains as well as in the lives of our employees and other stakeholders. We look forward to working more closely with stakeholders as we progress.

Part of Avery Dennison’s recognition of sustainability’s importance is the understanding that while we can become more sustainable, no company ever becomes completely “sustainable.” We are on a journey with no final destination, but with high aspirations and a clear direction.

Danny Wong
Director of Corporate Sustainability
Avery Dennison at a glance

Avery Dennison is a global leader in the design and manufacturing of pressure-sensitive materials, retail branding and information solutions, and office and consumer products. With sales in more than 89 countries worldwide, Avery Dennison employs approximately 30,000 employees in more than 50 countries. In 2009, sales were $6.0 billion.

Our pressure-sensitive materials are used in labeling and packaging, graphic imaging media, specialty tapes, and information display and management. We design and manufacture a full range of labels, tags and tickets for retail goods. Our office products solve everyday organization and identification needs.

Our businesses are unified by the shared vision of making brands more inspiring and the world more intelligent. From a wine bottle label to self-adhesive postage stamps to clothing tags to the reflective sheen of a highway sign, Avery Dennison is a ubiquitous part of everyday life.
Avery Dennison is a global company, with operations in communities around the world.

<table>
<thead>
<tr>
<th>Region</th>
<th>The Americas</th>
<th>Europe</th>
<th>Middle East/Africa</th>
<th>Asia Pacific</th>
</tr>
</thead>
<tbody>
<tr>
<td>Countries with Avery Dennison operations</td>
<td>12</td>
<td>21</td>
<td>5</td>
<td>16</td>
</tr>
<tr>
<td>2009 sales in millions</td>
<td>$2,421</td>
<td>$1,949</td>
<td>$346</td>
<td>$1,237</td>
</tr>
<tr>
<td>Operations sites</td>
<td>66</td>
<td>52</td>
<td>13</td>
<td>64</td>
</tr>
</tbody>
</table>
Avery Dennison businesses at a glance*

### Segment

<table>
<thead>
<tr>
<th>Pressure-sensitive Materials</th>
<th>Retail Information Services</th>
<th>Office and Consumer Products</th>
<th>Other Specialty Converting Businesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt; Roll Materials</td>
<td>&gt; Information and Brand Management</td>
<td>&gt; Office Products</td>
<td>&gt; Specialty Tape</td>
</tr>
<tr>
<td>&gt; Graphics and Reflective Products</td>
<td>&gt; Printer Systems</td>
<td></td>
<td>&gt; Radio Frequency Identification (RFID)</td>
</tr>
<tr>
<td></td>
<td>&gt; Fastener</td>
<td></td>
<td>&gt; Industrial and Automotive Products</td>
</tr>
</tbody>
</table>

### Sales in Millions

- **Pressure-sensitive Materials**: $3,300
- **Retail Information Services**: $1,323
- **Office and Consumer Products**: $849
- **Other Specialty Converting Businesses**: $480

### Percentage of Total Sales

- **Pressure-sensitive Materials**: 56%
- **Retail Information Services**: 22%
- **Office and Consumer Products**: 14%
- **Other Specialty Converting Businesses**: 8%

### Brands

- **Fasson®**, **Avery Graphics®**, **Avery Dennison®**
- **Avery Dennison®**, **Monarch®**
- **Avery®**
- **Avery Dennison®**

### Products

- **Pressure-sensitive roll materials, flexible packaging, roll-fed shrink film, water- and solvent-based performance polymer adhesives and engineered films, graphic imaging media and reflective materials**
- **Solutions throughout the retail supply chain, in-store information, permanent branding and point-of-sale branding products**
- **Self-adhesive labels, binders, sheet protectors, dividers, online templates and printing, writing instruments, T-shirt transfers and do-it-yourself card products**
- **Specialty tapes, industrial adhesives, architectural and engineered films, automotive exterior films and labels, functional packaging labels, point-of-purchase and display tags, metalized pigments, self-adhesive postage stamps, RFID inlays and durable tags**

### Markets

- **Home and personal care, food, beverages, wine and spirits, beer, pharmaceutical and healthcare, durables, variable information, fleets, architecture, traffic, safety and transportation original equipment manufacturing**
- **Retail brand owners and manufacturers, apparel and hard goods retail stores and supply chains, food service stores and supply chains, logistics, pharmaceuticals, automotive and other manufacturers**
- **Professional, personal and on-the-go organization and identification, education**
- **Architectural, apparel, automotive, building and construction, consumer, durables, electronics, graphic arts, industrial, logistics, medical and healthcare, retail point of purchase and security printing**

### Customers

- **Global label converters, brand owners, consumer products package designers, packaging engineers and manufacturers, industrial manufacturers, printers, designers, government agencies, sign manufacturers and graphic vendors**
- **Global retailers and brand owners, apparel and consumer goods manufacturers, restaurant and food service chains, grocery and drug store chains, and a variety of other industries**
- **Office products superstores, major retailers, office professionals, school administrators, small business owners and consumers**
- **Industrial and original equipment manufacturers, medical products and device manufacturers, converters, packagers and consumer products companies**

*As published in the Avery Dennison 2009 Annual Report*
Our values

Avery Dennison’s focus on sustainability derives directly from the company’s values and Leadership Principles. Our values are the foundation of our culture as well as our standards for professional conduct. We are committed to conducting business honestly and according to the highest ethical standards — in all of our businesses, in every region of the world, every day.

Innovation
We foster creativity and the development of new ideas, products and processes.

Integrity
We act honestly, ethically and honorably.

Excellence
We strive to be the best in everything we do.

Service
We satisfy our customers every time.

Community
We act responsibly as members of the communities in which we operate.

Teamwork
We build relationships based on trust, respect and caring.
Our Leadership Principles

Think big and act boldly
Bring broad and unique perspectives to ideas or situations, challenging old ways of thinking and taking risks.

Provide vision and direction
Lead, engage and inspire employees to pursue our vision, encouraging growth and improvement that support business objectives.

Focus on customers and the market
Uncover insights, trends and best practices and translate them into opportunities and competitive advantage.

Drive action and execution
Relentlessly focus on actions that drive the business forward, creating structures, processes and communications for swift decisions.
Our Leadership Principles

Rally and empower people
Create a desire for people to achieve and share a sense of purpose. Match talents to roles and delegate ownership and control.

Build organizational capability
Understand and drive the development of our organization. Initiate improvements and deploy talent to position us for success.

Collaborate across boundaries
Develop and use relationships across Avery Dennison to find mutually beneficial outcomes and opportunities.

Model integrity and social responsibility
Act honestly, ethically and honorably. Show beliefs through behaviors and lead by example. Enrich our communities and make responsible, sustainable decisions.

Contents
Vision and commitment
Sustainability strategy
More sustainable products
More sustainable processes
More sustainable purpose
Contact us
About this report
In 2008, Avery Dennison published “Pursuing Sustainability,” our first communication about the subject. This report presents our progress in building the foundation for reporting that follows the guidelines of the Global Reporting Initiative. Our next, fuller report is planned for release in late 2011.

Although elements of sustainability have long been part of our approach to business operations, only in the past two years have we begun to systematically measure these elements on a global basis to provide a baseline for improvement and transparency. We look forward to documenting this journey and actively engaging our stakeholders in this effort.

Governance
Company-wide sustainability efforts are guided by the company’s Sustainability Charter and driven through the company’s annual objectives and measurements plan. Three key levels of senior leadership guide these efforts:

1. Board of Directors: Governance and Social Responsibility Committee Responsible for guiding the development of sustainability strategy. The committee meets regularly and sets the vision for the sustainability agenda.

2. Corporate Leadership Team Composed of senior leaders; has oversight and responsibility for sustainability strategy and execution; provides guidance and oversight to the Sustainability Steering Committee.

3. Sustainability Steering Committee Includes senior leaders from key business groups and corporate functions. The committee interprets the company’s vision for sustainability and guides its implementation. Each member represents a business group or corporate function and ensures appropriate actions and engagement by that group or function.
Sustainability strategy

Just as sustainability is now a fundamental element of the global economy, it is now a fundamental element of our strategy.
“Sustainability is not a trend. It is an evolution of the way that businesses operate and consumers behave.”

Shawn Neville,
Group Vice President for Retail Information Services

At Avery Dennison, we believe responsible social, environmental and economic practices are integral to achieving business success, creating a better place to live and work and building healthy communities where we operate. This belief has been a part of our culture since Stan Avery opened for business in 1935.

Despite the recession of 2008 and 2009, sustainability has assumed greater importance in company strategy, customer relationships and business culture. We accelerated our focus on specific fields of sustainable activity as detailed in the following pages:

- **More sustainable products**: providing environmentally responsible products and services that reduce our own and our customers’ impact on the environment.

- **More sustainable processes**: increasing our operations’ energy efficiency to reduce the primary source of our greenhouse gas emissions.

- **More sustainable purpose**: continuing efforts to be responsible global citizens by building sustainability into the corporate culture and increasing our social compliance.
We’re proud of our progress, even as we discover more areas of sustainability to pursue.

Achievements
2008 – 2009

Highlights include:

- increased energy efficiencies in many of our largest plants, reducing absolute greenhouse gas emissions by 9% from 2005 to 2009
- reported to the Carbon Disclosure Project for a third year
- attained Forest Stewardship Council® (FSC) chain-of-custody certification for 56 operating plants worldwide
- launched portfolios of more sustainable products at each major business unit
- developed the company’s first Lifecycle Analysis (LCA) of products and Avery Dennison Greenprint, an LCA scorecard for sustainable product development

Goals
in progress

We also made progress toward the following goals:

- By 2015, reduce company-wide greenhouse gas emissions by 15%, indexed to net sales, from 2005 levels
- By 2011, establish goals for reducing the environmental impact of air, water and waste
- By 2011, drive the Avery Dennison Social Compliance Program deeper into the supply chain by initiating a pilot program with select supply chain partners
- By 2011, establish criteria and set metrics for more sustainable products

Goals in progress

- implemented a Web-based reporting system to collect environmental data from our global operations
- received the 2008 Environmental Award from the Tag and Label Manufacturers Institute for our Roll Materials division
- reached an all-time best of 0.6 for our global recordable incident rate
- established and implemented employment standards for responsible manufacturing
- established a scholarship program in 2008 for Chinese engineering students
- helped establish a program to improve middle school achievement in math and science for the Pasadena Unified School District in Pasadena, California
Stakeholder engagement
Avery Dennison values active collaboration with organizations and individuals that help us advance an effective and accountable sustainability agenda for our products, services and operations. Key activities through 2009 included:

> “voice of the customer” evaluations by major business units, which resulted in defined portfolios of sustainable products and our work with the Forest Stewardship Council
> worldwide employee communications and training on sustainability as part of our Values & Ethics program
> evaluation of and feedback on our 2008 sustainability agenda and priorities by Business for Social Responsibility (BSR)
> engagements with brand owners on our social compliance program and performance

We currently have formal connections to a number of organizations and projects to improve our accountability and develop effective strategies. These organizations include:

> U.S. Business Roundtable’s Climate Resolve
> Forest Stewardship Council (FSC)
> Carbon Disclosure Project
> Business for Social Responsibility (BSR): Apparel, Mills and Sundries Working Group
> Sustainable Packaging Coalition (SPC)
> Tag and Label Manufacturers Institute (TLMI)
> FINAT (Fédération Internationale des fabricants et transformateurs d’Adhésifs et Thermocollants)

We plan to continue our engagement with customers and extend our efforts to key third-party stakeholders from the NGO community, think tanks and other influencing organizations. We recognize the connections between government relations, public policy and corporate social responsibility, and we have begun to develop appropriate positions and policy objectives. Our tasks include:

> more closely aligning our sustainability agenda with our customers’ agendas
> collaboratively developing more sustainable products and solutions
> further developing our Life Cycle Analysis capabilities
> increasing our engagement on social compliance matters with NGOs and brand owners
“Sustainability is present in all of our business strategies. It is our pathway to growth.”

Tim Clyde
Group Vice President
Specialty Materials & Converting

Our path forward
As we look at the business challenges we face today and in the future, it is clear that our success will depend on our ability to meet customers’ needs in more sustainable ways. More than enabling ourselves and our customers to comply with evolving regulations, sustainability thinking creates opportunities for us to apply our core strengths in materials science, lean manufacturing, retail branding and information solutions and packaging innovation to help customers address pressing issues in existing and new markets. Sustainability has significant potential to enable the company’s growth and differentiation.

Products: key issues and opportunities
The journey to producing more sustainable products requires innovative thinking and a long-term commitment, which involves taking a leadership role in helping to solve industry-wide challenges, such as finding ways to:
- minimize waste associated with pressure-sensitive materials, particularly that of components such as liners
- migrate to more sustainable materials
- establish consensus criteria for more sustainable products
- enhance product sustainability performance in our supply chains

We believe there is an opportunity and responsibility to partner with like-minded stakeholders to address these issues.

We are beginning to incorporate Life Cycle Analysis (LCA) into product design and development processes, which will help us provide not only more sustainable products but also solutions that help reduce our customers’ environmental footprints. We intend to deploy Avery Dennison Greenprint, our “green” scorecard on sustainable product development, to promote more meaningful decision-making.

Processes: key issues and opportunities
Sustainability thinking presents new opportunities for manufacturing process improvements that can reduce our environmental footprint and increase supply chain efficiencies. The net result of these activities is the systematic reduction of waste and greater resource productivity and customer satisfaction.
Practicing sustainability is more than putting guidelines and protocols in place; it is also embedding new behaviors in our corporate culture.

To address key issues surrounding the environmental footprint and sustainability of our operations and supply chain, we are focusing on:

- developing a comprehensive climate change strategy to guide greenhouse gas (GHG) and energy decisions, which will be completed in early 2011
- expanding our database of global environmental indicators to include data for air, waste and water use
- defining criteria and developing a policy for the responsible sourcing of raw materials

These activities provide invaluable information that will drive the continuous improvement of our operations and of the larger value chain of which we are a part.

**Purpose: key issues and opportunities**

Practicing sustainability is more than putting guidelines and protocols in place; it is also embedding new behaviors in our corporate culture. We want to be an exemplary corporate citizen in the communities around the world in which we operate. To foster this culture, we are working to provide more ways for employees to become involved in sustainability initiatives and to develop ways to integrate sustainability into community investment programs.

As a global company with manufacturing facilities in more than 50 countries, we are committed to making lasting, sustainable changes in fair labor and employment conditions. We recognize that this is a long-term process requiring collaboration with employees, customers, NGOs and other organizations. This is why we partnered with Business for Social Responsibility (BSR), an NGO, to help us enhance our social compliance efforts.

Looking ahead, we will address challenges in employment standards and community investment. **Key areas of opportunity include:**

- building capacity for evaluation and action by developing new social compliance audit standards, training and tools
- increasing social compliance education for our local managers and employees and empowering them to act
- promoting social compliance in the supply chain through a program of assessment, review and improvement with selected supplier partners
- developing global criteria and guidelines to advance sustainability through our philanthropic investments in education and our community investment platform
- increasing employee engagement and volunteerism through company-sponsored programs
More sustainable products

We believe we have a responsibility to develop branding, packaging and supply chain solutions that contribute to a more sustainable planet.
“At Avery Dennison, sustainability is both a criterion for and an accelerator of innovation.”

Tim Bond
Group Vice President, Office Products

Whether it’s developing new technology, such as the Avery Dennison Flexis™ platform, or discovering new renewable energy applications for existing materials, we are always searching for better solutions. Our top four strategies for guiding product development toward more sustainable outcomes are:
Innovating more sustainable materials
Since the company’s early days, improving the properties, functional uses and applications of materials has been a key focus of innovation. Today our goals include reducing environmental impact without sacrificing performance. Improvements in materials can produce meaningful reductions in environmental impact, especially when small improvements are multiplied by large global production volumes.

In 2008, the company’s business groups researched the “voice of the customer” on sustainability. As a result, each division identified portfolios of existing and newly developed products and product components with more sustainable attributes.

Today, more sustainable materials are featured in a variety of our products, including:
> low-waste, pressure-sensitive labeling and packaging products that use thinner liners and facestock materials from recycled or Forest Stewardship Council (FSC)-certified sources
> eco-friendly office products, including labels, name badges and dividers made from 100% post-consumer waste (PCW) and recycled materials, as well as polyvinyl chloride (PVC)-free binders
> “green” ticket and tag product lines using FSC-certified and recycled paper, and printed-fabric and woven labels made from organic cotton and recycled polyester fibers

Although we have made progress on incorporating more sustainable materials into our products, we recognize that much more can be done. We are committed to collaborating on industry-wide challenges such as PVC, pressure-sensitive liner paper and matrix wastes. Innovating new materials that meet customer expectations for product performance and environmental impact will take time, but will help drive meaningful improvement in the environmental footprints of the industries we serve.

“Building more sustainable solutions across our entire product and process portfolio is a priority for Avery Dennison’s technology function.
You can expect to see us continue to deliver meaningful innovation across a broad range of materials as we pursue our goals in the area of sustainability.”

David Edwards, Ph.D.
Vice President and Chief Technology Officer
Recent developments with more sustainable materials include two of particular interest:

**Environmentally benign adhesives:** With interest in sustainable packaging gaining momentum, environmentally benign adhesives (EBA) that we currently offer are generating significant customer interest. These adhesives ensure that paper products decorated with pressure-sensitive materials are compatible with the paper recycling process. EBA products are certified to meet the Recycling Compatible Adhesive (RCA) standard.

**PVC-free binders:** Office Products has offered one of its key products, Heavy Duty Binders, in polypropylene (PP) instead of polyvinylchloride (PVC) since 2001. In 2009 this improvement in binder materials reduced the amount of PVC manufactured and eventually placed in landfills by approximately 3.5 million pounds. We are developing a plan to convert more binder products from PVC to PP.

**Applying Life Cycle Analysis**
In 2009, the company began an effort to apply Life Cycle Analysis (LCA) methodology to gain a baseline understanding of a product’s environmental footprint. Based on our experience, we are now building LCA thinking into product design and development processes to spark innovation and promote more meaningful decision-making on product sustainability.

In 2009, the company introduced Avery Dennison Greenprint, a service that enables complex LCA results to be translated into a user-friendly snapshot of a product’s environmental impact in different stages of its lifecycle, from cradle to cradle. It covers impact categories such as global warming potential, energy use, solid waste generation, and fossil fuel and water depletion.

We plan to use Avery Dennison Greenprint internally as a tool for product and process innovation. We also plan to employ the results we obtain to help substantiate and communicate our environmental claims. Externally, we are using it with retailers and brand owners to help them understand the environmental consequences of their product design and packaging choices. While there is no consensus yet on a single set of metrics for sustainability, we believe this tool can promote more meaningful and productive dialogue.

**Reducing customer impact**
We are looking both upstream and downstream for ways our products can help customers lessen their environmental footprint.

As we become more knowledgeable about the environmental lifecycle of our products, we recognize that responsibility as a producer extends beyond our portion of the value chain. Rather
than perceive this as a risk to our business, we see it as an opportunity to develop solutions with suppliers and customers that reduce the environmental impact of the products we collectively manufacture and consume. A prime example of this effort is the Avery Dennison Flexis™ Steam valve.

Avery Dennison Flexis™, in development beginning in 2009 and launched this year, is a technology platform comprising a range of advanced film-material functional valves for various packaging applications. When the Avery Dennison Flexis™ Steam valve is applied to pouch packages of single-serve microwaveable meals, it has the potential to reduce up to 90% of the primary packaging of frozen food by eliminating the need for a tray, film seal and cardboard box. Moreover, the steam valve pouch performs better than a conventional tray in simplifying cooking, enhancing flavor and preserving nutrients.

As regulations extending producer responsibility for packaged goods increase, we welcome the opportunity to collaborate with customers, suppliers, recyclers and other stakeholders to develop long-term solutions that address the end-of-life management of consumable goods.

When compared with a traditional tray packaging system for single-serve microwaveable meals, **ten million package units using Flexis steam packaging can save as much as:**

- 510 barrels of oil
- 40 billion BTUs of energy
- 6.5 million gallons of water
- 300 trees
- 17 metric tons of solid waste
- 1,400 metric tons of CO₂ equivalents of greenhouse gases
Ensuring product integrity
Continual change in regulatory requirements for chemical materials and restricted substances, such as the European REACH (Registration, Evaluation, Authorization of Chemicals), Waste Electrical and Electronic Equipment (WEEE) and Toxic Substances Control Act (TSCA) regulations, places increasing requirements on global supply chains. Research is conducted every year that raises new questions about environmental or health effects of various chemicals.

While finding feasible alternatives to problematic materials is an industry-wide challenge, our product integrity program focuses on a proactive and strategic approach to address these concerns.

We work to ensure that our products comply with various government regulations and industry standards. We also identify and minimize chemicals that may harm the environment, cause health hazards or negatively impact the quality or performance of our products. Key elements of this program include:

> a Restricted Substances List (RSL) program, which identifies and limits chemicals that are restricted or that are considered to be of significant concern
> a multistage review process for new product development that spans from raw materials sourcing to product end-of-life; launched in 2009, this Avery Dennison Product Integrity Management System (PIMS) is under continuous development and is slated to be in full operation by 2012
> a new global tracking tool for product regulations that allows us to assess and act on new requirements

Avery Dennison’s plan is to evolve its product integrity program into a comprehensive product sustainability program over the next two years. Tools such as Life Cycle Analysis will supplement our compliance and integrity processes to ensure that we offer the most sustainable products and solutions possible.
More sustainable processes

Maximizing the efficiency of operating processes has been paramount at Avery Dennison even before the term “sustainability” became commonplace.
“At the same time we are developing solutions that help our customers reduce their environmental footprints, we are putting in place processes and measurement systems that will help us reduce our own.”

Don Nolan
Group Vice President, Roll Materials

Key to our operating culture is Enterprise Lean Sigma (ELS), a systematic approach to improvement. A hybrid of Six Sigma and Lean, ELS engages employees in the systematic elimination of production defects and waste and their associated costs. The net results — less wasted time, energy and materials, and greater productivity, quality and customer satisfaction — are the foundation of sustainable processes at Avery Dennison.
Reducing our environmental footprint

We recognize that GHG is just one part of our larger environmental footprint, which also includes waste, air emissions and water use.

Establishing benchmarks
As a manufacturing company, we are process-oriented, and we collect and use data on a daily basis to improve outcomes. Measurements are fundamental to improvement.

Avery Dennison conducted a 2005 baseline study of greenhouse gas emissions (GHG), which showed that our emissions are attributable primarily to energy use in manufacturing operations. This finding drove our prioritization of energy efficiency initiatives in 2008 and 2009.

We recognize that GHG is just one part of our larger environmental footprint, which also includes waste, air emissions and water use. That is why we introduced a Web-based environmental metrics system that allows every company facility to report environmental data. From these data, our goal for 2011 is to construct benchmarks and set reduction targets for the company as a whole. In addition, we plan to prioritize targets to address the most significant environmental impacts. We will report on these reduction targets, as well as on our comprehensive environmental footprint, in our 2011 sustainability report.

Establishing our environmental metrics system has been challenging. Among Avery Dennison’s four major business units there is great variability in facility size, capacity, manufacturing process and technology, resource utilization and regional regulations. Harmonizing this data from more than 200 global facilities and setting meaningful common targets is a complex task. We recognize that building a robust environmental metrics system takes time, but we are committed to measure so we can improve.
“Making our processes more efficient is a core focus of ELS, and saving energy is pure waste reduction.

Our energy kaizens made a real difference in our results and also in the mindset of the entire organization.”

Greg Temple
Vice President, Global Operations and Enterprise Lean Sigma

A hallmark approach of Enterprise Lean Sigma is the kaizen, a highly structured process improvement exercise focused on a specific set of issues. In 2009, Avery Dennison launched energy kaizens company-wide with the goal of reducing energy use per unit of production or unit of sales by 10%.

Roll Materials, one of the most energy-intensive Avery Dennison businesses, proved the value of the approach. Roll Materials conducted more than 20 energy kaizens and identified hundreds of ways to reduce energy consumption. These activities drove significant reductions in both total gas and electricity use in 2009, saving more than $2 million in energy costs.

Greenhouse gas reduction
Avery Dennison’s current target is to achieve a 15% reduction from 2005 levels of greenhouse gas (GHG) emissions from operations, indexed to net sales, by 2015. In 2009, Avery Dennison reduced absolute GHG emissions by 9% (38,000 tons of CO2) compared with 2005, the equivalent of removing 6,591 cars from the roads.

Avery Dennison has implemented a number of energy reduction strategies since 2005 that have resulted in GHG emission reductions. These include:

> investing more than $10 million in energy-efficient emissions control devices
> gradually implementing energy efficiency improvements for coating dryers and other major equipment
> identifying opportunities to improve process controls for compressed air, HVAC and lighting systems
> conducting energy reduction kaizen (process improvement) projects globally

Additionally, Avery Dennison has reported on its carbon footprint to the Climate Disclosure Project, a public, online database of corporate climate change data provided by more than 1,550 companies globally. Read more about our GHG goals, strategy and performance here.
Waste reduction
At its core, Enterprise Lean Sigma is the relentless pursuit and elimination of waste in everything an organization does. “Waste” is everything that does not contribute value in the eyes of our customers, a definition that is perfectly aligned with sustainability.

The most significant waste challenge that Avery Dennison faces is the industry-wide problem of dealing with the waste streams tied to self-adhesive label materials — specifically, the silicone-coated paper release liner and matrix waste that remain after labels are cut from rolls of material and applied to product packaging. To address this critical issue, we have started to work with customers on alternative recycling solutions for these waste materials. This problem must be solved through collaboration, and we welcome the opportunity to work with other organizations to make the self-adhesive label industry more sustainable.

Here are a few examples of the work we have done so far applying ELS tools to reduce waste across the value chain:

> Improving waste recycling in our facilities:
In 2009 the Avery Dennison facility in Tijuana, Mexico recycled more than 90% of all sources of generated trash from distribution and manufacturing operations, or approximately 2,800 tons of material.

> Reducing our customers’ waste streams:
In 2009, a team at Roll Materials’ North American division reviewed the Fasson EXACT™ service program to further reduce landfill waste. By studying customer impacts and analyzing the trim waste of existing material rolls, the team identified a way to take advantage of master roll widths to better meet customer needs with less trim. The result was a significant reduction in customer trim waste delivered to local landfills — up to 7.6 tons per day. Roll Materials now offers the Fasson EXACT™ program worldwide.

> Reducing fuel consumption: Avery Dennison’s Office Products transportation team has worked with trucking firms to increase logistical efficiencies and reduce diesel fuel used in shipping our products. This resulted in a 13% reduction in diesel fuel use per case in 2009 compared to the prior year. The savings of 200,000 gallons of diesel fuel is equivalent to 2,000 tons of CO₂.

We have started to work with customers on alternative recycling solutions for liner and matrix waste.
Supply chain sustainability

Sourcing raw materials is a key opportunity to act sustainably.

**Responsible sourcing**
Sourcing raw materials is a key opportunity to act sustainably, especially as materials are sourced globally from countries and communities with varying political and socio-economic conditions.

As part of Avery Dennison’s commitment, the Company sponsors Aid by Trade Foundation’s Cotton Made in Africa Project. This project provides a means for African farmers to compete in the global marketplace and creates opportunities for sustainable cotton production in one of the poorest regions of the world.

In 2011, we plan to engage appropriate stakeholders to identify other relevant actions related to responsible sourcing of widely used materials such as paper.

**Collaboration in action:**

**Forest Stewardship Council**
Paper is a critical raw material for Avery Dennison products. To that end, Avery Dennison has attained Forest Stewardship Council (FSC) chain-of-custody (CoC) certification for 56 of our operating plants worldwide. FSC is an independent, international, environmentally and socially oriented forest certification organization aimed at eliminating the habitat destruction, water pollution, displacement of indigenous people and violence against people and wildlife that can accompany logging.

FSC chain-of-custody traces the route that raw materials travel when moving from forest to end product and confirms to the consumer that the final product is indeed legitimate and manufactured in line with FSC criteria and policy. FSC certification guarantees that the paper or wood products come from forests that are managed responsibly. Avery Dennison has FSC CoC-certified facilities in these countries:

**Americas**
Colombia, El Salvador, Mexico, USA

**EMEA**
Bulgaria, Germany, Mauritius, Romania, Turkey, United Arab Emirates

**South Asia**
Bangladesh, India, Pakistan, Sri Lanka

**Asia**
China, Hong Kong, Indonesia, Korea, Taiwan, Thailand, Vietnam
Avery Dennison works with hundreds of suppliers and subcontractors around the world. They are, by extension, part of our culture.

**Supplier standards**

Avery Dennison works with hundreds of suppliers and subcontractors around the world. They are, by extension, part of our culture, so we are beginning a program to hold them to the same ethical standards that we follow. We have notified suppliers of our Global Supplier Standards, which detail the workplace practices and ethical behavior we expect, including these key points:

- We do not permit suppliers to use child labor or forced labor.
- We require suppliers to provide employees with a safe and healthy workplace and to operate in compliance with all local environmental, health and safety laws.
- We do not allow any kind of bribe, kickback or other form of personal payoff tied to our business arrangements.

A plan for applying and enforcing our supplier standards more fully among suppliers and subcontractors in 2011 is in development.

**Collaboration in action: Better Work Vietnam**

Avery Dennison Vietnam is actively participating in the International Labor Organization’s (ILO) Better Work Vietnam program. This program, which became operational in June 2009, is a collaborative effort between the ILO and the public and private sectors that is designed to improve labor standards and competitiveness in Vietnam’s export sectors.
More sustainable purpose

The business case for sustainability has no foundation without a culture of integrity and social responsibility. From the start of the company, Stan Avery fostered an ethically based, entrepreneurial spirit that continues to make Avery Dennison a place where employees come to develop as professionals and as people who are empowered to make their mark.
Our people

Nurturing a culture of sustainability is an ongoing process. Avery Dennison is reaching out globally to bring every employee to a common experience of social responsibility. This begins with a shared understanding of our company’s Leadership Principles, one of which is to “model integrity and social responsibility.” This sets the expectation that employees will:

> Act honestly, ethically and honorably
> Lead by example and treat people fairly
> Build trusting relationships by being open, honest, and sending consistent messages
> Align words with actions (“walk the talk”)

> Act responsibly as members of the communities in which we operate
> Be environmentally responsible
> Obey local laws and support local communities
Code of Conduct
Avery Dennison’s Code of Conduct is built on our Leadership Principles and reflects a belief that there is no conflict between playing to win and being values-based. It is designed to engage employees in an ongoing dialogue about the business choices they make every day and to help guide ethical decision-making in an increasingly complex and competitive business world. To make it as accessible as possible, the Code is available in 29 languages on the Web and in print. Read it here.

Business Conduct GuideLine
To encourage employees to seek guidance on company policies or report potential ethical violations, the company maintains a global Business Conduct GuideLine that is available 24 hours a day, 7 days a week to receive anonymous reports of any problems or questions. In the 2008-2009 period, the GuideLine handled 382 calls and Web-based reports. The chart provides a summary of issues raised. The company’s Chief Risk Officer manages the formal Incident Process that addresses each call or Web-based report received.

Social Compliance Program
At Avery Dennison, we believe we have a responsibility to do what is right, not only for our business and shareholders but also for the stakeholders in the communities and countries in which we live and work. That is what we mean by “social compliance.” It is a guiding principle for developing and managing the company, developing people, partnering with contractors and suppliers and engaging with external audiences.

We apply Social Compliance Program standards to our own facilities as well as to select supplier partners, and we continue to increase the number of audits of our manufacturing facilities. Facilities are selected for an audit based on a number of risk factors, including previous audit results, geographic location and the period of time between audits.

In 2009, 37 onsite audits were completed, for a total of 113 individual audits since 2003. Since 2007, monitoring, training and education initiatives have reduced the average number of issues identified per audit from 8.6 to 6.8. The key issues for 2009 were related to health and safety, wages and benefits, and labor hours, at sites primarily in Asia.

Avery Dennison plans to complete its first Social Compliance Report in late 2010.

Collaboration in action: BSR Working Group
One way we are working to address social compliance issues is by participating in Business for Social Responsibility’s (BSR’s) Apparel, Mills & Sundries Working Group. The Working Group aims to set a consistent set of expectations and achieve fair, safe, healthy and environmentally responsible working conditions. It is committed to promoting
transparency, knowledge sharing and collaboration between buyers and suppliers. To further this effort, we have aligned our new internal auditing tools and standards with those of the Working Group and engaged customers and third-party trainers to build social compliance capacity.

**Health and safety**
The health and safety of our employees are paramount, and the company is committed to providing a safe and injury-free workplace. To achieve this, employees are engaged in ongoing safety training and awareness, risk assessments, inspections and safety committees.

A review of overall safety performance in 2009 identified 131 out of 200 facilities that achieved a zero injury status for the year. This total included 67 manufacturing sites, 35 distribution centers, 26 offices and three research centers.

Safety performance is measured by the U.S.-defined recordable incident rate (RIR), which is a ratio of the number of global occupational injuries and illnesses to the number of global work hours. Avery Dennison’s RIR remains below 0.6.

The expansion of global operations through acquisitions and organic growth in emerging markets has increased the number of employees who are not familiar with Avery Dennison standards. As a result, we have increased focus on safety coaching and mentoring at the leadership and shop floor levels of the organization. The use of standardized tools and templates translated into local languages is a high priority in the further development and implementation of our safety culture.

Avery Dennison believes employees’ active participation in the safety process is a driving force in building a proactive safety culture. Safety is a fixed agenda item of the Managing for Daily Improvement (MDI) meetings that are held during every operating shift. These meetings allow for the transfer of safety-related information from shift to shift and provide an opportunity for employees to convey any safety-related concerns they may have.

<table>
<thead>
<tr>
<th>Recordable Incident Rate (RIR)</th>
<th>2007 – 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Target</strong></td>
<td>1.00</td>
</tr>
<tr>
<td><strong>Actual</strong></td>
<td>0.99</td>
</tr>
<tr>
<td>2007</td>
<td>0.95</td>
</tr>
<tr>
<td>2008</td>
<td>0.93</td>
</tr>
<tr>
<td>2009</td>
<td>0.66</td>
</tr>
</tbody>
</table>
Environmental health and safety certifications

“Avery Dennison is taking an active, leading role in the implementation of industry sustainability initiatives. The company has created a multi-pronged strategy which has improved their products and processes.”

Calvin Frost
Tag & Label Manufacturers Institute (TLMI)
Environmental Committee Chair

The Fasson Roll North America division of Avery Dennison was awarded the 2008 Tag & Label Manufacturers Institute (TLMI) Environmental Leadership Award. Established in 2003, TLMI annually recognizes the leadership efforts of a member company that can demonstrate its commitment and quantitatively measure good environmental practices.

Learn more about TLMI here.

Environmental Certifications
Since 2000, Avery Dennison has implemented a corporate environmental management system that has enabled eight sites worldwide to meet International Organization of Standards (ISO) 14001 regulations, a set of international standards that helps organizations comply with environmental regulations. In addition, two sites in Mexico also meet Responsible Care Code (RC) 14001 requirements and Clean Industry Certification, awarded to voluntary participants in the environmental protection and regulation program promoted by Mexico’s Federal Attorney for Environmental Protection (PROFEPA).

Americas
Mill Hall, U.S. (RC 14001); Strongsville, U.S. (ISO 14001); Juarez, Mexico (Clean Industry Certification)

EMEA
Kreuzling, Switzerland (ISO 14001); Hazerswoude, Netherlands (ISO 14001); Alphen, Netherlands (ISO 14001); Schwelm #1, Germany (ISO 14001); Schwelm #2, Germany (ISO 14001)

Asia
Suzhou, China (ISO 14001)

Health and Safety Certifications
Four of our facilities participate in the U.S. Department of Labor’s Voluntary Protection Program (VPP), which recognizes the implementation of comprehensive safety and health management systems. In addition, four global facilities have received Occupational Health and Safety Assessment System (OHSAS) 18001 certification for meeting the standard’s international occupational health and safety assessment requirements.

Americas
Concord (VPP Star); Painesville (VPP Star); Mill Hall (RC 14001); Cleveland (VPP Star); Neenah (VPP Merit); Juarez, Mexico (Department of Labor Safety Certification); Tijuana, Mexico (Department of Labor Safety Certification)
With our global reach, it is our goal to be a force for social progress and well-being.

In 2008 and 2009, we made progress toward this goal through the Avery Dennison Foundation, our corporate community investment program and employee giving.

Over the next year we will focus on:
> developing global criteria and guidelines for our philanthropic investments in education and our community investment platform to advance sustainability
> increasing employee engagement and volunteerism through company-sponsored programs

**Avery Dennison Foundation**
The Avery Dennison Foundation was chartered in 1978. In 2008, the Foundation updated its mission to focus on enhancing global economic development by fostering the spirit of invention and innovation in business leadership and technological advancement. To achieve this, the Foundation focused on supporting education in the areas of:
> health, safety and the environment
> leadership
> science and technology, with a special focus on materials science

The Avery Dennison Foundation and Avery Dennison employees currently support a range of community programs. For example:

**Spirit of Invention Scholarship Program in Shanghai, China:** Founded in 2008, this program has funded 28 students with three-year scholarships at South China University of Technology, University of Shanghai for Science and Technology, Beijing Institute for Graphic Communication and East China University of Science and Technology. The scholarship program is designed to enable inventive students to become significant contributors to the economic well-being of their communities.

**South Indian Education Society School of Packaging in Mumbai, India:** To foster innovation in business leadership and technology development, Avery Dennison Foundation endowed a faculty chair at the South Indian Education Society (SIES) School of Packaging in Mumbai. The Foundation's...
contributions support the integration of a self-adhesive technology curriculum into its core four-year undergraduate engineering and two-year post-graduate packaging and printing programs. More than 140 students benefited in the 2008-2009 academic year, and more than 120 new packaging students joined the program in 2009.

Middle school achievement in math and science in Pasadena, California, U.S.: The Avery Dennison Foundation, Pasadena Unified School District and the Pasadena Educational Foundation developed and piloted new teaching methods and curricula to help middle school students envision themselves as scientists and innovators of tomorrow. The program began in 2008 with an invitation to all Pasadena Unified middle school teachers to attend the Avery Dennison Summer Institute.

Corporate community investment
Charitable Giving: Avery Dennison corporate donations are made to a range of non-profit organizations that provide life-enhancing services to those in need and improve quality of life in communities where our employees live and work.

Matching Gifts Program: Financial support for American education is a long-standing tradition at Avery Dennison. Through our Matching Gifts Program, Avery Dennison matches dollar for dollar employee donations to primary and secondary schools and institutions of higher learning in the U.S.

Rebuilding efforts in China

In 2008, Avery Dennison matched employees’ donations to raise more than RMB 2 million (approximately US$293,000) for the Red Cross and its earthquake relief work in Sichuan, China. In 2009, after consulting with employees and the Red Cross, Avery Dennison announced it would redirect approximately RMB 402,000 (US$60,000) of the earthquake relief donations and establish a partnership with Project Hope, a well-respected public service group, to rebuild a primary school in rural Anhui Province.
Avery Dennison Scholars Program: These scholarship awards encourage the academic aspirations of sons and daughters of employees attending institutions of higher learning in the U.S. The program is administered by Scholarship Management Services®, a division of Scholarship America®. In 2008 and 2009, the program gave more than $260,000 in scholarships.

Disaster Response: Avery Dennison recognizes that man-made and natural disasters can have a traumatic impact on the lives of our employees, neighbors, business partners and customers. In times of disaster, we are committed to providing humanitarian support for people in both the developed and developing world.

Product donation
Office Products’ North American division operates an in-kind product donation program that supports numerous charitable organizations and schools throughout the United States. In 2008 and 2009, Office Products donated products through the program with a value of approximately $17 million. To facilitate the donation process, we are developing a website for the program that will be launched in 2011.

Employee giving
Avery Dennison employees around the world volunteer their time and talent to help address critical social needs of their communities.

United Way has been an organizing force for such activities in the U.S. and Argentina, and Avery Dennison has been a partner of United Way for more than 40 years.

In Avery Dennison facilities throughout the U.S., employees are active in United Way campaigns to raise money for local nonprofit organizations that address issues such as hunger, homelessness and at-risk youth. Employees also participate in Days of Caring, volunteering their time in support of community needs such as building houses, feeding the homeless and collecting canned goods and winter coats for families in need. The company matches employees’ monetary contributions to increase the overall support for local communities.

In 2009, Avery Dennison joined 12 other major corporations to support United Way in Argentina, providing our employees with an opportunity to support people in need in communities in which they live and work. Locally, the program is called Fundación Caminando Juntos (Walking Together Foundation). Every month, one quarter of all employees in Avery Dennison’s Buenos Aires facility make anonymous monetary contributions to this fund. In addition, starting in 2010 Avery Dennison Argentina will donate US$5,000 per year to the Foundation through different campaigns that encourage employee volunteerism, back-to-school initiatives and blood drives.
We welcome your comments and perspective on this report and Avery Dennison’s sustainability efforts. Please email sustainability@averydennison.com.

Learn more

> Avery Dennison Supplier Standards PDF
> Carbon Disclosure Project

Contact us