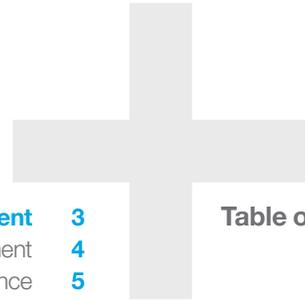


# Together We're Stronger

Collaborative Sustainability



Inspired Brands.  
Intelligent World.™



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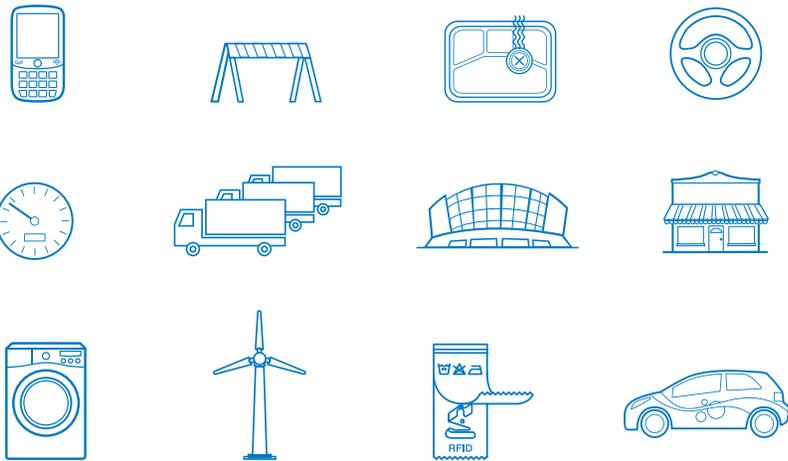
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### About this Report

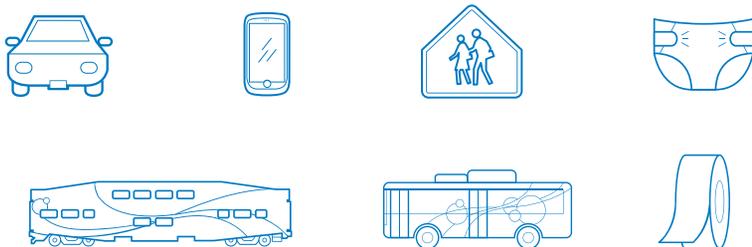
Avery Dennison Corporation is proud to publish its first Sustainability Report prepared using the Global Reporting Initiative's G3 Reporting Guidelines. Financial data is given in U.S. dollars for the fiscal year period from January 3, 2010 through January 1, 2011. All other data in this report covers the period from January 1, 2010 through December 31, 2010.

For more information about the Global Reporting Initiative, visit their [website](#).

This report is available for PDF download or online viewing [here](#).



# Avery Dennison



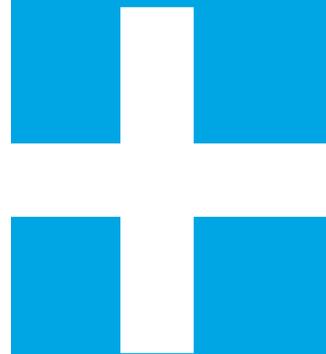
## Sustainability Commitment

Together we're stronger—more innovative, inspired and intelligent. The path is sustainability. The possibilities are everywhere.

Avery Dennison is everywhere you look. Our materials, products and solutions are used in virtually every major industry around the globe and in many of the world's most recognized brands and products. We touch many lives, from a cotton grower in Africa to a chemist in the Netherlands, and a retail store owner in the United States to a factory worker in Brazil.

This breadth and complexity is both our challenge and our opportunity. Virtually every touch point in our value chain is a chance to work together to find more sustainable paths to market.

Our goal: to improve our own sustainability performance while helping our partners do the same. In a global marketplace, no one does it alone. And when it comes to sustainability, we're all in it together.



## Realizing Our Vision Through Sustainability

Sustainability has evolved from an academic issue to a global business imperative. Many societies and governments are increasingly unwilling to bear the burden of industrial and other waste streams. Consumers are choosing to buy products that have less impact on the environment and expect the packaged goods and apparel companies we serve to provide them at the same or lower cost. Employees want to work for companies that do more than make money; they want to feel that their employers also contribute to the good of society.

As an industry leader, Avery Dennison has embraced this imperative. Our vision, “to make brands more inspiring and the world more intelligent,” expresses our desire to provide our customers and end users with materials, products and solutions that not only help them make their brands stand out and sell more, but do so in a way that enhances the world we live in. We are acting on our vision by introducing greener materials, implementing footprint-reducing processes, advancing social compliance and health and safety in our global operations, and refocusing our philanthropy and community investment programs.

And we are taking on the biggest challenge in the labeling and packaging industry, waste streams. Our ultimate goal is zero—that is, no waste from our facilities will go into a landfill.

To do so, we are embracing the collaboration that is inherent in sustainability. Our company is one point in a value chain, and our impact extends from one end to the other. We are working with upstream and downstream partners to understand our impact and develop materials and processes with them that can improve the footprint of the total value chain. From embedding Life Cycle Assessment into product design to digging deeper into responsible sourcing and labor practices with non-governmental organizations

and retail brand owners, we are pursuing mutually beneficial solutions.

That’s why I believe that business is the solution, not the problem. Responsible competition and innovation drive value creation; through collaboration, they can drive sustainability as well. Working together, we can accomplish more than any one of us could on our own.

I look forward to a more sustainable future.



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



## Avery Dennison at a Glance

Avery Dennison, with headquarters in Pasadena, California, is a global leader in the design and manufacturing of pressure-sensitive materials, retail branding and information solutions, office and consumer products and specialty materials.

Using 76 years of expertise in materials science and specialized technology, we design and manufacture innovative labeling, branding and packaging applications that help products stand out in consumers' eyes at the "moment of truth." Our information display and management solutions can help accelerate supply chains and inform product users, while our organization and identification tools can help people better organize their lives whether in the office, at home, or on the go.

**8%**  
Other specialty  
converting businesses



**13%**  
Office and  
Consumer Products

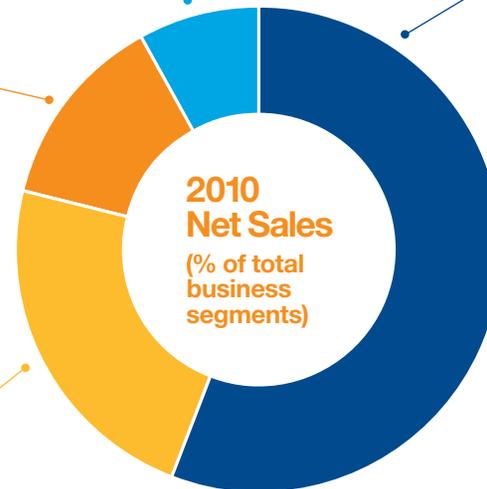


**23%**  
Retail Branding and  
Information Solutions



We are organized into three reporting segments<sup>1</sup> in addition to our other specialty converting businesses:

**56%**  
Pressure-sensitive  
Materials



**2010  
Net Sales**  
(% of total  
business  
segments)

<sup>1</sup>As of March 18, 2011, we updated the names of our businesses to reflect our increased external focus. For a complete listing, visit [here](#).

## Pressure-sensitive Materials



### Key Products

Pressure-sensitive roll materials, flexible packaging, roll-fed sleeve, performance polymer adhesives and engineered films, graphic imaging media and reflective materials

### Businesses

Label and Packaging Materials, Graphics and Reflective Solutions

### Market Segments

Food, beverage, spirits, household products, pharmaceuticals, health and beauty, durables, fleet, vehicle/automotive, architectural/retail, promotional/advertising, traffic, safety, transportation and original equipment manufacturing

### Global Brand

Avery Dennison®

2010 Net Sales (in millions)

**\$ 3,640**

## Office and Consumer Products



### Key Products

Self-adhesive labels, binders, sheet protectors, dividers, online templates and printing, writing instruments, T-shirt transfers and do-it-yourself card products

### Market Segments

Professional, personal and on-the-go organization and identification and education

### Global Brand

Avery®

2010 Net Sales (in millions)

**\$ 815**

## Retail Branding and Information Solutions



### Key Products

Graphic tags and labels, variable data tags and labels, woven and printed fabric labels, patches and specialty trim, packaging, radio frequency identification (RFID) tags, designer trim collections, printer systems and solution-enabling products such as fastening and application devices

### Market Segments

Retail apparel, manufacturing apparel, mass market retailers, retail hard goods and supply chains, food service and supply chains, logistics, pharmaceuticals and automotive

### Global Brand

Avery Dennison®

2010 Net Sales (in millions)

**\$ 1,522**

## Other specialty converting businesses



### Key Products

Specialty tapes, skin-contact medical adhesives, surgical, wound care and ostomy products, industrial adhesives, automotive paint protection and exterior films, heat seal, security and information labels, functional packaging labels, architectural and engineered films, point-of-purchase and display tags, metalized pigments, self-adhesive postage stamps, RFID inlays and durable tags

### Market Segments

Automotive, consumer, medical and healthcare, retail apparel, electronics, durable goods, architectural, graphic arts, general industrial, building and construction, logistics, retail point-of-purchase and security printing

### Global Brand

Avery Dennison®

2010 Net Sales (in millions)

**\$ 536**

### Businesses

Automotive Solutions, Designed and Engineered Solutions, Medical Solutions, Performance Tapes and RFID

## Financial Highlights

Dollars in millions, except per share amounts	2010	2009
<b>Net sales</b>	<b>\$ 6,512.7</b>	<b>\$ 5,952.7</b>
Income (loss) from continuing operations before taxes <sup>(1)</sup>	<b>351.3</b>	<b>(790.9)</b>
Net income (loss)	<b>316.90</b>	<b>(746.7)</b>
Net income (loss) per common share, assuming dilution	<b>\$ 2.97</b>	<b>\$ (7.21)</b>
Dividends per common share	<b>.80</b>	<b>1.22</b>
Total assets	<b>\$ 5,099.4</b>	<b>\$ 5,022.8</b>
Total debt	<b>1,337.2</b>	<b>1,624.3</b>
Shareholders' equity	<b>1,645.7</b>	<b>1,362.6</b>

Fiscal year 2010 is January 3, 2010 to January 1, 2011. Results for 2009 reflect a 53-week period.

(1) In the first quarter of 2009, the company recorded non-cash impairment charges of \$832 million for the Retail Branding and Information Solutions reporting unit.

For more financial details, see our 2010 Annual Report [online](#).

### Shareholders

We are a public company. Our stock is listed and traded on the New York Stock Exchange. As of December 31, 2010, there were 7,610 shareholders of record.

### Contact

Investor Relations representatives can be reached at +1 (626) 304-2000 or [investorcom@averydennison.com](mailto:investorcom@averydennison.com).

Shareholders and other interested parties may also write our Board of Directors concerning business-related matters:

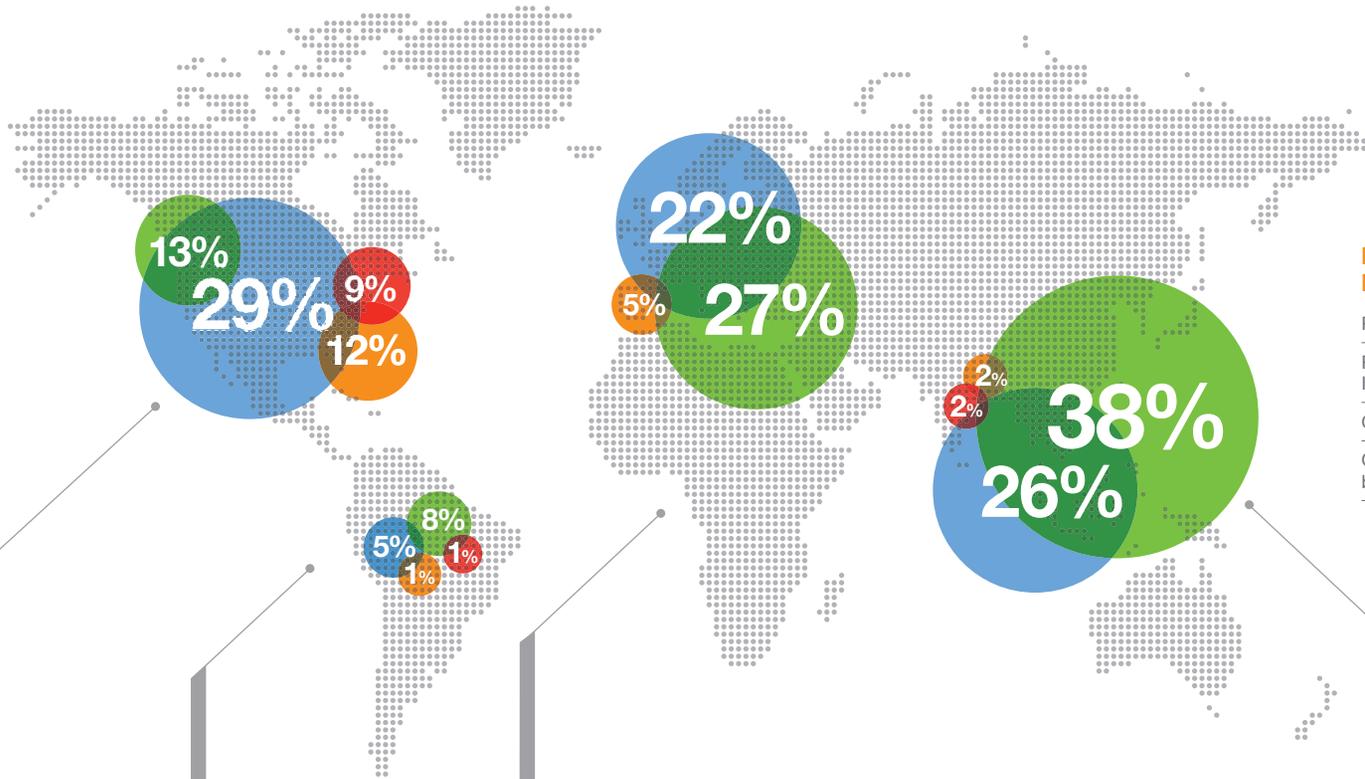
c/o Secretary, Avery Dennison Corporation, 150 North Orange Grove Boulevard, Pasadena, California 91103.

Requirements for submitting a proposal to be considered for consideration at our next annual meeting are detailed in our 2011 proxy statement, available [here](#).

## Our Global Operations

At the end of 2010, we operated 204 sites in 55 countries. Our global footprint enables us to serve customers rapidly, flexibly and reliably at key points throughout their supply chains.

This map includes all facilities including manufacturing sites, distribution centers, research centers, warehouses and offices.



### Locations by Reporting Segment

- Pressure-sensitive Materials ■
- Retail Branding and Information Solutions ■
- Office and Consumer Products ■
- Other specialty converting businesses ■

North America		Latin America		Europe, Middle East and Africa				Asia Pacific					
Canada	5	Argentina	2	Belgium	2	Luxembourg	1	South Africa	5	Australia	8	New Zealand	1
Mexico	9	Brazil	4	Bulgaria	1	Mauritius	1	Spain	3	Bangladesh	2	Pakistan	1
United States	50	Chile	1	Czech Republic	2	Morocco	1	Sweden	1	China	21	Philippines	1
		Colombia	2	Denmark	3	Netherlands	4	Switzerland	1	India	7	Singapore	1
		Dominican Republic	1	Egypt	1	Norway	1	Turkey	3	Indonesia	3	Sri Lanka	1
		El Salvador	1	France	4	Poland	2	United Arab Emirates	1	Japan	1	Taiwan	4
		Guatemala	1	Germany	6	Portugal	1	United Kingdom	5	Korea	6	Thailand	4
		Haiti	1	Hungary	1	Romania	2			Malaysia	2	Vietnam	3
		Honduras	1	Ireland	1	Russia	1						
		Peru	1	Italy	5								



## What Guides Us

Our focus on sustainability comes from our values and is an integral part of our approach to business. Our leadership principles also drive us to work collaboratively to create greater value for our customers, their value chains and the communities we serve. Putting our corporate vision into action, we provide solutions that help facilitate the creation of more sustainable brands and enhance the world in which we live.

### Our Vision

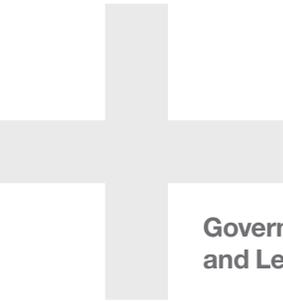
To make every brand more inspiring and the world more intelligent.

### Values

**Integrity**  
**Service**  
**Innovation**  
**Teamwork**  
**Excellence**  
**Community**

### Leadership Principles

Think big and act boldly  
Provide vision and direction  
Focus on customers and the market  
Drive action and execution  
Rally and empower people  
Collaborate across boundaries  
Build organizational capability  
Model integrity and social responsibility



## Governance and Leadership

A commitment to good governance is at the heart of the principles, policies and practices that support the accountability of Avery Dennison's management and Board of Directors.

### Governance Structure

Governance starts with our Board of Directors, which has oversight responsibility for the company's affairs. The Board stays informed about our business and provides guidance to company management through periodic meetings, site visits and other interactions. The Board is involved in our strategic planning process,

leadership development and succession planning. In 2010, there were five meetings of our Board and 21 meetings of committees of our Board.

There are four standing Board committees: Audit Committee, Compensation and Executive Personnel Committee, Governance and Social Responsibility Committee, and Finance Committee. The Board has adopted Corporate Governance Guidelines that require a majority of our Board and all members of our audit, compensation and nominating committees to be independent.

Nine out of 11 of our directors in 2010 were deemed to be independent. The chairman, Dean Scarborough, also serves as the company's President and CEO. In making the decision to combine the roles of chairman and CEO in February 2010, our Board determined that it was in the best interest of the company and its stockholders to leverage Mr. Scarborough's in-depth operational, financial and managerial experience and knowledge as president and CEO. With the combined roles of chairman and CEO, and to provide independent oversight of Board decision-making, our Board selected David E.I. Pyott as lead independent director in 2010.  
*(continued on page 11)*





## Governance and Leadership

To ensure that conflicts of interest are avoided, the Governance and Social Responsibility Committee oversees the effectiveness of our Values and Ethics Program and the Code of Conduct. Our written Conflict of Interest Policy (COI Policy), which applies to our officers and employees, provides that all conflicts of interest should be avoided. The COI Policy does not allow any officer, employee, or their immediate family members to do business, directly or indirectly, with the company without approval in writing from the Governance and Social Responsibility Committee.

In addition, each of our executive officers and employees at manager level and above participates in the annual COI Policy survey process. Other functions of the Governance and Social Responsibility Committee include oversight of the Board evaluation process and responsibility for determining the requisite skills and characteristics of new Board members, as well as the composition of our Board as a whole.

More information about the structure and role of the Board of Directors, as well as our Corporate Governance Guidelines, Code of Conduct and charters for all Board committees, may be found [here](#).

### Executive Compensation

The Compensation and Executive Personnel Committee designs our executive compensation program and structures compensation packages to align with Avery Dennison's financial performance over time, with reference to the performance and compensation of other companies as evidenced in market survey data.

The committee believes that our compensation program should balance long- and mid-term objectives, providing potential upside for exceeding performance targets and downside risk for missing performance targets. During 2010, the committee also approved several changes to our compensation programs based upon its review of evolving compensation governance practices in the marketplace. This information is detailed in the compensation discussion and analysis section of our 2011 proxy statement.

The largest component of executive officers' total direct compensation opportunity is performance-based. For fiscal year 2010, approximately 88% of the CEO's and approximately 77% of the other named executive officers' total direct compensation consisted of performance-based compensation.

## Sustainability Governance and Charter

Avery Dennison's Sustainability Charter, developed in 2007, has been enhanced with policies and commitments relating to environmental, health and safety, and labor standards. These commitments are driven through our annual objectives and measurement plan. Three levels of senior leadership guide these efforts:

### 1. The Board of Directors' Governance and Social Responsibility Committee

guides the vision for our sustainability agenda, an effort sponsored at the executive level by Chairman, President and CEO Dean Scarborough. The committee reviews with management our business operations and practices with respect to sustainability and corporate citizenship, as well as adherence with internationally-agreed standards, codes of conduct and principles related to corporate governance, business ethics and conflict of interest matters.

### 2. The Corporate Leadership Team (CLT)

is comprised of our senior leaders and has final approval and responsibility for sustainability strategy and execution. The CLT provides guidance and oversight to the Sustainability Steering Committee and meets quarterly.

### 3. The Sustainability Steering Committee (SSC)

includes senior leaders from key business groups and corporate functions. The SSC meets quarterly to review our vision for sustainability and guide its implementation. Members ensure the action and engagement of their respective group or function. The SSC has regular interaction with functional working groups and business unit sustainability leadership.

In 2010, we deepened sustainability's integration into our business by embedding a director of sustainability in our major business units.

Read the full text of our Sustainability Charter [here](#).





# Sustainability Strategy

A more sustainable future is shaped by everyday decisions. Large and small, the choices we make affect a complex value chain. By making labels from a new paper made from sugar cane waste, we help transform an agricultural waste stream into a source of value and reduce burdens on traditional paper sources. By devoting research to the use of bio-based materials for adhesives and polymers, we are building a platform that can reduce our dependence on increasingly limited oil and minerals supply. By using our influence within the industry, we help to inspire answers to issues bigger than any one of us can solve alone.

Together, our actions add up to a sum greater than that of the parts.

## Stakeholder Engagement

### Creating Value Together

Our products touch the lives of countless people and we consider everyone at every touch point to be a stakeholder. We are, of course, responsible to our employees and shareholders, government agencies around the globe and non-governmental organizations (NGOs). More broadly, we consider our stakeholder universe to encompass everyone from people involved in and affected by our raw material sourcing to customers as well as consumers (who may not even realize they are using our products). In every case, we recognize our impact on their lives.

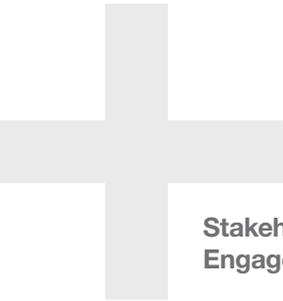
### Engaging Our Leadership

In 2010, we prioritized engagement with our internal stakeholders, who have the most power to drive sustainability deep into our culture, plans and processes. We held a series of strategy workshops within our businesses that resulted in:

- » A materiality assessment
- » A structured approach to address each business unit's issues
- » A decision to fund dedicated sustainability resources within our businesses

In addition, we launched worldwide employee communications and training on sustainability as part of our Code of Conduct.





## Stakeholder Engagement

### More Conversation, More Collaboration

Avery Dennison's external stakeholder engagement in 2010 focused on ways that we can improve the sustainability profiles of our customers and their supply chains.

To this end, we furthered efforts to:

- » More closely align our sustainability agenda with those of our customers
- » Collaboratively develop more sustainable products and solutions
- » Further develop our Life Cycle Assessment capabilities
- » Increase engagement on social compliance matters with NGOs and brand owners

Key activities through 2010 included:

- » Conducting "Voice of the customer" evaluations by major business units, which resulted in better defined portfolios of sustainable products and solutions
- » Having Avery Dennison™ Greenprint engagements with customers to share life cycle data that can accelerate collaboration on sustainable packaging and products
- » Partnering with customers to meet product sustainability goals
- » Participating in key retail brand owners' development programs on social compliance verification
- » Hosting a Sustainability Design Forum at which customers and end users shared knowledge of sustainable packaging and design
- » Opening two Customer Design and Innovation Centers where apparel retailers, brands and manufacturers can create custom solutions in a state-of-the-art design center and simulated global supply chain

We also work with a number of NGOs and industry organizations on projects that enable us to enhance our accountability and develop effective strategies for our products, services and operations. These include:

- » [U.S. Business Roundtable's Climate Resolve](#)
- » [Carbon Disclosure Project \(CDP\)](#)
- » [Sustainable Packaging Coalition \(SPC\)](#)
- » [Forest Stewardship Council® \(FSC\)](#)
- » [Aid by Trade Foundation's Cotton Made in Africa](#)
- » [International Labour Organization \(ILO\) Better Work Vietnam Program](#)
- » [Business for Social Responsibility \(BSR\) Mills and Sundries Working Group](#)
- » [Tag and Labeling Manufacturers Institute \(TLM\)](#)
- » [FINAT \(Fédération Internationale des fabricants et transformateurs d'Adhésifs et Thermocollants\)](#)

FSC is a registered trademark of the Forest Stewardship Council. FSC C007276.

## Stakeholder Engagement

### Public Affairs

In 2010, Avery Dennison formed a voluntary, non-partisan employee political action committee. Registered with the U.S. Federal Election Commission as the Avery Dennison Corporation Employee Political Action Committee (ADEPAC), the ADEPAC allows our employees to pool personal, voluntary financial contributions to support federal and state candidates who support issues important to the company and its employees.

The company also advocated for reasonable reform on proposed laws or policies that have direct or indirect impact on the company. We met with regulatory agencies such as the Environmental Protection Agency and Department of Energy and congressional leaders to try to ensure that proposed measures are workable and incorporate sustainability concepts. We also worked

closely with industry trade association partners to monitor legislative and regulatory developments. Outside of the U.S., we are mapping issues and planning a structure to identify and report on matters of concern and opportunity.



## Impacts, Risks and Opportunities

As we look at the challenges facing Avery Dennison businesses today and in the future, we believe that our long-term 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, the lens of sustainability thinking reveals a multitude of opportunities for us to apply our core strengths in materials science, lean manufacturing, packaging

innovation and retail branding and information solutions to help customers address pressing issues in existing and new markets. In developing our strategies, we focus on issues material to Avery Dennison's impact on

natural resources and communities, and that enable our company to grow.

### Materiality Assessment

In this report, we prioritized sustainability risks and opportunities identified as

having medium-to-high influence on our business and being of medium-to-high interest to our stakeholders. Other risks related to our business are described in our 2010 annual report.

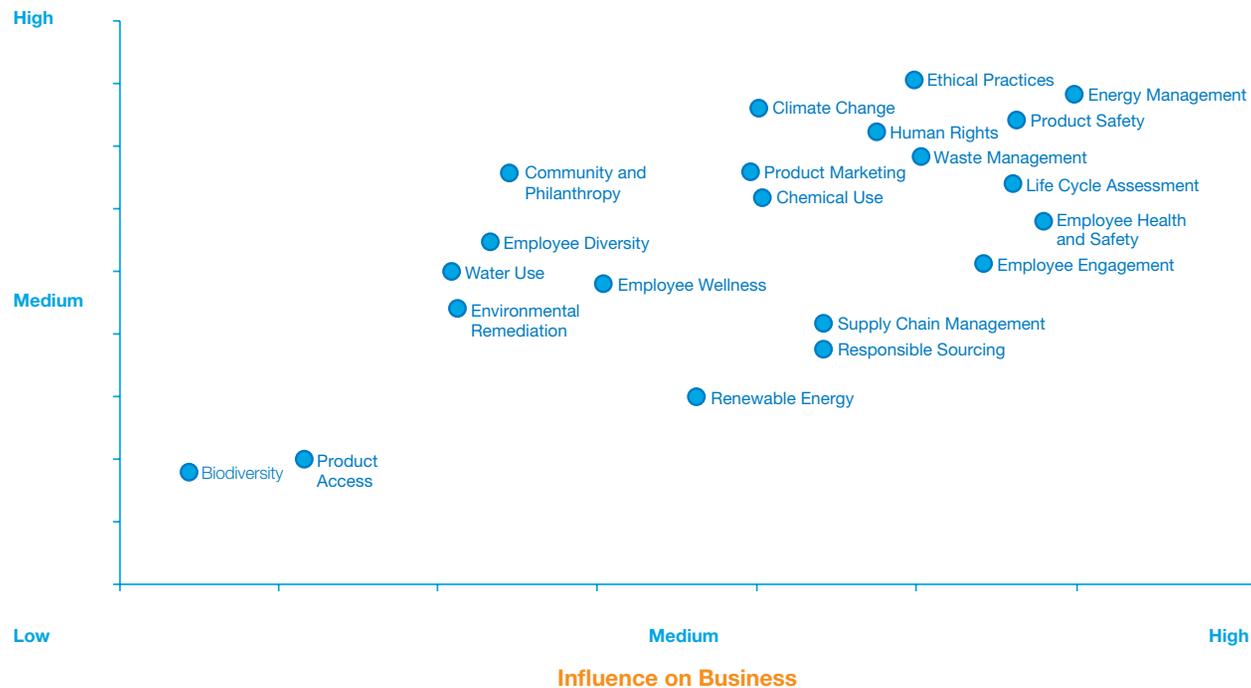
### Importance to Stakeholders

High

Medium

Low

## Materiality Assessment



## Impacts, Risks and Opportunities

### Key Impacts Across the Value Chain

Given the complexity and global nature of our value chain, it is essential to determine how and where we should focus our sustainability efforts and resources. In 2009, the company started applying Life Cycle Assessment (LCA) to

gain a baseline understanding of the potential environmental and human health impacts of our products. Findings to date have confirmed that the principal opportunities for reducing the impact of our major product lines lie in raw materials and the pre-manufacture processing of those materials before they enter our facilities, followed by their end-of-life disposal. Based on our initial assessments of our pressure-sensitive and graphics materials, we currently estimate that the relative contribution

of our manufacturing phase of the product life cycle accounts for roughly 5–10% of the major impact indicators.\* We continue to conduct LCAs on other types of products we make.

While we consider the entire product life cycle in developing our strategies, our focus is on leading materials innovation, sustainable sourcing and LCA-

based design that can significantly reduce the impact of materials upstream and downstream from our stage in the product life cycle. We see this as a great opportunity for innovation in:

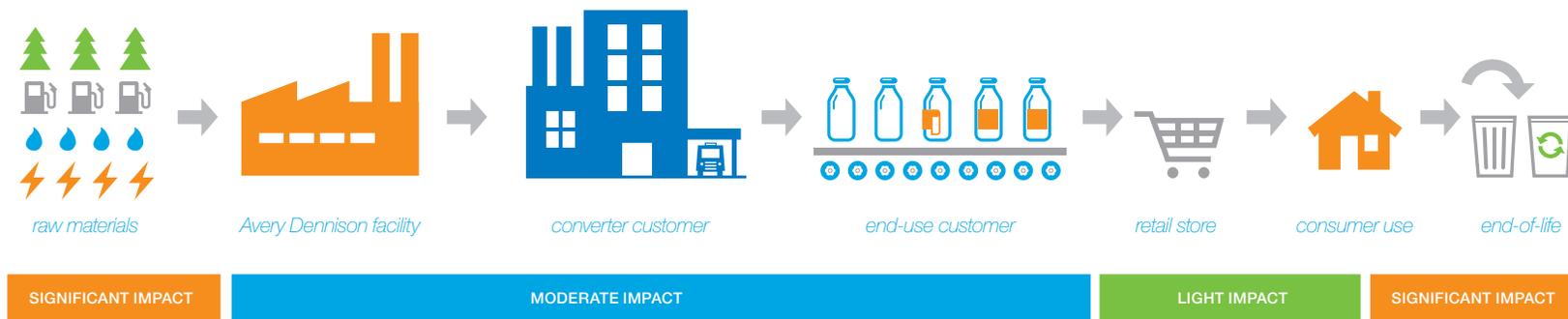
- » The design of thinner and lighter materials
- » New bio-based adhesive formulations
- » New technologies that facilitate recycling

Reducing the impact of materials also presents opportunities for cross-industry collaboration to bring

breakthrough product, branding and information solutions that increase the sustainability of the industries we serve.

\* Based on LCA of Avery Dennison's pressure-sensitive labeling product MC Primecoat 70 and Global MDO by BIO Intelligence Service and an LCA study of Avery Dennison's graphics film technology (Ruby 2.5 Green Film) by Industrial Ecology Consultants. Major LCA impact indicators include global warming potential, ozone depletion, water depletion, eutrophication, acidification, human toxicity, mineral and fossil resource depletion, land transformation, photo-chemical oxidation, abiotic depletion and ionizing radiation.

### Key Sustainability Impacts in the Value Chain (Estimated)



## Impacts, Risks and Opportunities

### Climate Change

All businesses have direct and indirect climate impacts at various points in the value chain. The impacts associated with our operations are primarily linked to the energy used in the pre-manufacture activities for the raw materials we use in our products.

Within the company's direct scope, our operations require energy, mainly electricity and natural gas, for manufacturing and assembly processes.

Although regulations concerning climate change are still developing, we do not consider the company to be exposed to significant climate change-related risks. Analysis of our greenhouse gas (GHG) emission inventories indicate that our enterprise-wide energy use and associated GHG emissions are relatively low. None of our facilities' GHG emissions

exceed current expectations for regulatory thresholds in the U.S., and our average facility emissions are well below those thresholds.

We also have operations in a number of European countries that are subject, at a national level, to emissions caps associated with the Kyoto Protocol. We have analyzed our carbon footprint in these regions and have determined that, while our

emissions would not be subject to direct regulation in the foreseeable future, we might face increased costs in purchased energy if a direct carbon tax or mandatory emission caps are imposed on utilities. For these reasons, we remain committed to managing climate change risk and opportunity, and

continue to improve the energy and carbon footprint of our products, services and processes.

To read more about Avery Dennison's climate change risk and opportunity, download our 2011 Carbon Disclosure Project Submission [here](#).

**We are committed to managing climate change risk and opportunity, and are working to improve the carbon footprint of our products, services and processes.**



## Impacts, Risks and Opportunities

### Land Use and Natural Resource Depletion

Indirect land use and resource depletion impacts are associated with the production of the paper we procure for our labels (facestock and liner), apparel tickets and tags, and office supplies. The production of fossil fuel-based plastics,

minerals and metals used to make films, adhesives, functional coatings and electronic materials also impact land use and deplete limited natural resources. To reduce the indirect upstream impacts associated with raw materials, we plan to:

- » Continue our efforts to increase resource efficiency
- » Source materials responsibly by participating in sustainable forestry initiatives such as Forest Stewardship Council® (FSC)
- » Increase the use of recycled and renewable materials

FSC is a registered trademark of the Forest Stewardship Council.

### Waste

A significant environmental challenge that we face is the industry-wide issue of the waste streams tied to self-adhesive label materials—specifically, the silicone-coated paper or filmic release liner and matrix waste that remain after labels are cut from the base material and applied to products or packaging. These materials are not easily recoverable due to the logistics

of consolidating the waste and the challenges that adhesives and silicone coatings can present in disrupting paper recycling processes. While recycling technologies that address pressure-sensitive adhesives have improved, we believe that industry collaboration is critical to develop recycling solutions that can help “close the loop” on labels. We see the goal of reducing waste as both a responsibility and a high-priority opportunity.

**We see eliminating waste as both a responsibility and a high-priority opportunity.**



## Impacts, Risks and Opportunities

### Water Scarcity

While some of our manufacturing facilities use water for process cooling and steam heat applications, our direct water consumption has not traditionally been a significant environmental impact category for our operations. Nevertheless, we are taking steps to manage our water usage. In 2010,

we measured our global water footprint and plan to develop a strategy to avoid contribution to water scarcity and to promote water conservation. In addition, we are using LCA to develop more sustainable products with a reduced water footprint.

### Product Stewardship

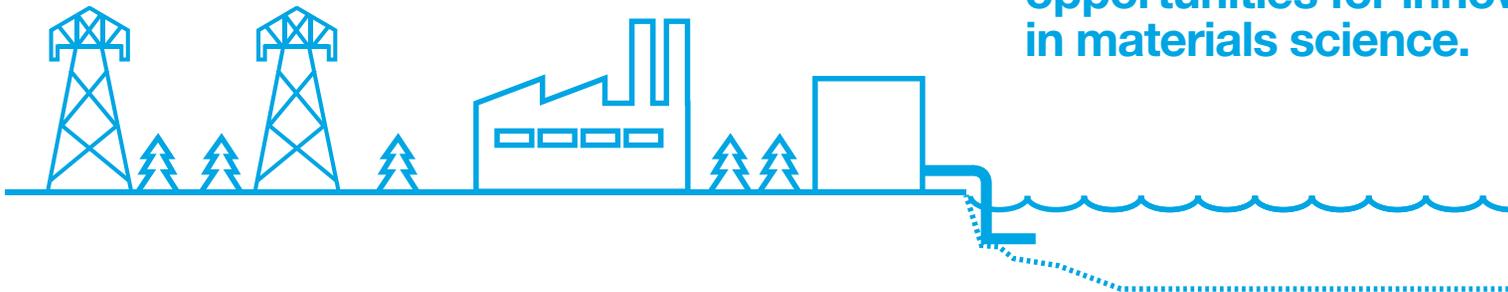
In today's increasingly complex regulatory landscape, concerns about hazardous substances and closer scrutiny of a company's use of global resources make product stewardship a more essential task. Research is conducted every year that raises new questions about

the environmental and health effects of various chemicals. This drives continual change in regulatory requirements and greater customer demand for transparency and assurance of materials—placing increasing pressure on our global supply chain.

In response, our product integrity program takes a proactive and strategic approach toward safer and more sustainable products and packaging. To this end, we are:

- » Enhancing our product testing and data management systems
- » Developing tools to track compliance with evolving regulations
- » Integrating product sustainability reviews and life cycle assessment into our R&D processes

**Addressing industry-wide challenges of finding safer alternatives to materials of concern presents great opportunities for innovation in materials science.**



## Impacts, Risks and Opportunities

### Social Compliance

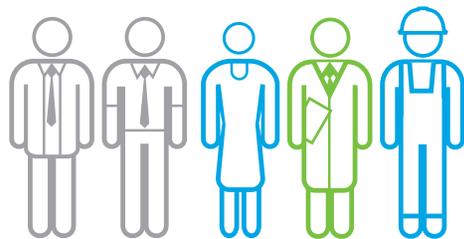
As a global company with manufacturing and commercial operations in 55 countries, roughly two-thirds of our workforce lives in emerging markets. Our biggest labor markets outside of the U.S. and western Europe include China, Mexico, India, Bangladesh and parts of southeast Asia. This footprint

largely maps to the supply needs of our major apparel and retail brand customers. Much like these brands, we face similar challenges in working to create positive economic and social change in these regions.

Our efforts have centered on monitoring and improving working conditions in our own plants and supply chain as well as engaging with a range of stakeholders, including customers, suppliers, workers, trade groups and NGOs.

We recognize that sustainable improvements in working conditions and fair employment practices are best accelerated through collaborative action. Moreover, we are becoming more transparent about our performance on social compliance and efforts to hold suppliers accountable to the same standards.

**We recognize that collaborative action is essential to accelerate sustainable improvements in working conditions and fair employment practices.**



## Progress on Key Strategies and Goals

In 2010, sustainability assumed greater importance in our corporate strategy, customer relationships and business culture. We accelerated our focus on specific fields of activity to make products and processes more sustainable and our culture more engrained with purpose.

The following table outlines our key sustainability strategies, goals and achievements. These strategies are supported by our commitment to increased transparency, ethical business practices and integrated governance for sustainability throughout all levels of the organization.

### More Sustainable Products

*Our strategy is to provide innovative products, materials and technologies that improve the sustainability profile of our customers and the markets we serve.*

Goals	Progress in 2010	Our Path Forward
 <p><b>Product Innovation</b> By 2011, establish criteria and set metrics for more sustainable products.</p>	<ul style="list-style-type: none"> <li>» Built Life Cycle Assessment (LCA) capability in the R&amp;D group</li> <li>» Integrated sustainability into our product development processes</li> <li>» Conducted LCAs on key products from each business unit</li> <li>» Launched Avery Dennison™ Greenprint, a life cycle-based tool used to help customers assess the environmental impact of their packaging and product choices</li> <li>» Invested in R&amp;D for bio-based adhesives, thinner and lighter materials, PVC-free materials and linerless technologies</li> <li>» Launched a multi-year plan to evolve our product integrity program into a comprehensive product sustainability program</li> <li>» Developed a chemical risk management program for products</li> </ul>	<ul style="list-style-type: none"> <li>» Develop sustainability criteria and an internal certification mark for sustainable products and materials</li> <li>» Implement a process for qualifying products that meet these sustainability criteria</li> </ul>
 <p><b>Responsible Sourcing</b> By 2012, implement a Responsible Paper Sourcing Policy.</p>	<ul style="list-style-type: none"> <li>» Attained Forest Stewardship Council® (FSC) chain-of-custody certification for 49 facilities in 27 countries</li> <li>» Established a Responsible Paper Working Group tasked with developing company policies and procedures for responsibly sourcing materials</li> </ul>	<ul style="list-style-type: none"> <li>» Integrate and track sustainability-related information from suppliers</li> <li>» Increase capacity of sustainably sourced paper</li> <li>» Join an industry working group to address the challenges around responsible paper sourcing and resource conservation</li> </ul>

## Progress on Key Strategies and Goals

### More Sustainable Processes

*Our strategy is to improve the environmental profile of our operations by optimizing our use of raw materials and other natural resources and minimizing our emissions and wastes.*

Goals	Progress in 2010	Our Path Forward
 <p><b>Climate Change</b> By 2015, reduce company-wide greenhouse gas (GHG) emissions indexed to net sales by 15% from 2005 levels.</p>	<ul style="list-style-type: none"> <li>» Reduced GHG emissions (indexed to net sales) by 2% in 2010, compared to 2005 levels</li> <li>» Reduced energy use (indexed to net sales) by 6% in 2010, compared to 2009 levels</li> <li>» Reported on our GHG emissions to the Carbon Disclosure Project for the fourth consecutive year</li> </ul>	<ul style="list-style-type: none"> <li>» By 2011, develop and implement an energy and climate change strategy</li> <li>» By 2011, launch an energy scorecard for the company, which is expected to be reviewed regularly by the Corporate Leadership Team</li> <li>» Target renewable energy use</li> <li>» Target energy efficiency projects at our energy-intensive facilities</li> </ul>
 <p><b>Environmental Footprint</b> “Zero manufacturing waste to landfill from our facilities” is our long-term goal.</p>	<ul style="list-style-type: none"> <li>» Collected waste data for North American facilities</li> <li>» Collected water data for global operations</li> </ul>	<ul style="list-style-type: none"> <li>» Complete waste data collection for global operations</li> <li>» By 2011, set a 2015 target towards achieving “zero manufacturing waste to landfill”</li> <li>» Develop strategy to avoid contribution to water scarcity and to promote water conservation</li> <li>» Collect air emissions data on major facilities</li> </ul>

## Progress on Key Strategies and Goals

### More Sustainable Purpose

*To be a responsible corporate citizen, our strategy is to engage our employees to build sustainable practices into their everyday work, increase our social compliance and invest in our communities.*

Goals	Progress in 2010	Our Path Forward
 <p><b>Social Compliance</b> By 2011, drive social compliance deeper into the supply chain by initiating a pilot program with select supply chain partners.</p>	<ul style="list-style-type: none"> <li>» Established an internal auditing program to ensure social compliance at our facilities</li> <li>» Communicated Avery Dennison's Global Supplier Standards to our suppliers</li> <li>» Continued to partner with the International Labour Organization's Better Work Vietnam program</li> <li>» Continued to partner with the Business for Social Responsibility's Mills and Sundries Working Group</li> </ul>	<ul style="list-style-type: none"> <li>» Continue to enhance our internal audit program, focusing on training and implementation in 2011</li> <li>» Work with customers to validate our internal audit process for our retail business</li> </ul>
 <p><b>Employee Safety</b> Target a world-class recordable incident rate of <b>0.50</b>.</p>	<ul style="list-style-type: none"> <li>» Achieved a 6% reduction in our annual recordable incident rate from 2009 to an all-time best of 0.62; marking the fifth consecutive year of safety improvements</li> <li>» 84% of Avery Dennison facilities achieved a zero injury rate status in 2010, up from 66% in 2009</li> <li>» Updated global environmental health and safety policies</li> </ul>	<ul style="list-style-type: none"> <li>» Continue to build a culture of safety within our global operations</li> </ul>
 <p><b>Community</b> In 2011, establish an employee participation program for community investment in emerging markets.</p>	<ul style="list-style-type: none"> <li>» Developed global criteria and guidelines for our philanthropic investments in education and environmental sustainability initiatives</li> <li>» Helped to rebuild a rural primary school in China with Project Hope</li> <li>» Funded scholarships to students in China and a faculty chair in India</li> <li>» Donated \$7.2 million dollars worth of school supplies to U.S. public schools through "Back to School" events</li> <li>» Helped U.S. schools earn over \$1 million dollars since 2009 by participating in the Box Tops for Education® program</li> </ul>	<ul style="list-style-type: none"> <li>» Increase employee engagement and volunteerism through company-sponsored programs</li> <li>» Launch global grantmaking initiative to support nonprofit projects in emerging markets</li> </ul>

# More Sustainable Products

At Avery Dennison, a product is more than an object. It can also be a solution to a problem, such as reusing discarded plastic water bottles as a recycled material for eco-conscious brands' fabric care labels. We are always looking for possibilities to enhance the sustainability of our products.



## Innovating Sustainable Solutions

Since our company's beginning, improving materials has been a key focus of innovation. Today, our goals include reducing environmental impact without sacrificing performance and we are looking at virtually every step in the value chain to do so.

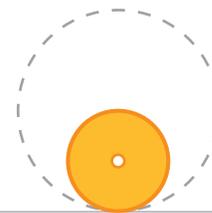
The majority of our products use paper, plastic or other synthetic materials to convey brand image and product information on a wide variety of apparel trim, retail display, architectural signage and consumer packaging applications. While our products function to capture

consumer attention and influence purchasing decisions, these materials are frequently single-use applications and ultimately end up as part of the waste stream at the product's end-of-life. This awareness drives our thinking about more sustainable options.

LCA studies conducted to date of our major paper label and graphics film products reveal that roughly 60–95% of the environmental and human health impacts of our products can be attributed to the production of the raw materials. The second largest contributor to impact

is the end-of-life disposal of those materials. These findings indicate that raw material choices and product innovations that change end-of-life disposal scenarios can have significant positive impact. Even small improvements become meaningful when scaled across the enterprise. We have made progress on incorporating more sustainable materials into our products and we recognize that much more can be done. For example, we are experimenting with bio-based polymers for adhesives that can reduce consumption

of fossil-based materials. Our scientists, process engineers and product designers continue to find new ways to collaborate with industry partners and customers to innovate new materials and make smarter, more sustainable choices right from the start.



**With an ultra-thin PET liner material, Avery Dennison ThinStream™ products reduce liner waste up to 50%**

## Labeling Redefined

**Avery Dennison ThinStream™ technology is one of the most significant sustainability advances in labeling technology in decades. It combines an ultra-thin PET liner material with patented machine technology to enable the application of ultra-thin label materials. With a liner only 12 microns in thickness (half the thickness of a human hair), Avery Dennison ThinStream™ products yield at least 17% more labels per roll, reduce liner waste up to 50% and meet customer demand for ever-thinner materials with enhanced performance.**

**Avery Dennison ThinStream™ technology is the result of our collaborative innovation strategy, through which we create breakthrough products by working with value chain partners such as machine manufacturer Gallus, who was essential in helping us make Avery Dennison ThinStream™ a reality.**

## Engaging in Life Cycle Assessment (LCA)

In 2009, we began to use LCA to gain a baseline understanding of our products' environmental footprints. We are now on a path to developing a comprehensive product sustainability program that integrates LCA into our product development processes and product compliance programs in an effort to streamline the discovery and development of more sustainable solutions.

As we are learning with our customers, sustainable choices are not always

obvious or intuitive. LCA gives us a more informed perspective to make better decisions based on a product's end-use and our customers' own sustainability goals. LCA is also the scientific method of choice that the industry is using to quantify the environmental benefits and trade-offs associated with products.

### Avery Dennison™ Greenprint

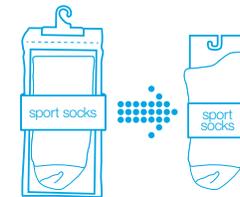
A key component of our LCA program is Avery Dennison™ Greenprint, a user-friendly way to communicate a product's

environmental footprint based on life cycle thinking. It presents LCA data across six environmental impact categories—fossil material, trees, water, energy, greenhouse gases and waste—and enables product managers, technicians and designers to quickly assess design and material options based on environmental impact. Avery Dennison™ Greenprint gives brand owners and customers a tangible

way to understand the environmental consequences of their packaging and product choices and provides quantifiable support for sustainable marketing claims.

Avery Dennison™ Greenprint was first used with customers in 2010 to help leading U.S. and European retail apparel brands develop new packaging solutions that maximize consumer appeal and minimize environmental impact. For example, an Avery Dennison™ Greenprint assessment of socks and

hosiery packaging materials revealed that converting from traditional polybags to a sustainable recycled paper banding solution would use materials that create 99% less solid waste and use 56% less energy and 23% less water.



### Avery Dennison™ Greenprint Assessment Tool



## Reducing End User Impact

We are looking both upstream and downstream for ways that our products can help customers and consumers lessen their environmental footprints. As we become more knowledgeable about the life cycle of our products, we see that their environmental impacts extend beyond our portion of the value chain. This broader vision presents opportunities to develop solutions with suppliers, retailers and brand owners that reduce the environmental impact of products we collectively manufacture and consume.

Whether developing a new technology or discovering new applications for existing materials, we are always searching for better solutions. We focus on:

**1. Environmentally-preferred materials.** This includes materials made from recycled content diverted from either pre- or post- consumer waste, renewable or bio-based materials, compostable materials and responsibly-sourced materials such as paper harvested from sustainably-managed forests.

**2. Product life cycle design**—an approach that aims to minimize a product's environmental and health impacts over its full life cycle. By using LCA to bridge the gap between product development and environmental management, we can identify opportunities beyond our part of the value chain to enable more sustainable solutions. This includes possibilities

for down-gauging materials, reducing packaging waste, enabling recyclability or compostability and ultimately helping customers “close the loop” on materials.

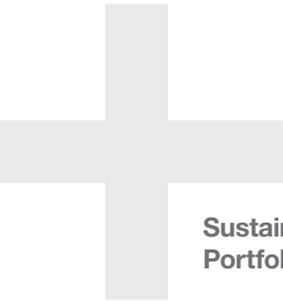
**3. Sustainability-enabling technologies.** We have just scratched the surface on the potential applications of our core technologies in novel

ways that enable sustainable development. We are building upon our extensive history and R&D capabilities to engineer advanced backsheets for the solar industry and to develop valve technology that reduces waste and enables more sustainable packaging. With our range of technological strengths, we have the capability to contribute to a

better world by innovating through the lens of sustainability. We want to explore ideas that could lead to breakthrough solutions that meet our customers' and society's needs for renewable energy, clean water, food and product safety, lighter weight vehicles, health and hygiene, waste reduction and stable ecosystems.

Read more about our core technologies [here](#).





## Sustainable Product Portfolio

Starting in 2010, the sustainable product range expanded with development of these key products:

PRODUCT	BUSINESS SEGMENT	INNOVATION
<b>Avery Dennison ThinStream™</b>	Label and Packaging Materials	Radically thinner liner reduces liner waste by up to 50%
<b>Global MDO</b>	Label and Packaging Materials	Thinner, lighter label construction has a lower carbon footprint and generates less solid waste
<b>Avery Dennison® LightSmart™ Carton Labeling Materials</b>	Label and Packaging Materials	Elimination of the liner material significantly reduces post-industrial waste
<b>Recycled Plastic Fastener</b>	Retail Branding and Information Solutions	Uses recycled plastic recovered from clothing hangers and water bottles to make new fasteners
<b>Index Maker® and Ready Index® Dividers</b>	Office and Consumer Products	Launched 100% post-consumer waste (PCW) Index Maker® and Ready Index® Dividers
<b>PVC-free Badge Holders</b>	Office and Consumer Products	Converted our PVC name badge holders to polypropylene
<b>TrueBlock® Labels</b>	Office and Consumer Products	Labels facilitate the reuse of shipping boxes and tubes by covering completely everything underneath the label
<b>Avery® EcoFriendly Office</b>	Office and Consumer Products	Expanded offering of labels, dividers and name badges made from Forest Stewardship Council® (FSC) certified paper
<b>Avery Dennison Flexis™ Steam Valve</b>	Specialty Materials	Enables up to 90% reduction in microwavable food packaging materials

FSC is a registered trademark of the Forest Stewardship Council.



## Ensuring Product Compliance and Integrity

Product integrity is closely tied to product stewardship and invigorated by the spirit of the “precautionary principle,” which motivates us to take action to prevent possible harmful effects on the environment or on the health and safety of the people who use our products. We comply with applicable laws and regulations and do not create unreasonable risks to our customers, consumers, employees or the environment.

This requires us to be responsive to the concerns of a variety of stakeholders and proactive about identifying areas where material use can be improved or reduced. It drives our ongoing investment in R&D, product integrity and LCA capabilities to give us deeper insight into the impact of our materials and processes. We are also keenly aware of the need to build speed and flexibility into our

product integrity processes to keep pace with the volume of changes in regulations and customer requirements.

### Product Integrity Management System

The Avery Dennison Product Integrity Management System (PIMS) is key to making our product stewardship goals a reality. This global system enables us to assure a product’s compliance with an array of international

and local regulations as well as critical customer and end user requirements. PIMS is accessed via the Internet at the plant level, providing employees with resources and tools that translate regulatory requirements into relevant flow charts and summaries. Flexibility is designed into PIMS to match the speed of change in the regulatory environment.

### Innovation Framework

In 2010, Avery Dennison launched a global process to facilitate and manage the risks of new product development.

Our innovation framework focuses on the customer and integrates environmental, health and safety (EHS), product compliance and sustainability into new product development at process stage gates. The process includes workflow management, risk tracking and mitigation by stage and risk analysis tools that enable early identification of issues and opportunities.

### Innovation Framework





## Ensuring Product Compliance and Integrity

### Managing Regulated and Restricted Substances

In 2010, we received no notices of noncompliance with government regulations concerning health and safety impacts of products. We credit this positive result to an ongoing component of our product integrity process: monitoring products against a Restricted Substances List. We have a list of chemicals that we ban in all our products; other substances are monitored for compliance with regional, industry and customer requirements.

We monitor chemical materials and restricted substances as defined by European REACH (Registration, Evaluation and Authorization of Chemicals), Restrictions of Hazardous Substances, Waste Electrical and Electronic Equipment and U.S. Toxic Substances Control Act regulations. We also monitor substances that, while not currently regulated, may pose an emerging risk.

### Chemical Risk Management Program for Products

In 2010, we began developing a Chemical Risk Management Program for Products (CRMP). When it is introduced in 2011, the CRMP is expected to:

- » Enhance the speed and documentation of the systems that control regulatory, liability and market risks related to the chemicals in Avery Dennison products

- » Promote the use of lower risk substances in the product development phase

We plan on communicating to suppliers about substances that we ban outright or are watching for increasing risk.

### Product Compliance Global Work Group

Product integrity processes are nothing without capable, well-trained people to implement them. Our Global Product Compliance Work Group is comprised of 30 representatives from across

our business units who have the responsibility for product safety and compliance. This team is tasked with developing and improving product stewardship and compliance processes, sharing best practices and identifying areas for improvement.

### Managing Environmental Sustainability Claims

In 2010, we received no notices of noncompliance with government regulations concerning marketing communications. The Company published Eco-Communication Guidelines and an Environmental Product Claims Standard to guide product managers in the area of environmental communications and product claims. The guidelines were developed to ensure that environmental product claims comply with local laws and regulations and are credible, not “greenwashing” or false advertising.

## Our product integrity program takes a proactive and strategic approach toward safer and more sustainable products and packaging.

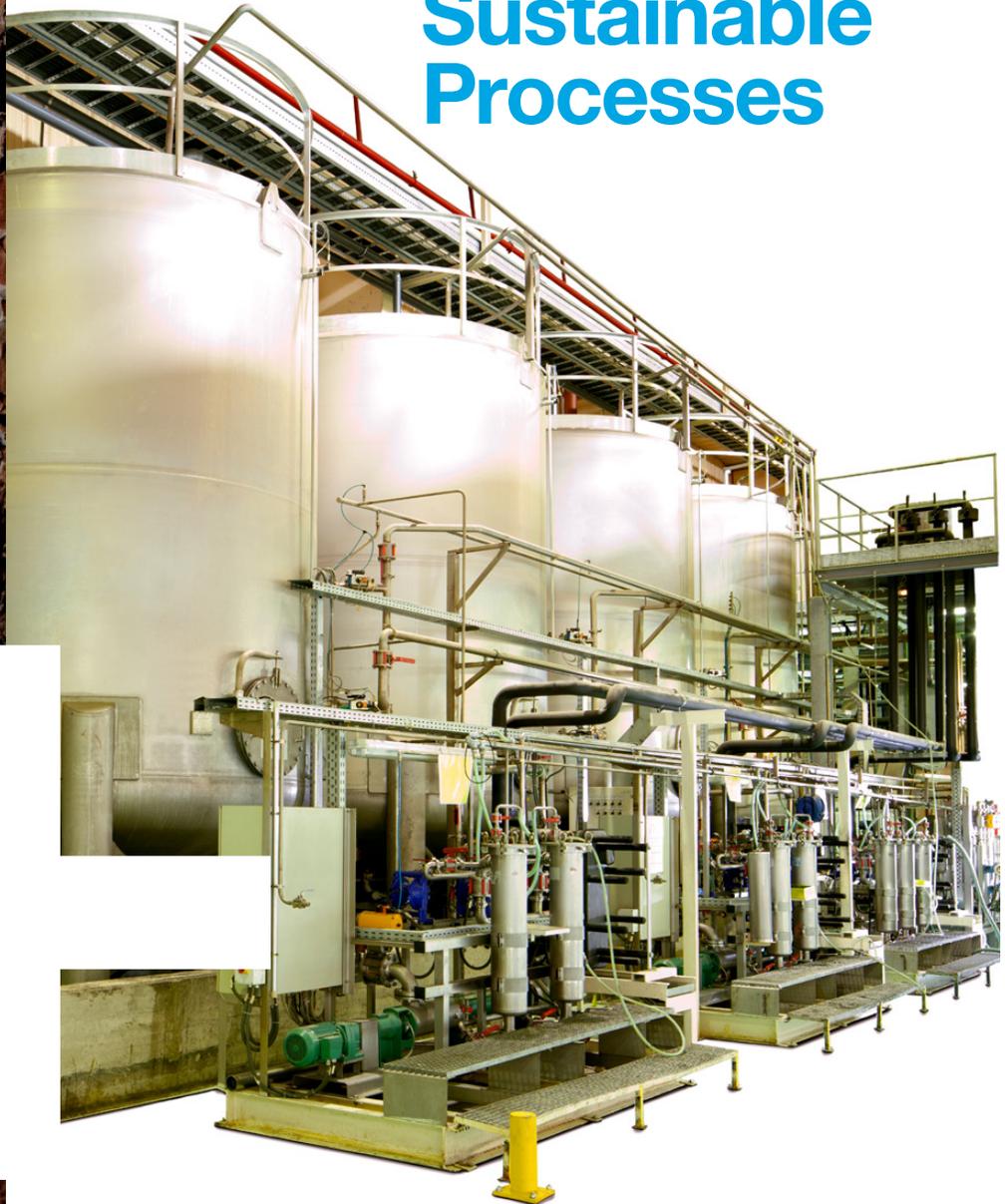
This standard applies to forms of marketing and informational materials, including labeling, packaging, product inserts, catalogs, presentations, advertisements and other collateral materials. Environmental claims are reviewed by internal or external counsel to ensure that claims are adequately substantiated.

In 2011, we plan on releasing an updated environmental claims standard that reflects proposed changes to the U.S. Federal Trade Commission’s “Green Guidelines.”

Inspired by lean manufacturing, we are relentlessly looking for ways to reduce our impact on the environment. Even relatively small changes in our operational efficiency can make a big difference for the environment. One such example is the continuous improvement we have made in our scrap rate. From 2008 to 2010, our Label and Packaging Materials group eliminated enough scrap through manufacturing efficiencies to equal a 40-inch wide sheet of material that could circle the earth more than three times. Knowing that inches add up to miles, we strive to go further to reduce our environmental footprint and increase our supply chain sustainability.



# More Sustainable Processes



## Reducing Our Environmental Footprint

### Continuing to Measure, Continuing to Improve

In 2009-2010, Avery Dennison established its global environmental metrics system, marking a significant step toward understanding, managing and improving our overall environmental footprint. This system is designed to enable our facilities to report environmental data for energy, water, waste and air emissions. From this data, we can measure, improve and track a facility's environmental performance, and set meaningful company-wide reduction targets.

Collecting and harmonizing environmental data from over 200 facilities into a common set of metrics has been a complex task. Our manufacturing sites, distribution centers,

warehouses, research centers and offices vary greatly in size, capacity, location, resource utilization and process technology. At the time of this reporting, we are able to provide data on our global energy usage and greenhouse gas (GHG) emissions, global water intake and North American waste footprint. We are still validating the remaining waste data from our facilities in Europe, Latin America and Asia Pacific, and plan to make this data available online when we update our key environmental performance metrics in 2012.

We have also prioritized our environmental reduction targets and strategies based on the areas where the most immediate and significant improvements can be made.

To this end, we plan to:

1. Reduce company-wide GHG emissions (indexed to net sales) by 15% from 2005 levels by 2015
2. By 2011, set a 2015 target towards achieving "zero manufacturing waste to landfill"
3. Develop a strategy to avoid contribution to water scarcity and to promote water conservation
4. Collect air emissions data on major facilities

We plan to report our progress on these reduction goals, as well as on our comprehensive environmental footprint, in future sustainability reports.

### The table below provides a snapshot of our environmental footprint in 2010

	TOTALS		2010 BUSINESS SEGMENT DETAIL <sup>(1)</sup>			
	2010	2009	Pressure Sensitive Materials	Retail Branding and Information Solutions	Office and Consumer Products	Other specialty converting businesses
<b>GLOBAL PRODUCTION</b>						
Net sales (\$MM)	\$6,513	\$5,953	\$3,640	\$1,522	\$815	\$536
<b>GLOBAL ENERGY AND GREENHOUSE GAS EMISSIONS</b>						
Energy consumption (MWH)	1,541,205	1,500,071	918,511	285,958	83,955	248,770
Energy usage indexed to net sales (MWH / \$MM Net sales) <sup>(2)</sup>	237	252				
Greenhouse gas emissions (tonnes CO <sub>2</sub> e) Direct <sup>(3)</sup>	173,780	183,118	119,978	16,328	5,796	31,471
Greenhouse gas emissions (tonnes CO <sub>2</sub> e) Indirect <sup>(4)</sup>	383,815	349,655	165,509	142,293	28,916	46,358
Greenhouse gas indexed to net sales (tonnes CO <sub>2</sub> e / \$MM Net sales) <sup>(5)</sup>	86	90				
<b>GLOBAL WATER INTAKE</b>						
Water consumption (cubic meters) <sup>(6)</sup>	1,830,205	—	494,381	1,144,812	83,082	94,836
<b>WASTE (NORTH AMERICA ONLY)</b>						
Waste generated (metric tons) <sup>(7)</sup>	53,198	—				
Percent recycled / reused waste	44%	—				
Solid waste to landfill — Non-hazardous (metric tons)	25,370	—				
Solid waste to landfill — Hazardous (metric tons)	273	—				

(1) Pressure-sensitive Materials includes Label and Packaging Materials and Graphics and Reflective Solutions. Retail Branding and Information Solutions includes Information and Brand Management, Printer Systems and Fastener. Office and Consumer Products includes Office Products. Other specialty converting businesses include Performance Tapes, RFID, Designed and Engineered Solutions, Automotive Solutions and Medical Solutions.

(2) Energy usage indexed to net sales is monitored only at a corporate level. The business units use other production-based measures to normalize energy data.

(3) GHG emissions include CO<sub>2</sub> from fuel combustion sources including Natural Gas, Diesel and Propane (Scope 1).

(4) GHG emissions include CO<sub>2</sub> from purchased electricity (Scope 2).

(5) GHG emissions indexed to net sales is monitored only at a corporate level. The business units use other production-based measures to normalize GHG data.

(6) Water consumption measures water intake in cubic meters (m<sup>3</sup>).

(7) Avery Dennison tracks generated waste in lbs. Conversion factor used: 1 metric ton = 1,000 kg = 2,205 lbs.

Waste data reported only includes North American facilities. Waste data for remaining facilities in Europe, Latin America and Asia Pacific is still being validated.

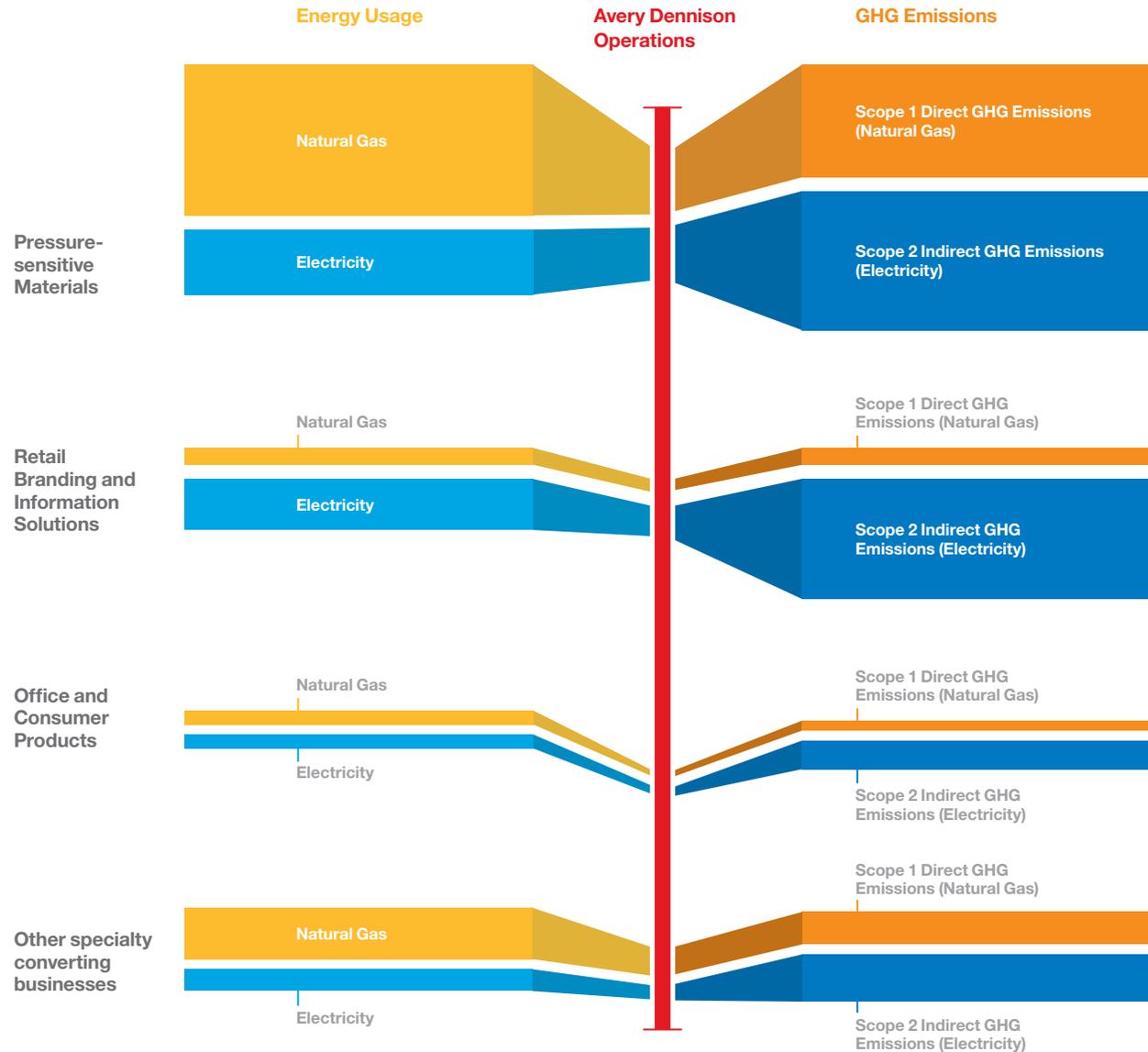
## Energy and Greenhouse Gas Emissions

Avery Dennison's approach to managing energy consumption and GHG emissions balances short-term business planning with long-term decision-making about climate change risks and opportunities. Analysis of our GHG emission inventories indicates that our enterprise-wide energy use and associated GHG emissions are relatively low and well below current expectations for regulatory thresholds.

Within the company's direct scope, our operations require energy, mainly purchased electricity and natural gas, for manufacturing processes and equipment including our pressure-sensitive materials coaters, drying ovens, process cooling equipment, HVAC systems, paper slitters and other converting machinery. The illustration to the right details the 2010 energy and GHG footprint of our business segments, as well as other specialty converting businesses.

*(continued on page 36)*

### Avery Dennison's 2010 Energy and GHG Footprint



## Energy and Greenhouse Gas Emissions

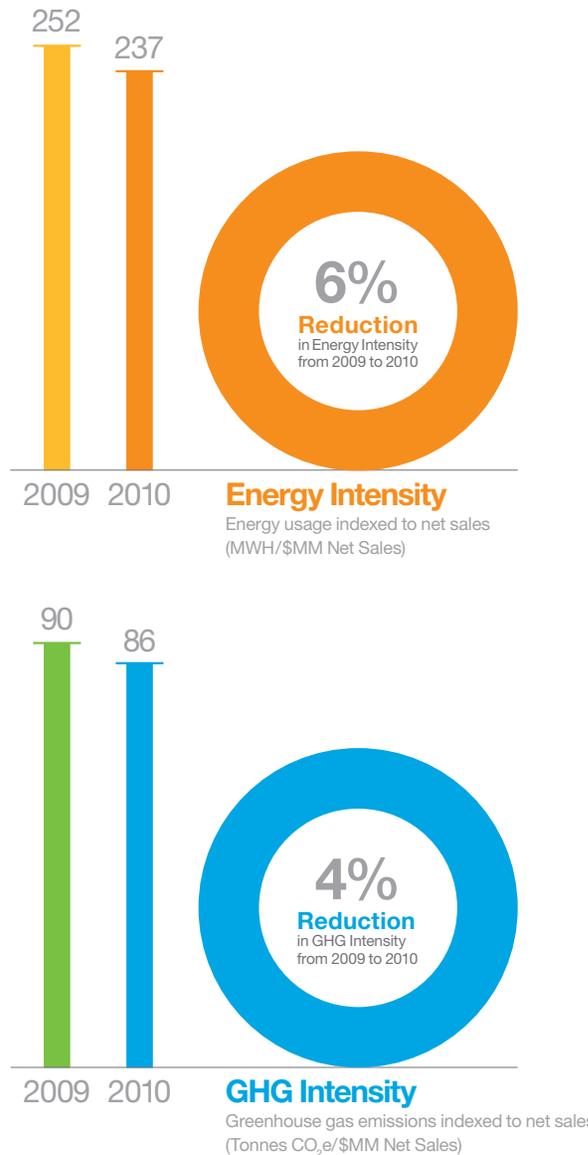
A baseline study of our 2005 GHG emissions showed that our emissions were attributable primarily to energy use in manufacturing operations. This finding drove us to prioritize energy efficiency initiatives in 2009. These initiatives, along with increased production volumes, helped the company achieve a 6% reduction in energy

consumption indexed to net sales, from 252 MWH of energy per million dollars of net sales in 2009 to 237 MWH of energy per million dollars of net sales in 2010.

Over the same period, we also achieved a 4% reduction in GHG emissions indexed to net sales, from 90 metric tonnes CO<sub>2</sub>e per million dollars of net sales in 2009 to 86 metric tonnes CO<sub>2</sub>e per million dollars of net sales in 2010.

*(continued on page 37)*

### Avery Dennison's Energy and GHG Intensity (2009-2010)



## Energy Efficiency Kaizens

Starting in 2009, Avery Dennison launched energy efficiency kaizens, which are highly structured process improvement exercises. Label and Packaging Materials, one of the most energy-intensive Avery Dennison businesses, led the way to reduce energy use per unit of production. In 2010, those best practices were shared with platform teams across our operations, driving efficiencies at the plant level and resulting in a company-wide net savings of roughly \$6 million in energy costs. In 2011, our businesses will continue to look for process-driven energy efficiencies as well as opportunities to bring renewable energy to our facilities.

## Energy and Greenhouse Gas Emissions

For reporting purposes, we have included our absolute GHG emissions (Scope 1 and 2) in the graphs below. However, since our production volumes vary from year to year, we monitor our GHG performance on data that is indexed to net sales. In addition, quantifying Scope 3 GHG emissions, which are defined as all indirect emissions that occur in the reporting company's value chain, is not currently a part of our GHG inventory program.

We continue to monitor our progress in achieving our current target: a 15% reduction from 2005 levels in GHG emissions indexed to net sales by 2015.

Since 2005, we have achieved a 2% reduction in GHG emissions indexed to net sales. To achieve this operational goal, we plan to develop and implement an energy and climate change strategy in 2011, which should encompass energy evaluations and management projects at prioritized sites including:

- » Energy reclamation and efficiency projects
- » Building/infrastructure efficiency
- » Supply-side procurement
- » Renewable energy usage, where feasible
- » Collaborating with energy experts on energy reductions opportunities and analyses

Also in 2011, we plan on launching an energy scorecard for the company. This scorecard is expected to be reviewed regularly by the Corporate Leadership Team and should provide insights to drive energy efficiency initiatives and further GHG emissions reductions.

### Avery Dennison's Scope 1 and Scope 2 GHG Emissions



SCOPE 1 Greenhouse Gas Emissions (tonnes CO<sub>2</sub>e)



SCOPE 2 Greenhouse Gas Emissions (tonnes CO<sub>2</sub>e)

- Pressure-sensitive Materials
- Office and Consumer Products
- Retail Branding and Information Solutions
- Other specialty converting businesses

## Carbon Disclosure Project

For the fourth consecutive year, Avery Dennison reported on its carbon footprint to the Carbon Disclosure Project (CDP), 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 as reported to the CDP [here](#).



## Reducing Waste

At Avery Dennison, “waste” is everything that does not contribute value in the eyes of our customers—a simple definition that has broad implications. It challenges us to look across our operations to become more efficient. It also challenges us to look to converter customers, brand owners, consumers and other

end users of our products to see how our products impact their packaging and sustainability goals.

### Operational Waste

“Zero manufacturing waste to landfill from our facilities” is our long-term goal. We will focus on our manufacturing process waste and, by 2011, set a 2015 target toward achieving this goal.

Based on data we collected in 2010, we can provide a snapshot of our North American waste footprint (shown in the table to the right). We are still in the process of validating waste data from our facilities in Europe, Latin America and Asia Pacific, and plan to make this data available online when we update our key environmental performance metrics in 2012.

### Waste Footprint in 2010 (North America Only)

Waste generated (metric tons)	53,198
Percent recycled / reused waste <sup>(1)</sup>	44%
Solid waste to landfill — Non-hazardous (metric tons) <sup>(2)</sup>	25,370
Solid waste to landfill — Hazardous (metric tons) <sup>(2)</sup>	273

(1) Percent recycled/reused waste includes the total amount of waste that is returned to process for energy recovery or the market.

(2) Solid waste to landfill (non-hazardous and hazardous) is the amount of process waste generated that is disposed of in landfill.

Note: There is also a small percentage of waste (<10%) that is disposed of by other means, such as incineration or waste treatment. Our environmental data management system does not currently track these other disposal methods, however we have plans to collect this detail in the future.

## Reducing Waste

### Downstream Waste Impacts

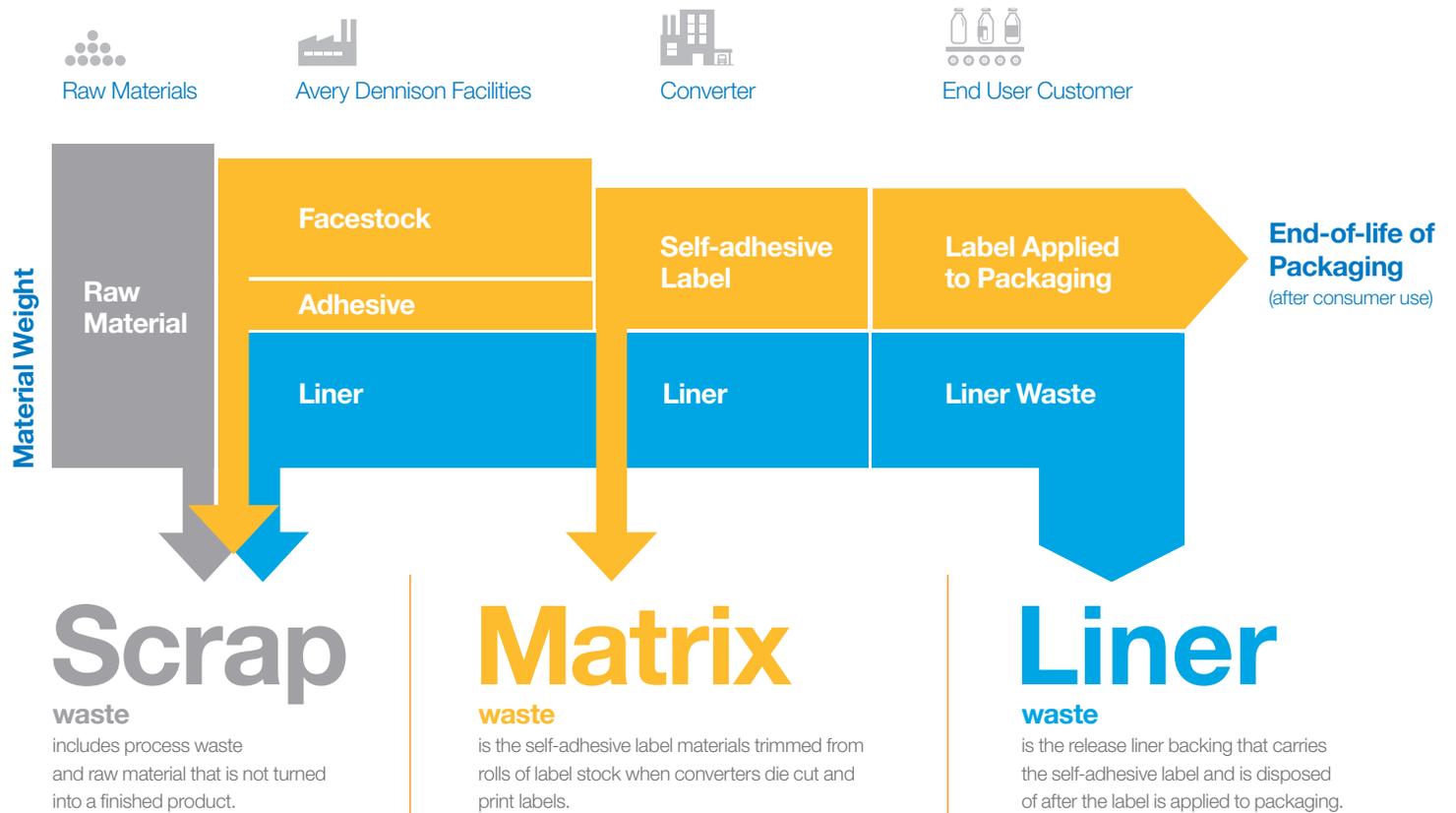
Beyond our operational waste footprint, a much greater need is solving the industry-wide problem of waste streams tied to self-adhesive label materials. Waste occurs when customers and converters use pressure-sensitive materials, and there are two aspects:

- » Matrix waste remains after labels are cut from material rolls
- » Release liner waste remains after the labels are applied to product or packaging

As shown in the illustration, the impacts of waste amplify as pressure-sensitive materials move down the value chain from manufacture to converter to consumer. Even a small improvement in reducing material weight, multiplied across the global volume, can result in a sizable waste reduction.

*(continued on page 40)*

### Waste Impacts of Pressure-sensitive Materials Across the Value Chain



## Reducing Our Water Consumption

*(continued from page 39)*

But we cannot do it alone. Feasibly and effectively reclaiming or recycling the waste that occurs downstream of our facilities in the value chain can be complicated. For some time, this has been recognized as an industry-wide challenge requiring the combined efforts of suppliers, manufacturers, customers and industry organizations such as the Tag and Label Manufacturers Institute and Fédération Internationale des fabricants et transformateurs d'Adhésifs et Thermocollants.

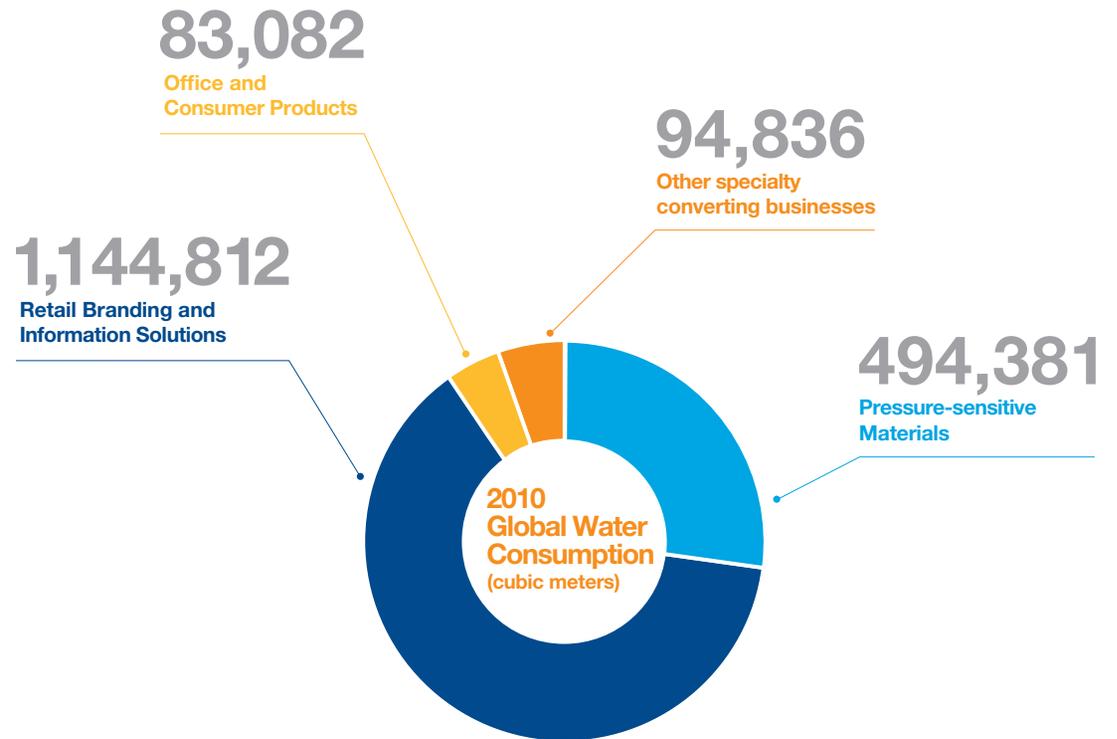
With this in mind, our Label and Packaging Materials group began in 2010 to pilot programs with customers to test ideas such as transforming the waste into fuel or reclaiming valuable material components. The goal is to develop a range of waste stream solutions

that fit seamlessly with customers' operational realities. In addition, we are continuing to advance innovations in significantly thinner pressure-sensitive materials including linerless solutions. We look forward to sharing the results in future sustainability reports.

### Water Consumption

In 2010, we started to measure our global water footprint and determined that our water intake totaled approximately 1.83 million cubic meters. Water is used primarily in certain manufacturing processes, such as process cooling, steam boilers, fabric label weaving and yarn dyeing. As we continue to monitor our water consumption, we plan to develop a strategy in 2012 to avoid contributing to water scarcity and to promote water conservation.

### Avery Dennison's 2010 Water Consumption





## Environmental Certifications

### ISO and PROFEPA

Since 2000, we have implemented a corporate environmental management system that, in 2010, enabled 19 of our sites worldwide to meet International Organization of Standards (ISO) 14001 regulations, more than double the eight reported ISO-qualified sites in 2009. ISO 14001 is a set of international standards that helps organizations reduce the environmental impacts of their operations and comply with environmental regulations.

In addition, one of our sites in Mexico also meets the requirements for Clean Industry Certification, awarded to voluntary participants in the environmental protection and regulation program promoted by Mexico's Federal Attorney for Environmental Protection.

### [Avery Dennison Facilities with Environmental Certifications](#)

#### Americas

Fitchburg, MA (ISO 14001)  
Strongsville, OH (ISO 14001)  
Mill Hall, PA (Responsible Care 14001)  
Juarez, Mexico (Clean Industry Certification)

#### EMEA

Gotha, Germany (ISO 14001)  
Schwelm No. 1, Germany (ISO 14001)  
Schwelm No. 2, Germany (ISO 14001)  
Alphen, Netherlands (ISO 14001)  
Hazerswoude, Netherlands (ISO 14001)  
Kreuzlingen, Switzerland (ISO 14001)  
Cramlington, U.K. (ISO 14001)

#### Asia

Chengdu, China (ISO14001)  
Guangzhou, China (ISO14001)  
Kunshan, China (ISO14001)  
Nansha, China (ISO 14001)  
Suzhou, China (ISO 14001)  
Anyang City, Korea (ISO14001)  
Chungju City, Korea (ISO 14001)  
Daegu City, Korea (ISO14001)  
Biyagama, Sri Lanka (ISO 14001)

## TLMI L.I.F.E. Certification

The Tag and Label Manufacturers Institute (TLMI) recognizes companies' efforts in environmental leadership through its Label Initiative for the Environment (L.I.F.E.) program.

This certification verifies that a label industry facility has sound environmental approaches to the recycle-compatibility of adhesives, recyclability of liner material and is actively reducing overall carbon footprint. Four Avery Dennison facilities in North America achieved TLMI L.I.F.E. certification in 2010: Mentor, Ohio; Painesville, Ohio; Mill Hall, Pennsylvania; and Quakertown, Pennsylvania.

Read more about Tag and Label Manufacturers Institute's L.I.F.E. program [here](#).

L.I.F.E. is a trademark of Tag and Label Manufacturers Institute.

## Supply Chain Sustainability

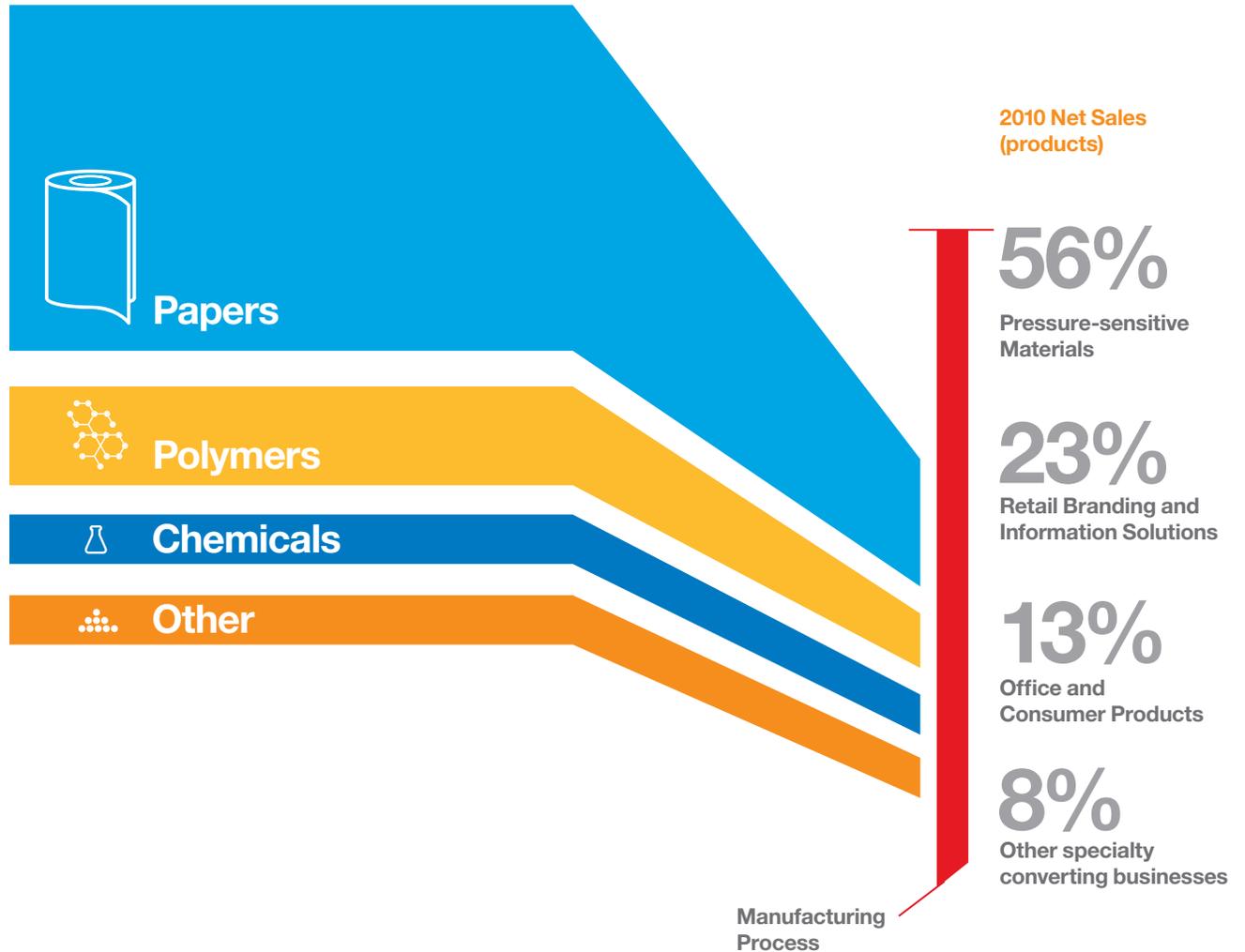
Sustainability does not begin when materials come into our plants or end when products leave. From improving materials and processes to supporting suppliers committed to sustainability, we have an opportunity to drive sustainability upstream and downstream.

### Raw Material Flows and Efficiency

The three major raw material streams that feed into the production of our finished goods are paper, hydrocarbon-based or polymeric films and chemicals used for adhesives. We work with thousands of suppliers, and manage raw material procurement regionally by business. This allows us to maintain efficient, just-in-time production, a hallmark of our Enterprise Lean Sigma (ELS) operating culture. In addition, by sourcing the majority of our materials from regionally-based suppliers, we seek to reduce the transportation impacts and costs of shipping raw materials to our manufacturing sites.

*(continued on page 43)*

### Raw Materials Used in Our Products





## Responsible Sourcing

*(continued from page 42)*

While we do not operate a centralized global supplier management system, we are beginning to track our material flows and are working to integrate sustainability factors into our procurement processes. Initial estimates for 2010 indicate that roughly 60% of the material (see graphic on page 42) we procure is paper-based. Moving forward, we plan to build in mechanisms to track the percentage of recycled input materials we use in our products and processes, including both raw material by-products reclaimed from our own processes as well as externally sourced post-industrial and post-consumer waste recycled content.

## Reducing Material Impacts

**Sustainability presents new opportunities to reduce our environmental footprint while increasing supply chain efficiencies. Nowhere is this more evident than in the continual improvement in material efficiency achieved by the Label and Packaging Materials (LPM) group. Productivity gains from annual improvements in our manufacturing scrap rate coupled with reductions in the material weight of facestocks, coatings, adhesives and liners have cumulatively saved LPM roughly 65,000 tons of material from 2008 to 2010. We anticipate this amount to increase in 2011 as we continue to launch thinner, lighter products.**

### Responsible Sourcing

We participate in numerous global supply chains to deliver products to a wide variety of industries. As customers' sourcing needs change to meet new regulatory requirements and market pressures, supply chain transparency is becoming increasingly important. In 2010, two areas of growing focus were social compliance assurance and sustainably sourced paper products.

### Social Compliance in the Supply Chain

Having good controls in place to monitor working conditions in our facilities and supply chain is of particular interest to our retail apparel customers. In 2010, we expanded our social compliance program

and further implemented our employment standards that cover fair labor practices and safe working conditions. We are also becoming more transparent about our social compliance performance in order to provide customers and other stakeholders greater supply chain assurance.

Read more about social compliance in the Purpose [section](#) of this report.

### Sustainably Sourced Paper

We are committed to the responsible sourcing of pulp, natural fiber and paper materials. Although we do not own or manage forests, we can promote sustainability of the world's forest resources through our procurement

practices. As such, we are committed to understanding the sources of our pulp fiber, promoting transparency in sourcing and helping ensure that sustainable forest management practices are used.

Since 2008, our efforts have been focused on attaining FSC® chain-of-custody certification. We have certifications on 49 facilities around the world. To increase our capacity of sustainably sourced paper, we are exploring the addition of other certification schemes.

Read more about the Forest Stewardship Council [here](#).

FSC is a registered trademark of the Forest Stewardship Council.

## Responsible Sourcing

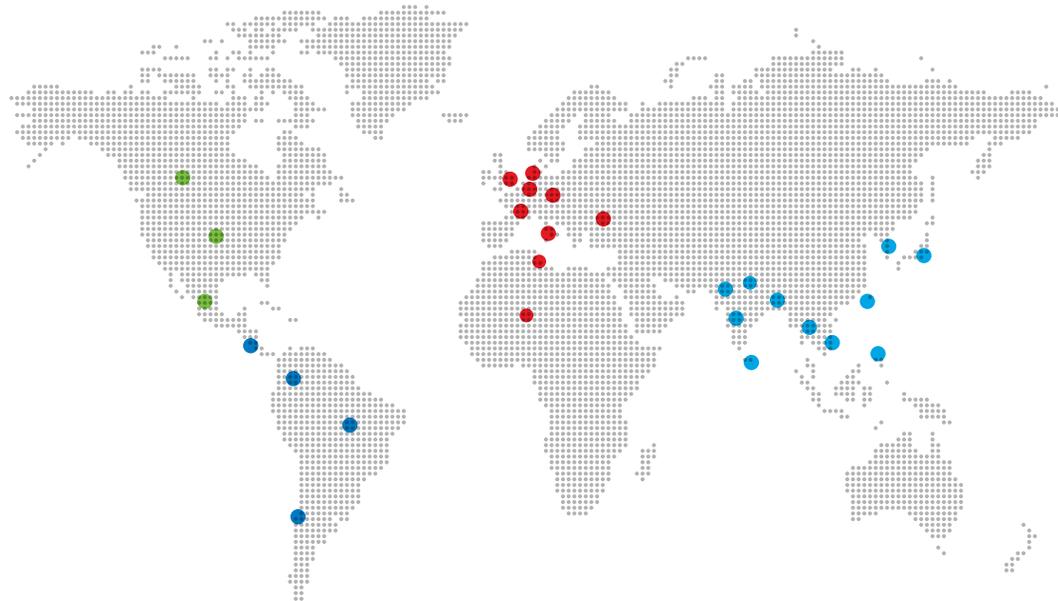
In 2010, we established an internal Responsible Paper Working Group tasked with developing policies and procedures for the responsible sourcing of materials.

This includes adding the ability to obtain and track sustainability-related information from our key suppliers as well as increasing our efforts to broaden our engagement with stakeholders. To this end, we made two goals moving forward:

- » Release Avery Dennison's Responsible Paper Sourcing Policy in 2012
- » Join an industry working group to address the challenges around responsible paper sourcing and resource conservation

### Avery Dennison Facilities with FSC® Chain-of-Custody Certification

FSC is a registered trademark of the Forest Stewardship Council.



#### North America

Canada	1
Mexico	1
United States	7

#### Latin America

Brazil	2
Chile	1
Columbia	1
El Salvador	1

#### Asia Pacific

Bangladesh	3
China	6
India	2
Japan	2
Korea	1
Pakistan	1
Sri Lanka	1
Taiwan	1
Thailand	1
Vietnam	1

#### Europe, Middle East and Africa

Bulgaria	1
Egypt	1
France	2
Germany	5
Italy	1
Luxembourg	2
Netherlands	1
Romania	2
United Kingdom	1

## Cotton Made in Africa

Avery Dennison is a global partner of the Cotton Made in Africa project and is the exclusive global supplier of its garment labels and tags to its retail brand partners. The project is funded by the Aid by Trade Foundation. It provides a means for some 270,000 small-holder farmers in Benin, Burkina Faso, Côte d'Ivoire, Malawi and Zambia to compete in the global marketplace, thereby combating poverty and improving social conditions while promoting environmental protection.

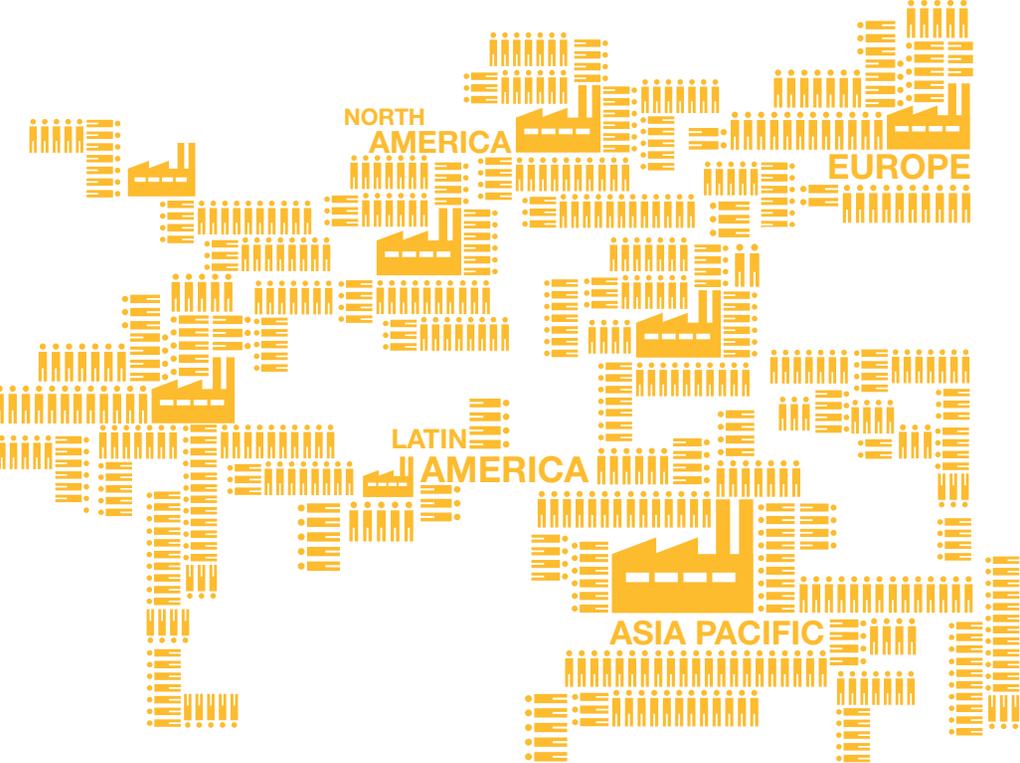
Read more about the Cotton Made in Africa [here](#).

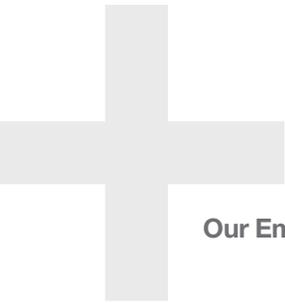


© Aid by Trade Foundation

# More Sustainable Purpose—Our People

Avery Dennison employees call 55 countries home. As a global community, we work together to make the world more inspiring, intelligent and sustainable. Everyone has a voice, and we continue to find new ways to listen and be heard.





## Our Employees

### Employees Around the Globe

At the end of 2010, Avery Dennison employed 32,140 people around the world, supplemented at seasonal highpoints by some 4,600 contractors/temporary employees not included in our employment statistics. We represent a broad tapestry of talent, creativity and experience that is strengthened and enriched by our cultural and personal differences. One of our most important goals as an organization is to create a work environment that continues to attract, challenge and retain this talented and diverse workforce with opportunities to learn, achieve and advance a satisfying career at the company.

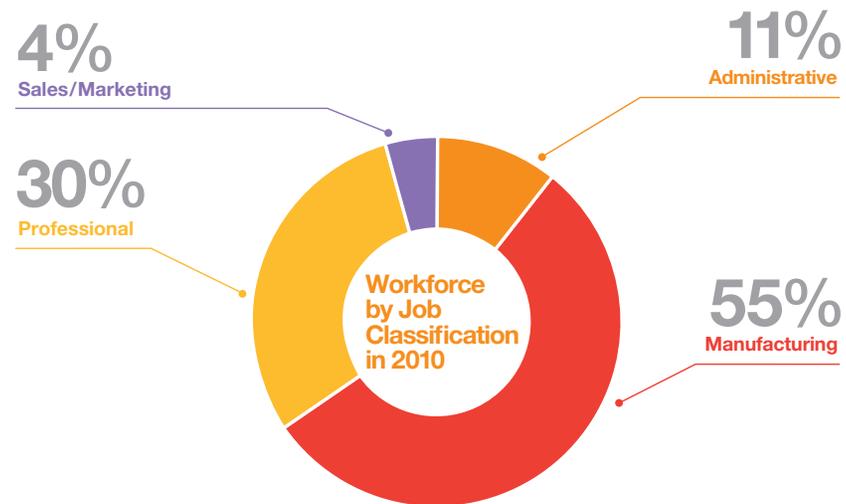
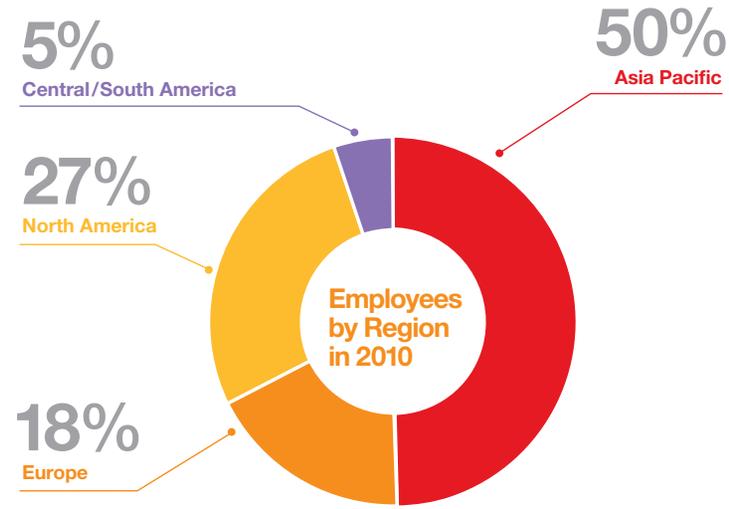
With a shared set of values and leadership principles as our bedrock, we work to build and sustain an organizational culture of continuous learning, innovative thinking, disciplined risk taking, collaborative teamwork, community-mindedness and achievement—an enterprise in which each employee plays a meaningful role and has an opportunity to thrive.

### Global Workforce Statistics

Nearly 55% of our employees live and work in developing countries in Asia and the Americas. The U.S. and western Europe are home to the remaining 45%. Our significant presence in such countries as China, India, and Mexico, and our growing business role in locations across southeast Asia and Central and South America, provide valued employment and professional development opportunities for thousands of people across the globe.

*(continued on page 47)*

### Global Workforce Statistics (2010)



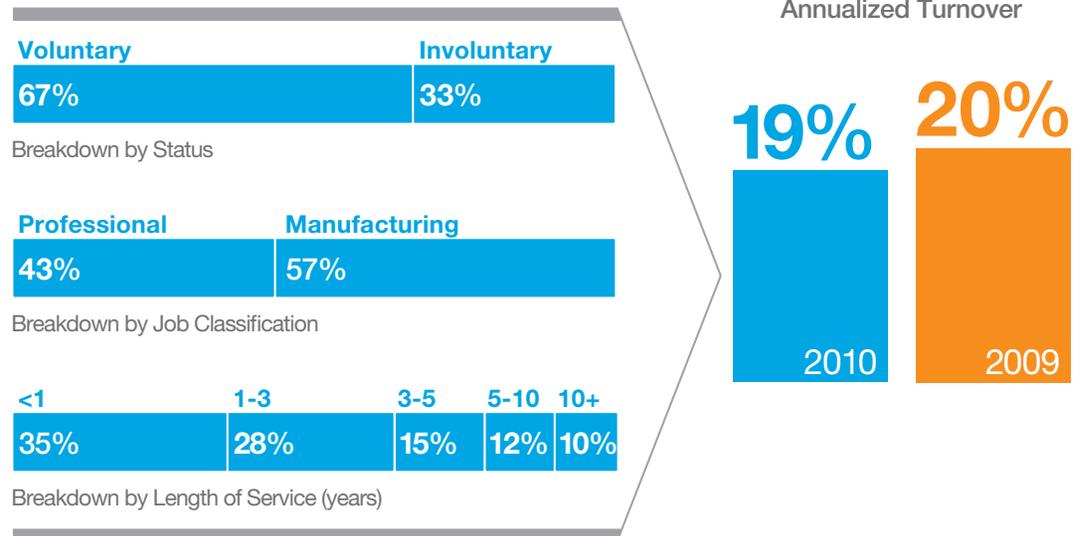
## Our Employees

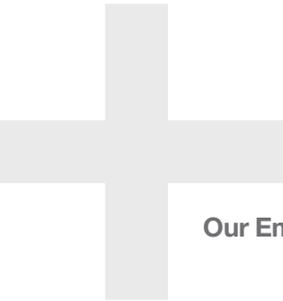
A majority of our global workforce, about 55% of employees, is directly involved in manufacturing. Another 15% is employed in sales and marketing, research and development and administration. About 30% of our workforce is in professional and managerial roles.

### Employee Turnover

To gain regular insight into our global workforce, we measure employee turnover annually, conduct selected exit interviews and use the data to strengthen our overall employee recruitment, development and retention efforts. Global employee turnover was 19% in 2010, about the same as the previous year's rate. Of this rate, two-thirds left the company voluntarily and more than half of those who left held manufacturing jobs.

### Breakdown of Our Annualized Employee Turnover





## Our Employees

### Diversity and Equal Opportunity

One of our great assets as a multinational organization is the diversity of backgrounds, experiences and ideas represented in our workforce. We recognize the strength that diversity brings to our organization's wealth of human talent, expertise and creativity.

In 2010, women represented approximately 36% of our global workforce and held 31% of management positions. In terms of diversity at the highest levels of governance, of the 11 directors on Avery Dennison's Board during 2010, two (or 18%) were female. The Corporate Leadership Team, which reports to the CEO, was 38% female in 2010.

We believe that every Avery Dennison employee deserves to be treated equally, fairly and with respect. Our employment practices and policies, including hiring, training, advancement and termination decisions, are based on individual qualifications, demonstrated skills, abilities, performance and experience. We treat all employees equally, without regard to gender, race, age, religion, political opinion, social or ethnic origin, sexual orientation, disability or any other criteria unrelated to the ability to perform a specific job.

To read our policy on Equal Opportunity and Diversity, visit [here](#).

### Diversity Metrics

	2007	2008	2009	2010
% of Females — Management	26.8%	28.8%	30.3%	31.1%
% of Females — All other employees <sup>(1)</sup>	36.8%	37.1%	37.0%	36.4%

(1) Administrative, Professional, Manufacturing and Sales/Marketing

### Benefits and Compensation

We're committed at Avery Dennison to providing employees with benefits and compensation packages that are fair and equitable for the type of work they perform and competitive within the local business market in which they perform it. As a global company, our compensation and benefits packages vary widely from country to country.

Regardless of location, we are guided by several principles:

- » We strive to maintain compensation and benefits packages at levels that attract and retain high-caliber talent.
- » We believe in rewarding employees for individual ability and performance.
- » We seek to provide employees with benefits that help protect their health and financial well-being and that of their families.
- » We are committed to giving employees information and tools to allow them to make good benefit choices.

For more information about our Defined Benefit Plans, see Avery Dennison's 2010 Annual Report [online](#).

## Employee Development and Engagement

### Employee Development

The greatest value proposition we can offer our employees is the opportunity to develop their talents and professional capabilities to the fullest extent, to participate in meaningful work and see their contributions to our collective success recognized and rewarded.

To support our employees, we provide a range of new-hire basic training programs, ongoing skills development forums and on-the-job learning opportunities at our major manufacturing and distribution facilities. As employees approach, enter and advance through supervisory and management roles, we offer

a variety of formal leadership development programs, experiential learning-by-doing events and individual coaching and mentoring opportunities.

Our employees around the world also have access to self-directed learning materials, current company news and information and a world-class set of social media communications and collaboration tools via our global intranet. For employees who do not have individual access to a computer with Internet connection, many of our larger facilities offer access to shared computers for their use.

We strive to provide all employees the opportunity to discuss career development with their supervisors or managers through annual performance reviews. We have used a single, global system for performance assessment since 2002. Adopting a common process has

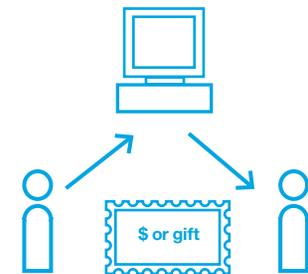
increased understanding of our performance expectations and assessment criteria as well as the transparency of advancement and compensation decisions.

For our nearly 9,700 professional employees, performance is recorded and tracked in Avery Dennison's Global Performance Management System (GPS). During 2010, leaders reported that they delivered a formal performance review to 100% of the professional employees who were active during the year-end period when the evaluation cycle took place. Evaluations of nonprofessional employees are conducted using a paper-based system, making it difficult to aggregate this statistical data for reporting purposes.

*(continued on page 50)*

## Showing "Thanks"

Peer-to-peer recognition is empowering both for the employee acknowledging a great effort and for the employee being recognized. In mid-2010, we launched a global "Thank You!" program that gives every employee the opportunity to recognize a co-worker's effort that reflects our values in action. Acknowledgements range from a simple card to a variety of gift and monetary awards. In the program's first year, 21,340 awards were given across the company.





## Employee Development and Engagement

We maintain a global recruitment and talent development program for recent college graduates interested in careers in operations, finance, sales and marketing. Participants are recruited from universities around the world and guided through a two-year program of rotational work assignments and related training, with hands-on experience in at least two of our major businesses. Participants also attend a series of formal seminars in leadership skills and professional development and receive informal, one-on-one coaching throughout the two-year period.

### Enterprise Lean Sigma

We establish high expectations for our employees and believe that everyone can make an important contribution to the organization's success. From the plant floor to the executive suite, we work hard to engage our people in the purpose of our work, the effectiveness of how we operate, the quality of our products and our place in the community.

One of the most powerful forces we bring to this task is Enterprise Lean Sigma (ELS). Using an ELS approach, we drive operational excellence and create greater value for customers through a highly engaged and empowered workforce that

is continuously learning from one another to improve our products and processes.

Given our deep roots in lean manufacturing, our ELS principles, practices and tools were first developed and honed on the production floor. Employees at all levels are actively involved in identifying and solving problems,

voicing and testing ideas, identifying and sharing best practices and continuously reshaping their work to improve how we accomplish things.

*(continued on page 51)*

**Employees at all levels are actively involved in identifying and solving problems and continuously reshaping their work to improve how we accomplish things.**

## “Power” Plant

In the decade since Office and Consumer Products' Tijuana, Mexico, manufacturing facility first opened, its employees have consistently exceeded their own high expectations.

Productivity, worker satisfaction and staff retention metrics have grown each year. The facility has been a perennial list-topper on our global operational excellence scorecard, and its 800+ team members have regularly asked for and received greater responsibilities. *IndustryWeek*™ magazine took notice in 2010. After a lengthy review process, the magazine's panel of judges named the Tijuana facility one of the 10 best manufacturing plants in North America.

To learn more about our Tijuana facility, read the *IndustryWeek*™ article [here](#).

*IndustryWeek* is a trademark of Penton Media, Inc.

## Employee Development and Engagement

ELS also influences our approach to management. Our work is organized to make processes, performance metrics, achievements and problems all highly visible. Supervisors and managers are deeply involved in coaching employee teams to manage daily work activities, solve problems as they arise and articulate both unaddressed

challenges and untapped opportunities for further action. Leaders at every level of the company are expected to establish a clear line of sight from individual team efforts to overall company purpose, connecting our employees to the meaning and value of what we do.

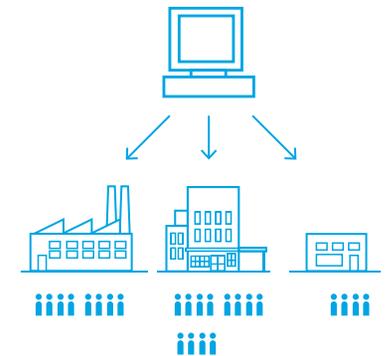
### Keeping Employees Informed

Communication and collaboration play key roles in engaging and empowering employees. We keep employees informed of operational changes through a variety of channels. Global-, business- and function-specific news is communicated through our global employee intranet, InfoXchange, which launched in early 2010. Anytime, anywhere, employees can participate and connect with each other in this online global community and social networking platform.

In addition, all managers are provided with a monthly recap of company news, events, key leadership messages and employee opportunities to augment their regular team communications. Top leaders host regular Town Hall meetings around the globe and special employee events are part of the culture – from volunteer projects to service awards.

## InfoXchange

InfoXchange has quickly reshaped the way our professional employees work, communicate, manage projects and collaborate on new ideas. During its first year of operation, more than 9,000 employees registered for access (90% of professional employees), more than 900 active communities emerged and more than 500 personal blogs were established. Among the most active locations on InfoXchange is ELS Nation, a central networking hub, knowledge-sharing platform and virtual break room for our global ELS community. Today, the community site is host to more than 1,200 members, 550 discussion forums and close to 800 shared files.



## Ethical Business Practices

Avery Dennison has a long history of making social responsibility a fundamental part of the way we do business. With our global reach and extensive supply chain, it is important that we conduct business with the highest ethical standards and maintain our reputation of trust and responsibility wherever we operate.

### Code of Conduct

Avery Dennison's Values and Ethics guidelines apply to all employees worldwide. They are reflected in our Code of Conduct, which was redesigned and reintroduced to our global workforce in 2010 to underscore our culture of ethical decision making.

The Code covers policies that guide work life at

Avery Dennison, including issues of labor conditions, harassment-free workplace, anti-bribery, antitrust compliance, conflicts of interest and trade compliance. The training tools and resources provided online are intended to help employees understand and embrace our values and to hold honesty and integrity as standards in making great decisions every day.

Read our Code of Conduct [here](#).

### Maintaining Strong Internal Controls

Avery Dennison is committed to administering the Code of Conduct, conducting investigations and taking appropriate action in a way that is fair, respectful and confidential to the extent possible. The Chief Risk Officer, in conjunction with Regional Ethics Counsels, is responsible for Code administration, with oversight

by the General Counsel and the Governance and Social Responsibility Committee of the Board of Directors.

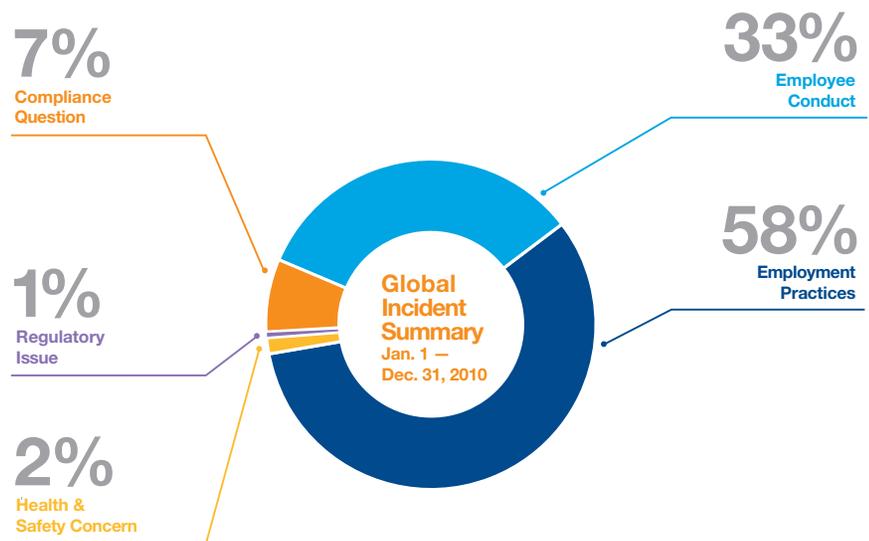
The company investigates all potential legal or Code violations and an appropriate management team reviews the results and determines the actions to be taken, which may include remedial action (such as training, enhanced controls, coaching

or communication) or disciplinary action. In 2010, no Avery Dennison employees were formally disciplined or terminated for corruption-related behavior. For the purposes of this report, Avery Dennison is defining "corruption" as any form of bribery involving private parties or government officials.

### Business Conduct GuideLine

Employees are encouraged to seek guidance on company policies or report possible ethical violations through our global Business Conduct GuideLine, which is available to all employees 24 hours a day, 7 days a week. In 2010, the GuideLine handled 198 calls or Web-based reports; the chart below summarizes the types of issues raised.

Business Conduct GuideLine Call Issues (2010)



## Ethical Business Practices

### Ethics and Compliance Training

We require certain employees (designated based on job level, responsibilities and region) to complete ongoing ethics training on topics such as conflicts of interest, the Code of Conduct, antitrust compliance, Foreign Corrupt Practices Act and other corruption-related regulations worldwide. In 2010, we enrolled employees in over 12,500 web-based training sessions, of which 86% were completed; the chart on the right summarizes the number and type of trainings completed. In addition, our Regional Ethics Counsels held 76 face-to-face training sessions on values and ethics, antitrust compliance and trade compliance to educate over 450 employees working in our facilities in Asia Pacific, Latin America and EMEA.

### Values and Ethics Communication Kits

In 2010, we issued three communication kits, each focused on a different topic: sustainability, maintaining a harassment-free workplace and the Code of Conduct. These kits are available in 20 languages and provide managers with the materials they need to host a discussion forum with their employees on a new values and ethics topic.

### Conflict of Interest Policy Survey

We annually submit a questionnaire to employees at manager level and above or who have spending authority of at least \$1,000 so that they may disclose if they or any immediate family members have a job, contract or other position with an entity that has commercial dealings with the company. Disclosures are reviewed by senior management and a report

of the annual survey is given to the Board's Governance and Social Responsibility Committee.

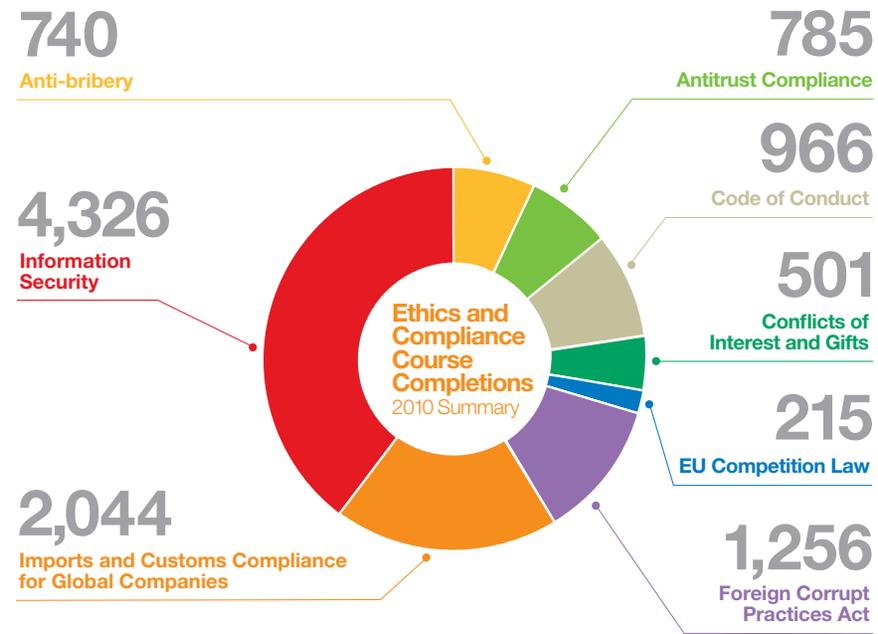
### Attestation of Legal and Ethical Compliance

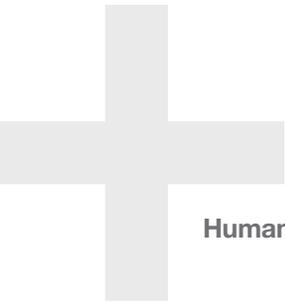
Once a year, certain employees also complete an Attestation

of Legal and Ethical Compliance to ensure that any matters related to legal or ethical compliance are reported, investigated and resolved. The process is intended to confirm that key employees have read, understand and comply with

our policies on Legal and Ethical Conduct. Results are reviewed by senior management and reported to the Board's Governance and Social Responsibility Committee.

### Ethics and Compliance Training (2010)





## Human Rights

At Avery Dennison, respect for human rights is a fundamental standard that forms the basis for how we treat employees, partner with contractors and suppliers and interact with external stakeholders in our communities. We respect the broad principles in the [United Nations Universal Declaration of Human Rights](#) and are committed to supporting the human rights of individuals involved in and impacted by our global operations. While governments have the primary responsibility for protecting and upholding the human rights of their citizens, Avery Dennison recognizes that

we have an opportunity to promote human rights where we can make a positive contribution. As such, we strive to create an environment of respect, integrity and fairness for our employees and customers wherever we do business and we expect that our business partners will operate in the same way.

In our operations, human rights principles are embedded in our Code of Conduct, our employment policies and practices, our relationships with suppliers and in the ways we build our business in emerging markets. We continue to drive improvements in social compliance through our management processes including risk management, internal audit programs, social compliance training and select supplier assessments.

### Employment Standards

Our Employment Standards outline a comprehensive set of expectations covering fair working conditions, a commitment to non-discrimination and freedom from harassment and respect for employee's right to freedom of association. In addition, we refrain from knowingly entering into relationships that expose employees to undue health and safety risks, or that use child or forced labor or other similarly exploitive practices. These policies are detailed in our [Employment Standards](#),

which apply to all employees worldwide. In addition, we have comprehensive policies regarding employee health and safety, harassment and violence-free workplace and equal employment opportunity, which can be found on our Values and Ethics [website](#).

### Global Supplier Standards

We work with thousands of suppliers and subcontractors around the world. They are, by extension, part of our culture, so we expect these relationships to be built upon the same commitment to ethical business practices and respect for the human rights that we follow. Our [Global Supplier Standards](#) detail the workplace practices and ethical behavior we expect, including these key points:

## Respect for human rights is a fundamental standard that forms the basis for how we treat employees, partner with suppliers and interact with stakeholders in our communities.

- » 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
- (continued on page 55)*

## Human Rights

To manage these partnerships effectively, we make adherence to our Global Supplier Standards a contractual expectation of all suppliers. In addition, we take a risk-based approach to work with select suppliers and review their performance. For suppliers who do not work toward compliance with these standards, we take actions that may include canceling orders or ending the relationship. We plan to continue to monitor select suppliers on social compliance and report on our progress in future sustainability reports.

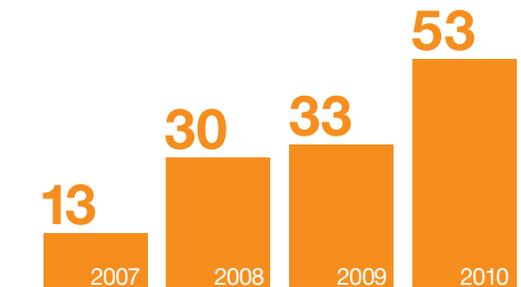
### Social Compliance Program

Third-party audits of social compliance are conducted at the majority of our facilities in emerging markets, as required by our customers. In addition, we monitor our facilities as well as in select suppliers' facilities through a risk-based internal audit program. Facilities are selected based on a number of factors including the prevailing labor conditions in the country where the facility is located and past audit performance. This enables us to focus our efforts where we can have the greatest impact. The objectives of the audit review are to identify noncompliance with our Employment Standards, identify best practices, observe improvements on identified issues from previous audits and rate facilities' overall compliance levels.

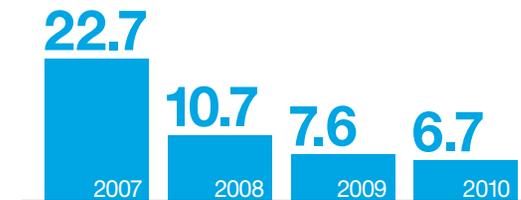
As the charts to the right show, in 2010, 53 on-site audits of our facilities were completed for a total of 129 third-party audits since 2007. Our monitoring, training and education initiatives have reduced the average number of issues identified per audit from 22.7 in 2007 to 6.7 in 2010.

*(continued on page 56)*

#### Social Compliance Program Audit Data



Number of Audits per Year



Average Number of Issues Found per Audit



## Human Rights

Key social compliance issues for 2010 were related to health and safety, wages and benefits and labor hours, at sites primarily in Asia Pacific. Our auditing results indicate that our facilities are not at significant risk for incidents of child or forced labor. In addition, none of our operations were identified

that put collective bargaining at risk. Our position on freedom of association is included in our Employment Standards and Global Supplier Standards.

Beyond monitoring efforts, our social compliance program focuses on:

- » Providing social compliance training for our local managers and employees aimed at increasing their knowledge about health, safety and labor practices
- » Increasing the number of certified and trained auditors to expand our internal auditing capacity and expedite the remediation process for factories and suppliers
- » Externally reporting on our social compliance performance in our sustainability reporting on our website
- » Responding to customer requests for information and external audits
- » Continuously reviewing our policies and practices relating to human rights
- » Participating in collaborative initiatives with a broad range of stakeholders, including industry and peer groups, customers, governmental and non-governmental organizations, and advocacy groups, to enhance the effectiveness of our social compliance program

## Better Work Vietnam

Avery Dennison is actively participating in the International Labour Organization (ILO)/International Finance Corporation (IFC) Better Work Vietnam program. This program, which became operational in 2009, is a collaborative effort between ILO/IFC, government, employers, workers and international buyers that is designed to improve compliance with labor standards and promote competitiveness in Vietnam's export sector.

## Business for Social Responsibility (BSR)

We also participate in BSR's Apparel, Mills & Sundries Working Group, which aims to set consistent expectations and achieve fair, safe, healthy and environmentally responsible working conditions. 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.

## Employee Health and Safety

For everyone at Avery Dennison, safety is more than a priority. It is a core value in our culture. Safety is critical for protecting our people and a leading indicator of performance. The correlation is clear: sites that have successful EHS processes also demonstrate high productivity and service delivery. Over the past 15 years, we have improved our safety record, and 2010 was no exception.

The Corporate Environmental Health and Safety group is comprised of two teams:

- » Specialists on global standards, policies and regulations
- » Staff responsible for integrating EHS into the business units

EHS reports recordable incident rate data to the Corporate Leadership Team on a quarterly basis. In 2011, this EHS Scorecard is expected to be reported monthly. The CEO and the Corporate EHS group also conduct periodic reviews throughout the year to discuss specific strategy initiatives and performance for all business units.

### Global Standards, Local Assessments

Our focus has been on building technical expertise and integrating EHS support structures into the business units. As we grew through acquisition, the need for a consistent set of EHS procedures, processes and expectations became clear. In 2010, we began setting global standards and implementing related processes, efforts that we expect to continue in 2011.

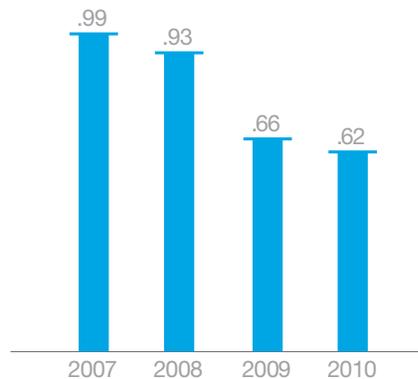
Management continued to enhance the focus on injury prevention initiatives in 2010, prioritizing hazard recognition and awareness training for leaders and employees, and increasing the number of risk assessments and job safety analyses across the businesses in order to develop more proactive

preventative measures and controls. Machine safety risk assessments focused on improvements in guarding, automation and standard operating procedures to improve workplace safety for employees that operate our equipment and machinery. Workflows and other human factors were examined and improvement opportunities

were identified. As a result, we invested in ergonomic upgrades across the businesses to make workflow and the work environment safer and more efficient.

### Recordable Incident Rate

Safety performance is measured by the U.S.-defined Recordable Incident Rate (RIR), a ratio of the number of occupational injuries and illnesses to the number of work hours. We are proud of our 0.62 RIR in 2010, the lowest we have ever achieved and a rate that indicates best-in-class processes. (For comparison, the general U.S. manufacturing RIR in 2009 was 4.3).



### Recordable Incident Rate

Safety performance is measured by the U.S.-defined Recordable Incident Rate (RIR), a ratio of the number of occupational injuries and illnesses to the number of work hours. In 2010, we have achieved a 0.62 RIR, the lowest rate since 2007.

## Employee Health and Safety

### Injury-Free Facilities

A review of overall safety performance in 2010 identified that 84% of our facilities (170 out of 203 facilities) achieved a zero injury status for the year. This total included 79 manufacturing sites, 60 distribution centers and warehouses, 28 offices and three research centers. This 84% rate was close to a 30% improvement over 2009, when 131 out of 200 facilities were injury-free.

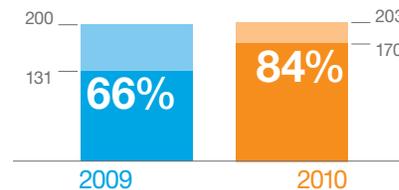
### Employee Engagement With Safety

Employee engagement is key to our proactive safety culture. As part of our lean manufacturing culture, plants conduct safety kaizens

to address issues specific to location and operations. Safety is also a fixed agenda item of the ELS Managing for Daily Improvement (MDI) meetings held during operating shifts. 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 information they may have.

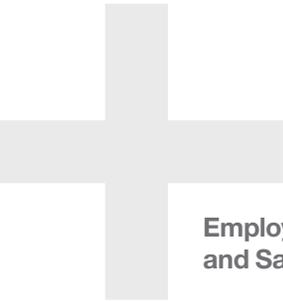
Safety committees at the site level are most often employee-driven; a significant portion is managed by employees with the support of management. Committees meet monthly or, in some locations, quarterly to discuss human safety and facilities safety. Committees regularly analyze (among other metrics) near-miss injury trends, a proactive approach to identifying new preventive measures.

In 2012, the EHS group plans to track metrics about employee involvement in safety committees and lost time cases. We look forward to reporting those in future sustainability reports.



### Injury-Free Facilities

In 2010, 84% of our facilities (170 out of 203) achieved a zero injury status for the year. This reflects a significant improvement over 2009's 66% rate.



## Employee Health and Safety

### Health and Safety Certifications

In 2010, four of our facilities maintained certification in the U.S. Department of Labor's Voluntary Protection Program (VPP) and two facilities in Mexico also maintained their country's Department of Labor Safety Certification. Both of these programs recognize the implementation of comprehensive safety and health management systems that meet or exceed governmental safety regulations. In addition, 12 global facilities received Occupational Health and Safety Assessment System (OHSAS) 18001 certification for meeting the standard's international occupational health and safety assessment requirements. This is triple the number of facilities certified in 2009.

### Avery Dennison Facilities with Health and Safety Certifications

#### Americas

Mt. Prospect, IL (SHARP-OSHA)  
Fitchburg, MA (OSHAS 18001)  
Concord, OH (VPP Star)  
Mentor, OH (Heisley) (VPP)  
Painesville, OH (VPP Star)  
Neenah, WI (VPP Merit)  
Juarez, Mexico (Department of Labor Safety Certification)  
Tijuana, Mexico (Department of Labor Safety Certification)

#### EMEA

Ancarano, Italy (OSHAS 18001)  
Cramlington, U.K. (OSHAS 18001)  
Turnhout, Belgium (OSHAS 18001)

#### Asia

Chengdu, China (OSHAS 18001)  
Guangzhou, China (OSHAS 18001)  
Kunshan, China (OSHAS 18001)  
Nansha, China (OSHAS 18001)  
Suzhou, China (OSHAS 18001)  
Kowloon, Hong Kong (TKO) (OSHAS 18001)  
San Po Kong, Hong Kong (OSHAS 18001)  
Biyagama, Sri Lanka (OSHAS 18001)

### Employee Wellness

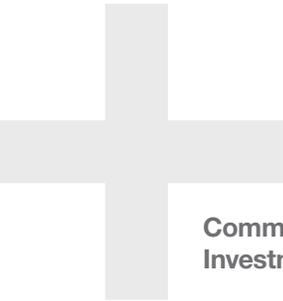
To support a safe work environment and improve the quality of life of our employees, we offer health and wellness benefit programs in the U.S. to eligible employees and their families that cover a range of preventive, diagnostic and treatment services:

- » The Avery Dennison Wellness Program provides resources such as free on-site health screenings, health risk questionnaires, personalized health coaches, tobacco cessation programs and access to a wellness website that provides health, diet, nutrition and exercise support. Through the website, employees can chart their progress, attend wellness workshops and get advice to stay fit and healthy.
- » An annual influenza vaccination is offered to employees at no cost each year.
- » Employee assistance programs provide confidential, professional counseling, education and referral services for a variety of personal issues impacting employees and their families.
- » Best Doctors is a service that provides access to medical advice to help employees get the right answers about their medical condition, diagnosis and treatment.

# More Sustainable Purpose—Community

The communities Avery Dennison calls home are a key source of our success. We strive to support these communities in the ways that serve them best, such as when hundreds of our employees contributed to the rebuilding of a new elementary school in rural China after the 2008 earthquake. Through efforts like these, we can inspire human promise and create a more intelligent and sustainable world.





## Community Investment

Avery Dennison values establishing strong bonds in the communities where we operate. Corporate philanthropy, community service and employee volunteerism have all played important roles in shaping our culture over the course of our 76-year history.

More recently, as we have broadened our commercial participation in developing markets in Asia and Latin America, we have also expanded support for efforts that foster social progress and human development opportunities in these regions.

### Corporate Giving

Corporate giving initiatives at Avery Dennison are funded by the company and its individual business divisions as well as employee contributions. In addition to making philanthropic contributions on behalf of the entire enterprise, we support employee-directed projects and matching fund programs to encourage and augment employee donations.

### The Avery Dennison Foundation

The Avery Dennison Foundation, chartered in 1978, supports programs that advance human progress and inspire human achievement. The Foundation focuses investments in communities where Avery Dennison employees live and work.

In 2010, the Foundation leadership articulated a new mission to:

- » Encourage employee engagement with a spirit of invention and innovation
- » Advance the causes of education and sustainability in the communities where Avery Dennison employees live and work
- » Extend reach within developing market communities that host significant company operations, which placed greater emphasis on projects in China, India and Brazil

In 2010, the Foundation developed the Global Grantmaking Initiative, to be launched in 2011 and supported with outreach to Avery Dennison employees, who will act as program

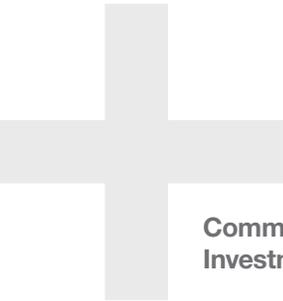
ambassadors and encourage participation for nonprofit service organizations in their communities.

Ongoing Foundation programs in 2010 include:

- » Funded scholarships for students attending universities in five Chinese cities
- » Endowed a faculty chair and associated curriculum in self-adhesive technology at the South Indian Education Society School of Packaging in Mumbai, India
- » Supported a partnership of organizations piloting innovative math and science teaching methods with Pasadena Unified middle school students in Pasadena, California

## Hope Shared

In 2010, a new primary school was built in Jiangsu Province, China. Its creation was an idea born amid the devastation of China's massive 2008 earthquake and built with the donations of hundreds of Avery Dennison employees. Jiangshi Hope Primary School, slated to open in 2011, plans to serve the educational aspirations of 150 of the town's youngest residents and their parents. Avery Dennison employees from the Company's Kunshan and South China manufacturing facilities plan to remain involved in the school's progress even after it opens.



## Community Investment

### Disaster Relief

Disaster relief fundraising efforts are a good example of our partnership approach to community service. In 2010, devastating earthquakes struck Haiti, Chile and Pakistan, the latter two nations home to Avery Dennison facilities and employees. In each case, the Company partnered with Red Cross and Red Crescent in those countries, contributing corporate funds and matching employee contributions to relief and recovery programs.

### Product Donations

Our Office and Consumer Products (OCP) group's "Back to School" events provide U.S. K to 12 teachers facing cutbacks in education budgets with basic school supplies for their students. The annual

events create enthusiasm among students, parents and teachers for the new school year and provide schools with binders, dividers, highlighters, glue sticks and other classroom supplies. In 2010, OCP donated products valued at approximately \$7.2 million.

### Box Tops for Education®

Launched in 1996 by a corporate sponsor, Box Tops for Education® has become one of the most innovative corporate/community collaborations supporting K to 8 education in the U.S. Each year, thousands of schools receive cash to purchase computers, books, art supplies, playground equipment and other needed items when parents, teachers and students clip Box Tops for Education® coupons from a large and growing array of consumer products.

Box Tops for Education® is a trademark of General Mills, used with permission.

OCP joined the Box Tops for Education® program in 2009, offering the coupons on more than 1,000 office and school supply products. Since joining the program in 2009, schools have earned over \$1 million dollars through Box Tops for Education® coupons found on our products.

### Matching Gifts

Matching the gifts that employees make to support U.S. education is a long-standing tradition at Avery Dennison. In 2010, our Matching Gifts Program provided \$70,000 to educational institutions supported by its employees. The program matches dollar for dollar, up to \$3,000 per employee per year, donations made to U.S. primary and secondary schools and institutions of higher learning.

### Avery Dennison Scholars Program

The Avery Dennison Scholars Program provides financial awards, based on academic merit and community service achievement, to employees' children who are attending qualifying two- and four-year programs in colleges, universities and other vocational schools in the U.S. and Canada. The program is administered by Scholarship Management Services, a division of Scholarship America. Awards range from \$500 to \$3,000 per year per student. In 2010, the program provided \$83,000 in scholarships.

## World Record Set

To draw more attention to the financial challenges faced by education programs in the U.S., Avery Dennison staged a world record-setting event in New York City in 2010. The company set a Guinness World Record for the largest amount of school supplies donated in a 24-hour period. Check out the company's case study on the official Guinness World Record [website](#).

## Moving Relief

Avery Dennison retiree Chuck Arrison knows his way around a shipping dock. So when he heard that shipping supplies were desperately needed to get materials to Haiti in the wake of the January 2010 earthquake, he knew what to do. Chuck and his wife, Betty, got in touch with former co-workers, who rallied to organize donations of pallets and heavy duty boxes from Avery Dennison facilities across northeastern Ohio. In short order, truckloads of supplies were being delivered to the MedWish Relief Agency, where they were quickly packed and shipped to Haiti.

## Employee Giving and Community Service

### Community Investment Teams

Individual employee initiative is an important feature of our community service profile. Stan Avery, our founder, was an inventor, entrepreneur and energetic doer. He believed deeply in sharing his personal and professional success with the communities that had helped nurture both and he empowered his employees to do the same. When community needs have surfaced, it is not unusual for teams of employees from the area to organize a response—raising funds, providing volunteer labor, tutoring young people and serving as leaders with community organizations.

In response, the company and individual business units have often provided funding, in-kind resources and employee time off for volunteer work.

Today, the Avery Dennison Foundation is providing additional support to these regional community investment teams with project organization, fundraising guidance and business case examples. It also acts as a clearinghouse for ideas, sharing best practices among teams across the company.

Our community investment teams are now active across the globe. In Nansha and Guangzhou, China, employees have organized shopping

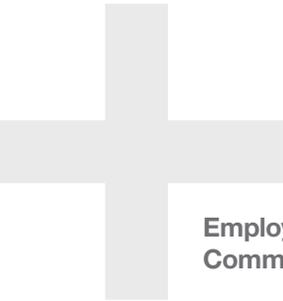


### Avery Dennison Community Investment Team

excursions and social visits with the growing number of elderly in their communities. In northeastern Ohio, they have helped high school students tackle rigorous course work in mathematics, science and business. In Pasadena, they are volunteering with young people with mild to severe special needs and introducing middle school students to science innovation by developing and piloting new teaching methods and curriculum.

## Building Across Borders

It's a long way from Belgium to Bangladesh, but it's a trip Avery Dennison employees from the Turnhout plant have made more than once, most recently to join a two-week building camp at Mymensingh Hospital. Partnering with the Belgium-based Damien Foundation, an NGO that creates treatment programs in developing nations still battling leprosy and tuberculosis, Turnhout employees have raised more than \$42,000 from 2008 to 2010 to support foundation projects—a figure doubled by matching grants from Avery Dennison.



## Employee Giving and Community Service

### United Way®

United Way® and Avery Dennison have been active partners for more than 40 years. Like many service-oriented efforts at the Company, regional United Way® campaigns are driven by employee initiative.

At our sites in the U.S. and Buenos Aires, Argentina, teams of employees organized individually tailored fundraising programs during the 2010 United Way® campaign season, with matching company donations.

In Pasadena, California, home to our corporate headquarters and the Avery Research Center, campaign participants donated more than \$170,000

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to regional and global organizations fighting poverty and homelessness, promoting public health and well-being, and supporting public services.

In northeast Ohio, 140 volunteer employees refurbished the homes of 34 families during the regional 16th annual United Way® Day of Caring. Through a regional food drive, Ohio employees donated more than 3,100 pounds of food for distribution to 51 county food pantries, soup kitchens and shelters that annually serve more than 6,000 local residents.

Employees of our Label and Packaging Materials manufacturing facility in Buenos Aires organized their second annual United Way® campaign in 2010 under the leadership of Joao Adao, the general manager who inspired his colleagues to mount their first campaign with a variety of creative community events that raised awareness, prompted action and donations and also uncovered significant unmet community needs. The campaign has now become an annual event and Joao became one of the company's first H. Russell Smith Employee Volunteer Award recipients.

See more from Joao about his experience [here](#).

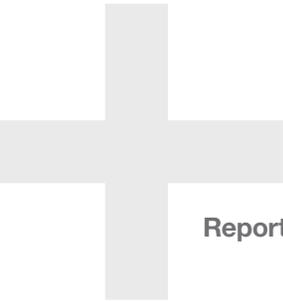
### H. Russell Smith Employee Volunteer Awards

In 2010, the Avery Dennison Foundation inaugurated the H. Russell Smith Employee Volunteer Awards. Russ, as he is known, served as the our chief executive officer from 1956 to 1964, working side-by-side with Stan Avery to build the company into a global operation. Among his many accomplishments, Russ is best remembered for his compassion, generosity and commitment to public service.

The H. Russell Smith Employee Volunteer Awards shine a spotlight on company employees who demonstrate their own deep and sustained

commitment to community service and illuminate a path for others to follow. The first five winners of the H. Russell Smith Employee Volunteer Awards were publicly recognized at the company's annual leadership excellence awards ceremony and received financial stipends to help fund their continued efforts.

You can see more from the 2010 H. Russell Smith Employee Volunteer Award winners [here](#).



## Reporting Scope

### Report Scope and Process

Avery Dennison's Sustainability Report is our primary way to communicate our sustainability vision, strategies, goals, progress, risks and opportunities. This report represents the first GRI Sustainability Report for Avery Dennison's worldwide operations. It covers the entities over which Avery Dennison has direct control with regard to financial and operating procedures.

Avery Dennison self declares this report as a "B" level report based on the application levels under GRI G3 guidelines. Independent assurance of the environmental

and social data is under consideration for future sustainability reports.

The previous interim report covered the 2008 to 2009 time period. Going forward, we plan to maintain a biannual reporting cycle.

Key to defining the report scope was our materiality assessment, direct stakeholder feedback and the broader context of sustainability issues across our value chain. Because our many stakeholders represent a spectrum of concerns, we have tried to provide a balance of detailed data and more accessible information

on key activities, along with resources for further exploration. Our aim is to provide a reasonable and balanced picture of our sustainability performance and outlook.

### Data collection

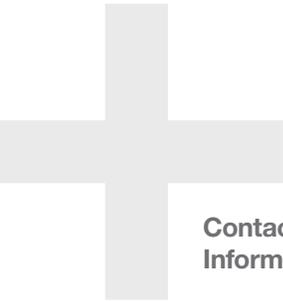
Financial data is given in U.S. dollars for the fiscal year period from January 3, 2010 through January 1, 2011. It is sourced from our 2010 annual report, which was audited according to generally accepted accounting principles in the United States of America.

All other data in this report covers the period from January 1, 2010 through December 31, 2010. Environmental, health and safety performance

is tracked and managed through global data collection systems in place across all of our manufacturing facilities, distribution centers, warehouses, research centers and large offices. This data is continually monitored by our internal EHS function and reported regularly in energy and safety scorecards to the Corporate Leadership Team.

In addition, third-party audits are conducted on the environmental management systems at our ISO 14001 and Responsible Care certified facilities, as well as at our OHSAS 18001 and Voluntary Protection Program facilities. We use World Resource Institute and World Business Council for Sustainable Development's Greenhouse Gas Protocol to calculate our Scope 1 and Scope 2 emissions data.

Data related to social compliance, employee and community programs is collected from various databases in the Social Compliance, Human Resources and Community Investment areas. This information has been reviewed and verified by the department responsible for maintaining the databases.



**Contact  
Information**

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

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## Appendix

### Global Reporting Initiative (GRI) Index

This report has been prepared according to the Global Reporting Initiative's G3 Guidelines. GRI has not checked our application of these guidelines but we self declare that the report meets the requirements for an Application Level B. This index provides references to the parts of the report where readers can find information relating to performance indicators that Avery Dennison has reported.

GRI Performance Indicator	Inclusion	Location or Disclosure
<b>Strategy and Analysis</b>		
1.1 Statement from the most senior decision-maker	YES	page 4
1.2 Description of key impacts, risks, and opportunities	YES	pages 16-22
<b>Organization Profile</b>		
2.1 Name of the organization	YES	page 2 (table of contents)
2.2 Primary brands, products, and/or services	YES	page 6
2.3 Operational structure of the organization	YES	page 6
2.4 Location of organization's headquarters	YES	page 5
2.5 Number/names of countries where the organization operates	YES	page 8
2.6 Nature of ownership and legal form	YES	page 7
2.7 Markets served	YES	page 6
2.8 Scale of the reporting organization	YES	page 5
2.9 Significant changes during the reporting period	YES	No significant changes
<b>Report Parameters</b>		
3.1 Reporting period (e.g., fiscal/calendar year) for information provided	YES	page 2
3.2 Date of most recent previous report (if any)	YES	page 65
3.3 Reporting cycle (annual, biennial, etc.)	YES	page 65
3.4 Contact point for questions regarding the report or its contents	YES	sustainability@averydennison.com
3.5 Process for defining report content	YES	page 65
3.6 Boundary of the report	YES	page 65
3.7 Specific limitations on the scope of boundary of the report	YES	page 65
3.8 Basis for reporting on joint ventures, subsidiaries, leased facilities, etc.	YES	page 65

## Appendix GRI Index

GRI Performance Indicator	Inclusion	Location or Disclosure
<b>Report Parameters</b> <i>(continued)</i>		
3.9 Data measurement techniques and the bases of calculations	YES	page 65
3.10 Explanation of the effect of any re-statements of information provided in earlier reports	YES	No re-statements
3.11 Significant changes from previous reporting periods in the scope, boundary or measurement methods applied in the report	YES	No significant changes
3.12 Table identifying the location of the Standard Disclosures in the report	YES	pages 67-74
3.13 Policy and current practice with regard to seeking external assurance for the report	YES	page 65
<b>Governance, Commitments, and Engagement</b>		
4.1 Governance structure of the organization, including committees under the highest governance body	YES	pages 10-11
4.2 Indicate whether the Chair of the highest governance body is also an executive officer	YES	page 10
4.3 Number of members of the highest governance body that are independent and/or non-executive members	YES	page 10
4.4 Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	YES	page 7
4.5 Linkage between compensation for members of the highest governance body, senior managers and executives, and the organization's performance	YES	page 11
4.6 Processes in place for the highest governance body to ensure conflicts of interest are avoided	YES	page 11
4.7 Process for determining the qualifications and expertise of the members of the highest governance body on economic, environmental and social topics	YES	page 12
4.8 Internally developed statements of mission or values, codes of conduct and principles relevant to economic, environmental and social performance and the status of their implementation	YES	pages 9, 12, 52

## Appendix GRI Index

GRI Performance Indicator		Inclusion	Location or Disclosure
<b>Governance, Commitments, and Engagement</b> <i>(continued)</i>			
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental and social performance	YES	page 12
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental and social performance	YES	page 12
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization	YES	page 31
4.12	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or endorses	YES	pages 41, 54, 59
4.13	Memberships in associations (such as industry association) and/or national/international advocacy organizations	YES	page 15
4.14	List of stakeholder groups engaged by the organization	YES	page 14
4.15	Basis for identification and selection of stakeholders with whom to engage	YES	pages 14-15
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	YES	pages 14-15
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting	YES	page 14-15, 17-22
<b>Economic</b>			
EC1 Core	Direct economic value generated and distributed	YES	page 7
EC2 Core	Financial implications and other risks and opportunities for the organization's activities due to climate change	YES	page 19
EC3 Core	Coverage of the organization's defined benefit plan obligations	YES	page 48
EC4 Core	Significant financial assistance received from government	NO	
EC6 Core	Policies, practices and proportion of spending on locally-based suppliers at significant locations of operations	NO	
EC7 Core	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation	NO	
EC8 Core	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind or pro bono engagement	YES	pages 61-64

## Appendix GRI Index

GRI Performance Indicator			Inclusion	Location or Disclosure
<b>Environmental</b>				
EN1	Core	Materials used by weight or volume	YES	pages 42-44
EN2	Core	Percentage of materials used that are recycled input materials	NO	
EN3	Core	Direct energy consumption by primary energy source	YES	pages 34-36
EN4	Core	Indirect energy consumption by primary source	YES	pages 34-36
EN7	Additional	Initiatives to reduce indirect energy consumption and reductions achieved	YES	page 36
EN8	Core	Total water withdrawal by source	YES	pages 34, 40
EN11	Core	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	NO	
EN12	Core	Description of significant impacts of activities, products and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	NO	
EN16	Core	Total direct and indirect greenhouse gas emissions by weight	YES	pages 34-37
EN17	Core	Other relevant indirect greenhouse gas emissions by weight	YES	pages 34-37
EN18	Additional	Initiatives to reduce greenhouse gas emissions and reductions achieved	YES	pages 35-37
EN19	Core	Emissions of ozone-depleting substances by weight	NO	
EN20	Core	NO <sub>x</sub> , SO <sub>x</sub> , and other significant air emissions by type and weight	NO	
EN21	Core	Total water discharge by quality and destination	NO	
EN22	Core	Total weight of waste by type and disposal method	YES	pages 34, 38
EN23	Core	Total number and volume of significant spills	NO	
EN24	Additional	Weight of transported, imported, exported or treated waste deemed hazardous	YES	page 38
EN26	Core	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	YES	page 18, 27-29
EN27	Core	Percentage of products sold and their packaging materials that are reclaimed	NO	
EN28	Core	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	YES	See "Legal Proceedings" (Part I, Item 3) of the Form 10-K for the fiscal year ending January 1, 2011

## Appendix GRI Index

GRI Performance Indicator			Inclusion	Location or Disclosure
<b>Labor Practices</b>				
LA1	Core	Total workforce by employment type	YES	pages 46-47
LA2	Core	Total number and rate of employee turnover by age group	YES	page 47
LA4	Core	Percentage of employees covered by collective bargaining agreements	NO	
LA5	Core	Minimum notice period(s) regarding operational changes, including whether specified in collective agreements	YES	page 51
LA7	Core	Rates of injury, occupational diseases, lost days, and absenteeism and number of work	YES	pages 57-58
LA8	Core	Education, training, counseling, prevention, and risk control programs in place to assist workforce members, their families or community members with serious diseases	YES	page 59
LA10	Core	Avery hours of training per year per employee by employee category	NO	
LA12	Additional	Percentage of employees receiving regular performance and career development reviews	YES	page 49
LA13	Core	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership and other indicators of diversity	YES	page 48
LA14	Core	Ratio of basic salary of men to women, by employee category	NO	
<b>Human Rights</b>				
HR1	Core	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	NO	
HR2	Core	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	YES	pages 54-56
HR4	Core	Total number of incidents of discrimination and actions taken	NO	
HR5	Core	Operations identified where the right to exercise freedom of association and collective bargaining may be at significant risk, and actions to support these rights	YES	page 56
HR6	Core	Operations identified as having significant risks for incidents of child labor and measures taken to contribute to eliminate child labor	YES	page 56
HR7	Core	Operations identified as having significant risk for incidents of forced or compulsory labor and measures taken to contribute to the elimination of forced or compulsory labor	YES	page 56



**Appendix**  
**GRI Index**

<b>GRI Performance Indicator</b>			<b>Inclusion</b>	<b>Location or Disclosure</b>
<b>Society</b>				
SO1	Core	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting	YES	pages 61-64
SO2	Core	Percentage and total number of business units analyzed for risks related to corruption	YES	pages 52-53
SO3	Core	Percentage of employees trained in organization's anti-corruption policies and procedures	YES	pages 52-53
SO4	Core	Actions taken in response to incidents of corruption	YES	page 52
SO5	Core	Public policy positions and participation in public policy development and lobbying	YES	page 16
SO8	Core	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	YES	See "Legal Proceedings" (Part I, Item 3) of the Form 10-K for the fiscal year ending January 1, 2011
<b>Product Responsibility</b>				
PR1	Core	Life cycle stages in which health and safety impacts of products and services are assessed for improvement and percentage of significant products and service categories subject to such procedures	YES	pages 18, 28
PR2	Additional	Total number of incidents of noncompliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycles, by type of outcomes	YES	page 32
PR3	Core	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	YES	pages 31-32
PR6	Core	Programs for adherence to laws, standards and voluntary codes related to marketing communications	YES	page 32
PR7	Additional	Total number of incidents of noncompliance with regulations and voluntary codes concerning marketing communications	YES	page 32
PR9	Core	Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services	NO	