Avery Dennison Corporation - Water Security 2022

W0. Introduction

W0.1

(W0.1) Give a general description of and introduction to your organization.

Avery Dennison is a global materials science and manufacturing company specializing in the design and manufacture of a wide variety of labelling and functional materials. The company's products, which are used in nearly every major industry, include pressure-sensitive materials for labels and graphic applications; tapes and other bonding solutions for industrial, medical and retail applications; tags, labels and embellishments for apparel; and radio-frequency identification (RFID) solutions serving retail apparel and other markets.

Avery Dennison is composed of three business segments: Label and Graphic Materials (LGM), Retail Branding and Information Solutions (RBIS), and Industrial and Healthcare Materials (IHM). We operate in more than 50 countries worldwide with approximately 36,000 employees. In 2021 our global net sales were $8.4 billion. Further information about Avery Dennison, our business, and our organizational structure can be found at www.averydennison.com.

W0.2

(W0.2) State the start and end date of the year for which you are reporting data.

	Start date	End date
Reporting year	January 1 2021	December 31 2021

W0.3

(W0.3) Select the countries/areas in which you operate.
Argentina
Australia
Austria
Bangladesh
Belgium
Brazil
Cambodia
Canada
Chile
China
Colombia
Croatia
Czechia
Denmark
Dominican Republic
El Salvador
Finland
France
Germany
Honduras
Hong Kong SAR, China
India
Indonesia
Ireland
Israel
Italy
Japan
Luxembourg
Malaysia
Mauritius
Mexico
Netherlands
New Zealand
Norway
Pakistan
Philippines
Poland
Republic of Korea
Romania
Singapore
South Africa
Spain
Sri Lanka
Sweden
Switzerland
Taiwan, China
Thailand
Turkey
Ukraine
United Arab Emirates
United Kingdom of Great Britain and Northern Ireland
United States of America
Viet Nam

W0.4

(W0.4) Select the currency used for all financial information disclosed throughout your response.
USD

W0.5

(W0.5) Select the option that best describes the reporting boundary for companies, entities, or groups for which water impacts on your business are being reported.
Companies, entities or groups over which operational control is exercised

W0.6

(W0.6) Within this boundary, are there any geographies, facilities, water aspects, or other exclusions from your disclosure?
No

(W0.7) Does your organization have an ISIN code or another unique identifier (e.g., Ticker, CUSIP, etc.)?

Indicate whether you are able to provide a unique identifier for your organization.	Provide your unique identifier
Yes, a Ticker symbol	NYSE: AVY

W1. Current state

W1.1

(W1.1) Rate the importance (current and future) of water quality and water quantity to the success of your business.

	Direct use importance rating	Indirect use importance rating	Please explain
Sufficient amounts of good quality freshwater available for use	Neutral	Vital	Direct Use: As members of the paper value chain, it is often believed that we use significant quantities of water, however, we are not involved in the paper production process and most of the water footprint of our products is associated with our supply chain. Our manufacturing operations primarily produce pressure-sensitive materials and a variety of tickets, tags, labels, and other converted products and use limited quantities of water. Water is not used directly as part of our manufacturing processes. It is primarily used for cleaning, chillers and cooling towers at manufacturing sites, and general use/personal hygiene for all other locations. At two of our facilities, accounting for approximately 8% of our total water withdrawals, we produce materials via emulsion. Direct Importance Rating: Avery Dennison does not use significant volumes of freshwater in production, but understands the importance of water quality discharges and therefor, treats all process water on-site or at appropriate third-party sites. As a result, we consider the importance of water to our direct operations as neutral. Indirect Use: Water is used throughout the paper and pulp production process. Pulp is mixed with water, as well as other additives, to create a slurry that is then dried and pressed to produce paper. Indirect Importance Rating: Paper production requires a considerable amount of water. Without a regular and sufficient supply of water, there would be limited or costly manufacturing of paper and so water is considered vital to our suppliers. Water availability may impact paper commodity costs in the future. Therefore, we consider the importance of water to our indirect operations to be vital. We expect that in the future, our dependency on water across direct and indirect use will be substantially similar since water has yet to be a major focus area, given our relatively low use.
Sufficient amounts of recycled, brackish and/or produced water available for use	Not very important	Neutral	Direct Use: Avery Dennison does not use recycled, brackish or produced water. Given that many of our manufacturing operations do not need high-quality water, recycled or produced water may be more frequently used in the future. Direct Importance Rating: This water source is not applicable to our current operations. However, we are committed to reducing our water usage in areas identified as having high water stress and risk by the WRI Aqueduct tool and may explore using different water sources such as recycled water in the future to mitigate these stresses. Therefore, we consider sufficient amounts of recycled water not to be very important at this time. Indirect Use: Our paper suppliers may use recycled water as part of their processes as treatment technologies allow for quality control. Indirect Importance Rating: We are in the process of engaging our suppliers, through EcoVadis, to determine how our suppliers are using recycled, brackish, and/or produced water to inform this impact. Therefore, we consider sufficient amounts of recycled water to be neutral to our indirect operations at this time. This rating could change as we gain a better understanding of the role that recycled, brackish and/or produced water plays in our supply chain.

W1.2

(W1.2) Across all your operations, what proportion of the following water aspects are regularly measured and monitored?

	% of sites/facilities/operations	Please explain
Water withdrawals – total volumes	51-75	Monthly water consumption is tracked at our manufacturing facilities, distribution centers, research and development sites, fast response units, and large offices representing 70% of Avery Dennison facilities and the most material sites from a water usage perspective. Data from utility bills and/or meter readings is uploaded to our internal ASPIRE environmental management system by EHS team members.
Water withdrawals – volumes by source	Not monitored	As we continue to build out our internal ASPIRE environmental management system, we hope to develop the ability to reliably collect, calculate, and report on this data.
Entrained water associated with your metals & mining sector activities - total volumes [only metals and mining sector]	<Not Applicable>	<Not Applicable>
Produced water associated with your oil & gas sector activities - total volumes [only oil and gas sector]	<Not Applicable>	<Not Applicable>
Water withdrawals quality	Not relevant	We do not currently collect this information.
Water discharges – total volumes	26-50	Roughly 30% of our facilities track industrial discharge volumes, primarily facilities with manufacturing processes. Other sites estimate volumes (domestic discharges).
Water discharges – volumes by destination	Not monitored	We do not currently collect this information.
Water discharges – volumes by treatment method	Not monitored	We understand the importance of water quality discharges and therefore, treats all process water on-site or through appropriate third parties.
Water discharge quality – by standard effluent parameters	Not monitored	We do not currently collect this information except in geographies where we are required to by law.
Water discharge quality – temperature	Not monitored	We do not currently collect this information.
Water consumption – total volume	Not monitored	Previous disclosure of water withdrawal was reported as consumption. We do not currently collect this information.
Water recycled/reused	Not monitored	We do not use recycled/reused water in direct operations.
The provision of fully-functioning, safely managed WASH services to all workers	100%	Across all sites, we provide fully-functioning WASH services for all of our employees. To ensure compliance with our standards and local regulations of our business, we conduct environmental, health and safety (EHS) compliance audits at each manufacturing site, including drinking and potable water compliance. Audits are conducted by a team of employees assisted by third-party consultants who speak the local language and provide expertise on local regulations.

W1.2b

(W1.2b) What are the total volumes of water withdrawn, discharged, and consumed across all your operations, and how do these volumes compare to the previous reporting year?

	Volume (megaliters/year)	Comparison with previous reporting year	Please explain
Total withdrawals	1786.21	Higher	Due to changes in our methodology, we had higher water withdrawals in 2021. The 2020 value based on a "total water usage" indicator, was a combination of measured withdrawals and estimated withdrawals. We had very few sites tracking withdrawals at this time, so the value was largely based on the estimated value using the number of full-time employees, gallons per day, and days worked. In 2021, we began requiring sites to directly track and report withdrawals, which is why the values started to vary. Additionally, a few new sites were added to our portfolio.
Total discharges		Please select	We do not currently track the total quantity of water discharges, however, since we are not using water as part of our manufacturing process, a limited quantity is consumed and the vast majority is discharged. We have started to track water discharges in manufacturing sites as industrial discharges, and estimate the domestic discharge portion for all sites. These figures will be available for reporting in next year's response.
Total consumption		Please select	We do not currently track water consumption, however, since we are not using water as part of our manufacturing process, a limited quantity is consumed and the vast majority is discharged.

W1.2d

(W1.2d) Indicate whether water is withdrawn from areas with water stress and provide the proportion.

	Withdrawals are from areas with water stress	% withdrawn from areas with water stress	Comparison with previous reporting year	Identification tool	Please explain
Row 1	Yes	26-50	About the same	WRI Aqueduct	The World Resources Institute (WRI) Aqueduct Tool allows us to directly see, by geography, how many of our sites are in areas of water stress. We primarily use the WRI Aqueduct Tool to better understand our current and future water risks. We assess our sites annually to determine site-specific priorities and opportunities and analyze the data based on risk levels. The methods that we've used to mitigate water risks take into account all of our facilities. Water data from our global facilities is collected and analyzed based on water withdrawals and the results of the WRI Aqueduct assessment. To conduct this assessment, we use the WRI Aqueduct baseline water stress indicators, which are based on a global dataset developed by the WRI. A detailed methodology for risk level breakdowns is available through WRI.

W1.3

(W1.3) Provide a figure for your organization's total water withdrawal efficiency.

	Revenue	Total water withdrawal volume (megaliters)	Total water withdrawal efficiency	Anticipated forward trend
Row 1	8400000000	1786.21	4702694.53199792	We expect that our relative efficiency will remain about the same or improve as we more closely monitor water usage in areas of water stress and drive performance.

W1.4

(W1.4) Do you engage with your value chain on water-related issues?
Yes, our suppliers
Yes, our customers or other value chain partners

W1.4a

(W1.4a) What proportion of suppliers do you request to report on their water use, risks and/or management information and what proportion of your procurement spend does this represent?

Row 1

% of suppliers by number
1-25

% of total procurement spend
51-75

Rationale for this coverage
For our two largest business units (LGM and RBIS), we have different programs for engaging with suppliers. In many cases, our third business unit (IHM) shares suppliers and management systems with LGM.

LGM (+IHM): We require our top suppliers, representing more than 80% of direct supplier spend, to take the annual EcoVadis survey. We focus on our largest suppliers by purchase order amounts to give us the most influence on impacting our supply chain.

RBIS: For RBIS' third party auditing program, ICAP, audits are conducted for all outsource suppliers to ensure compliance with regulatory requirements and to ensure suppliers reporting environmental certificates maintain those standards. All outsource suppliers are selected for reporting because it allows us to understand the full impact of our supply chain. Outsource suppliers are incentivized to report because if they do not take the survey, are not audited under the ICAP program or do not follow up on the corrective action plan from the ICAP audit, then our procurement team will begin the process of identify alternative sources.

Impact of the engagement and measures of success
LGM: For LGM, using EcoVadis, we require suppliers to achieve a minimum score of 45; if they fail to meet this level, we initiate our corrective actions process for continuous improvement. The EcoVadis survey contains questions regarding water use and consumption, and this data is used by our company when determining future business, the health of our supply chain, and risks and opportunities. Platinum (overall score between 75 and 100) and Gold (67 and 74) scores are high performing suppliers, and are prioritized when determining supplier risk, relationship status, future business opportunities, etc. Success of this engagement is measured by the number of suppliers who have overall Gold or Platinum scores.

RBIS: Under RBIS' third party auditing program, ICAP, all outsource suppliers must meet legal water requirements in the countries in which they operate and conduct environmental impact risk assessments annually. Also, they must ensure wastewater discharge meets water quality guidelines of sustainable water group and/or applicable laws, whichever are more stringent. The supplier must have a process flow diagram showing all areas of water usage and discharge points. Outsource suppliers that do not have those items currently are given a deadline to submit a Corrective Action Report (CAR). If the CAR is not completed, RBIS will seek another source of material. Success of this engagement is measured by the number of suppliers who meet all of the specified criteria and do not need to submit a CAR.

Comment

W1.4b

	Revenue	Total water withdrawal volume (megaliters)	Total water withdrawal efficiency	Anticipated forward trend
Row 1	8400000000	1786.21	4702694.53199792	We expect that our relative efficiency will remain about the same or improve as we more closely monitor water usage in areas of water stress and drive performance.

(W1.4b) Provide details of any other water-related supplier engagement activity.

Type of engagement
Onboarding & compliance

Details of engagement
Inclusion of water stewardship and risk management in supplier selection mechanism

% of suppliers by number
76-100

% of total procurement spend
76-100

Rationale for the coverage of your engagement
For our two largest business units (LGM and RBIS), we have different programs for engaging with suppliers. In many cases, our third business unit (IHM) shares suppliers and management systems with LGM.

LGM (+IHM): We require our top suppliers, representing more than 80% of direct supplier spend, to take the annual EcoVadis survey. We focus on our largest suppliers by purchase order amounts to give us the most influence on impacting our supply chain.

RBIS: For RBIS' third party auditing program, ICAP, audits are conducted for all outsource suppliers to ensure compliance with regulatory requirements and to ensure suppliers reporting environmental certificates maintain those standards. All outsource suppliers are selected for reporting because it allows us to understand the full impact of our supply chain. Outsource suppliers are incentivized to report because if they do not take the survey, are not audited under the ICAP program or do not follow up on the corrective action plan from the ICAP audit, then our procurement team will begin the process of identify alternative sources.

Impact of the engagement and measures of success
LGM: For LGM, using EcoVadis, we require suppliers to achieve a minimum score of 45; if they fail to meet this level, we initiate our corrective actions process for continuous improvement. The EcoVadis survey contains questions regarding water use and consumption, and this data is used by our company when determining future business, the health of our supply chain, and risks and opportunities. Platinum (overall score between 75 and 100) and Gold (67 and 74) scores are high performing suppliers, and are prioritized when determining supplier risk, relationship status, future business opportunities, etc. Success of this engagement is measured by the number of suppliers who have overall Gold or Platinum scores.

RBIS: Under RBIS' third party auditing program, ICAP, all outsource suppliers must meet legal water requirements in the countries in which they operate and conduct environmental impact risk assessments annually. Also, they must ensure wastewater discharge meets water quality guidelines of sustainable water group and/or applicable laws, whichever are more stringent. The supplier must have a process flow diagram showing all areas of water usage and discharge points. Outsource suppliers that do not have those items currently are given a deadline to submit a Corrective Action Report (CAR). If the CAR is not completed, RBIS will seek another source of material. Success of this engagement is measured by the number of suppliers who meet all of the specified criteria and do not need to submit a CAR.

Comment

W1.4c

(W1.4c) What is your organization's rationale and strategy for prioritizing engagements with customers or other partners in its value chain?

Avery Dennison recognizes that water management is an important aspect of meeting our customers' requirements and while our own sites do not utilize material amounts of water, we need to engage further with suppliers to better understand their impact.

We value our customer relationships as a fundamental factor in our financial, reputational, and environmental performance. To keep up with consumer-driven demands, we offer our Sustainable ADvantage™ sustainability portfolio. Each product included in this portfolio has measured improvement in environmental impact. Improvements can be quantified using a product life cycle assessment (LCA) methodology providing greater transparency of the materials' impact—and greater confidence in customer decision-making. By quantifying the impact of functional labelling and packaging made from fewer and more sustainable materials, we spark innovation and promote more meaningful decision-making. Every LCA provides environmental impact data across six categories, including water use. Customers are also included in our materiality assessments; their input helps us understand what we're doing well and identify opportunities for improvement. We are proactively working with customers to expand this program and are soliciting insights around customers' water goals through sustainability team meetings with a focus on strategically aligning our goals with our customers' long-term water goals. Also, 10 of our RBIS sites are required to test incoming and outgoing water in response to customer requests. Through this approach, we view success as further expanding the number of customers that we collaborate with on reducing water use. We have established a goal to, by 2030, deliver a 15% increase in water efficiency at our sites that are located in high or extremely high risk countries as identified in the WRI Aqueduct Tool. Progress towards this goal will support our customers' efforts to reduce water use across the value chain.

W2. Business impacts

W2.1

(W2.1) Has your organization experienced any detrimental water-related impacts?
No

W2.2

(W2.2) In the reporting year, was your organization subject to any fines, enforcement orders, and/or other penalties for water-related regulatory violations?
No

W3.3

(W3.3) Does your organization undertake a water-related risk assessment?
Yes, water-related risks are assessed

W3.3a

(W3.3a) Select the options that best describe your procedures for identifying and assessing water-related risks.

Value chain stage
Direct operations
Supply chain

Coverage
Full

Risk assessment procedure
Water risks are assessed in an environmental risk assessment

Frequency of assessment
Annually

How far into the future are risks considered?
1 to 3 years

Type of tools and methods used
Tools on the market

Tools and methods used
EcoVadis
WRI Aqueduct

Contextual issues considered
Water availability at a basin/catchment level
Water quality at a basin/catchment level
Stakeholder conflicts concerning water resources at a basin/catchment level
Water regulatory frameworks
Status of ecosystems and habitats

Stakeholders considered
Employees
Local communities
NGOs
Regulators
Water utilities at a local level

Comment
In 2010, we began tracking our water consumption. Annually, we use the WRI Aqueduct tool to assess water risks such as water quantity-related physical risks, water quality-related physical risks, and regulatory and reputational risks at each of our sites. We overlay the WRI Aqueduct assessment results with water withdrawal data for tracked sites to prioritize our approach to managing water risk. At year-end 2021, 74 of our 247 operational sites were located in areas of high or extremely high overall water risk. We also use the WRI Aqueduct tool to assess future state water risk for our operational sites. Based on a business-as-usual scenario, 113 of our 247 sites will be located in areas of high or extremely high water risk by 2030.

To understand water risks in our value chain, we evaluate our supplier relationships through our Sustainable Procurement Program. We partner with EcoVadis to review suppliers representing more than 80% of our LGM business unit's direct spend. EcoVadis assesses each respondent's environmental practices, including reporting on water consumption and measures to reduce water consumption. In addition, we work with Climate Earth to estimate water usage within our supply chain by using economic input and output models.

W3.3b

(W3.3b) Describe your organization's process for identifying, assessing, and responding to water-related risks within your direct operations and other stages of your value chain.

In alignment with the UN SDGs, we identify access to water and sanitation as human rights, reflecting the fundamental nature of these basic needs in every person's life. We acknowledge the strategic importance of water as a vital resource, and understand that maintaining the preservation and quality of water is necessary to our businesses, supply chains, and health of our communities.

We primarily use WRI Aqueduct to better understand our current and future water risks. We perform an annual water assessment using WRI Aqueduct to determine site-specific priorities and opportunities. The methods that we've used to mitigate water risks take into account all of our facilities. Water data from our global facilities is collected and analyzed based on water withdrawals and the results of the WRI Aqueduct assessment. Consumption - sites with a "material" amount of consumption will be prioritized for projects. Material is defined as a site using 2.5 million gallons of water or more per year. Aqueduct Risk Level - sites in geographical areas determined by the assessment to have an Extremely High Risk or High Risk to water are prioritized for projects. We also use the WRI Aqueduct tool to characterize the future state water risk for our global facilities. A detailed methodology for risk level breakdowns is available through WRI. Avery Dennison's Sustainability Council is responsible for keeping abreast of market developments related to water usage and water risks.

Our WRI Aqueduct assessment covers contextual issues in three main categories: 1) water availability, 2) water quality, and 3) reputational and regulatory risk, including water regulatory frameworks and stakeholder conflicts. The WRI Aqueduct mapping also provides information on the status of ecosystems and habitats. Although we use a relatively insignificant amount of water in our direct operations, water availability and quality at the basin/catchment level is important to Avery Dennison as our businesses and communities in which we operate may be exposed to impacts associated with water scarcity and quality. Stakeholder conflicts concerning water resources at a basin/catchment level are included in our assessment because we want to contribute to greater water security for all. We also take into account water-related regulatory frameworks since changes in water-related regulation can impact our operations; tracking these changes ensures that we can plan ahead and incorporate them into decision making processes. Furthermore, we consider the status of ecosystems and habitats in our assessments to help maintain and protect biodiversity in the areas where we operate.

Our procedures for identifying and assessing water-related risks using the WRI Aqueduct tool take into account various stakeholders including employees, local communities, NGOs, regulators, and water utilities at a local level. We include our employees in our assessment as they are key to responsibly managing our water use and achieving our water-related targets. Local communities are critical water users in the basins where we and our suppliers operate, and NGOs provide valuable perspective on local issues and impacts. Our assessments include regulators so we can stay updated on best practices in regard to water-related regulations, standards, and permits. Additionally, we consider water utilities at a local level as we use municipal water sources for our operations and supply chains.

Leveraging the expertise of our internal teams, consultants, and the annual Aqueduct assessment, we have guiding principles to improve the quality of the water we discharge, implement water management strategies and projects across facilities (prioritizing those with the most water withdrawal and categorized as Extremely High Risk or High Risk according to WRI Aqueduct), consider water-related impacts when making business decisions throughout the supply chain, and utilize our resources and commitment to transparency to proactively engage with communities around the world to address water-related issues such as accessibility and quality.

We are in the process of engaging our suppliers, through EcoVadis, to determine how our suppliers are using recycled, brackish, and/or produced water to inform this impact and to increase the insight we have into our suppliers' water policies and management practices. The KPIs for suppliers from the Ecovadis System are: 1) measures to reduce water consumption, 2) no evidence of actions on water, and 3) reporting on water consumption. In 2021, 80% of LGM's direct spend was subject to EcoVadis reporting. Moving forward, we will use this additional information to inform our supply chain engagement efforts and determine improvement opportunities.

W4. Risks and opportunities

W4.1

(W4.1) Have you identified any inherent water-related risks with the potential to have a substantive financial or strategic impact on your business?
No

W4.1a

(W4.1a) How does your organization define substantive financial or strategic impact on your business?

We define substantive change as impacts on revenue, stakeholders and costs both on availability of purchased goods. Risks are categorized as low, medium, or high based on net income impact and likelihood. Overall, we measure inherent risk using the following annual thresholds: low risk is under $10 million, medium risk is $10 million to $40 million, and high risk is above $40 million.

W4.2b

(W4.2b) Why does your organization not consider itself exposed to water risks in its direct operations with the potential to have a substantive financial or strategic impact?

	Primary reason	Please explain
Row 1	Risks exist, but no substantive impact anticipated	While we recognize that we are exposed to water-related risks, mitigation strategies and our overall low usage suggest that these risks are likely to have little impact on the overall direct operations or health of our business. 21 of our 247 sites fall in the extremely high risk category based on the WRI Aqueduct assessment, which represents 8.5% of our sites, a decrease from the previous year. For sites deemed "at risk" through the sensitivity of the geography in which these facilities are located, we evaluate the impact our direct operations may have on the water basins to those areas, as well as the risk(s) utilizing water resources in these regions may have on our business and take appropriate action as necessary. We also use the WRI Aqueduct tool to characterize the future state water risk for our global facilities to stay abreast of any emerging risks. Based on a business-as-usual scenario in a world with stable economic development and steadily rising global carbon emissions, the WRI Aqueduct tool can project changes in water stress. The tool projects 72 of our 247 sites will be located in areas of extremely high water risk by 2030. Historically, we have not experienced detrimental impacts from water such as scarcity or flooding leading to restrictions or shutdowns. Thus, we have not experienced substantive financial impacts associated with water. We continue to work to better understand water on a site-by-site basis, which may further refine our understanding of the risk going forward.

W4.2c

(W4.2c) Why does your organization not consider itself exposed to water risks in its value chain (beyond direct operations) with the potential to have a substantive financial or strategic impact?

	Primary reason	Please explain
Row 1	Evaluation in progress	Within our supply chain, the largest users of water are our paper and paperboard suppliers. Because we purchase raw materials globally, we are not dependent on one specific supplier or location, which mitigates water-related risk. Furthermore, we are currently exploring EcoVadis's KPI system to understand the baseline supplier engagement around water. The purpose of the current limited evaluation is to better understand measures to reduce water consumption, evidence of actions on water, and reporting on water consumption. Pending results from EcoVadis assessment, we will determine the next best steps applicable to relevant water risks to proceed.

W4.3

(W4.3) Have you identified any water-related opportunities with the potential to have a substantive financial or strategic impact on your business?

Yes, we have identified opportunities, and some/all are being realized

W4.3a

(W4.3a) Provide details of opportunities currently being realized that could have a substantive financial or strategic impact on your business.

Type of opportunity
Markets

Primary water-related opportunity
Stronger competitive advantage

Company-specific description & strategy to realize opportunity
This is a strategic opportunity for our business because companies that are transparent around their water usage and reduction actions are often given priority in the apparel sector and by consumers.

A significant portion of our apparel customers want suppliers to support their sustainability and water goals. The large majority of the apparel customer base has set water targets, and RBIS reports water usage at 20 sites for a number of customers through the Sustainable Apparel Coalition's Higg Index platform in order to help realize this opportunity. These sites monitor water usage, set site wide water usage goals, and develop action plans to improve water reduction strategies and by extension their Higg Scores. For example, our RBIS site in Vietnam is installing water meters for each production area to more closely manage water usage and create a reduction plan while also saving water by cleaning the wastewater treatment plant and chiller with water jet equipment.

Additionally, our intelligent label products provide care instructions to consumers about sustainable washing practices. Our intelligent label products help Avery Dennison to realize this opportunity by allowing brands/customers to access relevant information on the use-phase of a garment's care to reduce water usage. Currently, several brands have chosen to add a QR code on their care label to allow their customers to easily access the garment's care and wash information. This is a strategic opportunity for us as an increasing number of customers are requesting information about water and other environmental impacts of products. These care and wash specifications make use of best practice wash practices to limit unnecessary usage of water during the consumer use phase of apparel goods.

An additional example from our LGM business would be our AD RDX product. This innovative portfolio of paper and film solutions increases operational efficiency and reduces the consumption of natural resources, including water and trees, resulting in
less CO2 emissions.

Estimated timeframe for realization
1 to 3 years

Magnitude of potential financial impact
Low

Are you able to provide a potential financial impact figure?
No, we do not have this figure

Potential financial impact figure (currency)
<Not Applicable>

Potential financial impact figure – minimum (currency)
<Not Applicable>

Potential financial impact figure – maximum (currency)
<Not Applicable>

Explanation of financial impact
We are unable to currently validate the financial impacts, as it is difficult to isolate water from all the other factors that are utilized by a customer to make a purchasing decision.

W6. Governance

W6.1

(W6.1) Does your organization have a water policy?
Yes, we have a documented water policy that is publicly available

W6.1a

(W6.1a) Select the options that best describe the scope and content of your water policy.

	Scope	Content	Please explain
Row 1	Company-wide	Description of business dependency on water Description of business impact on water Reference to international standards and widely-recognized water initiatives Company water targets and goals Commitments beyond regulatory compliance Commitment to water-related innovation Commitment to stakeholder awareness and education Commitment to water stewardship and/or collective action Commitment to safely managed Water, Sanitation and Hygiene (WASH) in the workplace Acknowledgement of the human right to water and sanitation Recognition of environmental linkages, for example, due to climate change	Through our Water Policy, we acknowledge the strategic importance of water as a vital resource, recognize access to water and sanitation as human rights, in alignment with the UN, and acknowledge that ensuring the availability and quality of water is necessary to our businesses and supply chains, as well as the health of our communities. Similarly, through our Water Policy, we recognize the risks, opportunities, and impacts associated with water and stakeholder expectations related to water usage, efficiency, and conservation, as well as the evolving policy landscape. In particular, we acknowledge the connection between climate change and water risks, including through drought, variable weather cycles, and lack of access to fresh/clean water sources. Our Water Policy also outlines a number of our commitments, including implementing water management strategies across prioritized facilities that are categorized as Extremely High or High Water Risk level according to WRI's Aqueduct analysis; annually conducting a current and future state water risk assessment using the WRI Aqueduct Tool; and continuous learning and improvement through innovation, partnerships, and sharing of best practices. Since the publication of our Water Policy, we have established a goal to, by 2030, deliver a 15% increase in water efficiency at our sites that are located in high or extremely high risk countries as identified in the WRI Aqueduct Tool.

W6.2

(W6.2) Is there board level oversight of water-related issues within your organization?

Yes

W6.2a

(W6.2a) Identify the position(s) (do not include any names) of the individual(s) on the board with responsibility for water-related issues.

Position of individual	Please explain
Board-level committee	Board oversight over environmental sustainability is primarily conducted by the Governance Committee, which receives a report from management on sustainability topics at least once a year and discusses these topics at committee meetings. The Committee reviews and oversees key environmental sustainability initiatives, policies and programs, including water-related issues and other environmental matters. This includes reviewing with management the impact of business operations with respect to matters of environmental sustainability. We reinvigorated our innovation program, including assessing and addressing risks related to investment in disruptive technologies. We continued to invest in innovation platforms focused on recyclability and enabling circularity and waste reduction and elimination. Our Circularity platform is investigating projects that increase material recyclability and the use of recycled content across the industries we serve. Solutions that advance the circular economy support GHG emissions reductions across our value chain and enable the climate-related and sustainability goals of our value chain partners. Situation: We have seen an increased focus on sustainable packaging and changing market conditions and consumer preferences Task: Our Board determined it was a strategic priority to ensure we are well-positioned to meet the increasing need and demand for more sustainable products Action: In July and December 2020, our Board held strategy sessions focused on environmental sustainability and our innovation efforts Result: In 2021, we released 2030 sustainability goals, which include delivering water efficiency improvements at high-risk sites. Our Sustainable ADvantage portfolio of products offer product options that reduce water use throughout their lifecycle.

W6.2b

(W6.2b) Provide further details on the board's oversight of water-related issues.

	Frequency that water-related issues are a scheduled agenda item	Governance mechanisms into which water-related issues are integrated	Please explain
Row 1	Scheduled - some meetings	Monitoring implementation and performance Reviewing and guiding risk management policies Reviewing and guiding strategy Setting performance objectives Other, please specify (Monitoring and overseeing progress against goals and targets)	The Governance Committee of our Board of Directors discusses environmental sustainability topics at committee meetings. The Committee also receives a report from management at least once a year on sustainability performance. Our full board engages with business leaders on their sustainability initiatives during its regular review of business strategies. The Board is responsible for overseeing our enterprise risk management (ERM) program. We have incorporated ERM into our business-unit level processes for developing and executing strategies, assessing risks, and identifying and implementing appropriate mitigating actions. Teams semiannually prepare a risk profile of a heat map and summary of key risks and mitigating strategies, which are used to prepare a company risk profile based on identified business-specific risks. Sustainability trends and environmental regulation are a standalone risk. We consider additional climate topics as amplifiers of existing risks. In the first five years working towards our 2025 sustainability goals, we made meaningful progress. We believed it was important to establish another set of ambitious targets. Our Sustainability Council and Company Leadership Team, including our Chairman/CEO, developed 2030 goals that are aligned with our business strategy and stakeholder priorities. We established our goal to, by 2030, deliver a 15% increase in water efficiency at our sites located in high or extremely high risk countries as identified in the WRI Aqueduct Tool.

W6.2d

(W6.2d) Does your organization have at least one board member with competence on water-related issues?

	Board member(s) have competence on water-related issues	Criteria used to assess competence of board member(s) on water-related issues	Primary reason for no board-level competence on water-related issues	Explain why your organization does not have at least one board member with competence on water-related issues and any plans to address board-level competence in the future
Row 1	No, and we do not plan to address this within the next two years	<Not Applicable>	Important but not an immediate priority	We use a relatively insignificant amount of water in our direct operations and therefore water, while important, is not deemed an immediate priority. We established our water-related target and goal to support our industry's efforts to reduce water-related impacts and reduce water-related risks in our value chain. The most relevant water-related risks to our business exist upstream, in our supply chain, where water use is more significant. We are prioritizing our own water efficiency improvements at sites that are located in high or extremely high water risk countries to manage risk and impacts at these sites.

W6.3

(W6.3) Provide the highest management-level position(s) or committee(s) with responsibility for water-related issues (do not include the names of individuals).

Name of the position(s) and/or committee(s)
Chief Executive Officer (CEO)

Responsibility
Assessing water-related risks and opportunities
Managing water-related risks and opportunities

Frequency of reporting to the board on water-related issues
More frequently than quarterly

Please explain
Our CEO serves as the Chairman of our Board and provides strategic guidance and direction to ensure we continue to make meaningful progress on sustainability. The CEO is involved with and signs off on major sustainability actions, given their material impact on the company. Our CEO provides guidance and direction to our President and COO, who leads Sustainability for us and is responsible for continued progress towards our sustainability goals.

Our Sustainability Council is composed of a cross-divisional and group of sustainability leaders to drive accountability and continually accelerate our progress. The group meets bimonthly and regularly provides updates to our executive leadership team. Through this process we complete a quarterly sustainability scorecard provided to the Board for review of progress towards our goals. At least annually, members of the SC present sustainability trends and our sustainability strategic plan to the Company Leadership Team.

W6.4

(W6.4) Do you provide incentives to C-suite employees or board members for the management of water-related issues?

	Provide incentives for management of water-related issues	Comment
Row 1	Yes	

W6.4a

(W6.4a) What incentives are provided to C-suite employees or board members for the management of water-related issues (do not include the names of individuals)?

	Role(s) entitled to incentive	Performance indicator	Please explain
Monetary reward	Chief Executive Officer (CEO)	Reduction in consumption volumes	Our CEO's compensation is determined by performance against annual strategic objectives. The Talent and Compensation Committee of our Board of Directors evaluates our CEO's performance against the CEO's predetermined strategic objectives. One of these strategic objectives is Innovation/Progress Toward Sustainability Goals. For 2021, all NEOs had an ESG objective as part of their annual goals, with their compensation impacted by performance.
Non-monetary reward	No one is entitled to these incentives	<Not Applicable>	We currently are focused on driving performance and have focused our incentives around monetary rewards for meeting our targets. This is consistent with the philosophy of our Compensation Committee which has established a pay-for-performance design for our executive officers.

W6.5

(W6.5) Do you engage in activities that could either directly or indirectly influence public policy on water through any of the following?

No

W6.6

(W6.6) Did your organization include information about its response to water-related risks in its most recent mainstream financial report?

Yes (you may attach the report - this is optional)

W7. Business strategy

W7.1

(W7.1) Are water-related issues integrated into any aspects of your long-term strategic business plan, and if so how?

	Are water-related issues integrated?	Long-term time horizon (years)	Please explain
Long-term business objectives	Yes, water-related issues are integrated	5-10	Water is of strategic importance to Avery Dennison and was evaluated in our materiality assessment. It was not deemed a short-term or current risk and thus, has been included in long-term business objectives. For long-term business objectives we will be reviewing a program to collect withdrawal and discharge data at all internal sites as well as collect additional usage information from suppliers.
Strategy for achieving long-term objectives	Yes, water-related issues are integrated	5-10	We have goals and processes in place to achieve our long-term objectives that integrate water-related issues. Our company-wide water target to deliver a 15% increase in water efficiency focuses first on sites located in high or extremely high risk countries, as identified in the WRI Aqueduct Tool. We also conduct water profiles at sites that are not located in high or extremely high risk countries to understand our overall water footprint. Additionally, we take water into account during the Pre-Startup Safety Review (PSSR) process for new processes and equipment. We are currently working to further embed water comprehensively into our operational strategy, processes, and environmental management system to collect withdrawal and discharge metrics, which will allow us to set future water targets.
Financial planning	No, water-related issues were reviewed but not considered as strategically relevant/significant	5-10	We have assessed water-related issues and determined that they are not financially material. We actively manage and reduce our water usage, but this is not integrated into our financial planning. We will regularly review water-related issues and may include this in future financial discussions.

W7.2

(W7.2) What is the trend in your organization's water-related capital expenditure (CAPEX) and operating expenditure (OPEX) for the reporting year, and the anticipated trend for the next reporting year?

Row 1

Water-related CAPEX (+/- % change)

Anticipated forward trend for CAPEX (+/- % change)

Water-related OPEX (+/- % change)

Anticipated forward trend for OPEX (+/- % change)

Please explain

W7.3

(W7.3) Does your organization use scenario analysis to inform its business strategy?

	Use of scenario analysis	Comment
Row 1	No, but we anticipate doing so within the next two years	We evaluate current and future states of our water strategy and perform annual assessments using WRI Aqueduct to determine site-specific priorities and opportunities. The methods we use to mitigate water risks consider all our facilities. Water data from our global facilities is collected and analyzed based on water withdrawals and results of the WRI Aqueduct assessment. Consumption-sites with a "material" amount of consumption will be prioritized for projects. Material-site using 2.5 million gallons of water or more per year. Aqueduct Risk Level-sites in geographical areas determined by the assessment to have an Extremely High Risk or High Risk to water are prioritized for projects. We also use WRI Aqueduct to characterize the future state water risk for our global facilities. A detailed methodology for risk level breakdowns is available through WRI. Based on a business-as-usual scenario, 113 of our 247 sites will be located in areas of High or Extremely High water risk by 2030.

W7.4

(W7.4) Does your company use an internal price on water?

Row 1

Does your company use an internal price on water?
No, and we do not anticipate doing so within the next two years

Please explain
At this time, we have not implemented an internal price on water. We continue to evaluate best management practices across our material topics and implement them where appropriate.

W7.5

(W7.5) Do you classify any of your current products and/or services as low water impact?

	Products and/or services classified as low water impact	Definition used to classify low water impact	Primary reason for not classifying any of your current products and/or services as low water impact	Please explain
Row 1	No, but we plan to address this within the next two years	<Not Applicable>	Important but not an immediate business priority	We do not currently classify any of our products as low water impact. As we mature our processes and assessments, we have the opportunity to evaluate our products and services to determine which have low water impacts. We are working on having comprehensive life cycles for our products and the outcomes of these will support our developing a low water plan.

W8. Targets

W8.1

(W8.1) Describe your approach to setting and monitoring water-related targets and/or goals.

	Levels for targets and/or goals	Monitoring at corporate level	Approach to setting and monitoring targets and/or goals
Row 1	Company-wide targets and goals Business level specific targets and/or goals Site/facility specific targets and/or goals	Targets are monitored at the corporate level Goals are monitored at the corporate level	In 2015, we established our 2025 sustainability goals to improve the sustainability of our products and processes and create value for all our stakeholders. Through collaboration and engagement with our external stakeholders, we determined it was important to establish another set of ambitious targets aligned with our business strategy and stakeholder priorities. Our Sustainability Council and Corporate Leadership team worked together to develop 2030 goals that exemplify our strategy to lead in an environmentally responsible manner and leverage the capabilities of our company when we collaborate with our suppliers and customers. In 2020, we established 2030 sustainability goals including a company-wide target to achieve a 15% increase in water efficiency at our sites that are located in high or extremely high risk countries as identified in the WRI Aqueduct Tool. We are actively setting specific site-by-site water efficiency goals at approximately 30 of our sites, focusing on high or extremely high risk areas first, to contribute to our company-wide target. The WRI Aqueduct Tool also allows us to review our targets on the basin level. Our 2030 goals also include a business-specific target for our LGM business to engage 80% of direct suppliers, by spend, on environmental and social policies, including water. We established our water-related target and goal to support our industry's efforts to reduce water-related impacts and reduce water-related risks in our value chain. The most relevant water-related risks to our business exist upstream, in our supply chain, where water use is more significant. We are prioritizing our own water efficiency improvements at sites that are located in high or extremely high water risk countries to manage risk and impacts at these sites.

W8.1a

(W8.1a) Provide details of your water targets that are monitored at the corporate level, and the progress made.

Target reference number
Target 1

Category of target
Water use efficiency

Level
Company-wide

Primary motivation
Risk mitigation

Description of target
Our water target is to, by 2030, deliver a 15% increase in water efficiency at our sites that are located in high or extremely high risk countries as identified in the WRI Aqueduct Tool. This target reflects our priority to address water use at sites with the highest risk and properly manage our water risks. The target applies companywide to any site located in a country deemed to be high or extremely high risk in the WRI Aqueduct Tool. We measure and evaluate the water efficiency at our sites based on water withdrawals, with the target measured by the % reduction in total water withdrawals.

Quantitative metric
% reduction in total water withdrawals

Baseline year
2021

Start year
2021

Target year
2030

% of target achieved

Please explain
The target was established in 2020 and we are currently implementing processes to measure site-level water usage and bills and maintain water meters to help us achieve a 15% increase in water efficiency by 2030. We are still tracking and collecting data and will report our progress in calendar year 2023. We are also developing project-based targets in 2022.

W8.1b

(W8.1b) Provide details of your water goal(s) that are monitored at the corporate level and the progress made.

Goal
Engagement with suppliers to help them improve water stewardship

Level
Business

Motivation
Brand value protection

Description of goal
Our water goal is to, by 2030, engage 80% of our spend of LGM's direct suppliers on their environmental and social policies including water, human rights, fair business, forestry, etc.

Baseline year
2020

Start year
2020

End year
2030

Progress
In 2021, we began implementing processes to measure site-level water usage and bills and maintain water meters to help us achieve a 15% increase in water efficiency by 2030. We have expanded our use of water-related metrics and KPIs within EcoVadis to increase the insight we have into our suppliers' water policies and management practices. The KPIs for suppliers from the Ecovadis System are: 1) measures to reduce water consumption, 2) no evidence of actions on water, and 3) reporting on water consumption. In 2021, 80% of LGM's direct spend was subject to EcoVadis reporting. Moving forward, we will use this additional information to inform our supply chain engagement efforts and determine improvement opportunities.

W9. Verification

W9.1

(W9.1) Do you verify any other water information reported in your CDP disclosure (not already covered by W5.1a)?
No, but we are actively considering verifying within the next two years

W10. Sign off

W-FI

(W-FI) Use this field to provide any additional information or context that you feel is relevant to your organization's response. Please note that this field is optional and is not scored.

W10.1

(W10.1) Provide details for the person that has signed off (approved) your CDP water response.

	Job title	Corresponding job category
Row 1	President and Chief Operating Officer	Chief Operating Officer (COO)

W10.2

(W10.2) Please indicate whether your organization agrees for CDP to transfer your publicly disclosed data on your impact and risk response strategies to the CEO Water Mandate's Water Action Hub [applies only to W2.1a (response to impacts), W4.2 and W4.2a (response to risks)].
Yes

Submit your response

In which language are you submitting your response?
English

Please confirm how your response should be handled by CDP

	I understand that my response will be shared with all requesting stakeholders	Response permission
Please select your submission options	Yes	Public

Please confirm below
I have read and accept the applicable Terms