2021 Integrated Sustainability and Annual Reports; 2022 Proxy Statement

Making a Material Difference

AVERY DENNISON

Contents

About This Report

This report summarizes Avery Dennison's performance against our strategic priorities, as well as our financial performance for the fiscal year ending January 1, 2022. It includes our 2021 annual report and our 2022 notice and proxy statement. Sustainability information in the report is a summary of the progress we've made toward the 2025 sustainability goals we established in 2015 and the 2030 goals and targets we established in 2021. Sustainability data are unaudited. In addition to this report, our annual ESG Download and our policies on climate, human rights and water are publicly available at esg.averydennison.com.

Letter from Our Chairman and CEO

Fellow Stakeholders,

Our team at Avery Dennison stepped up in extraordinary ways to once again deliver strong results in 2021. In the face of the continuing pandemic, supply chain constraints and inflationary pressures, our teams continued to deliver impressive results, including our tenth consecutive year of strong top- and bottom-line growth, and a year of great progress toward our 2025 and 2030 sustainability goals.

Hitting our 2017-2021 financial targets

The overarching objective of our long-term financial targets is to deliver GDP+ growth and top-quartile returns on capital—a recipe to deliver superior value creation over the long term. 2021 marked an important milestone as the final year of measurement for the five-year financial targets we announced in 2017. This is the third long-term performance cycle we've completed since introducing this discipline in 2012. I'm pleased to report that we once again achieved our long-term goals and are on track to deliver on our new 2021-2025 targets.

Progress on sustainability

We also continue to advance toward the sustainability goals we set for 2025 and 2030. This includes actions to reduce the environmental footprint of our operations, substantially expand our portfolio of sustainability-oriented products, support communities where our employees live and work, and increase diversity, equity and inclusion.

Delivering across our portfolio

We reported strong 2021 results from all three of our businesses. LGM delivered another year of strong margins and exceptionally strong top-line growth. RBIS continues to deliver impressive results, with margins expanding to another record, while IHM also made solid progress. Our largest growth driver continued to be our Intelligent Labels platform, now a $0.7 billion business built on the foundational strengths of our largest businesses—specifically, the materials science expertise and process technology of LGM and the data management capabilities and market access provided by RBIS. We are leveraging our success in bringing Intelligent Labels to the apparel industry to also make inroads into other key segments, particularly in food and logistics.

Continuing to invest for growth

As for capital allocation, we continue to execute a balanced strategy. Over the last couple of years, we have increased our pace of growth and capability-building investments—both organically and through M&A. We have completed several acquisitions, expanded our venture investment program and accelerated our pace of organic investments. The overriding focus of these actions is to significantly increase our capacity to grow in high-value categories. A great example of this is our recent acquisition of Vestcom, which is on track to achieve its performance goals while also advancing our strategic objectives of the company.

Strengthening our leadership

This February, we elected Deon Stander as president and chief operating officer, effective March 1, 2022. As vice president and general manager of RBIS since 2015, Deon led the transformation of RBIS to be the extremely successful business it is today. We have worked together for more than a decade, and I look forward to our continued partnership.

Creating exceptional value for all our stakeholders

Throughout 2021, we were able to deliver for all of our stakeholders by continuing to execute on our five core business strategies and advancing toward our long-term goals. Given the diversity of our end markets, our strong competitive advantages, and, especially, our agile and talented team, we are confident in our ability to continue to deliver as we move into 2022. My thanks to the entire Avery Dennison team for their ingenuity and dedication, and to you for your interest in Avery Dennison.

Mitch Butier

Our Company

We are a global company with locations in over 50 countries, and we employ approximately 36,000 people worldwide.

LGM

RBIS

IHM

We provide branding and information labeling solutions, including pressure-sensitive materials, radio-frequency identification (RFID) inlays and tags, and a variety of converted products and solutions. We design and manufacture a wide variety of labeling and functional materials that enhance branded packaging, carry or display information that connects the physical and the digital, and improve customers' product performance.

We lead in serving a vast array of industries worldwide, including home and personal care, apparel, e-commerce, logistics, food and grocery, pharmaceuticals and automotive.

Avery Dennison comprises three businesses:

Label and Graphic Materials (LGM)

Our LGM business is the leading solutions provider to both the pressure-sensitive label and graphics solution industries worldwide. Our label materials enhance shelf appeal for brands, inform shoppers and improve operational supply chain efficiency. Our Graphics Solutions business is a global leader in self-adhesive and specialty media for professional graphics providers and designers, with a comprehensive portfolio of highly engineered materials from vehicle wraps to architectural products.

LGM continues to play an important role in our growing Intelligent Labels platform, providing the materials science capabilities and process engineering expertise that are key to developing and manufacturing intelligent labels at scale.

Retail Branding and Information Solutions (RBIS)

Our RBIS business provides physical and digital labeling solutions that allow customers in the global apparel, food and general retail markets to optimize their on-product branding and engagement with consumers and enable item visibility and traceability from source to end of life. RBIS solutions include variable data labels, shelf-edge labels, tickets, tags, woven and fabric labels, heat transfers, software, printers and consumables.

As the world's largest ultra high frequency (UHF) RFID (also known as RAIN RFID) solutions provider, we leverage our data management capabilities, global supply chain and market access in the ongoing advancement of our Intelligent Labels platform. Our solutions enable customers in multiple industries across retail and industrial segments to bridge the physical and the digital to gain greater visibility into their supply chains, improve inventory accuracy, increase automation and labor efficiency, reduce waste and enhance the consumer experience.

Industrial and Healthcare Materials (IHM)

Our IHM businesses provide highly engineered tape, adhesive and fastener solutions for industrial, automotive, building and construction, personal care and healthcare markets worldwide. We enable customers to enhance their products' performance and make their manufacturing processes more efficient. IHM solutions go beyond bonding and attaching to address customers' most complex problems, and ultimately provide a better end-user experience.

Our Stakeholders

Customers
We provide innovative, high-quality products and solutions with industry-leading service.

Employees
We cultivate a diverse, engaged, safe and healthy workforce.

Communities
We are responsible stewards of the environment and a force for good in our communities.

Investors
We are committed to delivering superior shareholder returns over the long term.

Our Values

Integrity
We are driven by doing the right thing. Always.

Sustainability
We are focused on the long-term health of our business, planet and communities.

Courage
We are brave in the face of adversity and the unknown.

Innovation
We use imagination and intellect to create new possibilities.

External Focus
We get out to get better.

Teamwork
We are better when we work together and put others ahead of ourselves.

Diversity
We gain strength from diverse ideas and inclusive teams.

Excellence
We expect the best from ourselves and each other.

Our Business Strategies

We continue to deliver GDP+ growth and top-quartile return on capital by executing on these proven strategies for success, year after year.

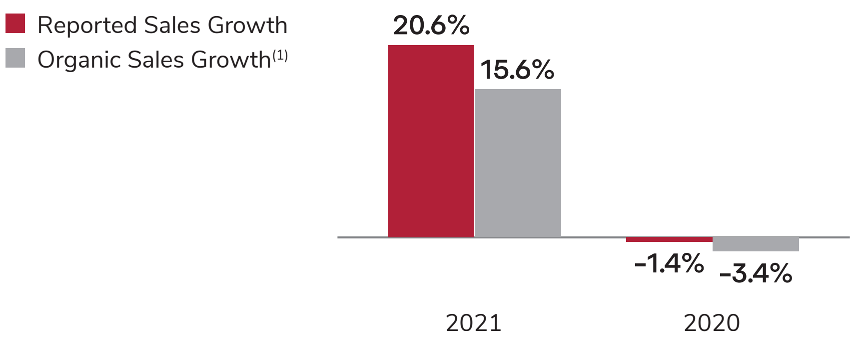
- Drive outsized growth in high-value categories
- Grow profitably in our base businesses
- Focus relentlessly on productivity
- Allocate capital effectively
- Lead in an environmentally and socially responsible manner

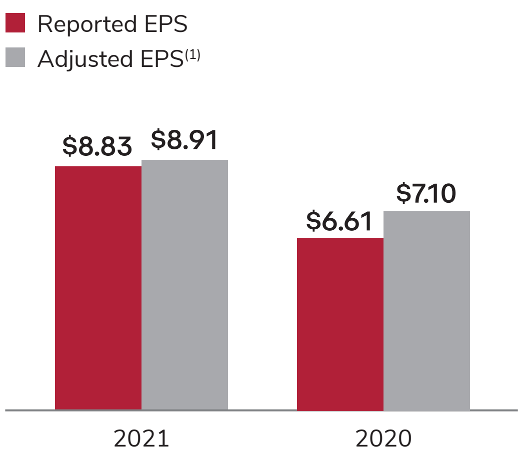
Financial Highlights

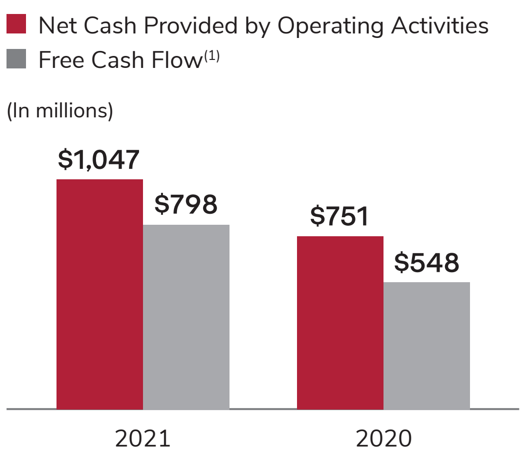
	2017–2021 Targets	2017–2021 Results[1]
Sales Growth	**5%+** Ex. Currency **4%+** Organic	**6.6%** Ex. Currency **4.6%** Organic
GAAP Operating Margin	**11%+** in 2021	**12.6%** in 2021
Adjusted EPS Growth	**10%+**	**17.3%**
Return on Total Capital (ROTC) incl. Acquisition Amortization	**17%+** in 2021	**18.4%** in 2021

On track to achieve 2025 targets

	2021–2025 Targets	2021 Results[1]	On Track
Sales Growth	**5%+** Ex. Currency	**18.6%** Ex. Currency **15.6%** Organic	✓
Adjusted EBITDA Margin	**16%+** in 2025	**15.6%** in 2021	✓
Adjusted EPS Growth	**10%**	**25%**	✓
ROTC excl. Acquisition Amortization	**18%+** in 2025	**19.1%** in 2021	✓







(1) Definitions, limitations and reconciliations of these non-GAAP financial measures from the most directly comparable GAAP measures and additional information on certain percentages for the 2017–2021 and 2021-2025 targets are on pages 4, 5 and 53 of the 2022 proxy statement included herein.

Drive Outsized Growth in High-Value Categories

We again delivered substantial growth in 2021 in our high-value categories including Intelligent Labels, industrial tapes, graphics, and both durable and specialty label products. We continue to increase our pace of investment and innovation in these high-value categories that serve markets that are growing faster than GDP, represent large pools of potential profit and leverage our core capabilities.

LGM's specialty labels delivered high growth in our pharmaceutical portfolio.

Intelligent Labels: Nearly 30% growth in 2021

More companies around the world are benefiting from the value that our Intelligent Labels platform delivers. With $0.7 billion in sales in 2021, Intelligent Labels more than tripled in size over the last five years, primarily driven by adoption of the technology across the apparel supply chain. While we continue to expect apparel to be the main growth driver in the coming years, we see even greater long-term opportunity in other key industries, including food and logistics.

In the food market segment, we deepened relationships with quick-service and fast-casual chains over the past year, which are using our solutions to provide greater traceability of the ingredients they buy, and to improve the speed and accuracy of managing store inventories through automation. And in logistics, several of the world's largest providers are using our RFID-based solutions. For example, one of the world's largest e-commerce companies is using our complete, integrated solution to better ensure that shipments containing lithium ion batteries are appropriately sorted for transport.

Providing key components for the COVID-19 response

Several of our businesses played important roles in the world's response to the second year of the pandemic. LGM's specialty labels business saw high growth in our pharmaceutical portfolio, quickly ramping up production of labels for vaccine vials and syringes, which require engineering for extreme cold-chain environments. We have provided materials for hundreds of millions of specialty labels as vaccination efforts have increased.

Avery Dennison Smartrac, our lead brand for our Intelligent Label platform, partnered with blockchain startup SUKU to offer a digital verification solution for authenticating COVID-19 testing kits and personal protective equipment. The solution applies our Smartrac Circus™ Near Field Communication (NFC) tags and digital identity platform to enable instant verification of a product's provenance. It also allows healthcare organizations to access real-time data from the test kits to inform the allocation of resources, and to open communications channels with patients to provide guidance on next steps in the case of a positive result.

Top: Cristiano Ronaldo's jersey features names, numbers and sleeve badges produced by Avery Dennison.

Teaming up with the Premier League on embellishments

When superstar Cristiano Ronaldo rocked soccer last summer by announcing his departure from Juventus for Manchester United, it meant the potential production of millions of Manchester United jerseys with Ronaldo's name and number—and our sustainably designed RBIS manufacturing plant in Norway was ready. The Norway team is a leading global player in the production of heat transfers used for embellishing sports jerseys.

We continue to supply all names, numbers and sleeve badges—many of which are digitally enabled—to the 20 teams in the league, both for the uniforms the players wear on the pitch and for jerseys sold to fans via retail. It's an important step forward in our strategy to accelerate growth in the team sports and performance market segments.

Growth in industrial tapes

Sales of IHM's industrial tapes products were strong across all regions in 2021, driven by closer collaboration with its customers to better understand their businesses and applications and by leveraging its capabilities for developing pressure-sensitive materials to serve those needs. Growth was primarily driven by our specialty tape solutions for use in a variety of high-value industrial applications, and in the automotive, consumer appliance, and building and construction industries, among others.

Grow Profitably in Our Base Businesses

We grow our base label and apparel businesses by managing a portfolio of products and solutions that address the most pressing needs of the markets we serve: speed, supply chain resilience, brand visibility and sustainability.

From top: Sustainable ADvantage™; AD RDX™ labels

A new portfolio of sustainability-oriented products
In July, we launched Sustainable ADvantage™, our new flagship portfolio of sustainability-oriented products. Bringing these products under a single banner makes it easier for our customers to choose solutions to help them meet their sustainability goals.

Leveraging our materials science and adhesive knowledge and vertically integrated manufacturing capabilities, we created a number of new Sustainable ADvantage products during the year. Our AD RDX™ portfolio of film and paper solutions are made with less material, consume fewer natural resources and generate fewer greenhouse gases. We also introduced new adhesives made in part with renewable and bio-based materials in place of petroleum-based materials. These move us closer to our 2030 goal of offering recycled or renewable content in all of our standard label products. Even more significantly, by being designed for a wide range of applications, these new adhesives substantially expand the opportunity for converters and brands to use a label adhesive that is more environmentally friendly, without compromising performance.

Serving customers despite lockdowns
Supply chain resiliency allowed RBIS to grow both revenue and margin in its core Apparel business. When strict COVID-19 lockdowns in Southeast Asia forced us to close several of our manufacturing sites, our Apparel team in Greater China quickly organized to serve as a backup. More than 9,000 apparel employees at 17 sites mobilized to process hundreds of thousands of orders. Thanks to their efforts—and thanks to our data management capabilities, which allow our operating regions to easily share customer data among different manufacturing sites—our Apparel division was able to deliver on our service commitments with little to no impact on customers.

Despite COVID-19 lockdowns forcing site closures in Southeast Asia, our Apparel division was able to deliver on our service commitments with little to no impact on customers.

Focus Relentlessly on Productivity

The year of returning to normal turned out to be anything but. The ongoing pandemic, slowdowns throughout the global supply chain, and the highest inflation in decades combined to make 2021 as challenging as its predecessor. Our businesses adapted quickly to manage increased demand, supply chain challenges and local lockdowns to minimize service disruptions for customers, while innovating to make our operations even more productive through the pandemic and beyond.

Investing in automation and digitization

Throughout our enterprise, we're investing in automation and digitization to streamline our processes and enable our teams to work more efficiently. For example, LGM teams in Europe are now able to use their time and our manufacturing and logistics assets more efficiently, thanks to the Advanced Planning System (APS) they implemented in 2021. The APS replaces simple, repetitive, and time-consuming manual tasks by automating the planning of key manufacturing processes and the distribution of our materials with mathematical algorithms. The system frees our teams to focus on more complex customer needs as they arise, while almost instantly arranging for delivery of materials to customers where and when they need them—even when our stock levels are low due to raw material shortages. The new system is expected to deliver significant savings in operating expenses and working capital.

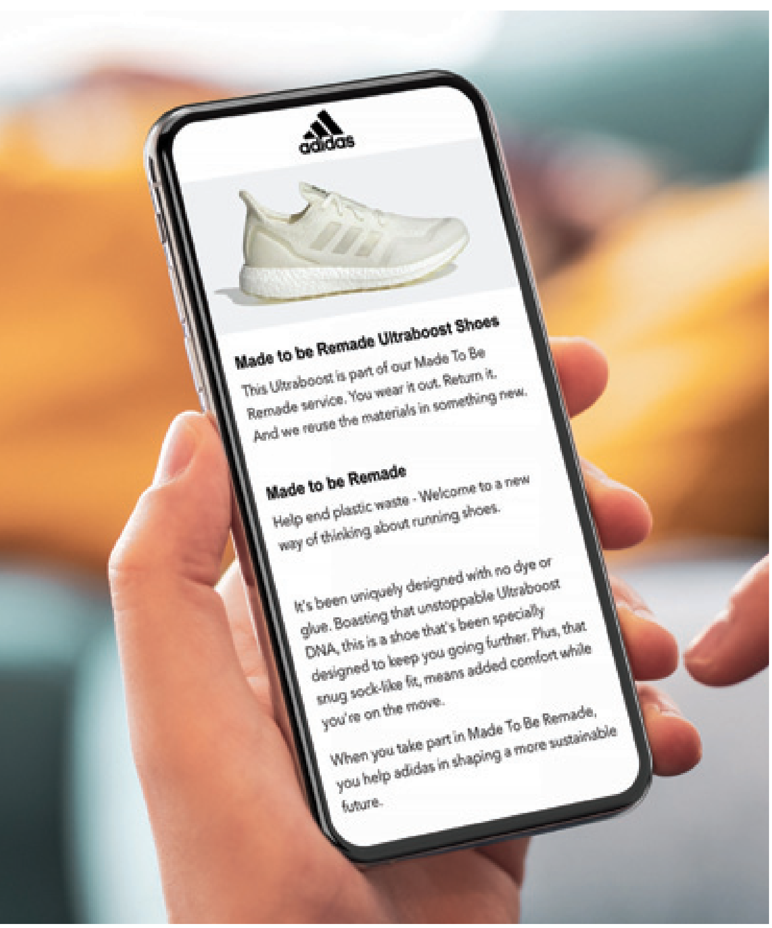
RBIS continued its ongoing journey to digitization in 2021 by implementing a new cloud-based Enterprise Reporting Platform (ERP) at its Dubai manufacturing site. The RBIS-wide "One ERP" initiative to implement a common system across the business enables greater efficiency across our network.

Throughout our enterprise, we're investing in automation and digitization to streamline our processes and enable our teams to work more efficiently.

Allocate Capital Effectively

We continue to execute a disciplined capital allocation strategy. We generate consistently strong free cash flow and have a healthy balance sheet. We continue to have ample capacity to invest both organically and through acquisitions, while continuing to return cash to shareholders through a combination of share repurchases and dividends.

Example of atma.io



Continued investment in capability-building

In 2021, we continued our strategy of building our capabilities through acquisitions, venture investments in external innovation and expansion of our manufacturing footprint.

Complementing our 2020 acquisitions of Smartrac and ACPO, we closed three strategic acquisitions in 2021. We acquired Vestcom, a provider of shelf-edge pricing and branded-labeling solutions that increases our presence in high-value categories, with the potential to further accelerate our Intelligent Labels platform; JDC Solutions, a manufacturer of pressure-sensitive specialty tapes; and ZippyYum, a startup that develops solutions enabling operational automation and inventory management for food retailers.

Our launch of our atma.io-connected product cloud in March is an example of our investment in digital innovation. atma.io unlocks the power of connected products by assigning unique digital identities to everyday items and provides end-to-end transparency by tracking, storing and managing all the events associated with each item—from source to consumer and beyond.

Recent venture investments in external innovation include our stakes in PragmatIC, a pioneer in the development of ultra-low-cost, ultra-thin flexible integrated circuits that can easily be embedded into everyday objects, and Wiliot, a maker of semiconductors that power themselves by harvesting ambient energy from cellular, Wi-Fi and Bluetooth networks.

A few of the capital projects in 2021 included construction of a new facility in São Paulo, Brazil, for producing RFID tags, along with an expansion of our LGM plant in São Paulo and completion of a 100,000-square-foot, sustainably designed LGM manufacturing facility in Greater Noida, in the northern Indian state of Uttar Pradesh.

Lead in an Environmentally and Socially Responsible Manner

In everything we do, we strive to be a force for good that creates long-term value for all of our stakeholders. Among other things, that means innovating and operating in ways that have a positive impact on people and the planet.

We're working toward two sets of sustainability goals—eight goals set in 2015 for 2025, and three broader goals set in 2021 to be met by 2030. We have exceeded our 2025 goal for reducing greenhouse gas (GHG) emissions and are closing in on many others. You can read about our progress toward our 2025 goals in more detail on page 8 of our proxy statement. We're also off to a solid start toward our 2030 goals. In 2021, we continued to deliver on our GHG emissions reduction and certified paper usage, while focusing on building the governance and data-gathering mechanisms that will allow us to accurately track our Scope 3 emissions.

Progress against our 2030 Goal 1

Deliver innovations that advance the circular economy	2021 Results
Satisfy the recycling, composting or reuse requirements of all single-use consumer packaging and apparel with our products and solutions.	
RBIS: 100% of our core product categories (printed fabric labels, woven labels, paper, interior heat-transfer labels, packaging and RFID) will meet our third-party verified Sustainable ADvantage Standard.	**64%** (RBIS Apparel Only)
LGM: 100% of our standard label products will contain recycled or renewable content. All of our regions will have labels that enable circularity of plastics.	**50%** (Percentage is of revenue from products that meet our Sustainable ADvantage criteria)

Creating circularity with a care label

In May, we announced our partnership with Ambercycle, a Los Angeles-based post-consumer garment recycler, as part of our efforts to advance our digital care-label solution. Ambercycle will recycle polyester garments tagged with our labels, turning them into its cycora™ brand of yarns and fabrics to be used in new clothing, and diverting the garments from landfills.

Our digital care labels replace conventional care tags by allowing consumers to scan a QR code and see their garment's sourcing and manufacturing history, along with information on how and where to recycle their garment once they're finished with it. The label also makes it easier for brands to track how many of their garments are in circulation, and for recyclers and resellers to identify a garment's materials for sorting. Our labels offer a total solution, providing a physical trigger for the digital experience, an underlying data platform and various applications for brands, consumers and the wider apparel industry.

Ambercycle digital care labels

Winning APR approval for our film labels

In January 2021, we became the first label manufacturer to offer a complete range of film solutions recognized by the Association of Plastic Recyclers (APR) as being compatible for reclamation systems in North America. By adhering to containers without impeding the recycling process, our materials enhance the recyclability of several kinds of plastic packaging popular in multiple product segments, and can increase the amount of plastic that is recycled.

Progress against our 2030 Goal 2

Reduce our environmental impact in our operations and supply chain	2021 Results
Reduce our Scope 1 and 2 GHG emissions by 70% from our 2015 baseline. Work with our supply chain to reduce our 2018 baseline Scope 3 GHG emissions by 30%, with an ambition of net zero by 2050.	**48%** Scope 1 and 2* Scope 3 tracking under development
Source 100% of paper fiber from certified sources focused on a deforestation-free future.	**91%** certified
Divert 95% of our waste away from landfills, with a minimum of 80% of our waste recycled and the remainder either reused, composted or sent to energy recovery.	**94%** landfill-free† **67%** recycled
Deliver a 15% increase in water efficiency at our sites that are located in high or extremely high risk countries as identified in the World Resources Institute (WRI) Aqueduct Tool.	Tracking under development

*GHG baseline and actual data are from Q3 YTD comparisons (Q3 2015 to Q3 2021).
†Waste and recycling data are from Q3 YTD.

Gaining SBTi approval of our GHG emissions targets

In October, we were pleased to receive the Science Based Targets initiative's (SBTi) approval of our 2030 GHG emissions targets as consistent with levels required to meet the goals of the Paris Agreement, the binding treaty adopted in 2015 at the United Nations Climate Change Conference. SBTi's approval affirms that we're aiming at the right level with the ambitious goals we've set for reducing the carbon intensity of our business operations and supply chain.

SBTi validated that emissions from our operations (Scopes 1 and 2) are in line with reductions required to keep warming to no more than 1.5°C, the most ambitious goal of the Paris Agreement and what the latest climate science tells us is needed to prevent the most damaging effects of climate change. SBTi also said that our company's target for emissions from our value chain (Scope 3) meets SBTi's criteria for ambitious value chain goals, meaning it too is aligned with current best practice.

Enhancing our policy for responsible sourcing

Our comprehensive responsible sourcing policy for suppliers sets out our expectations for materials sourcing as it applies to labor, endangered species, animal welfare, air emissions, forest-derived products, water use and more. It brings together and updates a number of individual supplier guidelines into one clear, cohesive policy. To date, we trained 236 suppliers on the policy. Updating the policy moves us closer to our 2030 goal of reducing the environmental impact in our operations and supply chain.

We innovate not only to reduce our environmental impact, but to go further by improving the planet, industries and communities we serve, helping the world move toward a regenerative future.

Using solar in our manufacturing process in Turnhout

In July, as part of our effort to reduce our carbon emissions, we broke ground on a new Concentrated Solar Thermal (CST) platform at our IHM production plant in Turnhout, Belgium. Implemented in partnership with AZTEQ bv and the Belgium community group Campina Energie, the new technology will employ a series of parabolic mirrors to concentrate sunlight on a collector tube filled with heat-conducting liquid. We'll then use the collected energy to help run the drying ovens harnessed in the coating process of pressure-sensitive adhesive tapes manufactured at the site. We expect to begin using the CST platform in the second half of 2022. Once completed, it will be the largest installation of parabolic mirrors in an industrial setting in Europe. Its installation follows installation of a windmill at the plant in 2017.

Top: Inspiration for the new CST platform for our IHM production plant in Turnhout. Photo taken at Proviron, located in Ostend, Belgium. Image courtesy of AZTEQ bv.

Progress against our 2030 Goal 3

Make a positive social impact by enhancing the livelihood of our people and communities		2021 Results
Foster an engaged team and an inclusive workplace.		
• Inclusion Index: 85%		**81%**
• Employee Engagement: 82%	(up from 80% in 2015)	**82%**
• Females in manager level or above positions: 40%	(up from 32% in 2015)	**35%**
• Safety: 0.2 Recordable Incident Rate (RIR)	(down from 0.31 in 2015)	**0.21** RIR
Support the participation of our employees in Avery Dennison Foundation grants and foster the well-being of the communities in which we and our supply chain operate.		**74%** of countries in which we operate received a grant

Maintaining an engaged workforce—and enhancing DE&I

We were proud to earn a score of 82% from our 2021 engagement survey of our global workforce, continuing our track record of strong employee engagement. As part of our continuing journey toward enabling highly engaging work experiences where every voice is valued, we undertook several actions to review our employment practices and rethink our strategies for ensuring diversity, equity and inclusion (DE&I) in our company. We are sharpening our focus on increasing the numbers of women who hold leadership positions, enhancing the experience of our shop floor employees, increasing DE&I for underrepresented groups and making merit and transparency even more foundational to our employee experience.

Designated Best Place to Work for LGBTQ+ Equality

In January 2022, we were proud to receive a perfect score of 100 on the Human Rights Campaign (HRC) Foundation's 2022 Corporate Equality Index and the designation as a "Best Place to Work for LGBTQ+ Equality." The Corporate Equality Index is a national benchmarking tool for measuring corporate policies, practices and benefits pertinent to LGBTQ+ employees.

Increasing our Employee Resource Groups

Our Employee Resource Groups (ERGs)—groups created and led by employees based on shared characteristics or interests—provide opportunities for our employees to learn, experience greater belonging and collectively amplify their voices. Nine new ERGs were launched in 2021, bringing our total to 24 ERGs with a combined global membership of more than 2,300. ERG members regularly help inform our DE&I strategy.

Living our values

Our teams stepped up in extraordinary ways to the challenges of 2021. When a second wave of COVID-19 strained India's healthcare system to its breaking point, a number of our employees in the country—calling their project "The Light of Hope"—organized to provide desperately needed medical equipment to hospitals in several cities where we have operations. With funds provided by our company and the Avery Dennison Foundation (ADF), teams in Gurugram, Pune and Greater Noida provided ventilators, oxygen concentrators, hospital beds and more, with several efforts aimed specifically at supporting underserved patients in rural areas. Teams donated a new cardiac ambulance for rural patients and provided a modular building to expand hospital facilities in a busy city. They also distributed masks, sanitizers, personal protective equipment (PPE) and groceries in cities including Bangalore and Kolkata. In all, the Light of Hope project touched the lives of more than 100,000 people. Personnel in India also arranged for the delivery of medical care and equipment to our own employees living in communities where supplies were scarce.

Employees in other regions rose to the occasion in different ways. Some battled the isolation and fatigue of working remotely by creating an online tournament, consisting of various competitions, to keep morale high. Our LGM technical team installed major assets at several of our manufacturing sites, despite pandemic restrictions preventing the equipment makers' teams from being onsite to guide them. And in an incredible demonstration of commitment during strict government lockdowns in Vietnam, a number of our RBIS shop floor operators in Hanoi and Ho Chi Minh City volunteered to live and work in our distribution centers, spending many weeks apart from their families, so that we could avoid production shutdowns.

Increasing and broadening our investment in communities

We are proud to support the communities where we do business, primarily through the ADF, which advances education, sustainability and women's empowerment in the places where our employees live and work. In 2021, the ADF continued to address these traditional funding areas, while also responding to the COVID-19 pandemic and natural disasters. In addition, prompted by events in 2020, and in recognition of the role we can play in accelerating society's journey toward greater equity, the ADF also made grants to organizations promoting DE&I globally, working with employees to identify causes and organizations most relevant to marginalized populations in each region.






The Avery Dennison Foundation provided grants to Pro-Saber SP Institute in São Paulo, Brazil, to promote literacy through play.

Supporting women in the apparel value chain

Women workers and entrepreneurs are essential to the global apparel industry. In 2021, the ADF made a grant of $250,000 to the United Nations Foundation's Resilience Fund for Women in Global Value Chains, which invests in women-led, community-based organizations that champion women's sexual and reproductive health, along with women's safety and security, as long-term drivers of economic resilience. The ADF's support, in combination with funding from other companies, will help the Resilience Fund extend its grantmaking, currently focused in India and Bangladesh, into Southeast Asia.

Altogether, the ADF and our company made over $6 million in grants and other contributions in support of our communities, more than double the amount of the year prior.

Employees are critical to advancing our community investment efforts, and they participate through both giving and volunteering. ADF engages employees through its Granting Wishes program, which allows them to recommend one-time grants—which usually include volunteer support from employees—to their local non-governmental organizations (NGOs). In 2021, employees were more engaged than ever, responding to increased need. The ADF increased Granting Wishes funding, supporting 80 NGOs in 33 countries with a total of $800,000. In the decade since the ADF launched Granting Wishes, more than 2,000 of our employees have made funding recommendations, enabling grants to more than 350 organizations.

In 2021, the ADF also continued to support the Employee Assistance Fund, which ADF launched in 2020 to provide financial assistance to Avery Dennison employees impacted by COVID-19. Employee donations have significantly supplemented the ADF funds earmarked for this effort. In all, more than $3.4 million was distributed in 2021 to more than 4,200 individuals in 27 countries.

Section II

2021

Annual Report

2021 Annual Report

Contents

Safe Harbor Statement

The matters discussed in this Annual Report contain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These statements, which are not statements of historical fact, contain estimates, assumptions, projections and/or expectations regarding future events, which may or may not occur. Words such as “aim,” “anticipate,” “assume,” “believe,” “continue,” “could,” “estimate,” “expect,” “foresee,” “guidance,” “intend,” “may,” “might,” “objective,” “plan,” “potential,” “project,” “seek,” “shall,” “should,” “target,” “will,” “would,” or variations thereof, and other expressions that refer to future events and trends, identify forward-looking statements. Our forward-looking statements, and financial or other business targets, are subject to certain risks and uncertainties, which could cause our actual results to differ materially from the expected results, performance or achievements expressed or implied by such forward-looking statements.

We believe that the most significant risk factors that could affect our financial performance in the near-term include: (i) the impacts to underlying demand for our products and/or foreign currency fluctuations from global economic conditions, political uncertainty, changes in environmental standards and governmental regulations, including as a result of COVID-19; (ii) the availability of raw materials; (iii) competitors’ actions, including pricing, expansion in key markets, and product offerings; (iv) the degree to which higher costs can be offset with productivity measures and/or passed on to customers through price increases, without a significant loss of volume; and (v) the execution and integration of acquisitions, including our acquisition of CB Velocity Holdings, LLC (“Vestcom”).

Certain risks and uncertainties are discussed in more detail under “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the fiscal year ended January 1, 2022 and include, but are not limited to, risks and uncertainties relating to the following:

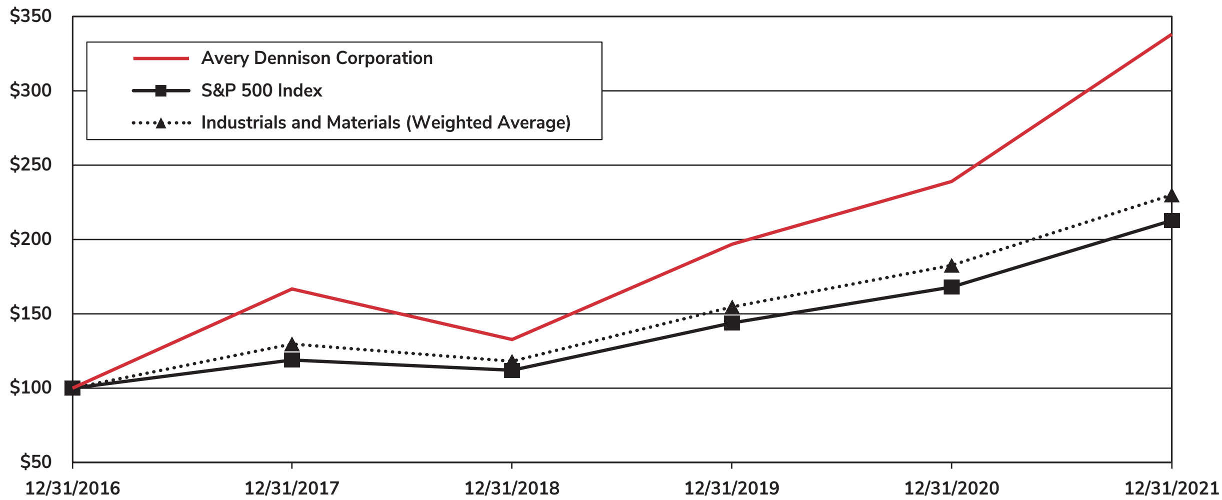
- COVID-19
- International Operations – worldwide and local economic and market conditions; changes in political conditions; and fluctuations in foreign currency exchange rates and other risks associated with foreign operations, including in emerging markets
- Our Business – fluctuations in demand affecting sales to customers; fluctuations in the cost and availability of raw materials and energy; changes in our markets due to competitive conditions, technological developments, environmental standards, laws and regulations, and customer preferences; the impact of competitive products and pricing; execution and integration of acquisitions, including our acquisition of Vestcom; selling prices; customer and supplier concentrations or consolidations; financial condition of distributors; outsourced manufacturers; product and service quality; timely development and market acceptance of new products, including sustainable or sustainably-sourced products; investment in development activities and new production facilities; successful implementation of new manufacturing technologies and installation of manufacturing equipment; our ability to generate sustained productivity improvement; our ability to achieve and sustain targeted cost reductions; and collection of receivables from customers
- Income Taxes – fluctuations in tax rates; changes in tax laws and regulations, and uncertainties associated with interpretations of such laws and regulations; retention of tax incentives; outcome of tax audits; and the realization of deferred tax assets
- Information Technology – disruptions in information technology systems or data security breaches, including cyber-attacks or other intrusions to network security; and successful installation of new or upgraded information technology systems
- Human Capital – recruitment and retention of employees; and collective labor arrangements
- Our Indebtedness – credit risks; our ability to obtain adequate financing arrangements and maintain access to capital; fluctuations in interest rates; volatility of financial markets; and compliance with our debt covenants
- Ownership of Our Stock – potential significant variability of our stock price and amounts of future dividends and share repurchases
- Legal and Regulatory Matters – protection and infringement of intellectual property; impact of legal and regulatory proceedings, including with respect to environmental, anti-corruption, health and safety, and trade compliance
- Other Financial Matters – fluctuations in pension costs and goodwill impairment

Our forward-looking statements are made only as of February 23, 2022. We assume no duty to update these forward-looking statements to reflect new, changed or unanticipated events or circumstances, other than as may be required by law.

Stockholder Return Performance

Comparison of Five-Year Cumulative Total Return as of December 31, 2021

The graph below compares the cumulative stockholder return on our common stock, including reinvestment of dividends, with the return on the S&P 500 Stock Index and the average return (weighted by market capitalization) of the S&P 500 Materials and Industrials subsets (the "Market Basket"), in each case for the five-year period ending December 31, 2021.



Total Return Analysis[1]

	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021
Avery Dennison	$100	$167	$133	$197	$239	$338
S&P 500 Index	100	119	112	144	168	213
Market Basket[2]	100	130	118	155	183	230

(1) Assumes $100 invested on December 31, 2016 and reinvestment of dividends.
(2) Average weighted by market capitalization.

Historical performance is not necessarily indicative of future performance.

Management's Discussion and Analysis of Financial Condition and Results of Operations

ORGANIZATION OF INFORMATION

Management's Discussion and Analysis of Financial Condition and Results of Operations, or MD&A, provides management's views on our financial condition and results of operations, should be read in conjunction with the accompanying Consolidated Financial Statements and notes thereto, and includes the sections identified below.

NON-GAAP FINANCIAL MEASURES

We report our financial results in conformity with accounting principles generally accepted in the United States of America, or GAAP, and also communicate with investors using certain non-GAAP financial measures. These non-GAAP financial measures are not in accordance with, nor are they a substitute for or superior to, the comparable GAAP financial measures. These non-GAAP financial measures are intended to supplement the presentation of our financial results that are prepared in accordance with GAAP. Based on feedback from investors and financial analysts, we believe that the supplemental non-GAAP financial measures we provide are useful to their assessments of our performance and operating trends, as well as liquidity.

Our non-GAAP financial measures exclude the impact of certain events, activities or strategic decisions. The accounting effects of these events, activities or decisions, which are included in the GAAP financial measures, may make it difficult to assess our underlying performance in a single period. By excluding the accounting effects, positive or negative, of certain items (e.g., restructuring charges, outcomes of certain legal proceedings, certain effects of strategic transactions and related costs, losses from debt extinguishments, gains or losses from curtailment or settlement of pension obligations, gains or losses on sales of certain assets, gains or losses on venture investments and other items), we believe that we are providing meaningful supplemental information that facilitates an understanding of our core operating results and liquidity measures. While some of the items we exclude from GAAP financial measures recur, they tend to be disparate in amount, frequency, or timing.

We use these non-GAAP financial measures internally to evaluate trends in our underlying performance, as well as to facilitate comparison to the results of competitors for quarters and year-to-date periods, as applicable.

We use the non-GAAP financial measures described below in this MD&A.

- *Sales change ex. currency* refers to the increase or decrease in net sales, excluding the estimated impact of foreign currency translation, and, where applicable, an extra week in our fiscal year and the calendar shift resulting from the extra week in the prior fiscal year and currency adjustment for transitional reporting of highly inflationary economies. The estimated impact of foreign currency translation is calculated on a constant currency basis, with prior period results translated at current period average exchange rates to exclude the effect of currency fluctuations.
- *Organic sales change* refers to sales change ex. currency, excluding the estimated impact of acquisitions and product line divestitures.

  We believe that sales change ex. currency and organic sales change assist investors in evaluating the sales change from the ongoing activities of our businesses and enhance their ability to evaluate our results from period to period.
- *Free cash flow* refers to cash flow provided by operating activities, less payments for property, plant and equipment, software and other deferred charges, plus proceeds from sales of property, plant and equipment, plus (minus) net proceeds from insurance and sales (purchases) of investments. Free cash flow is also adjusted for, where applicable, certain acquisition-related transaction costs and the cash contributions related to the termination of our U.S. pension plan. We believe that free cash flow assists investors by showing the amount of cash we have available for debt reductions, dividends, share repurchases, and acquisitions.
- *Operational working capital as a percentage of annualized current quarter net sales* refers to trade accounts receivable and inventories, net of accounts payable, and excludes cash and cash equivalents, short-term borrowings, deferred taxes, other current assets and other current liabilities, as well as net current assets or liabilities held-for-sale divided by annualized current quarter net sales. We believe that operational working capital as a percentage of annualized current quarter net sales assists investors in assessing our working capital

requirements because it excludes the impact of fluctuations attributable to our financing and other activities (which affect cash and cash equivalents, deferred taxes, other current assets, and other current liabilities) that tend to be disparate in amount, frequency, or timing, and may increase the volatility of working capital as a percentage of sales from period to period. The items excluded from this measure are not significantly influenced by our day-to-day activities managed at the operating level and do not necessarily reflect the underlying trends in our operations.

OVERVIEW AND OUTLOOK

Operational and Market Update

Our operations largely recovered in 2021 from the prior-year impact of the COVID-19 pandemic, with higher volume across our businesses.

Uncertainty surrounding the global health crisis remained elevated in 2021 as many parts of the world experienced an increased number of COVID-19 cases at some point during the year. The greatest impact to our company was in Southeast Asia, particularly in our Retail Branding and Information Solutions ("RBIS") reportable segment. The safety and well-being of employees has been and continues to be our top priority. We have taken steps to ensure employee safety, quickly implementing world-class safety protocols and continuing to adapt our guidelines as the pandemic continues to evolve. Where appropriate, we may take further actions required by international, federal, state or local authorities or that we determine are in the best interests of our employees, customers, shareholders and communities.

We worked to actively manage through a dynamic supply and demand environment in which demand across the majority of businesses and regions was strong, while raw material, freight and labor availability was constrained. Inflation was persistent and we implemented pricing and material re-engineering actions to offset higher costs. We also leveraged our global scale, working closely with customers and suppliers to minimize disruptions and demonstrating agility and preparedness through robust scenario planning.

Fiscal Year

Our fiscal years generally consist of 52 weeks, but every fifth or sixth fiscal year consists of 53 weeks; our 2021 and 2019 fiscal years consisted of 52-week periods ending January 1, 2022 and December 28, 2019, respectively. Our 2020 fiscal year consisted of a 53-week period ending January 2, 2021.

Net Sales

The factors impacting the reported sales change are shown in the table below.

	2021	2020
Reported sales change	21%	(1)%
Foreign currency translation	(3)	1
Extra week impact	1	(1)
Sales change ex. currency[1]	19%	(2)%
Acquisitions and product line divestitures	(3)	(2)
Organic sales change[1]	16%	(3)%

[1] Totals may not sum due to rounding

In 2021, net sales increased on an organic basis primarily due to higher volume/mix and recovery from the prior-year impact of COVID-19. In 2020, net sales decreased on an organic basis primarily due to the impact of COVID-19 on our markets and customers.

Net Income

Net income increased from approximately $556 million in 2020 to approximately $740 million in 2021. The major factors affecting this increase in net income were:

- Higher volume/mix
- Lower restructuring charges
- Favorable currency translation
- Benefits from productivity initiatives, including savings from restructuring actions, net of transition costs
- Benefit from the Brazil indirect tax credit
- Lower allowance for credit losses

Offsetting factors:

- Higher employee-related costs
- Impact of prior-year temporary cost reduction actions
- Net impact of higher selling prices, higher raw material costs, and higher freight costs
- Higher income tax provision
- Growth investments
- Contingent liability related to patent infringement litigation

Acquisitions

Vestcom Acquisition

On August 31, 2021, we completed our acquisition of Vestcom, an Arkansas-based provider of shelf-edge pricing, productivity and consumer engagement solutions for retailers and consumer packaged goods companies, for purchase consideration of $1.47 billion. We funded this acquisition using a combination of cash and proceeds from commercial paper borrowings and issuances of senior notes. Refer to Note 4, "Debt," to the Consolidated Financial Statements for more information.

We believe Vestcom's solutions expand our position in high value categories while adding channel access and data management capabilities to our RBIS reportable segment.

Other 2021 Acquisitions

On March 18, 2021, we completed our acquisition of the net assets of ZippyYum, LLC ("ZippyYum"), a California-based developer of software products used in the food service and food preparation industries. We believe that this acquisition enhances the product portfolio in our RBIS reportable segment.

On March 1, 2021, we completed our acquisition of the issued and outstanding stock of JDC Solutions, Inc. ("JDC"), a Tennessee-based manufacturer of pressure-sensitive specialty tapes. We believe that this acquisition expands the product portfolio in our Industrial and Healthcare Materials ("IHM") reportable segment.

The acquisitions of ZippyYum and JDC are referred to collectively as the "Other 2021 Acquisitions."

The aggregate purchase consideration for the Other 2021 Acquisitions was approximately $43 million. We funded the Other 2021 Acquisitions using cash and commercial paper borrowings. In addition to the cash paid at closing, the sellers in one of these acquisitions are eligible for earn-out payments of up to approximately $13 million subject to the acquired company's achievement of certain performance targets. As of the acquisition date, we estimated the fair value of these earn-out payments to be approximately $12 million, which has been included in the $43 million of aggregate purchase consideration.

The Other 2021 Acquisitions were not material, individually or in the aggregate, to the Consolidated Financial Statements.

2020 Acquisitions

On December 31, 2020, we completed our acquisition of ACPO, Ltd. ("ACPO"), an Ohio-based manufacturer of self-wound (linerless) pressure-sensitive overlaminate products, for consideration of approximately $88 million. We believe this acquisition expands our product portfolio in the North American business of our Labels and Graphic Materials ("LGM") reportable segment.

On February 28, 2020, we completed our acquisition of Smartrac's Transponder (RFID Inlay) division ("Smartrac"), a manufacturer of RFID products, for consideration of approximately $255 million (€232 million). We believe this acquisition enhances our research and development capabilities, expands our product lines and provides additional manufacturing capacity. Results for Smartrac's operations were included in our RBIS reportable segment.

These acquisitions (the "2020 Acquisitions") were not material, individually or in the aggregate, to the Consolidated Financial Statements.

Refer to Note 2, "Acquisitions," to the Consolidated Financial Statements for more information.

Cost Reduction Actions

2019/2020 Actions

During fiscal year 2021, we recorded $13.3 million in restructuring charges, net of reversals, related to our 2019/2020 actions. These charges consisted of severance and related costs for the reduction of approximately 360 positions and asset impairment charges at numerous locations across our company, primarily reflecting actions in our LGM and RBIS reportable segments. The actions in our LGM reportable segment were primarily associated with consolidations of operations in North America and its graphics business in Europe, in part in response to COVID-19. The actions in our RBIS reportable segment were primarily related to global headcount and footprint reduction, with some actions accelerated and expanded in response to COVID-19. During fiscal year 2020, we recorded $56 million in restructuring charges, net of reversals, related to our 2019/2020 actions. These charges consisted of severance and related costs for the reduction of approximately 2,160 positions, as well as asset impairment charges. Our activities related to our 2019/2020 actions began in the fourth quarter of fiscal year 2019 and continued through fiscal year 2021.

Impact of Cost Reduction Actions

In both fiscal years 2021 and 2020, we realized approximately $65 million, in savings from restructuring, net of transition costs, primarily from our 2019/2020 actions.

Restructuring charges were included in "Other expense (income), net" in the Consolidated Statements of Income. Refer to Note 13, "Cost Reduction Actions," to the Consolidated Financial Statements for more information.

Accounting Guidance Updates

Refer to Note 1, "Summary of Significant Accounting Policies," to the Consolidated Financial Statements for this information.

Cash Flow

(In millions)	2021	2020	2019
Net cash provided by operating activities	$1,046.8	$ 751.3	$ 746.5
Purchases of property, plant and equipment	(255.0)	(201.4)	(219.4)
Purchases of software and other deferred charges	(17.1)	(17.2)	(37.8)
Proceeds from sales of property, plant and equipment	1.1	9.2	7.8
Proceeds from insurance and sales (purchases) of investments, net	3.1	5.6	4.9
Contributions for U.S. pension plan termination	–	–	10.3
Payments for certain acquisition-related transaction costs	18.8	–	–
Free cash flow	$ 797.7	$ 547.5	$ 512.3

In 2021, cash flow provided by operating activities increased compared to 2020 primarily due to higher net income, changes in operational working capital and lower severance payments related to restructuring actions, partially offset by higher income tax payments, net of refunds. In 2021, free cash flow increased compared to 2020 primarily due to higher cash provided by operating activities adjusted for payments for certain acquisition-related transaction costs, partially offset by higher purchases of property, plant and equipment.

Outlook

In addition to the continued uncertain impact of COVID-19 on our businesses and including the impact of our Vestcom acquisition, certain factors that we believe may contribute to our 2022 results are described below.

- We expect net sales to increase by approximately 8% to 11%, reflecting in part a decrease of approximately 3% from the effect of foreign currency translation and an increase of approximately 3% from the effect of acquisitions.
- Based on recent exchange rates, we expect foreign currency translation to decrease our operating income by approximately $35 million.
- We expect fixed and IT capital expenditures to be approximately $350 million.
- We expect our full year effective tax rate to be in the mid-twenty percent range.

ANALYSIS OF RESULTS OF OPERATIONS

Income before Taxes

(In millions, except percentages)	2021	2020	2019
Net sales	$8,408.3	$6,971.5	$7,070.1
Cost of products sold	6,095.5	5,048.2	5,166.0
Gross profit	2,312.8	1,923.3	1,904.1
Marketing, general and administrative expense	1,248.5	1,060.5	1,080.4
Other expense (income), net	5.6	53.6	53.2
Interest expense	70.2	70.0	75.8
Other non-operating expense (income), net	(4.1)	1.9	445.2
Income before taxes	$ 992.6	$ 737.3	$ 249.5
Gross profit margin	27.5%	27.6%	26.9%

Gross Profit Margin

Gross profit margin in 2021 decreased slightly compared to 2020 primarily reflecting the net impact of higher sales prices, higher raw material costs and higher freight costs, the impact of prior-year temporary cost reduction actions and higher employee-related costs, partially offset by favorable volume/mix and the benefits from productivity initiatives, including temporary cost reduction actions, material re-engineering and savings from restructuring actions, net of transition costs.

Gross profit margin in 2020 increased compared to 2019 primarily reflecting the net benefit of pricing and raw material input costs and the benefits from productivity initiatives, including temporary cost reduction actions, material re-engineering and savings from restructuring actions, net of transition costs, partially offset by the net impact of lower volume and unfavorable product mix.

Marketing, General and Administrative Expense

Marketing, general and administrative expense increased in 2021 compared to 2020 primarily due to higher employee-related costs including the impact of acquisitions, growth investments, the impact of prior-year temporary cost reduction actions and unfavorable currency translation, partially offset by lower allowance for credit losses.

Marketing, general and administrative expense decreased in 2020 compared to 2019 primarily due to benefits from productivity initiatives, including temporary cost reduction actions, and savings from restructuring actions, net of transition costs, as well as favorable foreign currency translation, partially offset by the impact of our Smartrac acquisition, increased allowance for credit losses and our contribution to the Avery Dennison Foundation.

Other Expense (Income), Net

(In millions)	2021	2020	2019
Other expense (income), net by type			
Restructuring charges:			
Severance and related costs	$10.5	$49.1	$45.3
Asset impairment charges and lease cancellation costs	3.1	6.2	5.1
Other items:			
Transaction and related costs	20.9	4.2	2.6
Loss (gain) on sale of assets, net	.2	(.5)	(3.2)
Gain on venture investments, net	(23.0)	(5.4)	–
Gain on sale of product line	(5.7)	–	–
Outcomes of legal proceedings, net	(.4)	–	3.4
Other expense (income), net	$ 5.6	$53.6	$53.2

Refer to Note 13, "Cost Reduction Actions," to the Consolidated Financial Statements for more information.

Refer to Note 9, "Fair Value Measurements," to the Consolidated Financial Statements for more information regarding gains on venture investments.

Refer to Note 15, "Segment and Disaggregated Revenue Information," to the Consolidated Financial Statements for more information regarding outcomes of legal proceedings.

Interest Expense

Interest expense in 2021 was comparable to 2020. Interest expense decreased approximately $5.8 million in 2020 compared to 2019, primarily reflecting lower borrowing rates on our outstanding indebtedness.

Other Non-Operating Expense (Income), Net

Other non-operating income, net, increased in 2021 compared to 2020 as the components of net periodic benefit costs other than service costs resulted in a net credit.

Other non-operating expense, net, decreased in 2020 compared to 2019 primarily due to the prior-year impact of the Avery Dennison Pension Plan (the "ADPP") termination. In 2019, we recorded approximately $444 million of settlement charges related to the termination of the ADPP which increased other non-operating expense compared to 2018.

Refer to Note 6, "Pension and Other Postretirement Benefits," and Note 14, "Taxes Based on Income," to the Consolidated Financial Statements for more information.

Net Income and Earnings per Share

(In millions, except percentages and per share amounts)	2021	2020	2019
Income before taxes	$992.6	$737.3	$249.5
Provision for (benefit from) income taxes	248.6	177.7	(56.7)
Equity method investment (losses) gains	(3.9)	(3.7)	(2.6)
Net income	$740.1	$555.9	$303.6
Net income per common share	$ 8.93	$ 6.67	$ 3.61
Net income per common share, assuming dilution	8.83	6.61	3.57
Effective tax rate	25.0%	24.1%	(22.7)%

Provision for (Benefit from) Income Taxes

Our effective tax rate in 2021 increased compared to 2020 primarily due to lower benefits from decreases in certain tax reserves, including interest and penalties, as a result of closing tax years, and the tax charge related to certain legal proceeding, partially offset by higher benefits from return-to-provision adjustments related to GILTI exclusion elections in 2021. Our effective tax rate in 2020 increased compared to 2019 primarily due to the tax effects of the settlement charges associated with our termination of the ADPP and a discrete foreign structuring transaction in 2019.

Our effective tax rate can vary from period to period due to the recognition of discrete events, such as changes in tax reserves, settlements of income tax audits, changes in tax laws and regulations, return-to-provision adjustments, and tax impacts related to stock-based payments, as well as recurring factors, such as changes in the mix of earnings in countries with differing statutory tax rates and the execution of tax planning strategies.

Refer to Note 14, "Taxes Based on Income," to the Consolidated Financial Statements for more information.

RESULTS OF OPERATIONS BY REPORTABLE SEGMENT

Operating income refers to income before taxes, interest and other non-operating expense (income), net.

Label and Graphic Materials

(In millions)	2021	2020	2019
Net sales including intersegment sales	$5,528.9	$4,795.4	$4,826.1
Less intersegment sales	(98.5)	(80.3)	(80.2)
Net sales	$5,430.4	$4,715.1	$4,745.9
Operating income[(1)]	801.7	688.8	601.5
[(1)] Included charges associated with restructuring actions, transaction and related costs and gain/losses on sale of assets in all years, outcomes of legal proceedings and gain on sale of product line in 2021 and gain on venture investments in 2020	$ (28.1)	$ 22.2	$ 28.3

Net Sales

The factors impacting reported sales change are shown in the table below.

	2021	2020
Reported sales change	15%	(1)%
Foreign currency translation	(4)	1
Extra week impact	1	(1)
Sales change ex. currency[(1)]	13	(1)
Acquisitions and product line divestitures	(1)	–
Organic sales change[(1)]	12%	(1)%

[(1)] Totals may not sum due to rounding

In 2021, net sales increased on an organic basis compared to the same period in the prior year due to favorable volume/mix and pricing actions. On an organic basis, net sales increased by a mid-teens rate in emerging markets, a high-single digit rate in North America and a low double-digit rate in Western Europe.

In 2020, net sales decreased on an organic basis primarily due to raw material deflation-related price reductions, which more than offset higher volume/mix. On an organic basis, net sales increased by a low-single digit rate in emerging markets and North America and decreased by a low-to-mid single digit rate in Western Europe.

Operating Income

Operating income increased in 2021 compared to the same period last year primarily due to favorable volume/mix, the Brazil indirect tax credit, lower restructuring charges, favorable foreign currency translation, and lower allowance for credit losses. These benefits were partially offset by the net impact of higher sales prices, higher raw material costs, and higher freight costs, as well as higher employee-related costs.

Operating income increased in 2020 compared to 2019 primarily due to benefits from productivity initiatives, including temporary cost reduction actions, material re-engineering, savings from restructuring actions, net of transition costs, and benefits from raw material deflation, net of pricing and the impact of the extra week in our 2020 fiscal year. These benefits were partially offset by higher employee-related costs, unfavorable volume/mix and increased allowance for credit losses.

Retail Branding and Information Solutions

(In millions)	2021	2020	2019
Net sales including intersegment sales	$2,239.1	$1,658.4	$1,670.9
Less intersegment sales	(37.3)	(27.5)	(20.6)
Net sales	$2,201.8	$1,630.9	$1,650.3
Operating income[(1)]	257.2	144.7	196.6
[(1)] Included charges associated with restructuring actions and net gains on sales of assets and transaction and related costs in all years, outcomes of legal proceeding, loss on sale of asset and gain on venture investments in 2021 and loss on venture investments in 2020	$ 36.6	$ 22.7	$ 9.9

Net Sales

The factors impacting reported sales change are shown in the table below.

	2021	2020
Reported sales change	35%	(1)%
Foreign currency translation	(2)	1
Extra week impact	2	(2)
Sales change ex. currency[(1)]	35	(2)
Acquisitions	(10)	(7)
Organic sales change[(1)]	25%	(10)%

[(1)] Totals may not sum due to rounding

In 2021, on an organic basis, net sales in the segment related to Intelligent Labels increased over 20%. Net sales in the base business increased by a low double-digit rate, partially due to the recovery from the prior-period impact of COVID-19.

In 2020, sales ex. currency decreased from the prior year due to a mid-teens rate decline in the base business driven by temporary closures of apparel manufacturing sites and lower demand for apparel due to the impact of COVID-19, partially offset by an approximate 40% increase in Intelligent Labels in the segment, including the benefit of our Smartrac acquisition. The substantial majority of our sales of Intelligent Labels is reported within our RBIS reportable segment. On an organic basis, sales in the segment related to Intelligent Labels increased by a mid-single digit rate. Company-wide, sales of Intelligent Labels increased on an organic basis at a high-single digit rate.

Operating Income

Operating income increased in 2021 compared to 2020 primarily due to higher volume, including the impact of acquisitions, benefits from productivity initiatives, including savings from restructuring actions, net of transition costs, and lower restructuring charges, partially offset by higher employee-related costs, the impact of prior-year temporary cost reduction actions, growth investments, outcomes of legal proceedings, and higher transaction and related costs.

Operating income decreased in 2020 compared to 2019 primarily due to lower volume, higher long-term growth-related investments, including costs associated with our Smartrac acquisition, higher restructuring charges and increased allowance for credit losses, partially offset by benefits from productivity initiatives, including temporary cost reduction actions and savings from restructuring actions, net of transition costs.

Industrial and Healthcare Materials

(In millions)	2021	2020	2019
Net sales including intersegment sales	$789.4	$631.9	$682.7
Less intersegment sales	(13.3)	(6.4)	(8.8)
Net sales	$776.1	$625.5	$673.9
Operating income[1]	81.6	58.2	60.0
[1] Included charges associated with restructuring actions in all years and transaction and related costs and gain on sale of assets in 2021.	$ 2.4	$ 8.4	$ 9.4

Net Sales

The factors impacting reported sales change are shown in the table below.

	2021	2020
Reported sales change	24%	(7)%
Foreign currency translation	(4)	–
Extra week impact	2	(2)
Sales change ex. currency[1]	22	(9)
Acquisitions	(4)	–
Organic sales change[1]	18%	(9)%

[1] Totals may not sum due to rounding

In 2021, net sales increased on an organic basis compared to the same period in the prior year primarily due to an increase over 20% in industrial categories and a low-single digit rate increase in healthcare categories, partially due to the recovery from the prior-period impact of COVID-19.

In 2020, net sales decreased on an organic basis due to a high single-digit rate decline in industrial categories and a mid-single digit decline in healthcare categories due to lower demand as a result of the impact of COVID-19.

Operating Income

Operating income increased in 2021 compared to 2020 primarily due to higher volume/mix and lower restructuring charges, partially offset by the impact of prior-year temporary cost reduction actions, the net impact of higher sales prices, higher raw material costs, and higher freight costs and higher employee-related costs.

Operating income decreased in 2020 compared to 2019 primarily due to lower volume, partially offset by benefits from productivity initiatives, including temporary cost reduction actions and savings from restructuring actions, net of transition costs.

FINANCIAL CONDITION

Liquidity

Operating Activities

(In millions)	2021	2020	2019
Net income	$ 740.1	$555.9	$ 303.6
Depreciation	167.3	154.2	140.3
Amortization	76.8	51.1	38.7
Provision for credit losses and sales returns	35.7	64.0	58.7
Stock-based compensation	37.2	24.0	34.5
Pension plan settlements and related charges	1.6	.5	444.1
Deferred taxes and other non-cash taxes	2.6	9.3	(216.9)
Other non-cash expense and loss (income and gain), net	10.1	44.9	28.3
Trade accounts receivable	(113.2)	14.7	(42.2)
Inventories	(182.7)	(6.0)	(18.1)
Accounts payable	255.2	(68.2)	46.4
Taxes on income	(7.3)	(35.2)	5.4
Other assets	4.1	18.2	38.4
Other liabilities	19.3	(76.1)	(114.7)
Net cash provided by operating activities	$1,046.8	$751.3	$ 746.5

In 2021, cash flow provided by operating activities increased compared to 2020 primarily due to higher net income, changes in operational working capital and lower severance payments related to restructuring actions, partially offset by higher income tax payments, net of refunds.

In 2020, cash flow provided by operating activities increased compared to 2019 primarily due to higher net income, lower pension plan contributions, lower incentive compensation payments and lower severance payments related to restructuring actions, partially offset by higher income tax payments, net of refunds, and changes in operational working capital primarily related to the timing of vendor payments.

Investing Activities

(In millions)	2021	2020	2019
Purchases of property, plant and equipment	$ (255.0)	$(201.4)	$(219.4)
Purchases of software and other deferred charges	(17.1)	(17.2)	(37.8)
Proceeds from sales of property, plant and equipment	1.1	9.2	7.8
Proceeds from insurance and sales (purchases) of investments, net	3.1	5.6	4.9
Proceeds from sale of product line	7.6	–	–
Payments for acquisitions, net of cash acquired, and investments in businesses	(1,477.6)	(350.4)	(6.5)
Net cash used in investing activities	$(1,737.9)	$(554.2)	$(251.0)

Purchases of Property, Plant and Equipment

In 2021, we invested in equipment to support growth in the U.S. and certain countries in Europe and Asia Pacific for our LGM reportable segment, in the U.S. for our IHM reportable segment, and in the U.S. and certain countries in Asia Pacific for our RBIS reportable segment. In 2020 and 2019, we invested in equipment and expanded manufacturing facilities to support growth, and productivity improvement primarily in the U.S. and certain countries in Asia Pacific, including Thailand, India, and China, for our LGM reportable segment and in China, the U.S., and Malaysia for our RBIS reportable segment.

Purchases of Software and Other Deferred Charges

In 2021, 2020 and 2019, we invested in information technology upgrades worldwide. In 2019, we also invested in enterprise resource planning system implementations in North America.

Proceeds from Sales of Property, Plant and Equipment

In 2021, the majority of the proceeds from sales of property, plant and equipment was related to the sale of equipment in Asia Pacific. In 2020, the majority of the proceeds from sales of property, plant and equipment was related to the sale of a property in Europe. In 2019, the majority of the proceeds from sales of property, plant and equipment was related to the sale of three properties in North America, Asia Pacific and Europe.

Proceeds from Insurance and Sales (Purchases) of Investments, Net

In 2021, we had lower proceeds from insurance associated with our company-owned life insurance policies.

Proceeds from Sale of Product Line

In 2021, proceeds from the sale of a product line were in our LGM reportable segment.

Payments for Acquisitions, Net of Cash Acquired, and Investments in Businesses

In 2021, we paid consideration, net of cash acquired, of approximately $1.44 billion and $32 million for the Vestcom acquisition and Other 2021 Acquisitions, respectively. We funded the Vestcom acquisition using the net proceeds from the $500 million and $300 million senior notes we issued in August 2021, commercial paper borrowings and cash. We funded the Other 2021 Acquisitions using cash and commercial paper borrowings. In 2020, we paid consideration, net of cash acquired, of approximately $255 million to acquire Smartrac, which we initially funded through commercial paper borrowings, and approximately $88 million to acquire ACPO. We also made certain venture investments in 2021, 2020 and 2019.

Refer to Note 2, "Acquisitions," to the Consolidated Financial Statements for more information.

Financial Activities

(In millions)	2021	2020	2019
Net increase (decrease) in borrowings with maturities of three months or less	$ 259.2	$(110.4)	$ (5.3)
Additional borrowings under revolving credit facility	–	500.0	–
Repayments of borrowings under revolving credit facility	–	(500.0)	–
Additional long-term borrowings	791.7	493.7	–
Repayments of long-term debt and finance leases	(13.4)	(270.2)	(18.6)
Dividends paid	(220.6)	(196.8)	(189.7)
Share repurchases	(180.9)	(104.3)	(237.7)
Net (tax withholding) proceeds related to stock-based compensation	(25.4)	(19.7)	(17.4)
Other	(6.3)	–	(1.6)
Net cash provided by (used in) financing activities	$ 604.3	$(207.7)	$(470.3)

Borrowings and Repayment of Debt

During 2021, 2020, and 2019, our commercial paper borrowings were used to fund acquisitions, dividend payments, share repurchases, capital expenditures and other general corporate purposes.

In August 2021, we issued $500 million of senior notes, due February 15, 2032, which bear an interest rate of 2.250%, payable semiannually in arrears. Our net proceeds from the issuance, after deducting underwriting discounts and offering expenses, were $493.7 million. Additionally, in August 2021, we issued $300 million of senior notes, due August 15, 2024, which we can repay without penalty on or after August 15, 2022 and bear an interest rate of 0.850%, payable semiannually in arrears. Our net proceeds from this issuance, after deducting underwriting discounts and offering expenses, were $298 million. We used the net proceeds from these two debt issuances to finance a portion of the Vestcom acquisition.

During 2020, commercial paper borrowings were also used for the Smartrac acquisition, with those borrowings subsequently repaid using a portion of the net proceeds of $493.7 million from the $500 million of senior notes we issued in March 2020. We used the remaining proceeds from these notes to repay the $250 million aggregate principal amount of senior notes that matured in April 2020. We also repaid $15 million of medium-term notes that matured in June 2020.

In the first quarter of 2020, in light of uncertainty as a result of COVID-19 regarding the availability of commercial paper, which we typically rely upon to fund our day-to-day operational needs, and the relatively favorable terms under our recently-extended $800 million revolving credit facility (the "Revolver"), we borrowed $500 million from the Revolver with a six-month duration. We repaid this amount in June 2020.

Refer to Note 2, "Acquisitions," and Note 4, "Debt," to the Consolidated Financial Statements for more information.

Dividends Paid

We paid dividends per share of $2.66, $2.36 and $2.26 in 2021, 2020 and 2019, respectively. In April 2021, we increased our quarterly dividend rate to $.68 per share, representing an increase of approximately 10% from our previous quarterly dividend rate of $.62 per share. In October 2020, we increased our quarterly dividend to $.62 per share, representing an increase of approximately 7% from our previous dividend rate of $.58 per share.

Share Repurchases

From time to time, our Board authorizes the repurchase of shares of our outstanding common stock. Repurchased shares may be reissued under our long-term incentive plan or used for other corporate purposes. In 2021, 2020 and 2019, we repurchased approximately .9 million, .8 million and 2 million shares of our common stock, respectively. We temporarily paused share repurchase activity in March 2020 as a result of COVID-19 and resumed repurchases late in the third quarter of 2020.

In April 2019, our Board authorized the repurchase of shares of our common stock with a fair market value of up to $650 million, excluding any fees, commissions or other expenses related to such purchases, in addition to the amount outstanding under our previous Board authorization. Board authorizations remain in effect until shares in the amount authorized thereunder have been repurchased. As of January 1, 2022, shares of our common stock in the aggregate amount of $359.6 million remained authorized for repurchase under this Board authorization.

Net (Tax Withholding) Proceeds Related to Stock-Based Compensation

In 2021, tax withholding for stock-based compensation increased compared to 2020 primarily as a result of equity awards vesting at higher share prices. In 2020, proceeds from stock option exercises decreased compared to 2019, with tax withholding for stock-based compensation also decreasing, primarily as a result of lower vesting of equity awards.

Approximately .02 million, .05 million and .3 million stock options were exercised in 2021, 2020 and 2019, respectively. Refer to Note 12, "Long-Term Incentive Compensation," to the Consolidated Financial Statements for more information.

Analysis of Selected Balance Sheet Accounts

Long-lived Assets

Property, plant and equipment, net, increased by approximately $134 million to $1.48 billion at year-end 2021, which primarily reflected purchases of property, plant and equipment and the acquisitions of Vestcom and the Other 2021 Acquisitions, partially offset by depreciation expense and the impact of foreign currency translation.

Goodwill increased by approximately $745 million to $1.88 billion at year-end 2021, which reflected acquired goodwill associated with the acquisition of Vestcom and the Other 2021 Acquisitions, partially offset by the impact of foreign currency translation.

Other intangibles resulting from business acquisitions, net, increased by approximately $687 million to $911 million at year-end 2021, which reflected the valuations of other intangibles from the acquisitions of Vestcom and the Other 2021 Acquisitions, partially offset by amortization expense and the impact of foreign currency translation.

Refer to Note 3, "Goodwill and Other Intangibles Resulting from Business Acquisitions," to the Consolidated Financial Statements for more information.

Shareholders' Equity Accounts

The balance of our shareholders' equity increased by approximately $440 million to $1.92 billion at year-end 2021. Refer to Note 11, "Supplemental Equity and Comprehensive Income Information," to the Consolidated Financial Statements for more information.

Impact of Foreign Currency Translation

(In millions)	**2021**	**2020**
Change in net sales	$201	$ (67)

In 2021, international operations generated approximately 75% of our net sales. Our future results are subject to changes in political and economic conditions in the regions in which we operate and the impact of fluctuations in foreign currency exchange and interest rates.

The favorable impact of foreign currency translation on net sales in 2021 compared to 2020 was primarily related to euro-denominated sales and sales in China.

Effect of Foreign Currency Transactions

The impact on net income from transactions denominated in foreign currencies is largely mitigated because the costs of our products are generally denominated in the same currencies in which they are sold. In addition, to reduce our income and cash flow exposure to transactions in foreign currencies, we enter into foreign exchange forward, option and swap contracts where available and appropriate. Refer to Note 5, "Financial Instruments," to the Consolidated Financial Statements for more information.

Analysis of Selected Financial Ratios

We utilize the financial ratios discussed below to assess our financial condition and operating performance. We believe this information assists our investors in understanding the drivers impacting our cash flow other than net income and capital expenditures.

Operational Working Capital Ratio

Operational working capital, as a percentage of annualized current-quarter net sales, is reconciled to working capital below. Our objective is to minimize our investment in operational working capital, as a percentage of annualized current-quarter net sales, to maximize our cash flow and return on investment. Operational working capital, as a percentage of annualized current-quarter net sales, in 2021 was lower compared to 2020. Further discussion of the components of operational working capital is provided below.

(In millions, except percentages)	2021	2020
(A) Working capital	$ 186.7	$ 490.2
Reconciling items:		
Cash and cash equivalents	(162.7)	(252.3)
Other current assets	(240.2)	(211.5)
Short-term borrowings and current portion of long-term debt and finance leases	318.8	64.7
Current income taxes payable and other current accrued liabilities	930.3	810.4
(B) Operational working capital	$1,032.9	$ 901.5
(C) Fourth-quarter net sales, annualized	$8,732.8	$7,394.8
Operational working capital, as a percentage of annualized current-quarter net sales (B) ÷ (C)	11.8%	12.2%

Accounts Receivable Ratio

The average number of days sales outstanding was 59 days in 2021 compared to 61 days in 2020, calculated using the accounts receivable balance at year-end divided by the average daily sales in the fourth quarter of 2021 and 2020, respectively. The decrease in average number of days sales outstanding was primarily due to higher volume and the impact of foreign currency translation, partially offset by the timing of collections and the impact of acquisitions.

Inventory Ratio

Average inventory turnover was 7.0 in 2021 compared to 7.5 in 2020, calculated using the annualized fourth-quarter cost of products sold in 2021 and 2020, respectively, and divided by the inventory balance at the respective year-end. The decrease in average inventory turnover primarily reflected inventory build to manage supply chain disruptions and anticipated increased demand.

Accounts Payable Ratio

The average number of days payable outstanding was 74 days in 2021 compared to 73 days in 2020, calculated using the accounts payable balance at year-end divided by the annualized fourth-quarter cost of products sold in 2021 and 2020, respectively. The increase in the average number of days payable outstanding from the prior year primarily reflected the impact of higher accounts payable balances due to our inventory build to manage supply chain disruptions and anticipated increased demand, partially offset by the impact of acquisitions and foreign currency translation.

Capital Resources

Capital resources include cash flows from operations, cash and cash equivalents and debt financing, including access to commercial paper supported by our Revolver. We use these resources to fund operational needs.

At year-end 2021, we had cash and cash equivalents of $162.7 million held in accounts at third-party financial institutions. Our cash balances are held in numerous locations throughout the world. At year-end 2021, the majority of our cash and cash equivalents was held by our foreign subsidiaries, primarily in Asia Pacific and Europe.

To meet U.S. cash requirements, we have several cost-effective liquidity options available. These options include borrowing funds at reasonable rates, including borrowings from foreign subsidiaries, and repatriating foreign earnings and profits. However, if we were to repatriate foreign earnings and profits, a portion would be subject to cash payments of withholding taxes imposed by foreign tax authorities. Additional U.S. taxes may also result from the impact of foreign currency movements related to these earnings and profits. Refer to Note 14, "Taxes Based on Income," to the Consolidated Financial Statements for more information.

In February 2020, we amended and restated the Revolver, eliminating one of the financial covenants and extending its maturity date to February 13, 2025. The maturity date may be further extended for a one-year period under certain circumstances. The commitments under the Revolver may be increased by up to $400 million, subject to lender approvals and customary requirements. The Revolver is used as a back-up facility for our commercial paper program and can be used for other corporate purposes.

The Revolver contains a financial covenant that requires us to maintain a maximum leverage ratio (calculated as a ratio of consolidated debt to consolidated EBITDA as defined in the agreement) of not more than 3.50 to 1.00; provided that, in the event of an acquisition by us that exceeds $250 million, which occurred when we acquired Vestcom, the maximum leverage ratio increases to 4.00 to 1.00 for the fiscal quarter in which the acquisition occurs and three consecutive fiscal quarters immediately following that fiscal quarter. As of January 1, 2022 and January 2, 2021, our ratio was substantially below the maximum ratio allowed by the Revolver.

In addition to the Revolver, we have significant short-term lines of credit available in various countries of approximately $358 million in the aggregate at January 2, 2021. These lines may be cancelled at any time by us or the issuing banks. Short-term borrowings outstanding under our lines of credit were $11.2 million and $22.2 million at January 2, 2021 and January 2, 2021, respectively, with a weighted average interest rate of 4.97% and 3.6%, respectively. Refer to Note 4, "Debt," to the Consolidated Financial Statements for more information.

We are exposed to financial market risk resulting from changes in interest and foreign currency rates, and to possible liquidity and credit risks of our counterparties.

Capital from Debt

The carrying value of our total debt increased by approximately $988 million to $3.10 billion at year-end 2021 compared to $2.12 billion at year-end 2020, primarily reflecting our issuance of the $500 million and $300 million senior notes in August 2021 and a net increase in commercial paper borrowings.

Credit ratings are a significant factor in our ability to raise short- and long-term financing. The credit ratings assigned to us also impact the interest rates we pay and our access to commercial paper, credit facilities, and other borrowings. A downgrade of our short-term credit ratings could impact our ability to access commercial paper markets. If our access to commercial paper markets were to become limited, as it did in the first quarter of 2020 as a result of COVID-19 when we drew down on the Revolver, we believe that the Revolver and our other credit facilities would be available to meet our short-term funding requirements. When determining our credit rating, we believe that rating agencies primarily consider our competitive position, business outlook, consistency of cash flows, debt level and liquidity, geographic dispersion and management team. There has been no change to the credit ratings assigned to us as a result of COVID-19. We remain committed to maintaining an investment grade rating.

Fair Value of Debt

The estimated fair value of our long-term debt is primarily based on the credit spread above U.S. Treasury securities or euro government bond securities, as applicable, on notes with similar rates, credit ratings and remaining maturities. The fair value of short-term borrowings, which includes commercial paper issuances and short-term lines of credit, approximates their carrying value given their short duration. The fair value of our total debt was $3.25 billion at January 1, 2022 and $2.34 billion at January 2, 2021. Fair value amounts were determined based primarily on Level 2 inputs, which are inputs other than quoted prices in active markets that are either directly or indirectly observable. Refer to Note 1, "Summary of Significant Accounting Policies," to the Consolidated Financial Statements for more information.

Contractual Obligations, Commitments and Off-Balance Sheet Arrangements

Material Cash Requirements at End of Year 2021

	Payments Due by Period						
(In millions)	**Total**	**2022**	**2023**	**2024**	**2025**	**2026**	**Thereafter**
Short-term borrowings	$ 313.2	$313.2	$ –	$ –	$ –	$ –	$ –
Long-term debt	2,795.3	–	250.0	300.0	595.3	–	1,650.0
Interest on long-term debt	537.0	75.1	71.0	66.8	64.0	54.9	205.2
Finance leases	18.3	6.1	5.3	5.0	1.7	.2	–
Operating leases	204.4	51.5	40.1	29.8	22.9	14.4	45.7
Total contractual obligations	$3,868.2	$445.9	$366.4	$401.6	$683.9	$69.5	$ 1,900.9

The table above does not include:

- Purchase obligations or open purchase orders at year-end – It is impracticable for us to obtain or provide a reasonable estimate of this information due to the decentralized nature of our purchasing systems. In addition, purchase orders are generally entered into at fair value and cancelable without penalty.
- Cash funding requirements for pension benefits payable to certain eligible current and future retirees under our funded plans – Benefits under our funded pension plans are paid through trusts or trust equivalents. Cash funding requirements for our funded plans, which can be significantly impacted by earnings on investments, the discount rate, changes in the plans, and funding laws and regulations, are not included as we are not able to estimate required contributions to the trusts or trust equivalents. Refer to Note 6, "Pension and Other Postretirement Benefits," to the Consolidated Financial Statements

for information regarding our expected contributions to these plans and plan terminations and settlements.

- Pension and postretirement benefit payments – We have unfunded benefit obligations related to defined benefit plans. Refer to Note 6, "Pension and Other Postretirement Benefits," to the Consolidated Financial Statements for more information, including our expected benefit payments over the next 10 years.
- Deferred compensation plan benefit payments – It is impracticable for us to obtain a reasonable estimate for 2022 and beyond due to the volatility of payment amounts and certain events that could trigger immediate payment of benefits to participants. In addition, participant account balances are marked-to-market monthly and benefit payments are adjusted annually. Refer to Note 6, "Pension and Other Postretirement Benefits," to the Consolidated Financial Statements for more information.
- Cash-based awards to employees under incentive compensation plans – The amounts to be paid to employees under these awards are based on our stock price and, as applicable, achievement of certain performance objectives as of the end of their respective performance periods. Therefore, we cannot reasonably estimate the amounts to be paid on the respective vesting dates. Refer to Note 12, "Long-term Incentive Compensation," to the Consolidated Financial Statements for more information.
- Unfunded termination indemnity benefits to certain employees outside of the U.S. – These benefits are subject to applicable agreements, local laws and regulations; however, the timing of these payments cannot be reasonably estimated. Refer to Note 6, "Pension and Other Postretirement Benefits," to the Consolidated Financial Statements for more information.
- Unrecognized tax benefits of $74 million – The resolution of the balance, including the timing of payments, is contingent upon various unknown factors and cannot be reasonably estimated. Refer to Note 14, "Taxes Based on Income," to the Consolidated Financial Statements for more information.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with GAAP requires our management to make estimates and assumptions for the reporting period and as of the financial statement date. These estimates and assumptions affect our reported amounts of assets and liabilities, disclosure of contingent liabilities and reported amounts of revenue and expense. Actual results could differ from these estimates.

Critical accounting estimates are those that are important to our financial condition and results, and which require us to make difficult, subjective and/or complex judgments. Critical accounting estimates cover accounting matters that are inherently uncertain because their future resolution is unknown. We believe our critical accounting estimates include accounting for goodwill, business combinations, pension and postretirement benefits, taxes based on income and long-term incentive compensation.

Goodwill

Business combinations are accounted for using the acquisition method, with the excess of the acquisition cost over the fair value of net tangible assets and identified intangible assets acquired considered goodwill. As a result, we disclose goodwill separately from other intangible assets. Our reporting units are composed of either a discrete business or an aggregation of businesses with similar economic characteristics.

We perform an annual impairment test of goodwill during the fourth quarter. Certain factors may cause us to perform an impairment test prior to the fourth quarter, including significant underperformance of a business relative to expected operating results, significant adverse economic and industry trends, significant decline in our market capitalization for an extended period of time relative to net book value, or a decision to divest a portion of a reporting unit. In performing impairment tests, we have the option to first assess qualitative factors to determine whether it is necessary to perform a quantitative assessment for goodwill impairment. If the qualitative assessment indicates that it is more-likely-than-not that the fair value of a reporting unit is less than its carrying value, we perform a quantitative assessment.

A quantitative assessment primarily consists of a present value (discounted cash flow) method to determine the fair value of reporting units with goodwill. We compare the fair value of each reporting unit to its carrying amount, and, to the extent the carrying amount exceeds the unit's fair value, we recognize an impairment of goodwill for the excess up to the amount of goodwill of that reporting unit. In consultation with outside specialists, we estimate the fair value of our reporting units using various valuation techniques, with the primary technique being a discounted cash flow analysis. A discounted cash flow analysis requires us to make various assumptions about our reporting units, including their respective forecasted sales, operating margins and growth rates, as well as discount rates. Our assumptions about discount rates are based on the weighted average cost of capital for comparable companies. Our assumptions about sales, operating margins and growth rates are based on our forecasts, business plans, economic projections, anticipated future cash flows, and marketplace data. We also make assumptions for varying perpetual growth rates for periods beyond the long-term business plan period. We base our fair value estimates on projected financial information and assumptions that we believe are reasonable. However, actual future results may materially differ from these estimates and projections. The valuation methodology we use to estimate the fair value of reporting units requires inputs and assumptions that reflect current market conditions, as well as the impact of planned business and operational strategies that require management judgment. The estimated fair value could increase or decrease depending on changes in the inputs and assumptions.

In our annual impairment analysis in the fourth quarter of 2021, the goodwill of all reporting units in our LGM, RBIS, and IHM reportable segments, were tested utilizing a qualitative assessment. Based on this assessment, we determined that the fair values of these reporting units were more-likely-than-not greater than their respective carrying values. Therefore, the goodwill of our reporting units was not impaired.

Business Combinations

The results of acquired businesses are included in our Consolidated Financial Statements from their acquisition date. Assets and liabilities of an acquired business are recorded at their estimated fair values on the acquisition date. We engage third-party valuation specialists to assist us in determining these fair values as necessary. Any excess consideration over the fair value of assets acquired and liabilities assumed is recognized as goodwill.

The allocation of purchase price requires management to make significant estimates and assumptions. While we believe our assumptions and estimates are reasonable, they are inherently uncertain and based in part on experience, market conditions, projections of future performance and information obtained from management of the acquired companies. Critical estimates include, but are not limited to, the following:

- future revenue and profit margins;
- royalty rates;
- discount rates;
- customer retention rates;
- technology migration curves; and
- useful lives assigned to acquired intangible assets.

Acquired identifiable finite-lived intangible assets are amortized on a straight-line basis over their respective estimated useful lives to marketing, general and administrative expense.

Pension and Postretirement Benefits

Our assumptions used in determining projected benefit obligations and the fair value of plan assets for our defined benefit pension plans and other postretirement benefit plans are evaluated by management in consultation with outside actuaries. In the event that we determine that changes are warranted in the assumptions we use, such as the discount rate, expected long-term rate of return or health care costs, future pension and postretirement benefit expenses could increase or decrease. Due to changes in market conditions or participant population, the actuarial assumptions we use may differ from actual results, which could have a significant impact on our pension and postretirement liability and related costs.

Discount Rate

In consultation with our actuaries, we annually review and determine the discount rates we use in valuing our postretirement obligations. Our assumed discount rates for our international pension plans reflect market rates for high quality corporate bonds currently available. Our discount rates are determined by evaluating yield curves consisting of large populations of high quality corporate bonds. The projected pension benefit payment streams are then matched with the bond portfolios to determine a rate that reflects the liability duration unique to our pension and postretirement benefit plans. As of January 1, 2022, a .25% increase in the discount rates associated with our international plans would have decreased our year-end projected benefit obligation by $44 million and decreased expected periodic benefit cost for the coming year by approximately $1 million. Conversely, a .25% decrease in the discount rates associated with our international plans would have increased our year-end projected benefit obligation by approximately $44 million and increased expected periodic benefit cost for the coming year by approximately $2 million.

We use the full yield curve approach to estimate the service and interest cost components of net periodic benefit cost for our pension and other postretirement benefit plans. Using this approach, we apply multiple discount rates from a yield curve composed of the rates of return on several hundred high-quality, fixed income corporate bonds available at the measurement date. We believe this approach provides a more precise measurement of service and interest cost by aligning the timing of these plans' liability cash flows to the corresponding rates on the yield curve.

Long-term Return on Plan Assets

We determine the long-term rate of return assumption for plan assets by reviewing the historical and expected returns of both the equity and fixed income markets, taking into account our asset allocation, the correlation between returns in our asset classes, and our mix of active and passive investments. Additionally, current market conditions, including interest rates, are evaluated and market data is reviewed for reasonableness and appropriateness. An increase or decrease of .25% on the long-term return on assets associated with our international plans would have decreased or increased our periodic benefit cost for the coming year by approximately $2 million.

Taxes Based on Income

We are subject to income tax in the U.S. and multiple foreign jurisdictions, whereby judgment is required in evaluating and estimating our worldwide provision, accruals for taxes, deferred taxes and for evaluating our tax positions. Our provision for (benefit from) income taxes is determined using the asset and liability approach in accordance with GAAP. Deferred tax assets represent amounts available to reduce income taxes payable in future years. These assets arise because of temporary differences between the financial reporting and tax bases of assets and liabilities, as well as from net operating losses and tax credit carryforwards. These amounts are adjusted, as appropriate, to reflect changes in tax rates expected to be in effect when the temporary differences reverse. We evaluate the realizability of these future tax deductions and credits by assessing the period over which recoverability is allowed by law and the adequacy of future expected taxable income from all sources, including reversal of taxable temporary differences, forecasted operating earnings and available tax planning strategies. Our assessment of these sources of income relies heavily on estimates. Our forecasted earnings by jurisdiction are determined by how we operate our business and any changes to our operations may affect our effective tax rate. For example, our future income tax rate could be adversely affected by earnings being lower than anticipated in jurisdictions in which we have significant deferred tax assets that are dependent on such earnings to be realized. We use historical experience along with operating forecasts to evaluate expected future taxable income. To the extent we do not consider it more-likely-than-not that a deferred tax asset will be recovered, a valuation allowance is established in the period we make that determination.

We calculate our current and deferred tax provision based on estimates and assumptions that could differ from the actual results reflected in income tax returns filed in subsequent years. Adjustments based on filed returns are recorded when identified.

Tax laws and regulations are complex and subject to different interpretations by taxpayers and governmental taxing authorities. We review our tax positions quarterly and adjust the balances if and as new information becomes available. Significant judgment is required in determining our tax expense and evaluating our tax positions, including evaluating uncertainties. Our estimate of the potential outcome of any uncertain tax issue is subject to our assessment of relevant facts and circumstances existing at the balance sheet date, taking into consideration existing laws, regulations and practices of the governmental authorities exercising jurisdiction over our operations. We recognize and measure our uncertain tax positions following the more-likely-than-not threshold for recognition and measurement for tax positions we take or expect to take on a tax return. For example, we continue to monitor developments regarding the European Commission state aid investigations for jurisdictions in which we have significant operations, such as the Netherlands and Luxembourg.

Refer to Note 14, "Taxes Based on Income," to the Consolidated Financial Statements for more information.

Long-Term Incentive Compensation

Valuation of Stock-Based Awards

We base our stock-based compensation expense on the fair value of awards, adjusted for estimated forfeitures, amortized on a straight-line basis over the requisite service period for stock options and restricted stock units ("RSUs"). We base compensation expense for performance units ("PUs") on the fair value of awards, adjusted for estimated forfeitures, and amortized on a straight-line basis as these awards cliff-vest at the end of the requisite service period. We base compensation expense related to market-leveraged stock units ("MSUs") on the fair value of awards, adjusted for estimated forfeitures, and amortized on a graded-vesting basis over their respective performance periods.

Compensation expense for awards with a market condition as a performance objective, which includes PUs and MSUs, is not adjusted if the condition is not met, as long as the requisite service period is met.

We determine the fair value of RSUs and the component of PUs that is subject to the achievement of a performance objective based on a financial performance condition based on the fair market value of our common stock as of the date of the grant, adjusted for foregone dividends. Over the performance period of the PUs, the estimated number of shares of our common stock issuable upon vesting is adjusted upward or downward based on the probability of achieving the performance objectives established for the award.

We determine the fair value of stock-based awards that are subject to achievement of performance objectives based on a market condition, which includes MSUs and the other component of PUs, using the Monte-Carlo simulation model, which utilizes multiple input variables, including expected stock price volatility and other assumptions appropriate for determining fair value, to estimate the probability of satisfying the respective target performance objectives established for the award.

Forfeiture Rate

Changes in estimated forfeiture rates are recorded as cumulative adjustments in the period estimates are revised.

Certain of our assumptions are based on management's estimates, in consultation with outside specialists. Significant changes in assumptions for future awards and actual forfeiture rates could materially impact our stock-based compensation expense and results of operations.

Valuation of Cash-Based Awards

Cash-based awards consist of long-term incentive units ("LTI Units") granted to eligible employees. LTI Units are classified as liability awards and remeasured at each quarter-end over the applicable vesting or performance period. In addition to LTI Units with terms and conditions that mirror those of RSUs, we also grant certain employees LTI Units with terms and conditions that mirror those of PUs and MSUs.

RECENT ACCOUNTING REQUIREMENTS

Refer to Note 1, "Summary of Significant Accounting Policies," to the Consolidated Financial Statements for this information.

MARKET-SENSITIVE INSTRUMENTS AND RISK MANAGEMENT

Risk Management

We are exposed to the impact of changes in foreign currency exchange rates and interest rates. We generally do not purchase or hold foreign currency or interest rate or commodity contracts for trading purposes.

Our objective in managing our exposure to foreign currency changes is to reduce the risk to our earnings and cash flow associated with foreign exchange rate changes. As a result, we enter into foreign exchange forward, option and swap contracts to reduce risks associated with the value of our existing foreign currency assets, liabilities, firm commitments and anticipated foreign revenues and costs, when available and appropriate. The gains and losses on these contracts are intended to offset changes in the related exposures. We do not hedge our foreign currency translation exposure in a manner that would entirely eliminate the effects of changes in foreign exchange rates on our net income.

Our objective in managing our exposure to interest rate changes is to reduce the impact of interest rate changes on earnings and cash flows. To achieve this objective, we may periodically use interest rate contracts to manage our exposure to interest rate changes.

Additionally, we enter into certain natural gas futures contracts to reduce the risks associated with natural gas we anticipate using in our manufacturing operations. These amounts are not material to our financial statements.

In the normal course of operations, we also face other risks that are either non-financial or non-quantifiable. These risks principally include changes in economic or political conditions, other risks associated with foreign operations, commodity price risk, and litigation and compliance risk, which are not reflected in the analyses described below.

Foreign Exchange Value-At-Risk

We use a Value-At-Risk ("VAR") model to determine the estimated maximum potential one-day loss in earnings associated with our foreign exchange positions and contracts. This approach assumes that market rates or prices for foreign exchange positions and contracts are normally distributed. VAR model estimates are made assuming normal market conditions. The model includes foreign exchange derivative contracts. Forecasted transactions, firm commitments, accounts receivable and accounts payable denominated in foreign currencies, which certain of these instruments are intended to hedge, are excluded from the model.

The VAR model is a risk analysis tool and does not represent actual losses in fair value that we could incur, nor does it consider the potential effect of favorable changes in market factors.

In both 2021 and 2020, the VAR was estimated using a variance-covariance methodology. The currency correlation was based on one-year historical data obtained from one of our domestic banks. A 95% confidence level was used for a one-day time horizon.

The estimated maximum potential one-day loss in earnings for our foreign exchange positions and contracts was not significant at year-end 2021 or 2020.

Interest Rate Sensitivity

In 2021 and 2020, an assumed 9 and 18 basis point, respectively, increase in interest rates affecting our variable-rate borrowings (10% of our weighted average interest rate on floating rate debt) would not have had a significant impact on interest expense.

Consolidated Balance Sheets

(Dollars in millions, except per share amount)	January 1, 2022	January 2, 2021
Assets		
Current assets:		
Cash and cash equivalents	$ 162.7	$ 252.3
Trade accounts receivable, less allowances of $33 and $44.6 at year-end 2021 and 2020, respectively	1,424.5	1,235.2
Inventories	907.2	717.2
Other current assets	240.2	211.5
Total current assets	2,734.6	2,416.2
Property, plant and equipment, net	1,477.7	1,343.7
Goodwill	1,881.5	1,136.4
Other intangibles resulting from business acquisitions, net	911.4	224.9
Deferred tax assets	130.2	197.7
Other assets	836.2	765.0
	$ 7,971.6	$ 6,083.9
Liabilities and Shareholders' Equity		
Current liabilities:		
Short-term borrowings and current portion of long-term debt and finance leases	$ 318.8	$ 64.7
Accounts payable	1,298.8	1,050.9
Accrued payroll and employee benefits	299.0	239.0
Accrued trade rebates	176.3	140.2
Income taxes payable	74.9	86.3
Other current liabilities	380.1	344.9
Total current liabilities	2,547.9	1,926.0
Long-term debt and finance leases	2,785.9	2,052.1
Long-term retirement benefits and other liabilities	474.9	503.6
Deferred tax liabilities and income taxes payable	238.5	117.3
Commitments and contingencies (see Notes 7 and 8)		
Shareholders' equity:		
Common stock, $1 par value per share, authorized – 400,000,000 shares at year-end 2021 and 2020; issued – 124,126,624 shares at year-end 2021 and 2020; outstanding – 82,605,953 and 83,151,174 shares at year-end 2021 and 2020, respectively	124.1	124.1
Capital in excess of par value	862.3	862.1
Retained earnings	3,880.7	3,349.3
Treasury stock at cost, 41,520,671 and 40,975,450 shares at year-end 2021 and 2020, respectively	(2,659.8)	(2,501.0)
Accumulated other comprehensive loss	(282.9)	(349.6)
Total shareholders' equity	1,924.4	1,484.9
	$ 7,971.6	$ 6,083.9

See Notes to Consolidated Financial Statements

Consolidated Statements of Income

(In millions, except per share amounts)	2021	2020	2019
Net sales	$8,408.3	$6,971.5	$7,070.1
Cost of products sold	6,095.5	5,048.2	5,166.0
Gross profit	2,312.8	1,923.3	1,904.1
Marketing, general and administrative expense	1,248.5	1,060.5	1,080.4
Other expense (income), net	5.6	53.6	53.2
Interest expense	70.2	70.0	75.8
Other non-operating expense (income), net	(4.1)	1.9	445.2
Income before taxes	992.6	737.3	249.5
Provision for (benefit from) income taxes	248.6	177.7	(56.7)
Equity method investment (losses) gains	(3.9)	(3.7)	(2.6)
Net income	$ 740.1	$ 555.9	$ 303.6
Per share amounts:			
Net income per common share	$ 8.93	$ 6.67	$ 3.61
Net income per common share, assuming dilution	$ 8.83	$ 6.61	$ 3.57
Weighted average number of shares outstanding:			
Common shares	82.9	83.4	84.0
Common shares, assuming dilution	83.8	84.1	85.0

See Notes to Consolidated Financial Statements

Consolidated Statements of Comprehensive Income

(In millions)	2021	2020	2019
Net income	$ 740.1	$ 555.9	$ 303.6
Other comprehensive income (loss), net of tax:			
Foreign currency translation:			
Translation gain (loss)	30.7	(3.0)	2.3
Pension and other postretirement benefits:			
Net gain recognized from actuarial gain/loss and prior service cost/credit	27.9	6.2	66.4
Reclassifications to net income	4.4	2.9	266.1
Cash flow hedges:			
Gains (losses) recognized on cash flow hedges	5.4	(7.5)	.5
Reclassifications to net income	(1.7)	(.1)	(1.4)
Other comprehensive income (loss), net of tax	66.7	(1.5)	333.9
Total comprehensive income, net of tax	$ 806.8	$ 554.4	$ 637.5

See Notes to Consolidated Financial Statements

Consolidated Statements of Shareholders' Equity

(Dollars in millions, except per share amounts)	Common stock, $1 par value	Capital in excess of par value	Retained earnings	Treasury stock	Accumulated other comprehensive loss	Total
Balance as of December 29, 2018	$124.1	$872.0	$2,864.9	$(2,223.9)	$(682.0)	$ 955.1
Net income	–	–	303.6	–	–	303.6
Other comprehensive income (loss), net of tax	–	–	–	–	333.9	333.9
Repurchase of 2,222,937 shares for treasury	–	–	–	(237.7)	–	(237.7)
Issuance of 665,380 shares under stock-based compensation plans	–	2.0	(13.6)	28.0	–	16.4
Contribution of 200,742 shares to 401(k) Plan	–	–	13.9	8.5	–	22.4
Dividends of $2.26 per share	–	–	(189.7)	–	–	(189.7)
Balance as of December 28, 2019	$124.1	$874.0	$2,979.1	$(2,425.1)	$(348.1)	$1,204.0
Net income	–	–	555.9	–	–	555.9
Other comprehensive income (loss), net of tax	–	–	–	–	(1.5)	(1.5)
Repurchase of 792,997 shares for treasury	–	–	–	(104.3)	–	(104.3)
Issuance of 389,102 shares under stock-based compensation plans	–	(11.9)	(3.4)	20.2	–	4.9
Contribution of 188,229 shares to 401(k) Plan	–	–	14.5	8.2	–	22.7
Dividends of $2.36 per share	–	–	(196.8)	–	–	(196.8)
Balance as of January 2, 2021	$124.1	$862.1	$3,349.3	$(2,501.0)	$(349.6)	$1,484.9
Net income	–	–	740.1	–	–	740.1
Other comprehensive income (loss), net of tax	–	–	–	–	66.7	66.7
Repurchase of 925,425 shares for treasury	–	–	–	(180.9)	–	(180.9)
Issuance of 257,189 shares under stock-based compensation plans	–	.2	(7.2)	16.6	–	9.6
Contribution of 123,015 shares to 401(k) Plan	–	–	19.1	5.5	–	24.6
Dividends of $2.66 per share	–	–	(220.6)	–	–	(220.6)
Balance as of January 1, 2022	$124.1	$862.3	$3,880.7	$(2,659.8)	$(282.9)	$1,924.4

See Notes to Consolidated Financial Statements

Consolidated Statements of Cash Flows

(In millions)	2021	2020	2019
Operating Activities			
Net income	$ 740.1	$ 555.9	$ 303.6
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	167.3	154.2	140.3
Amortization	76.8	51.1	38.7
Provision for credit losses and sales returns	35.7	64.0	58.7
Stock-based compensation	37.2	24.0	34.5
Pension plan settlements and related charges	1.6	.5	444.1
Deferred taxes and other non-cash taxes	2.6	9.3	(216.9)
Other non-cash expense and loss (income and gain), net	10.1	44.9	28.3
Changes in assets and liabilities and other adjustments:			
Trade accounts receivable	(113.2)	14.7	(42.2)
Inventories	(182.7)	(6.0)	(18.1)
Accounts payable	255.2	(68.2)	46.4
Taxes on income	(7.3)	(35.2)	5.4
Other assets	4.1	18.2	38.4
Other liabilities	19.3	(76.1)	(114.7)
Net cash provided by operating activities	1,046.8	751.3	746.5
Investing Activities			
Purchases of property, plant and equipment	(255.0)	(201.4)	(219.4)
Purchases of software and other deferred charges	(17.1)	(17.2)	(37.8)
Proceeds from sales of property, plant and equipment	1.1	9.2	7.8
Proceeds from insurance and sales (purchases) of investments, net	3.1	5.6	4.9
Proceeds from sale of product line	7.6	–	–
Payments for acquisitions, net of cash acquired, and investments in businesses	(1,477.6)	(350.4)	(6.5)
Net cash used in investing activities	(1,737.9)	(554.2)	(251.0)
Financing Activities			
Net increase (decrease) in borrowings with maturities of three months or less	259.2	(110.4)	(5.3)
Additional borrowings under revolving credit facility	–	500.0	–
Repayments of borrowings under revolving credit facility	–	(500.0)	–
Additional long-term borrowings	791.7	493.7	–
Repayments of long-term debt and finance leases	(13.4)	(270.2)	(18.6)
Dividends paid	(220.6)	(196.8)	(189.7)
Share repurchases	(180.9)	(104.3)	(237.7)
Net (tax withholding) proceeds related to stock-based compensation	(25.4)	(19.7)	(17.4)
Other	(6.3)	–	(1.6)
Net cash provided by (used in) financing activities	604.3	(207.7)	(470.3)
Effect of foreign currency translation on cash balances	(2.8)	9.2	(3.5)
Increase (decrease) in cash and cash equivalents	(89.6)	(1.4)	21.7
Cash and cash equivalents, beginning of year	252.3	253.7	232.0
Cash and cash equivalents, end of year	$ 162.7	$ 252.3	$ 253.7

See Notes to Consolidated Financial Statements

Notes to Consolidated Financial Statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Our businesses produce pressure-sensitive materials and a variety of tickets, tags, labels and other converted products. We sell most of our pressure-sensitive materials to label printers and converters that convert the materials into labels and other products through embossing, printing, stamping and die-cutting. We sell other pressure-sensitive materials in converted form as tapes and reflective sheeting. We also manufacture and sell a variety of other converted products and items not involving pressure-sensitive components, such as fasteners, tickets, tags, radio-frequency identification ("RFID") inlays and tags, imprinting equipment and related solutions, and shelf-edge pricing, productivity, and consumer engagement solutions.

Principles of Consolidation

Our Consolidated Financial Statements include the accounts of majority-owned and controlled subsidiaries. Intercompany accounts, transactions, and profits are eliminated in consolidation. We apply the equity method of accounting for investments in which we have significant influence but not a controlling interest.

Fiscal Year

Our fiscal years generally consist of 52 weeks, but every fifth or sixth fiscal year consists of 53 weeks; our 2021 and 2019 fiscal years consisted of 52-week periods ending January 1, 2022 and December 28, 2019, respectively. Our 2020 fiscal year consisted of a 53-week period ending January 2, 2021.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, or GAAP, requires management to make estimates and assumptions for the reporting period and as of the date of our financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities and the reported amounts of revenue and expense. The business and economic uncertainty caused by the COVID-19 pandemic has made these estimates and assumptions more difficult to determine. As future events and their effect cannot be determined with precision, actual results could differ significantly from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents generally consist of cash on hand, deposits in banks, cash-in-transit, and bank drafts and short-term investments with maturities of three months or less when purchased or received. The carrying value of these assets approximates fair value due to the short maturity of these instruments.

Inventories

We state inventories at the lower of cost or net realizable value and categorized as raw materials, work-in-progress, or finished goods. Cost is determined using the first-in, first-out method. We record inventory that is damaged, obsolete, excess and slow-moving to cost of products sold and we establish a lower cost basis for the inventory. Slow-moving inventory is reviewed by category and may be recognized partially or fully to cost of products sold depending on the type of product, level of usage, and length of time the product has been included in inventory.

Trade Accounts Receivable

We record trade accounts receivable at the invoiced amount. Our allowance for credit losses reflects customer trade accounts receivable that are estimated to be partially or entirely uncollectible. These allowances are used to reduce gross trade receivables to their net realizable values. We record these allowances based on estimates related to the following:

- The financial condition of customers;
- The aging of receivable balances;
- Our historical collection experience; and
- Current and expected future macroeconomic and market conditions.

Property, Plant and Equipment

We generally compute depreciation using the straight-line method over the estimated useful lives of the respective assets, ranging from ten to 45 years for buildings and improvements and three to 15 years for machinery and equipment. Leasehold improvements are depreciated over the shorter of the useful life of the asset or the term of the associated leases. We expense maintenance and repair costs as incurred; we capitalize renewals and improvements. Upon the sale or retirement of assets, the accounts are relieved of the cost and the related accumulated depreciation, with any resulting gain or loss included in net income.

Leases

Our leases primarily relate to office and warehouse space, machinery, transportation, and equipment for information technology. We determine if an arrangement is a lease or contains a lease at inception. For lease accounting purposes, we do not separate lease and nonlease components, nor do we record operating or finance lease assets and liabilities for short-term leases. We have options to renew or terminate some of our leases. We evaluate renewal and termination options based on considerations available at the lease commencement date and over the lease term to determine if we are reasonably certain to exercise these options. As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at the lease commencement date to determine the present value of lease payments. We recognize expense for operating leases using a straight-line basis over the lease term, with variable lease payments recognized in the periods in which they are incurred.

Software

We capitalize software costs incurred during the application development stage of software development, including costs incurred for design, coding, installation to hardware, testing, and upgrades and enhancements that provide the software or hardware with additional functionalities and capabilities. We expense software costs, including internal and external training costs and maintenance costs, incurred during the preliminary project stage and the post-implementation and/or operation stage. In addition, we capitalize implementation costs incurred under a hosting arrangement that is a service contract. Capitalized software, which is included in "Other assets" in the Consolidated Balance Sheets, is amortized on a straight-line basis over the estimated useful life of the software, which is generally between five and ten years.

Impairment of Long-lived Assets

We record impairment charges when the carrying amounts of long-lived assets are determined not to be recoverable. We measure recoverability by comparing the undiscounted cash flows expected from the applicable asset or asset group's use and eventual disposition to its carrying value. We calculate the amount of impairment loss as the excess of the carrying value over the fair value. Historically, changes in market conditions and management strategy have caused us to reassess the carrying amount of our long-lived assets.

Goodwill and Other Intangibles Resulting from Business Acquisitions

We account for business combinations using the acquisition method, with the excess of the acquisition cost over the fair value of net tangible assets and identified intangible assets acquired considered goodwill. As a result, we disclose goodwill separately from other intangible assets. Other identifiable intangibles include customer relationships, patented and other developed technology, and trade names and trademarks.

We perform an annual impairment test of goodwill during the fourth quarter. Certain factors may cause us to perform an impairment test prior to the fourth quarter, including significant underperformance of a business relative to expected operating results, significant adverse economic and industry trends, significant decline in our market capitalization for an extended period of time relative to net book value, or our decision to divest a portion of a reporting unit. In performing impairment tests, we have the option to first assess qualitative factors to determine whether it is necessary to perform a quantitative assessment for goodwill impairment. If the qualitative assessment indicates that it is more-likely-than-not that the fair value of a reporting unit is less than its carrying value, we perform a quantitative assessment. A quantitative assessment primarily uses a present value (discounted cash flow) method to determine the fair value of reporting units with goodwill.

We compare the fair value of each reporting unit to its carrying amount, and, to the extent the carrying amount exceeds the unit's fair value, we recognize an impairment of goodwill for the excess up to the amount of goodwill of that reporting unit.

In consultation with outside specialists, we estimate the fair value of our reporting units using various valuation techniques, with the primary technique being a discounted cash flow analysis. A discounted cash flow analysis requires us to make various assumptions about our reporting units, including their respective forecasted sales, operating margins and growth rates, as well as discount rates. Our assumptions about discount rates are based on the weighted average cost of capital for comparable companies. Our assumptions about sales, operating margins and growth rates are based on our forecasts, business plans, economic projections, anticipated future cash flows, and marketplace data. We also make assumptions for varying perpetual growth rates for periods beyond our long-term business plan period. We base our fair value estimates on projected financial information and assumptions that we believe are reasonable. However, actual future results may materially differ from these estimates and projections. The valuation methodology we use to estimate the fair value of reporting units requires inputs and assumptions that reflect current market conditions, as well as the impact of planned business and operational strategies that require management judgment. The estimated fair value could increase or decrease depending on changes in the inputs and assumptions.

We test indefinite-lived intangible assets, consisting of trade names and trademarks, for impairment in the fourth quarter or whenever events or circumstances indicate that it is more-likely-than-not that their carrying amounts exceed their fair values. In performing the impairment tests, we have the option to first assess qualitative factors to determine whether it is necessary to perform a quantitative assessment for indefinite-lived intangible asset impairment. If we decide not to perform a qualitative assessment, or if the qualitative assessment indicates that it is more-likely-than-not that the fair value of an indefinite-lived intangible asset is less than its carrying value, we perform a quantitative assessment. Fair value is estimated as the discounted value of future revenues using a royalty rate that a third party would pay for use of the asset. Variation in the royalty rates could impact our estimate of fair value. If the carrying amount of an asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess.

We amortize finite-lived intangible assets, consisting of customer relationships, patented and other developed technology, trade names and trademarks, and other intangibles, on a straight-line basis over the estimated useful life of the assets.

See Note 3, "Goodwill and Other Intangibles Resulting from Business Acquisitions," for more information.

Foreign Currency

We translate asset and liability accounts of international operations into U.S. dollars at current rates. Revenues and expenses are translated at the weighted average currency rate for the fiscal year. We record gains and losses resulting from hedging the value of investments in certain international operations and from the translation of balance sheet accounts directly as a component of other comprehensive income.

We account for our operations in Argentina as highly inflationary, as the country's three-year cumulative inflation rate exceeded 100%. As a result, the functional currency of our Argentine subsidiary is the U.S. dollar.

Financial Instruments

We enter into foreign exchange derivative contracts to reduce our risk from exchange rate fluctuations associated with receivables, payables, loans and firm commitments denominated in certain foreign currencies that arise primarily as a result of our operations outside the U.S. From time to time, we enter into interest rate contracts to help manage our exposure to certain interest rate fluctuations. We also enter into futures contracts to hedge certain price fluctuations for a portion of our anticipated domestic purchases of natural gas. The maximum length of time for which we hedge our exposure to the variability in future cash flows is 36 months for forecasted foreign exchange and commodity transactions and 10 years for cross-currency swap transactions.

On the date we enter into a derivative contract, we determine whether the derivative will be designated as a hedge. Derivatives designated as hedges are classified as either (1) hedges of the fair value of a recognized asset or liability or an unrecognized firm commitment ("fair value" hedges) or (2) hedges of a forecasted transaction or the variability of cash flows that are to be received or paid in connection with a recognized asset or liability ("cash flow" hedges). Other derivatives not designated as hedges are recorded on the balance sheets at fair value, with changes in fair value recognized in earnings. Our policy is not to purchase or hold any foreign currency, interest rate or commodity contracts for trading purposes.

We assess, both at the inception of any hedge and on an ongoing basis, whether our hedges are highly effective. If we determine that a hedge is not highly effective, we prospectively discontinue hedge accounting. For cash flow hedges, we record gains and losses as components of other comprehensive income and reclassify them into earnings in the same period during which the hedged transaction affects earnings. In the event that the anticipated transaction is no longer likely to occur, we recognize the change in fair value of the instrument in current period earnings. We recognize changes in fair value hedges in current period earnings. We also recognize changes in the fair value of underlying hedged items (such as recognized assets or liabilities) in current period earnings and offset the changes in the fair value of the derivative.

In the Consolidated Statements of Cash Flows, hedges are classified in the same category as the item hedged, primarily in operating activities.

See Note 5, "Financial Instruments," for more information.

Fair Value Measurements

We define fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining the fair value measurements for assets and liabilities required to be recorded at fair value, we consider the principal or most advantageous market in which we would transact and the market-based risk measurements or assumptions that market participants would use in pricing the asset or liability.

We determine fair value based on a three-tier fair value hierarchy, which we use to prioritize the inputs used in measuring fair value. These tiers consist of Level 1, which are observable inputs such as quoted prices in active markets; Level 2, which are inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, which are unobservable inputs in which little or no market data exists, and require us to develop our own assumptions to determine the best estimate of fair value.

Revenue Recognition

We recognize sales when or as we satisfy a performance obligation by transferring control of a product or service to a customer, in an amount that reflects the consideration to which we expect to be entitled for the product or service. We consider a number of factors in determining when we have transferred control to a customer, including the following: (i) our present right to payment; (ii) the customer's legal title to the asset; (iii) physical possession of the asset; (iv) the customer's significant risks and rewards of ownership of the asset; and (v) the customer's acceptance of the asset.

Our payment terms with our customers are generally consistent with those used in the industries and the regions in which we operate.

We accept sales returns in certain limited circumstances. We record an estimate for return liabilities and a corresponding reduction to sales, in the amount we expect to repay or credit customers, which we base on historical returns and outstanding customer claims. We update our estimates each reporting period.

Sales rebates, discounts, and other customer concessions represent variable consideration and are common in the industries and regions in which we operate, which we account for as a reduction to sales based on estimates at the time at which products are sold. We base these estimates on our historical experience, as well as current information such as sales forecasts. We review our estimates regularly and, as additional information becomes available, we adjust our sales and the respective accruals as necessary.

We exclude sales tax, value-added tax, and other taxes we collect from customers from sales. We account for shipping and handling activities after control of a product is transferred to a customer as fulfillment costs and not as separate performance obligations. As a practical expedient, we have elected not to disclose the value of unsatisfied performance obligations for contracts with an original expected length of less than one year. We generally expense sales commissions when incurred because the amortization period would have been one year or less. We record these costs in "Marketing, general and administrative expense" in the Consolidated Statements of Income.

Research and Development

Research and development costs are related to research, design and testing of new products and applications, which we expense as incurred.

Long-Term Incentive Compensation

No long-term incentive compensation expense was capitalized in 2021, 2020 or 2019.

Valuation of Stock-Based Awards

We base our stock-based compensation expense on the fair value of awards, adjusted for estimated forfeitures, amortized on a straight-line basis over the requisite service period for stock options and restricted stock units ("RSUs"). We base compensation expense for performance units ("PUs") on the fair value of awards, adjusted for estimated forfeitures, and amortized on a straight-line basis as these awards cliff-vest at the end of the requisite service period. We base compensation expense related to market-leveraged stock units ("MSUs") on the fair value of awards, adjusted for estimated forfeitures, and amortized on a graded-vesting basis over their respective performance periods.

Compensation expense for awards with a market condition as a performance objective, which includes PUs and MSUs, is not adjusted if the condition is not met, as long as the requisite service period is met.

We estimated the fair value of stock options as of the date of grant using the Black-Scholes option-pricing model. This model requires input assumptions for our expected dividend yield, expected stock price volatility, risk-free interest rate and expected option term.

We determine the fair value of RSUs and the component of PUs that is subject to the achievement of a performance objective using a financial performance condition based on the fair market value of our common stock as of the date of grant, adjusted for foregone dividends. Over the performance period of the PUs, the estimated number of shares of our common stock issuable upon vesting is adjusted upward or downward from the target shares at the time of grant based on the probability of the financial performance objectives established for the award being achieved.

We determine the fair value of stock-based awards that are subject to achievement of performance objectives based on a market condition, which includes MSUs and the other component of PUs, using the Monte-Carlo simulation method, which utilizes multiple input variables, including expected stock price volatility and other assumptions appropriate for determining fair value, to estimate the probability of satisfying the target performance objectives established for the award.

Certain of these assumptions are based on management's estimates, in consultation with outside specialists. Significant changes in assumptions for future awards and actual forfeiture rates could materially impact stock-based compensation expense and our results of operations.

Valuation of Cash-Based Awards

Cash-based awards consist of long-term incentive units ("LTI Units") granted to eligible employees. We classify LTI Units as liability awards and remeasure them at each quarter-end over the applicable vesting or performance period. In addition to LTI Units with terms and conditions that mirror those of RSUs, we also grant certain employees LTI Units with terms and conditions that mirror those of PUs and MSUs.

Forfeitures

We estimate expected forfeitures in determining the compensation cost to be recognized each period, rather than accounting for forfeitures as they occur. We record changes in estimated forfeiture rates as cumulative adjustments in the period estimates are revised.

See Note 12, "Long-term Incentive Compensation," for more information.

Taxes Based on Income

We are subject to income tax in the U.S. and multiple foreign jurisdictions, whereby judgment is required in evaluating and estimating our worldwide provision, accruals for taxes, deferred taxes and for evaluating our tax positions. Our provision for income taxes is determined using the asset and liability approach in accordance with GAAP. Under this approach, deferred taxes represent the expected future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities. We record a valuation allowance to reduce our deferred tax assets when uncertainty regarding their realizability exists. We recognize and measure our uncertain tax positions following the more-likely-than-not threshold for recognition and measurement for tax positions we take or expect to take on a tax return.

See Note 14, "Taxes Based on Income," for more information.

Recent Accounting Requirements

In November 2021, the Financial Accounting Standards Board ("FASB") issued an accounting guidance update that requires entities to provide disclosures on material government assistance transactions for annual reporting periods. The disclosures include information around the nature of the assistance, the related accounting policies used to account for government assistance, the effect of government assistance on the entity's financial statements, and any significant terms and conditions of the agreements, including commitments and contingencies. This guidance is effective for our annual disclosures for our fiscal year beginning January 2, 2022. We are currently assessing the impact of this guidance on our disclosures.

In October 2021, the FASB issued an accounting guidance update that requires entities to recognize and measure contract assets and liabilities acquired in a business combination in accordance with revenue recognition guidance. The update will generally result in an entity recognizing contract assets and liabilities at amounts consistent with those recorded by the acquiree immediately before the acquisition date rather than fair value. This guidance is effective on a prospective basis for fiscal years beginning after December 15, 2022, with early adoption permitted. We will adopt this guidance at the beginning of our fiscal year on January 2, 2022.

NOTE 2. ACQUISITIONS

Vestcom Acquisition

On August 31, 2021, we completed our acquisition of CB Velocity Holdings, LLC ("Vestcom"), an Arkansas-based provider of shelf-edge pricing, productivity and consumer engagement solutions for retailers and consumer packaged goods companies, for purchase consideration of $1.47 billion. We funded this acquisition using a combination of cash and proceeds from commercial paper borrowings and issuances of senior notes. Refer to Note 4, "Debt," to the Consolidated Financial Statements for more information.

We believe Vestcom's solutions expand our position in high value categories while adding channel access and data management capabilities to our Retail Branding and Information Solutions ("RBIS") reportable segment.

The table below summarizes the preliminary fair value of assets acquired and liabilities assumed in the Vestcom acquisition.

(In millions)	
Cash and cash equivalents	$ 24.3
Trade accounts receivable	98.7
Other current assets	28.5
Property, plant and equipment	56.3
Goodwill	756.6
Other intangibles resulting from business acquisition	727.0
Other assets	22.7
Total assets	1,714.1
Current liabilities	47.5
Other liabilities	17.2
Deferred and non-current income tax liabilities	184.3
Total liabilities	249.0
Net assets acquired	$1,465.1

The final allocation of purchase consideration to assets and liabilities is ongoing as we continue to evaluate certain balances, estimates and assumptions during the measurement period (up to one year from the acquisition date). Consistent with the allowable time to complete our assessment, the valuation of certain acquired assets and liabilities, including environmental liabilities and income taxes, is currently pending finalization.

The impact of the Vestcom acquisition was not material to the proforma net sales or net income of our combined operations for the periods presented. Net sales and net income related to Vestcom post-acquisition were not material to the Consolidated Statements of Income for the periods presented.

Other 2021 Acquisitions

On March 18, 2021, we completed our acquisition of the net assets of ZippyYum, LLC ("ZippyYum"), a California-based developer of software products used in the food service and food preparation industries. We believe this acquisition enhances the product portfolio in our RBIS reportable segment.

On March 1, 2021, we completed our acquisition of the issued and outstanding stock of JDC Solutions, Inc. ("JDC"), a Tennessee-based manufacturer of pressure-sensitive specialty tapes. We believe that this acquisition expands the product portfolio in our Industrial and Healthcare Materials ("IHM") reportable segment.

The acquisitions of ZippyYum and JDC are referred to collectively as the "Other 2021 Acquisitions."

The aggregate purchase consideration for the Other 2021 Acquisitions was approximately $43 million. We funded the Other 2021 Acquisitions using cash and commercial paper borrowings. In addition to the cash paid at closing, the sellers in one of these acquisitions are eligible for earn-out payments of up to approximately $13 million subject to the acquired company's achievement of certain performance targets. As of the acquisition date, we estimated the fair value of these earn-out payments to be approximately $12 million, which has been included in the $43 million of aggregate purchase consideration.

The Other 2021 Acquisitions were not material, individually or in the aggregate, to the Consolidated Financial Statements.

2020 Acquisitions

On December 31, 2020, we completed our acquisition of ACPO, Ltd. ("ACPO"), an Ohio-based manufacturer of self-wound (linerless) pressure-sensitive overlaminate products, for consideration of approximately $88 million. We believe this acquisition expands our product portfolio in the North American business of our Labels and Graphic Materials ("LGM") reportable segment.

On February 28, 2020, we completed our acquisition of Smartrac's Transponder (RFID Inlay) division ("Smartrac"), a manufacturer of RFID products, for consideration of approximately $255 million (€232 million). We believe this acquisition enhances our research and development capabilities, expands our product lines and provides additional manufacturing capacity. Results for Smartrac's operations were included in our RBIS reportable segment.

These acquisitions (the "2020 Acquisitions") were not material, individually or in the aggregate, to the Consolidated Financial Statements.

NOTE 3. GOODWILL AND OTHER INTANGIBLES RESULTING FROM BUSINESS ACQUISITIONS

Goodwill

Results from our annual goodwill impairment test in the fourth quarter of 2021 indicated that no impairment occurred during 2021. The assumptions used in our assessment of these assets were primarily based on Level 3 inputs.

Changes in the net carrying amount of goodwill for 2021 and 2020 by reportable segment were as follows:

(In millions)	Label and Graphic Materials	Retail Branding and Information Solutions	Industrial and Healthcare Materials	Total
Goodwill as of December 28, 2019	$407.8	$ 349.3	$173.7	$ 930.8
Acquisitions[1]	45.8	112.7	–	158.5
Translation adjustments	27.3	9.8	10.0	47.1
Goodwill as of January 2, 2021	480.9	471.8	183.7	1,136.4
Acquisitions[2]	–	774.5	6.9	781.4
Acquisition adjustment[3]	1.2	–	–	1.2
Translation adjustments	(25.7)	(10.3)	(1.5)	(37.5)
Goodwill as of January 1, 2022	$456.4	$1,236.0	$189.1	$1,881.5

(1) Goodwill acquired in 2020 related to the acquisitions of Smartrac, which is included in our RBIS reportable segment, and ACPO, which is included in our LGM reportable segment. We expect the recognized goodwill related to the Smartrac acquisition not to be deductible for income tax purposes and the recognized goodwill related to the ACPO acquisition to be deductible for income tax purposes.

(2) Goodwill acquired related to the acquisitions of Vestcom, JDC and ZippyYum. We expect nearly all of the recognized goodwill related to the Vestcom and JDC acquisitions not to be deductible for income tax purposes and the recognized goodwill related to the ZippyYum acquisition to be deductible for income tax purposes.

(3) Measurement period adjustment related to the finalization of the purchase price allocation for the acquisition of ACPO completed in December 2020.

The carrying amounts of goodwill at January 1, 2022 and January 2, 2021 were net of accumulated impairment losses of $820 million recognized in fiscal year 2009 by our RBIS reportable segment.

Indefinite-Lived Intangible Assets

In connection with our acquisition of Vestcom, we acquired approximately $135 million of identifiable indefinite lived intangible assets consisting of trade names and trademarks. We utilized the income approach to estimate the fair values of acquired identifiable intangibles, primarily using Level 3 inputs. We applied significant judgment in determining the fair value of intangible assets, which included our estimates and assumptions with respect to estimated future revenue and related profit margins, royalty rates, discount rates, and economic lives assigned to the acquired intangible assets.

Results from our annual indefinite-lived intangible assets impairment test in the fourth quarter indicated that no impairment occurred in 2021. The carrying value of indefinite-lived intangible assets resulting from business acquisitions, consisting of trade names and trademarks, was $155.6 million and $22.2 million at January 1, 2022 and January 2, 2021, respectively.

Finite-Lived Intangible Assets

In connection with our acquisition of Vestcom, we acquired approximately $592 million of identifiable finite-lived intangible assets, which consisted of customer relationships and patented and other developed technology. We utilized the income approach to estimate the fair values of acquired identifiable intangibles, primarily using Level 3 inputs. We applied significant judgment in determining the fair value of intangible assets, which included our estimates and assumptions with respect to estimated future revenue and related profit margins, customer retention rates, technology migration curves, royalty rates, discount rates, and economic lives assigned to the acquired intangible assets.

The table below summarizes the amounts and useful lives of these intangible assets as of the acquisition date.

	Amount (in millions)	Amortization period (in years)
Customer relationships	$ 492.0	12
Patented and other developed technology	100.4	7

The intangible assets from the Other 2021 Acquisitions were not material to the Consolidated Financial Statements.

In connection with the 2020 Acquisitions, we acquired approximately $106 million of identifiable finite-lived intangible assets, which consisted of customer relationships, trade names and trademarks and patented and other developed technology. We utilized the income and cost approaches to estimate the fair values of acquired identifiable intangibles, primarily using Level 3 inputs.

The table below summarizes the amounts and weighted average useful lives of these intangible assets as of the acquisition date.

	Amount (in millions)	Weighted average amortization period (in years)
Patented and other developed technology	$ 62.5	11
Customer relationships	41.4	7
Trade names and trademarks	2.2	5

Refer to Note 2, "Acquisitions," for more information.

The table below sets forth our finite-lived intangible assets resulting from business acquisitions at January 1, 2022 and January 2, 2021, which continue to be amortized.

	2021			2020		
(In millions)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	$ 862.5	$277.2	$585.3	$373.3	$254.1	$119.2
Patented and other developed technology	247.7	84.7	163.0	147.3	69.8	77.5
Trade names and trademarks	14.8	9.7	5.1	28.2	22.2	6.0
Other intangibles	3.2	.8	2.4	.2	.2	–
Total	$1,128.2	$372.4	$755.8	$549.0	$346.3	$202.7

Amortization expense for finite-lived intangible assets resulting from business acquisitions was $44.6 million for 2021, $19.9 million for 2020 and $13.5 million for 2019.

We expect estimated amortization expense for finite-lived intangible assets resulting from business acquisitions for each of the next five fiscal years to be as follows:

(In millions)	Estimated Amortization Expense
2022	$ 43.5
2023	42.5
2024	40.8
2025	40.0
2026	36.9

NOTE 4. DEBT

Short-Term Borrowings

We had $189 million of outstanding borrowings from U.S. commercial paper issuances with a weighted average interest rate of 0.32% as of January 1, 2022 and no outstanding borrowings from U.S. commercial paper as of January 2, 2021.

We have a Euro-Commercial Paper Program under which we may issue unsecured commercial paper notes up to a maximum aggregate amount outstanding of $500 million. Proceeds from issuances under this program may be used for general corporate purposes. The maturities of the notes vary, but may not exceed 364 days from the date of issuance. Our payment obligations with respect to any notes issued under this program are backed by our $800 million revolving credit facility (the "Revolver"). There are no financial covenants under this program. We had balances of $113.1 million and $36.9 million outstanding under this program as of January 1, 2022 and January 2, 2021, respectively.

Short-Term Credit Facilities

In February 2020, we amended and restated the Revolver, eliminating one of the financial covenants and extending its maturity date to February 13, 2025. The maturity date may be further extended for a one-year period under certain circumstances. The commitments under the Revolver may be increased by up to $400 million, subject to lender approvals and customary requirements. We use the Revolver as a back-up facility for our commercial paper program and for other corporate purposes.

No balance was outstanding under the Revolver as of January 1, 2022 or January 2, 2021. Commitment fees associated with the Revolver in 2021, 2020 and 2019 were $.9 million, $.8 million and $1.2 million, respectively.

In addition to the Revolver, we have short-term lines of credit available in various countries of approximately $358 million in the aggregate at January 1, 2022. These lines may be cancelled at any time by us or the issuing banks. Short-term borrowings outstanding under these lines of credit were $11.2 million and $22.2 million at January 1, 2022 and January 2, 2021, respectively, with weighted average interest rates of 4.97% and 3.6%, respectively.

From time to time, we provide guarantees on certain arrangements with banks. Our exposure to these guarantees is not material.

Long-Term Borrowings

In August 2021, we issued $500 million of senior notes, due February 15, 2032, which bear an interest rate of 2.250%, payable semiannually in arrears. Our net proceeds from this issuance, after deducting underwriting discounts and offering expenses, were $493.7 million. Additionally, in August 2021, we issued $300 million of senior notes, due August 15, 2024, which we can repay without penalty on or after August 15, 2022 and bear an interest rate of 0.850%, payable semiannually in arrears. Our net proceeds from this issuance, after deducting underwriting discounts and offering expenses, were $298 million. We used the net proceeds from these two debt issuances to finance a portion of the Vestcom acquisition.

In March 2020, we issued $500 million of senior notes, due April 2030. These senior notes bear an interest rate of 2.65% per year, payable semiannually in arrears. Our net proceeds from the issuance, after deducting underwriting discounts and offering expenses, were $493.7 million, which we used to repay both existing indebtedness under our commercial paper program used to fund our Smartrac acquisition and our $250 million of senior notes that matured in April 2020.

Our long-term debt, and their respective interest rates, at year-end 2021 and 2020 is shown below.

(In millions)	2021	2020
Long-term debt		
Medium-term notes:		
Series 1995 due 2020 and 2025	$ 30.0	$ 30.0
Long-term notes:		
Senior notes due 2023 at 3.4%	249.5	249.3
Senior notes due 2024 at 0.85%	298.3	–
Senior notes due 2025 at 1.25%[1]	563.3	612.1
Senior notes due 2028 at 4.875%	495.3	494.6
Senior notes due 2030 at 2.650%	494.8	494.2
Senior notes due 2032 at 2.25%	493.9	–
Senior notes due 2033 at 6.0%	149.1	149.0
Less amount classified as current	–	–
Total long-term debt[2]	$2,774.2	$2,029.2

[1] These senior notes are euro-denominated.
[2] Includes unamortized debt issuance costs and debt discounts of $12.9 million and $8.2 million, respectively, as of year-end 2021 and $8.7 million and $4.9 million, respectively, as of year-end 2020.

At year-end 2021 and 2020, our medium-term notes had accrued interest at a weighted average fixed rate of 7.5%. In the second quarter of 2020, we repaid $15 million of medium-term notes that matured in June 2020.

We expect maturities of our long-term debt for each of the next five fiscal years and thereafter to be as follows:

Year	(In millions)
2022	$ –
2023	250.0
2024	300.0
2025	595.3
2026	–
2027 and thereafter	1,650.0

Refer to Note 7, "Commitments and Leases," for information related to finance leases.

Other

Prior to its amendment and restatement in February 2020, the Revolver contained financial covenants requiring that we maintain specified ratios of total debt and interest expense in relation to certain measures of income. In February 2020, one of the financial covenants was eliminated. The remaining financial covenant requires us to maintain a specified ratio of total debt in relation to a certain measure of income. As of January 1, 2022 and January 2, 2021, we were in compliance with our financial covenants.

Our total interest costs in 2021, 2020 and 2019 were $75 million, $73.9 million and $81.1 million, respectively, of which $4.8 million, $3.9 million and $5.3 million, respectively, was capitalized as part of the cost of property, plant and equipment and capitalized software.

The estimated fair value of our long-term debt is primarily based on the credit spread above U.S. Treasury securities or euro government bond securities, as applicable, on notes with similar rates, credit ratings and remaining maturities. The fair value of short-term borrowings, which includes commercial paper issuances and short-term lines of credit, approximates their carrying value given their short duration. The fair value of our total debt was $3.25 billion at January 1, 2022 and $2.34 billion at January 2, 2021. Fair value amounts were determined based primarily on Level 2 inputs, which are inputs other than quoted prices in active markets that are either directly or indirectly observable. Refer to Note 1, "Summary of Significant Accounting Policies," for more information.

NOTE 5. FINANCIAL INSTRUMENTS

As of January 1, 2022, the aggregate U.S. dollar equivalent notional value of our outstanding commodity contracts and foreign exchange contracts was $3.5 million and $1.67 billion, respectively.

We recognize derivative instruments as either assets or liabilities at fair value in the Consolidated Balance Sheets. We designate commodity forward contracts on forecasted purchases of commodities and foreign exchange contracts on forecasted transactions as cash flow hedges. We also enter into foreign exchange contracts to offset certain of our economic exposures arising from foreign exchange rate fluctuations.

Cash Flow Hedges

For derivative instruments that are designated and qualify as cash flow hedges, the effective portion of the gain or loss on the derivative is reported as a component of "Accumulated other comprehensive loss" and reclassified into earnings in the same period(s) during which the hedged transaction impacts earnings. Gains and losses on these derivatives, representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness, are recognized in current earnings. Except for the cross-currency swap discussed below, cash flow hedges were not material in 2021, 2020 or 2019.

Cross-Currency Swap

Following our Smartrac acquisition and issuance of senior notes in March 2020, we entered into U.S. dollar to euro cross-currency swap contracts with a total notional amount of $250 million to have the effect of converting the fixed-rate U.S. dollar-denominated debt into euro-denominated debt, including semiannual interest payments and the payment of principal at maturity. During the term of the contract, which ends on April 30, 2030, we pay fixed-rate interest in euros and receive fixed-rate interest in U.S. dollars. These contracts have been designated as cash flow hedges. The fair value of these contracts was $(10.3) million and $(36.7) million as of January 1, 2022 and January 2, 2021, respectively, and included in "Long-term retirement benefits and other liabilities" in the Consolidated Balance Sheets. Refer to Note 9, "Fair Value Measurements," to the Consolidated Financial Statements for more information.

We recorded no ineffectiveness from our cross-currency swap to earnings during 2021 or 2020.

Other Derivatives

The following table shows the fair value and balance sheet locations of other derivatives as of January 1, 2022 and January 2, 2021:

	Asset			Liability		
(In millions)	**Balance Sheet Location**	**2021**	**2020**	**Balance Sheet Location**	**2021**	**2020**
Foreign exchange contracts	Other current assets	$ 6.3	$ 5.1	Other current liabilities	$ 2.9	$ 8.4
Commodity contracts	Other current assets	–	.1	Other current liabilities	–	.1
		$ 6.3	$ 5.2		$ 2.9	$ 8.5

For other derivative instruments not designated as hedging instruments, the gain or loss is recognized in current earnings.

The following table shows the components of the net gains (losses) recognized in income related to these derivative instruments:

(In millions)	Statements of Income Location	2021	2020	2019
Foreign exchange contracts	Cost of products sold	$ 1.4	$ 1.9	$ (1.5)
Foreign exchange contracts	Marketing, general and administrative expense	21.0	(14.2)	3.5
		$ 22.4	$(12.3)	$ 2.0

NOTE 6. PENSION AND OTHER POSTRETIREMENT BENEFITS

Defined Benefit Plans

We sponsor a number of defined benefit plans, the accrual of benefits under some of which has been frozen, covering eligible employees in the U.S. and certain other countries. Benefits payable to an employee are based primarily on years of service and the employee's compensation during the course of his or her employment with us.

We are also obligated to pay unfunded termination indemnity benefits to certain employees outside the U.S., which are subject to applicable agreements, laws and regulations. We have not incurred significant costs related to these benefits, and, therefore, no related costs have been included in the disclosures below.

In 2019, we terminated and settled the Avery Dennison Pension Plan (the "ADPP"), a U.S. defined benefit plan. In connection with this termination, we settled approximately $753 million of ADPP liabilities by entering into an agreement to purchase annuities primarily from American General Life Insurance Company and through a combination of annuities and direct funding to the Pension Benefit Guaranty Corporation for a small portion of former employees and their beneficiaries. These settlements resulted in approximately $444 million of pretax charges in 2019, partially offset by related tax benefits of approximately $179 million.

Plan Assets

Assets in our international plans are invested in accordance with locally accepted practices and primarily include equity securities, fixed income securities, insurance contracts and cash. Asset allocations and investments vary by country and plan. Our target plan asset investment allocation for our international plans in the aggregate is approximately 32% in equity securities, 60% in fixed income securities and cash, and 8% in insurance contracts and other investments, subject to periodic fluctuations among these asset classes.

Fair Value Measurements

The valuation methodologies we use for assets measured at fair value are described below.

Cash is valued at nominal value. Cash equivalents and mutual funds are valued at fair value as determined by quoted market prices, based upon the net asset value ("NAV") of shares held at year-end. Fixed income treasury securities are valued at fair value as determined by quoted prices in active markets. Fixed income municipal and corporate bonds are valued at fair value based on quoted prices for similar instruments in active markets or other inputs that are observable or can be corroborated by observable market data. Pooled funds are structured as collective trusts, not publicly traded, and valued by calculating NAV per unit based on the NAV of the underlying funds/trusts as a practical expedient for the fair value of the pooled funds. Insurance contracts are valued at book value, which approximates fair value and is calculated using the prior-year balance plus or minus investment returns and changes in cash flows.

These methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While we believe these valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth, by level within the fair value hierarchy (as applicable), international plan assets at fair value:

		Fair Value Measurements Using		
(In millions)	Total	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
2021				
Cash	$ 10.1	$10.1	$ –	$ –
Insurance contracts	37.9	–	–	37.9
Pooled funds – real estate investment trusts	11.0	–	–	11.0
Pooled funds – fixed income securities[1]	464.4			
Pooled funds – equity securities[1]	302.8			
Pooled funds – other investments[1]	48.4			
Total international plan assets at fair value	$874.6			
2020				
Cash	$ 3.8	$ 3.8	$ –	$ –
Insurance contracts	41.2	–	–	41.2
Pooled funds – fixed income securities[1]	469.9			
Pooled funds – equity securities[1]	332.8			
Pooled funds – other investments[1]	49.5			
Total international plan assets at fair value	$897.2			

[1] Pooled funds that are measured at fair value using the NAV per unit (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to reconcile to total international plan assets.

The following table presents a reconciliation of Level 3 international plan asset activity during the year ended January 1, 2022:

	Level 3 Assets		
(In millions)	Insurance Contracts	Pooled Funds – Real Estate Investment Trusts	Total
Balance at January 2, 2021	$41.2	$ –	$41.2
Net realized and unrealized gain	.7	–	.7
Purchases	3.3	–	3.3
Settlements	(4.6)	–	(4.6)
Transfers into Level 3[1]	–	11.0	11.0
Impact of changes in foreign currency exchange rates	(2.7)	–	(2.7)
Balance at January 1, 2022	$37.9	$11.0	$48.9

[1] Transfers into Level 3 were primarily driven by the use of unobservable inputs in the pricing of the underlying assets.

As a result of the ADPP settlements, there were no U.S. plan assets remaining as of January 1, 2022.

Plan Assumptions

Discount Rate

In consultation with our actuaries, we annually review and determine the discount rates used to value our pension and other postretirement obligations. The assumed discount rate for each pension plan reflects market rates for high quality corporate bonds currently available. Our discount rate is determined by evaluating yield curves consisting of large populations of high quality corporate bonds. The projected pension benefit payment streams are then matched with bond portfolios to determine a rate that reflects the liability duration unique to our plans.

We use the full yield curve approach to estimate the service and interest cost components of net periodic benefit cost for our pension and other postretirement benefit plans. Under this approach, we apply multiple discount rates from a yield curve composed of the rates of return on several hundred high-quality, fixed income corporate bonds available at the measurement date. We believe that this approach provides a more precise measurement of service and interest cost by aligning the timing of a plan's liability cash flows to its corresponding rates on the yield curve.

Long-term Return on Assets

We determine the long-term rate of return assumption for plan assets by reviewing the historical and expected returns of both the equity and fixed income markets, taking into account our asset allocation, the correlation between returns in our asset classes, and our mix of active and passive investments. Additionally, we evaluate current market conditions, including interest rates, and review market data for reasonableness and appropriateness.

Measurement Date

We measure the actuarial value of our benefit obligations and plan assets using the calendar month-end closest to our fiscal year-end and adjust for any contributions or other significant events between the measurement date and our fiscal year-end.

Plan Balance Sheet Reconciliations

The following table provides a reconciliation of benefit obligations, plan assets, funded status of the plans and accumulated other comprehensive loss for our defined benefit plans:

Plan Benefit Obligations

	Pension Benefits			
	2021		2020	
(In millions)	**U.S.**	**Int'l**	**U.S.**	**Int'l**
Change in projected benefit obligations				
Projected benefit obligations at beginning of year	$ 77.3	$ 953.9	$ 75.7	$ 811.7
Service cost	–	19.0	–	17.8
Interest cost	1.0	8.9	1.8	11.0
Participant contribution	–	4.7	–	3.7
Amendments	–	(.9)	–	.4
Actuarial (gain) loss	(1.7)	(15.6)	7.1	53.5
Benefits paid	(9.8)	(23.3)	(7.3)	(21.1)
Settlements	–	(3.7)	–	(2.4)
Foreign currency translation	–	(60.6)	–	79.3
Projected benefit obligations at end of year	$ 66.8	$ 882.4	$ 77.3	$ 953.9
Accumulated benefit obligations at end of year	$ 66.8	$ 806.4	$ 77.3	$ 883.6

Plan Assets

	Pension Benefits			
	2021		2020	
(In millions)	**U.S.**	**Int'l**	**U.S.**	**Int'l**
Change in plan assets				
Plan assets at beginning of year	$ –	$ 897.2	$ –	$ 734.4
Actual return on plan assets	–	37.3	–	91.5
Employer contributions	9.8	20.7	7.3	17.2
Participant contributions	–	4.7	–	3.7
Benefits paid	(9.8)	(23.3)	(7.3)	(21.1)
Settlements	–	(3.7)	–	(2.4)
Foreign currency translation	–	(58.3)	–	73.9
Plan assets at end of year	$ –	$ 874.6	$ –	$ 897.2

Funded Status

	Pension Benefits			
	2021		2020	
(In millions)	U.S.	Int'l	U.S.	Int'l
Funded status of the plans				
Other assets	$ –	$ 113.6	$ –	$ 92.4
Other accrued liabilities	(7.0)	(1.0)	(9.1)	(1.5)
Long-term retirement benefits and other liabilities[1]	(59.8)	(120.4)	(68.2)	(147.6)
Plan assets less than benefit obligations	$ (66.8)	$ (7.8)	$ (77.3)	$ (56.7)

[1] In accordance with our funding strategy, we have the option to fund certain of our U.S. liabilities with proceeds from our company-owned life insurance policies.

	Pension Benefits			
	2021		2020	
	U.S.	Int'l	U.S.	Int'l
Weighted average assumptions used to determine year-end benefit obligations				
Discount rate	2.49%	1.57%	2.02%	1.26%
Compensation rate increase	–	2.33	–	2.15

For U.S. and international plans combined, the projected benefit obligations and fair values of plan assets for pension plans with projected benefit obligations in excess of plan assets were $261 million and $73 million, respectively, at year-end 2021 and $295 million and $69 million, respectively, at year-end 2020.

For U.S. and international plans combined, the accumulated benefit obligations and fair values of plan assets for pension plans with accumulated benefit obligations in excess of plan assets were $228 million and $67 million, respectively, at year-end 2021 and $265 million and $69 million, respectively, at year-end 2020.

Accumulated Other Comprehensive Loss

The following table shows the pre-tax amounts recognized in "Accumulated other comprehensive loss" in the Consolidated Balance Sheets:

	Pension Benefits			
	2021		2020	
(In millions)	U.S.	Int'l	U.S.	Int'l
Net actuarial loss	$ 15.6	$ 41.5	$ 18.2	$ 83.3
Prior service (credit) cost	–	(4.0)	–	(3.9)
Net amount recognized in accumulated other comprehensive loss	$ 15.6	$ 37.5	$ 18.2	$ 79.4

The following table shows the pre-tax amounts recognized in "Other comprehensive loss (income)":

	Pension Benefits					
	2021		2020		2019	
(In millions)	U.S.	Int'l	U.S.	Int'l	U.S.	Int'l
Net actuarial loss (gain)	$ (.7)	$ (34.8)	$ 3.5	$ (13.5)	$ (44.6)	$(42.7)
Prior service credit	–	(.9)	–	.4	–	1.8
Amortization of unrecognized:						
Net actuarial gain	(.8)	(6.1)	(.6)	(5.2)	(.5)	(4.0)
Prior service credit (cost)	–	.4	–	.4	–	.4
Settlements	(1.1)	(.5)	(.2)	(.3)	(442.8)	(.6)
Net amount recognized in other comprehensive loss (income)	$ (2.6)	$ (41.9)	$ 2.7	$ (18.2)	$ (487.9)	$ (45.1)

Plan Income Statement Reconciliations

The following table shows the components of net periodic benefit cost, which are recorded in net income for our defined benefit plans:

	Pension Benefits					
	2021		2020		2019	
(In millions)	**U.S.**	**Int'l**	**U.S.**	**Int'l**	**U.S.**	**Int'l**
Service cost	$ –	$ 19.0	$ –	$ 17.8	$ –	$ 15.6
Interest cost	1.0	8.9	1.8	11.0	2.7	14.8
Actuarial loss (gain)	(1.1)	–	3.7	–	2.5	–
Expected return on plan assets	–	(19.8)	–	(18.5)	–	(21.0)
Amortization of actuarial loss	.8	6.1	.6	5.2	.5	4.0
Amortization of prior service (credit) cost	–	(.4)	–	(.4)	–	(.4)
Recognized loss on settlements[1]	1.1	.5	.2	.3	443.5	.6
Net periodic benefit cost (credit)	$ 1.8	$ 14.3	$ 6.3	$ 15.4	$ 449.2	$ 13.6

[1] In 2021, settlements in the U.S. related to a non-qualified plan; settlements in our international plans related to lump-sum payments in Belgium and Switzerland. In 2020, settlements in the U.S. related to a non-qualified plan; settlements in our international plans related to lump-sum payments in Belgium, France and for certain expatriate employees. In 2019, settlements in the U.S. related to the ADPP termination; settlements in our international plans related to lump-sum payments in Switzerland.

Service cost and components of net periodic benefit cost other than service cost were included in "Marketing, general and administrative expense" and "Other non-operating expense (income), net" in the Consolidated Statements of Income, respectively.

The following table shows the weighted average assumptions used to determine net periodic cost:

	Pension Benefits					
	2021		2020		2019	
	U.S.	**Int'l**	**U.S.**	**Int'l**	**U.S.**	**Int'l**
Discount rate	2.20%	1.26%	2.89%	1.66%	3.73%	2.39%
Expected return on assets	–	2.61	–	2.79	–	3.38
Compensation rate increase	–	2.15	–	2.21	–	2.23

Plan Contributions

We make contributions to our defined benefit plans sufficient to meet the minimum funding requirements of applicable laws and regulations, plus additional amounts, if any, we determine to be appropriate. The following table sets forth our expected contributions in 2022:

(In millions)	
U.S. pension plans	$ 7.1
International pension plans	13.5

Future Benefit Payments

The future benefit payments shown below reflect the expected service periods for eligible participants.

	Pension Benefits	
(In millions)	**U.S.**	**Int'l**
2022	$ 7.1	$ 20.1
2023	6.3	22.5
2024	6.1	23.6
2025	6.1	22.2
2026	5.9	27.1
2027-2031	22.5	138.5

Postretirement Health Benefits

We provide postretirement health benefits to certain of our retired U.S. employees up to the age of 65 under a cost-sharing arrangement and provide supplemental Medicare benefits to certain of our U.S. retirees over the age of 65. Our postretirement health benefit plan was closed to new eligible participants retiring after December 31, 2021. Our policy is to fund the cost of these postretirement benefits from operating cash flows. While we do not intend to terminate these postretirement health benefits, we may do so at any time, subject to applicable laws and regulations. At year-end 2021, our postretirement health benefits obligation and related loss recorded in "Accumulated other comprehensive loss" were approximately $2 million and approximately $12 million, respectively. At year-end 2020, our postretirement health benefits obligation and related loss recorded in "Accumulated other comprehensive loss" were approximately $3 million and approximately $10 million, respectively. Net periodic benefit cost was not material in 2021, 2020 or 2019.

Defined Contribution Plans

We sponsor various defined contribution plans worldwide, the largest of which is the Avery Dennison Corporation Employee Savings Plan ("Savings Plan"), a 401(k) plan for our U.S. employees.

We recognized expense of $24.6 million, $22.7 million and $22.4 million in 2021, 2020 and 2019, respectively, related to our employer contributions and employer match of participant contributions to the Savings Plan.

Other Retirement Plans

We have deferred compensation plans and programs that permit eligible employees and directors to defer a portion of their compensation. The compensation voluntarily deferred by the participant, together with certain employer contributions, earns specified and variable rates of return. As of year-end 2021 and 2020, we had accrued $96.1 million and $95.1 million, respectively, for our obligations under these plans. A portion of the interest on certain of our contributions may be forfeited by participants if their employment terminates before age 55 other than by reason of death or disability.

Our Directors Deferred Equity Compensation Program allows our non-employee directors to elect to receive their cash compensation in deferred stock units ("DSUs") issued under our equity plan. Additionally, two legacy deferred compensation plans had DSUs that were issued under our then-active equity plans. Dividend equivalents, representing the value of dividends per share paid on shares of our common stock and calculated with reference to the number of DSUs held as of a quarterly dividend record date, are credited in the form of additional DSUs on the applicable dividend payable date. DSUs are converted into shares of our common stock upon a director's separation from our Board. Approximately .1 million DSUs were outstanding for both year-end 2021 and 2020, with an aggregate value of $24 million and $22 million, respectively.

We hold company-owned life insurance policies, the proceeds from which are payable to us upon the death of covered participants. The cash surrender values of these policies, net of outstanding loans, which are included in "Other assets" in the Consolidated Balance Sheets, were $272.2 million and $254.8 million at year-end 2021 and 2020, respectively.

NOTE 7. COMMITMENTS AND LEASES

Supplemental cost information related to leases is shown below.

(In millions)	**2021**	**2020**	**2019**
Operating lease costs	$68.8	$63.1	$65.4

Lease costs related to finance leases were not material in 2021, 2020 or 2019.

Supplemental balance sheet information related to leases is shown below.

(In millions)	Balance Sheet Location	2021	2020
Assets			
Operating	Other assets	$ 183.0	$ 161.3
Finance[1]	Property, plant and equipment, net	28.9	38.2
Total leased assets		$ 211.9	$ 199.5
Liabilities			
Current:			
Operating	Other current liabilities	$ 47.3	$ 44.3
Finance	Short-term borrowings and current portion of long-term debt and finance leases	5.5	5.6
Non-current:			
Operating	Long-term retirement benefits and other liabilities	135.3	116.0
Finance	Long-term debt and finance leases	11.7	22.9
Total lease liabilities		$ 199.8	$ 188.8

[1] Finance lease assets are net of accumulated amortization of $10.4 million and $8.3 million as of January 1, 2022 and January 2, 2021, respectively.

Supplemental cash flow information related to leases is shown below.

(In millions)	2021	2020	2019
Cash paid for amounts included in the measurement of operating lease liabilities	$ 54.2	$ 54.9	$ 53.1
Operating lease assets obtained in exchange for operating lease liabilities	58.0	48.4	32.6

Cash flows related to finance leases were not material in 2021, 2020 or 2019.

Weighted average remaining lease term and discount rate information related to leases as of January 1, 2022 is shown below.

	2021	2020
Weighted average remaining lease term (in years):		
Operating	6.5	6.2
Finance	3.3	3.2
Weighted average discount rate (percentage):		
Operating	3.0%	4.3%
Finance	2.9	2.9

Operating and finance lease liabilities by maturity date from January 1, 2022 are shown below.

(In millions)	Operating Leases	Finance Leases
2022	$ 51.5	$ 6.1
2023	40.1	5.3
2024	29.8	5.0
2025	22.9	1.7
2026	14.4	.2
2027 and thereafter	45.7	–
Total lease payments	204.4	18.3
Less: imputed interest	(21.8)	(1.1)
Present value of lease liabilities	$182.6	$17.2

As of January 1, 2022, we had no significant operating or finance leases that had not yet commenced.

NOTE 8. CONTINGENCIES

Legal Proceedings

We are involved in various lawsuits, claims, inquiries, and other regulatory and compliance matters, most of which are routine to the nature of our business. When it is probable that a loss will be incurred and where a range of the loss can be reasonably estimated, the best estimate within the range is accrued. When the best estimate within the range cannot be determined, the low end of the range is accrued. The ultimate resolution of these claims could affect future results of operations should our exposure be materially different from our estimates or should liabilities be incurred that were not previously accrued. Potential insurance reimbursements are not offset against potential liabilities.

We are currently party to a litigation in which ADASA Inc. ("Adasa"), an unrelated third party, alleged that certain of our radio-frequency identification ("RFID") products infringed on its patent. We recorded a contingent liability related to this matter in the second quarter of 2021 in the amount of $26.6 million based on a jury verdict issued on May 14, 2021.

During the third quarter of 2021, the first instance judgment associated with the jury verdict was issued. This resulted in additional potential liability of $35.8 million for, among other things, royalties on a higher number of tags and royalties on tags sold after March 31, 2021. We did not increase the contingent liability we recorded for this additional potential liability. With continued evaluation of the matter and our defenses, as well as consultation with our outside counsel, we continue to believe that Adasa's patent is invalid and that, even if valid, we have not infringed it, and that the royalty rate used as the basis for the jury's determination is unreasonable under prevailing industry standards, as well as that any liability related to this matter would be substantially lower than that which is reflected in either the jury verdict or the first instance judgment. On October 22, 2021, we appealed the judgment to the United States Court of Appeals for the Federal Circuit and continue to believe meritorious defenses exist to significantly reduce the liability we currently have recorded. As our appeal is still pending, we maintained our current contingent liability of $26.6 million for this matter as a reasonable estimate within the range of probable outcomes. We have largely completed our migration to alternative encoding methods used in our other RFID tags.

Because of the uncertainties associated with claims resolution and litigation, future expenses to resolve these matters could be higher than the liabilities we have accrued; however, we are unable to reasonably estimate a range of potential expenses. If information were to become available that allowed us to reasonably estimate a range of potential expenses determined to be probable in an amount higher or lower than what we have accrued, we would adjust our accrued liabilities accordingly. Additional lawsuits, claims, inquiries, and other regulatory and compliance matters could arise in the future. The range of expenses for resolving any future matters would be assessed as they arise; until then, a range of potential expenses for such resolution cannot be determined. Based upon current information, we believe that the impact of the resolution of these matters would not be, individually or in the aggregate, material to our financial position, results of operations or cash flows.

Environmental Expenditures

Environmental expenditures are generally expensed. When it is probable that a loss will be incurred and where a range of the loss can be reasonably estimated, the best estimate within the range is accrued. When the best estimate within the range cannot be determined, the low end of the range is accrued. The ultimate resolution of these matters could affect future results of operations should our exposure be materially different from our estimates or should liabilities be incurred that were not previously accrued. Potential insurance reimbursements are not offset against potential liabilities. We review our estimates of the costs of complying with environmental laws related to remediation and cleanup of various sites, including sites in which governmental agencies have designated us as a potentially responsible party ("PRP"). Environmental expenditures for newly acquired assets and those that extend or improve the economic useful life of existing assets are capitalized and amortized over the shorter of the estimated useful life of the acquired asset or the remaining life of the existing asset.

As of January 1, 2022, we have been designated by the U.S. Environmental Protection Agency ("EPA") and/or other responsible state agencies as a PRP at twelve waste disposal or waste recycling sites that are the subject of separate investigations or proceedings concerning alleged soil and/or groundwater contamination. No settlement of our liability related to any of these sites has been agreed upon. We are participating with other PRPs at these sites and anticipate that our share of remediation costs will be determined pursuant to agreements that we negotiate with the EPA or other governmental authorities.

These estimates could change as a result of changes in planned remedial actions, remediation technologies, site conditions, the estimated time to complete remediation, environmental laws and regulations, and other factors. Because of the uncertainties associated with environmental assessment and remediation activities, our future expenses to remediate these sites could be higher than the liabilities we have accrued; however, we are unable to reasonably estimate a range of potential expenses. If information were to become available that allowed us to reasonably estimate a range of potential expenses determined to be probable in an amount higher or lower than what we have accrued, we would adjust our environmental liabilities accordingly. In addition, we may be identified as a PRP at additional sites in the future. The range of expenses for remediation of any future-identified sites would be addressed as they arise; until then, a range of expenses for such remediation cannot be determined.

The activity related to our environmental liabilities in 2021 and 2020 was as follows:

(In millions)	**2021**	**2020**
Balance at beginning of year	$21.1	$21.4
Charges, net of reversals	2.9	3.0
Payments	(2.1)	(3.3)
Balance at end of year	$21.9	$21.1

Approximately $2 million and $9 million, respectively, of the balance was classified as short-term and included in "Other current liabilities" in the Consolidated Balance Sheets as of January 1, 2022 and January 2, 2021.

NOTE 9. FAIR VALUE MEASUREMENTS

Recurring Fair Value Measurements

The following table provides the assets and liabilities carried at fair value, measured on a recurring basis, as of January 1, 2022:

		Fair Value Measurements Using		
(In millions)	Total	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets				
Investments	$33.9	$27.1	$ 6.8	$ –
Derivative assets	7.1	.6	6.5	–
Bank drafts	14.1	14.1	–	–
Liabilities				
Cross-currency swap	$10.3	$ –	$10.3	$ –
Derivative liabilities	3.6	–	3.6	–
Contingent consideration liabilities	7.6	–	–	7.6

The following table provides the assets and liabilities carried at fair value, measured on a recurring basis, as of January 2, 2021:

		Fair Value Measurements Using		
(In millions)	Total	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets				
Investments	$33.6	$27.4	$ 6.2	$ –
Derivative assets	5.2	.1	5.1	–
Bank drafts	12.8	12.8	–	–
Liabilities				
Cross-currency swap	$36.7	$ –	$36.7	$ –
Derivative liabilities	9.5	.3	9.2	–

Investments include fixed income securities (primarily U.S. government and corporate debt securities) measured at fair value using quoted prices/bids and a money market fund measured at fair value using NAV. As of January 1, 2022, investments of $.5 million and $33.4 million were included in "Cash and cash equivalents" and "Other current assets," respectively, in the Consolidated Balance Sheets. As of January 2, 2021, investments of $1 million and $32.6 million were included in "Cash and cash equivalents" and "Other current assets," respectively, in the Consolidated Balance Sheets. Derivatives that are exchange-traded are measured at fair value using quoted market prices and classified within Level 1 of the valuation hierarchy. Derivatives measured based on foreign exchange rate inputs that are readily available in public markets are classified within Level 2 of the valuation hierarchy. Bank drafts (maturities greater than three months) are valued at face value due to their short-term nature and were included in "Other current assets" in the Consolidated Balance Sheets.

Contingent consideration liabilities relate to estimated earn-out payments associated with one of the Other 2021 Acquisitions. These payments are based on the acquired company's achievement of certain performance targets based on the terms of the purchase agreement, and our estimates are based on the expected payments related to these targets. We have classified these liabilities as Level 3. As of January 1, 2022, contingent consideration liabilities of approximately $2 million and $6 million were included in "Other current liabilities" and "Long-term retirement benefits and other liabilities," respectively, in the Consolidated Balance Sheets.

The activity related to contingent consideration in 2021 is shown below.

(In millions)	
Acquisition	$11.6
Payments	(2.6)
Adjustments	(1.4)
Balance at year end	$ 7.6

In addition to the investments described above, we also hold venture investments in privately held companies and utilize the measurement alternative for equity investments that do not have readily determinable fair values, measuring these investments at cost less impairment plus or minus observable price changes in orderly transactions. We recognized net gains of $23 million and $5.4 million in 2021 and 2020, respectively, in "Other expense (income), net" in the Consolidated Income Statements related to these venture investments. The total carrying values of our venture investments were $49.3 million and $22 million as of January 1, 2022 and January 2, 2021, respectively, and included in "Other assets" in the Consolidated Balance Sheets.

NOTE 10. NET INCOME PER COMMON SHARE

Net income per common share was computed as follows:

(In millions, except per share amounts)	**2021**	**2020**	**2019**
(A) Net income	$740.1	$555.9	$303.6
(B) Weighted average number of common shares outstanding	82.9	83.4	84.0
Dilutive shares (additional common shares issuable under stock-based awards)	.9	.7	1.0
(C) Weighted average number of common shares outstanding, assuming dilution	83.8	84.1	85.0
Net income per common share (A) ÷ (B)	$ 8.93	$ 6.67	$ 3.61
Net income per common share, assuming dilution (A) ÷ (C)	$ 8.83	$ 6.61	$ 3.57

Certain stock-based compensation awards were not included in the computation of net income per common share, assuming dilution, because they would not have had a dilutive effect. Stock-based compensation awards excluded from the computation were not significant in 2021, 2020 or 2019.

NOTE 11. SUPPLEMENTAL EQUITY AND COMPREHENSIVE INCOME INFORMATION

Common Stock and Share Repurchase Program

Our Amended and Restated Certificate of Incorporation authorizes five million shares of $1 par value preferred stock (of which no shares are outstanding), with respect to which our Board may fix the series and terms of issuance, and 400 million shares of $1 par value voting common stock.

From time to time, our Board authorizes the repurchase of shares of our outstanding common stock. Repurchased shares may be reissued under our long-term incentive plan or used for other corporate purposes. In 2021, we repurchased approximately .9 million shares of our common stock at an aggregate cost of $180.9 million. In 2020, we repurchased approximately .8 million shares of our common stock at an aggregate cost of $104.3 million.

In April 2019, our Board authorized the repurchase of shares of our common stock with a fair market value of up to $650 million, exclusive of any fees, commissions or other expenses related to such purchases, in addition to the amount then outstanding under our previous Board authorization. Board authorizations remain in effect until shares in the amount authorized thereunder have been repurchased. Shares of our common stock in the aggregate amount of $359.6 million as of January 1, 2022 remained authorized for repurchase under this Board authorization.

Treasury Shares Reissuance

We fund a portion of our employee-related expenses using shares of our common stock held in treasury. We record net gains or losses associated with our use of treasury shares to retained earnings.

Accumulated Other Comprehensive Loss

The changes in "Accumulated other comprehensive loss" (net of tax) for 2021 and 2020 were as follows:

(In millions)	Foreign Currency Translation	Pension and Other Postretirement Benefits	Cash Flow Hedges	Total
Balance as of December 28, 2019	$(245.1)	$(101.8)	$(1.2)	$(348.1)
Other comprehensive income (loss) before reclassifications, net of tax	(3.0)	6.2	(7.5)	(4.3)
Reclassifications to net income, net of tax	–	2.9	(.1)	2.8
Net current-period other comprehensive income (loss), net of tax	(3.0)	9.1	(7.6)	(1.5)
Balance as of January 2, 2021	$(248.1)	$ (92.7)	$(8.8)	$(349.6)
Other comprehensive income (loss) before reclassifications, net of tax	30.7	27.9	5.4	64.0
Reclassifications to net income, net of tax	–	4.4	(1.7)	2.7
Net current-period other comprehensive income (loss), net of tax	30.7	32.3	3.7	66.7
Balance as of January 1, 2022	$(217.4)	$ (60.4)	$(5.1)	$(282.9)

The amounts reclassified from "Accumulated other comprehensive loss" to increase (decrease) net income were as follows:

(In millions)	2021	2020	2019	Statements of Income Location
Cash flow hedges:				
Foreign exchange contracts	$ 1.3	$ .7	$ 2.1	Cost of products sold
Commodity contracts	.9	(.6)	(.2)	Cost of products sold
Total before tax	2.2	.1	1.9	
Tax	(.5)	–	(.5)	Provision for (benefit from) income taxes
Net of tax	1.7	.1	1.4	
Pension and other postretirement benefits	(6.0)	(3.8)	(445.4)	Other non-operating expense (income), net
Tax	1.6	.9	179.3	Provision for (benefit from) income taxes
Net of tax	(4.4)	(2.9)	(266.1)	
Total reclassifications for the period	$(2.7)	$(2.8)	$(264.7)	

The following table sets forth the income tax (benefit) expense allocated to each component of other comprehensive income (loss):

(In millions)	2021	2020	2019
Foreign currency translation:			
Translation gain (loss)	$ (23.2)	$ 27.5	$ (5.5)
Pension and other postretirement benefits:			
Net gain recognized from actuarial gain/loss and prior service cost/credit	8.5	3.1	19.4
Reclassifications to net income	1.6	.9	179.3
Cash flow hedges:			
Gains (losses) recognized on cash flow hedges	1.7	(2.3)	.2
Reclassifications to net income	(.5)	–	(.5)
Income tax (benefit) expense allocated to components of other comprehensive income (loss)	$ (11.9)	$ 29.2	$192.9

NOTE 12. LONG-TERM INCENTIVE COMPENSATION

Stock-Based Awards

Stock-Based Compensation

We grant our annual stock-based compensation awards to eligible employees in March and non-employee directors in May. Certain awards granted to retirement-eligible employees one year or more before their retirement date vest upon retirement; these awards are accounted for as fully vested one year from the date of grant.

Our 2017 Incentive Award Plan (the "Equity Plan"), a long-term incentive plan for employees and non-employee directors, allows us to grant stock-based compensation awards – including stock options, RSUs, PUs, MSUs and DSUs – or a combination of these and other awards. Under the Equity Plan, 5.4 million shares are available for issuance, and each full value award is counted as 1.5 shares for purposes of the number of shares authorized for issuance. Full value awards include RSUs, PUs and MSUs.

Stock-based compensation expense and the related recognized tax benefit were as follows:

(In millions)	2021	2020	2019
Stock-based compensation expense	$37.2	$24.0	$34.5
Tax benefit	4.6	2.9	4.3

This expense was included in "Marketing, general and administrative expense" in the Consolidated Statements of Income.

As of January 1, 2022, we had approximately $47 million of unrecognized compensation expense related to unvested stock-based awards, which is expected to be recognized over the remaining weighted average requisite service period of approximately two years.

Stock Options

Stock options may be granted to employees and non-employee directors at no less than 100% of the fair market value of our common stock on the date of the grant and generally vest ratably over a four-year period. Options expire ten years from the date of grant.

No stock options were granted in fiscal years 2021, 2020 or 2019.

The following table summarizes information related to stock options:

	Number of options (in thousands)	Weighted average exercise price	Weighted average remaining contractual life (in years)	Aggregate intrinsic value (in millions)
Outstanding at January 2, 2021	162.1	$ 68.84	4.86	$ 14.0
Exercised	(20.1)	34.19		
Outstanding at January 1, 2022	142.0	$ 73.76	4.40	$ 20.3
Options vested and expected to vest at January 1, 2022	142.0	73.76	4.40	20.3
Options exercisable at January 1, 2022	142.0	$ 73.76	4.40	$ 20.3

The total intrinsic value of stock options exercised was $3.5 million in 2021, $4 million in 2020 and $23.5 million in 2019. We received approximately $1 million in 2021, $2 million in 2020 and $10 million in 2019 from the exercise of stock options. The tax benefit associated with these exercised options was $.9 million in 2021, $1 million in 2020 and $5.7 million in 2019. The intrinsic value of a stock option is based on the amount by which the market value of our stock exceeds the exercise price of the option.

Performance Units ("PUs")

PUs are performance-based awards granted to eligible employees under the Equity Plan. PUs are payable in shares of our common stock at the end of a three- or four-year cliff vesting period provided that the designated performance objectives are achieved at the end of the period. Over the performance period, the estimated number of shares of our common stock issuable upon vesting is adjusted upward or downward based on the probability of achieving the performance objectives established for the award. The actual number of shares issued can range from 0% to 200% of the target shares at the time of grant. The weighted average grant date fair value for PUs was $191.86, $115.07 and $104.43 in 2021, 2020 and 2019, respectively.

The following table summarizes information related to awarded PUs:

	Number of PUs (in thousands)	Weighted average grant-date fair value
Unvested at January 2, 2021	356.6	$ 112.31
Granted at target	73.1	191.86
Adjustment for above-target performance[1]	54.3	122.96
Vested	(156.1)	122.96
Forfeited/cancelled	(5.8)	132.92
Unvested at January 1, 2022	322.1	$ 127.33

[1] Reflects adjustments for the vesting of awards based on above-target performance for the 2018-2020 performance period.

The fair value of vested PUs was $19.2 million in 2021, $20.4 million in 2020 and $25.6 million in 2019.

Market-Leveraged Stock Units ("MSUs")

MSUs are performance-based awards granted to eligible employees under our equity plans. MSUs are payable in shares of our common stock over a four-year period provided that the designated performance objective is achieved as of the end of each vesting period. MSUs accrue dividend equivalents during the vesting period, which are earned and paid only at vesting provided that, at a minimum, threshold-level performance is achieved. The number of shares earned is based upon our absolute total shareholder return at each vesting date and can range from 0% to 200% of the target amount of MSUs subject to vesting. Each of the four vesting periods represents one tranche of MSUs and the fair value of each of these four tranches was determined using the Monte-Carlo simulation model, which utilizes multiple input variables, including expected stock price volatility and other assumptions, to estimate the probability of achieving the performance objective established for the award. The weighted average grant date fair value for MSUs was $216.06, $94.55 and $135.85 in 2021, 2020 and 2019, respectively.

The following table summarizes information related to awarded MSUs:

	Number of MSUs (in thousands)	Weighted average grant-date fair value
Unvested at January 2, 2021	235.9	$ 110.89
Granted at target	61.2	216.06
Adjustments for above-target performance[1]	62.7	113.24
Vested	(160.1)	110.99
Forfeited/cancelled	(4.5)	141.78
Unvested at January 1, 2022	195.2	$ 143.16

[1] Reflects adjustments for the vesting of awards based on above-target performance for each of the tranches of awards vesting in 2021.

The fair value of vested MSUs was $17.8 million in 2021, $17.6 million in 2020 and $15.9 million in 2019.

Restricted Stock Units ("RSUs")

RSUs are service-based awards granted to eligible employees and non-employee directors under our equity plans. RSUs granted to employees generally vest ratably over a period of three or four years. RSUs granted to non-employee directors generally vest in one year. The vesting of RSUs is subject to continued service through the applicable vesting date. If that condition is not met, unvested RSUs are generally forfeited. The weighted average grant date fair value for RSUs was $196.26, $111.71 and $107.18 in 2021, 2020 and 2019, respectively.

The following table summarizes information related to awarded RSUs:

	Number of RSUs (in thousands)	Weighted average grant-date fair value
Unvested at January 2, 2021	51.4	$ 109.47
Granted	11.2	196.26
Vested	(26.1)	104.70
Forfeited/cancelled	(.4)	108.44
Unvested at January 1, 2022	36.1	$ 139.82

The fair value of vested RSUs was $2.7 million, $3.8 million and $4.4 million in 2021, 2020 and 2019, respectively.

Cash-Based Awards

Long-Term Incentive Units ("LTI Units")

LTI Units are cash-based awards granted to employees under our long-term incentive unit plan. LTI Units are service-based awards that generally vest ratably over a four-year period. The settlement value equals the number of vested LTI Units multiplied by the average of the high and low market prices of our common stock on the vesting date. The compensation expense related to these awards is amortized on a straight-line basis and the fair value is remeasured using the estimated percentage of units expected to be earned multiplied by the average of the high and low market prices of our common stock at each quarter-end.

We also grant performance-based, cash-based awards in the form of performance and market-leveraged LTI Units to eligible employees. Performance LTI Units are payable in cash at the end of a three-year cliff vesting period provided that certain performance objectives are achieved at the end of the performance period. Market-leveraged LTI Units are payable in cash and vest ratably over a period of four years. The number of performance and market-leveraged LTI Units earned at vesting is adjusted upward or downward based upon the probability of achieving the performance objectives established for the respective award and the actual number of units issued can range from 0% to 200% of the designated target units subject to vesting. Performance and market-leveraged LTI Units are remeasured using the estimated percentage of units expected to be earned multiplied by the average of the high and low market prices of our common stock at each quarter-end over their respective performance periods. The compensation expense related to performance LTI Units is amortized on a straight-line basis over their respective performance periods. The compensation expense related to market-leveraged LTI Units is amortized on a graded-vesting basis over their respective performance periods.

The compensation expense related to LTI Units was $21.3 million in 2021, $13.8 million in 2020 and $19.1 million in 2019. This expense was included in "Marketing, general and administrative expense" in the Consolidated Statements of Income. The total recognized tax benefit related to LTI Units was $5.1 million in 2021, $3.3 million in 2020 and $4.4 million in 2019.

NOTE 13. COST REDUCTION ACTIONS

Restructuring Charges

We have plans that provide eligible employees with severance benefits in the event of an involuntary termination. We calculate severance using the benefit formulas under the applicable plans. We record restructuring charges from qualifying cost reduction actions for severance and other exit costs (including asset impairment charges and lease and other contract cancellation costs) when they are probable and estimable.

2019/2020 Actions

During fiscal year 2021, we recorded $13.3 million in restructuring charges, net of reversals, related to our 2019/2020 actions. These charges consisted of severance and related costs for the reduction of approximately 360 positions and asset impairment charges at numerous locations across our company, primarily reflecting actions in our LGM and RBIS reportable segments. The actions in our LGM reportable segment were primarily associated with consolidations of operations in North America and its graphics business in Europe, in part in response to COVID-19. The actions in our RBIS reportable segment were primarily related to global headcount and footprint reduction, with some actions accelerated and expanded in response to COVID-19. During fiscal year 2020, we recorded $56 million in restructuring charges, net of reversals, related to our 2019/2020 actions. These charges consisted of severance and related costs for the reduction of approximately 2,160 positions, as well as asset impairment charges. Our activities related to our 2019/2020 actions began in the fourth quarter of fiscal year 2019 and continued through fiscal year 2021.

2018/2019 Actions

In April 2018, we approved a restructuring plan (the "2018 Plan") to consolidate the European footprint of our LGM reportable segment, which reduced headcount by approximately 390 positions, including temporary labor, in connection with the closure of a manufacturing facility. This reduction was partially offset by headcount additions in other locations, resulting in a net reduction of approximately 150 positions. During fiscal years 2021 and 2020, net restructuring reversals related to the 2018 Plan were not material. The cumulative charges associated with the 2018 Plan consisted of severance and related costs for the headcount reduction, as well as asset impairment charges. Our activities related to the 2018 Plan were substantially completed as of the end of the second quarter of 2019.

Net restructuring reversals during fiscal years 2021 and 2020 related to other 2018/2019 actions were not material.

Accruals for severance and related costs and lease cancellation costs were included in "Other current liabilities" in the Consolidated Balance Sheets. Asset impairment charges were based on the estimated market value of the assets, less selling costs, if applicable. Restructuring charges were included in "Other expense (income), net" in the Consolidated Statements of Income.

During 2021, restructuring charges and payments were as follows:

(In millions)	Accrual at January 2, 2021	Charges, Net of Reversals	Cash Payments	Non-cash Impairment	Foreign Currency Translation	Accrual at January 1, 2022
2019/2020 Actions						
Severance and related costs	$28.3	$10.3	$(26.2)	$ –	$(.9)	$11.5
Asset impairment charges	–	2.4	–	(2.4)	–	–
Lease cancellation costs	–	.6	(.6)	–	–	–
2018/2019 Actions						
Lease cancellation costs	.3	–	(.3)	–	–	–
Total	$28.6	$13.3	$(27.1)	$(2.4)	$(.9)	$11.5

During 2020, restructuring charges and payments were as follows:

(In millions)	Accrual at December 28, 2019	Charges, Net of Reversals	Cash Payments	Non-cash Impairment	Foreign Currency Translation	Accrual at January 2, 2021
2019/2020 Actions						
Severance and related costs	$21.9	$49.8	$(45.7)	$ –	$2.3	$28.3
Asset impairment charges	–	6.2	–	(6.2)	–	–
2018/2019 Actions						
Severance and related costs	6.5	(.7)	(6.0)	–	.2	–
Lease cancellation costs	.3	–	–	–	–	.3
Total	$28.7	$55.3	$(51.7)	$(6.2)	$2.5	$28.6

The table below shows the total amount of restructuring charges incurred by reportable segment and Corporate.

(In millions)	2021	2020	2019
Restructuring charges by reportable segment and Corporate			
Label and Graphic Materials	$ 3.4	$ 27.9	$ 29.0
Retail Branding and Information Solutions	7.6	18.7	9.8
Industrial and Healthcare Materials	1.6	8.4	9.4
Corporate	1.0	.3	2.2
Total	$13.6	$ 55.3	$ 50.4

NOTE 14. TAXES BASED ON INCOME

Taxes based on income were as follows:

(In millions)	2021	2020	2019
Current:			
U.S. federal tax	$ 7.3	$ 1.1	$ 11.0
State taxes	5.3	1.9	.5
International taxes	229.9	168.5	148.1
	242.5	171.5	159.6
Deferred:			
U.S. federal tax	(1.1)	5.0	(168.0)
State taxes	(5.3)	1.6	(8.9)
International taxes	12.5	(.4)	(39.4)
	6.1	6.2	(216.3)
Provision for (benefit from) income taxes	$248.6	$177.7	$ (56.7)

The principal items accounting for the difference between taxes computed at U.S. federal statutory rate and taxes recorded were as follows:

(In millions)	2021	2020	2019
Tax provision computed at U.S. federal statutory rate(1)	$208.5	$154.8	$ 52.4
Increase (decrease) in taxes resulting from:			
State taxes, net of federal tax benefit(1)	4.5	6.9	(12.8)
U.S. pension plan settlements and related charges(1)	–	–	(76.6)
Foreign earnings taxed at different rates(2)	75.4	51.4	56.2
GILTI high-tax exclusion election, net(3)	(22.8)	(12.5)	–
Foreign tax structuring and planning transactions(4)	–	–	(47.9)
Excess tax benefits associated with stock-based payments	(4.1)	(3.2)	(7.8)
Valuation allowance	(4.8)	(3.3)	2.0
U.S. federal research and development tax credits	(6.2)	(6.2)	(6.1)
Tax contingencies and audit settlements	3.9	(5.5)	(11.8)
Other items, net	(5.8)	(4.7)	(4.3)
Provision for (benefit from) income taxes	$248.6	$177.7	$(56.7)

(1) Included in 2019 are tax effects of the pension plan settlement charges associated with the termination of the ADPP. In 2019, tax benefit of $102 million on the pretax charge was reflected in the tax provision computed at U.S. federal statutory rate and state taxes, net of federal tax benefit. Moreover, in 2019, the tax benefit of $77 million related to the release of stranded tax effects in AOCI through the income statement was reflected in U.S. pension plan settlements and related charges.
(2) All years included certain U.S. international tax provisions and foreign earnings taxed in the U.S., net of credits.
(3) In 2021, we recognized $14.1 million and $8.7 million of benefit related to GILTI exclusion elections made on our amended 2018 and originally filed 2020 U.S. federal tax returns, respectively. In 2020, we recognized $12.5 million of benefit related to a GILTI exclusion election we planned to make on our amended 2019 U.S. federal tax return.
(4) In 2019, we recognized a net tax benefit of $47.9 million related to a foreign structuring transaction. This net benefit resulted from the elimination of recapture conditions to which our previously recognized net operating losses were subject. By eliminating these conditions, our losses became permanent, and the offsetting deferred tax liability related to future recapture was released.

Income before taxes from our U.S. and international operations was as follows:

(In millions)	2021	2020	2019
U.S.	$ 88.0	$123.8	$(355.4)
International	904.6	613.5	604.9
Income before taxes	$992.6	$737.3	$ 249.5

Our effective tax rate was 25%, 24.1% and (22.7)% for fiscal years 2021, 2020 and 2019, respectively.

Our 2021 provision for (benefit from) income taxes included (i) $28.5 million of net tax charge related to the tax on global intangible low-taxed income ("GILTI") of our foreign subsidiaries and the recognition of foreign withholding taxes on current year earnings, partially offset by the benefit from foreign-derived intangible income ("FDII"); (ii) $14.1 million of return-to-provision benefit related to a GILTI exclusion election made on our amended 2018 U.S. federal tax return; and (iii) $11.3 million of return-to-provision benefit, including $8.7 million related to a GILTI exclusion election and a higher FDII deduction reflected on our 2020 U.S. federal tax return.

In fiscal year 2020, the U.S. Department of Treasury issued final regulations that provide certain U.S. taxpayers with an annual election to exclude foreign income subject to a high effective tax rate from their GILTI inclusions. This annual election included an option for retroactive application to tax years 2018 through 2020. We recognized related tax benefits for tax years 2018 through 2020 as of January 1, 2022. We have not yet determined whether to make the election for tax year 2021. We continue to evaluate the impact of these regulations and currently anticipate that the benefit from making this election on our 2021 U.S. federal tax return may be significant.

Our 2021 provision for (benefit from) income taxes also reflected (i) net tax benefit primarily from the release of valuation allowance against certain deferred tax assets in the U.S. and foreign jurisdictions; (ii) net tax benefit primarily from decreases in certain tax reserves, including interest and penalties, as a result of closing tax years; and (iii) net tax charges related to the tax effects of outcomes of certain legal proceedings.

Our 2020 provision for (benefit from) income taxes included (i) $22.1 million of net tax charge related to the tax on GILTI of our foreign subsidiaries and the recognition of foreign withholding taxes on current year earnings, partially offset by the benefit from FDII; (ii) a $12.5 million return-to-provision adjustment related to an election we planned to make on our 2019 amended U.S. tax return; and (iii) net tax benefit primarily from decreases in certain tax reserves, including interest and penalties, as a result of closing tax years in foreign jurisdictions, partially offset by increases in reserves from changes in judgment and additional interest and penalty accruals.

Our 2019 provision for (benefit from) income taxes included $179 million of tax benefit related to the effective settlement of the ADPP, $102 million of which was the related tax effect on the pretax charge of $444 million and $77 million of which was related to the release of stranded tax effects in AOCI through the income statement. The tax effects were stranded primarily as a result of the U.S. federal tax rate change under the Tax Cuts and Jobs Act. Refer to Note 6, "Pension and Other Postretirement Benefits," for more information. Our 2019 provision for (benefit from) income taxes also reflected the following items: (i) $47.9 million of tax benefit from a foreign tax structuring transaction resulting in previously recognized tax losses becoming permanent; (ii) $24.7 million of net tax charge related to the tax on GILTI of our foreign subsidiaries and the recognition of foreign withholding taxes on current year earnings, partially offset by the benefit from FDII; (iii) net tax benefit primarily from the effective settlement of certain German tax audits and decreases in reserves as a result of closing tax years; and (iv) excess tax benefits associated with stock-based payments.

Our accumulated earnings in foreign subsidiaries are not indefinitely reinvested and can generally be repatriated to the U.S. without material tax consequences. As of January 1, 2022, we recorded a deferred tax liability of $16.2 million related to future tax consequences from repatriating our accumulated earnings in foreign subsidiaries that are not indefinitely reinvested.

Deferred Taxes

Deferred taxes reflect the temporary differences between the amounts at which assets and liabilities are recorded for financial reporting purposes and the amounts utilized for tax purposes. The primary components of the temporary differences that gave rise to our deferred tax assets and liabilities were as follows:

(In millions)	2021	2020
Accrued expenses not currently deductible	$ 34.6	$ 28.1
Net operating loss carryforwards	154.4	161.4
Tax credit carryforwards	34.6	55.9
Stock-based compensation	13.6	10.7
Pension and other postretirement benefits	38.8	52.4
Inventory reserve	14.7	12.9
Lease liabilities	42.5	39.0
Other assets	25.3	16.1
Valuation allowance	(70.1)	(68.2)
Total deferred tax assets[1]	288.4	308.3
Depreciation and amortization	(268.9)	(80.2)
Repatriation accrual	(16.2)	(39.0)
Foreign operating loss recapture	(3.4)	(3.6)
Lease assets	(43.8)	(38.7)
Total deferred tax liabilities[1]	(332.3)	(161.5)
Total net deferred tax assets (liabilities)[2]	$ (43.9)	$ 146.8

[1] Reflect gross amounts before jurisdictional netting of deferred tax assets and liabilities.
[2] 2021 included deferred tax liabilities recognized as a result of the acquisition of Vestcom described in Note 2, "Acquisitions."

We assess the available positive and negative evidence to estimate if sufficient future taxable income is expected to be generated to use existing deferred tax assets. On the basis of our assessment, we record valuation allowances only with respect to the portion of the deferred tax asset that is not more-likely-than-not to be realized. Our assessment of the future realizability of our deferred tax assets relies heavily on our forecasted earnings in certain jurisdictions determined by the manner in which we operate our business and the relevant carryforward periods. Any changes to our operations may affect our assessment of deferred tax assets considered realizable if the positive evidence no longer outweighs the negative evidence.

Net operating loss carryforwards of foreign subsidiaries at January 1, 2022 and January 2, 2021 were $508 million and $563 million, respectively. Tax credit carryforwards of both domestic and foreign subsidiaries at January 1, 2022 and January 2, 2021 totaled $35 million and $56 million, respectively. If unused, foreign net operating losses and tax credit carryforwards will expire as follows:

(In millions) Year of Expiry	Net Operating Losses[1]	Tax Credits
2022	$ 1.7	$ .4
2023	3.8	.4
2024	2.9	.2
2025	3.2	.2
2026	9.4	1.0
2027-2041	19.9	28.2
Indefinite life/no expiry	467.0	4.2
Total	$507.9	$34.6

[1] Net operating losses are presented before tax effects and valuation allowance.

Certain indefinite-lived foreign net operating losses may require decades to be fully utilized under our current business model.

At January 1, 2022, we had net operating loss carryforwards in certain states of $547 million before tax effects. Based on our estimates of future state taxable income, it is more-likely-than-not that the majority of these carryforwards will not be realized before they expire. Accordingly, a valuation allowance has been recorded on $479 million of these carryforwards.

As of January 1, 2022, our provision for (benefit from) income taxes did not materially benefit from applicable tax holidays in foreign jurisdictions.

Unrecognized Tax Benefits

As of January 1, 2022, our unrecognized tax benefits totaled $74 million, $68 million of which, if recognized, would reduce our annual effective income tax rate. As of January 2, 2021, our unrecognized tax benefits totaled $72 million, $63 million of which, if recognized, would reduce our annual effective income tax rate.

Where applicable, we accrue potential interest and penalties related to unrecognized tax benefits in income tax expense. The interest and penalties we recognized during fiscal years 2021, 2020 and 2019 were not material, individually or in aggregate, to the Consolidated Statements of Income. We have accrued balances of $19 million and $22 million for interest and penalties, net of tax benefit, in the Consolidated Balance Sheets at January 1, 2022 and January 2, 2021, respectively.

A reconciliation of the beginning and ending amounts of unrecognized tax benefits is set forth below.

(In millions)	2021	2020
Balance at beginning of year	$72.0	$69.9
Additions for tax positions of current year	9.1	6.5
Additions (reductions) for tax positions of prior years, net	1.2	5.2
Settlements with tax authorities	(1.1)	(3.3)
Expirations of statutes of limitations	(5.2)	(8.7)
Changes due to translation of foreign currencies	(2.0)	2.4
Balance at end of year	$74.0	$72.0

It is reasonably possible that, during the next 12 months, we may realize a decrease in our uncertain tax positions, including interest and penalties, of approximately $9 million, primarily as a result of closing tax years.

The amount of income taxes we pay is subject to ongoing audits by taxing jurisdictions around the world. Our estimate of the potential outcome of any uncertain tax issue is subject to our assessment of the relevant risks, facts, and circumstances existing at the time. We believe we have adequately provided for reasonably foreseeable outcomes related to these matters. However, our future results may include favorable or unfavorable adjustments to our estimated tax liabilities in the period the assessments are made or resolved, which may impact our effective tax rate. The final determination of tax audits and any related legal proceedings could materially differ from amounts reflected in our tax provision for (benefit from) income taxes and the related liabilities. To date, we and our U.S. subsidiaries have completed the IRS' Compliance Assurance Process Program through 2018. With limited exceptions, we are no longer subject to income tax examinations by tax authorities for years prior to 2010.

NOTE 15. SEGMENT AND DISAGGREGATED REVENUE INFORMATION

Segment Reporting

We have the following reportable segments:

- Label and Graphic Materials – manufactures and sells pressure-sensitive label and packaging materials and films for graphic and reflective products;
- Retail Branding and Information Solutions – designs, manufactures and sells a wide variety of branding and information solutions, including brand and price tickets, tags and labels (including RFID inlays), and related services, supplies and equipment; and
- Industrial and Healthcare Materials – manufactures and sells performance tapes and other adhesive products for industrial, medical and other applications, as well as fastener solutions.

Intersegment sales are recorded at or near market prices and are eliminated in determining consolidated sales. We evaluate our performance based on income from operations before interest expense and taxes. Corporate expense is excluded from the computation of income from operations for the segments.

We do not disclose total assets by reportable segment since we neither generate nor review that information internally. As our reporting structure is neither organized nor reviewed internally by country, results by individual country are not provided.

Disaggregated Revenue Information

Disaggregated revenue information is shown below in the manner that best depicts how the nature, amount, timing and uncertainty of our revenue and cash flows are affected by economic factors. Revenue from our LGM reportable segment is attributed to geographic areas based on the location from which products are shipped. Revenue from our RBIS reportable segment is shown by product group.

(In millions)	2021	2020	2019
Net sales to unaffiliated customers			
Label and Graphic Materials:			
U.S.	$1,462.5	$1,294.3	$1,246.6
Europe	2,025.5	1,758.1	1,767.9
Asia	1,224.5	1,040.8	1,065.0
Latin America	395.4	340.3	375.4
Other international	322.5	281.6	291.0
Total Label and Graphic Materials	5,430.4	4,715.1	4,745.9
Retail Branding and Information Solutions:			
Apparel	1,839.1	1,432.3	1,458.5
Identification Solutions[1] and Vestcom	362.7	198.6	191.8
Total Retail Branding and Information Solutions	2,201.8	1,630.9	1,650.3
Industrial and Healthcare Materials	776.1	625.5	673.9
Net sales to unaffiliated customers	$8,408.3	$6,971.5	$7,070.1

[1] Previously referred to as Printer Solutions

Revenue by geographic area is shown below. Revenue is attributed to geographic areas based on the location from which products are shipped.

(In millions)	2021	2020	2019
Net sales to unaffiliated customers			
U.S.	$2,065.2	$1,683.6	$1,638.8
Europe	2,541.4	2,164.7	2,160.2
Asia	2,914.5	2,378.5	2,458.5
Latin America	537.6	440.3	498.3
Other international	349.6	304.4	314.3
Net sales to unaffiliated customers	$8,408.3	$6,971.5	$7,070.1

Net sales to unaffiliated customers in Asia included sales in China (including Hong Kong) of $1.68 billion in 2021, $1.31 billion in 2020 and $1.38 billion in 2019.

No single customer represented 10% or more of our net sales in year-end 2021, 2020 and 2019. During 2021, 2020 and 2019, our ten largest customers by net sales in the aggregate represented approximately 16%, 17% and 16% of our net sales, respectively.

Additional Segment Information

Additional financial information by reportable segment is shown below.

(In millions)	2021	2020	2019
Intersegment sales			
Label and Graphic Materials	$ 98.5	$ 80.3	$ 80.2
Retail Branding and Information Solutions	37.3	27.5	20.6
Industrial and Healthcare Materials	13.3	6.4	8.8
Intersegment sales	$ 149.1	$ 114.2	$ 109.6
Income before taxes			
Label and Graphic Materials	$ 801.7	$ 688.8	$ 601.5
Retail Branding and Information Solutions	257.2	144.7	196.6
Industrial and Healthcare Materials	81.6	58.2	60.0
Corporate expense	(81.8)	(82.5)	(87.6)
Interest expense	(70.2)	(70.0)	(75.8)
Other non-operating expense (income), net	4.1	(1.9)	(445.2)
Income before taxes	$ 992.6	$ 737.3	$ 249.5
Capital expenditures[1] [2]			
Label and Graphic Materials	$ 133.6	$ 87.3	$ 137.8
Retail Branding and Information Solutions	96.3	101.6	63.1
Industrial and Healthcare Materials	36.7	17.3	24.2
Capital expenditures	$ 266.6	$ 206.2	$ 225.1
Depreciation and amortization expense[1]			
Label and Graphic Materials	$ 114.3	$ 107.0	$ 100.2
Retail Branding and Information Solutions	102.2	71.6	52.6
Industrial and Healthcare Materials	27.6	26.7	26.2
Depreciation and amortization expense	$ 244.1	$ 205.3	$ 179.0
Other expense (income), net by reportable segment			
Label and Graphic Materials	$ (28.1)	$ 22.2	$ 28.3
Retail Branding and Information Solutions	36.6	22.7	9.9
Industrial and Healthcare Materials	2.4	8.4	9.4
Corporate	(5.3)	.3	5.6
Other expense (income), net	$ 5.6	$ 53.6	$ 53.2

[1] Corporate capital expenditures and depreciation and amortization expense are allocated to the reportable segments based on their percentage of consolidated net sales.
[2] Capital expenditures for property, plant and equipment include accruals.

Other expense (income), net by type were as follows:

(In millions)	2021	2020	2019
Other expense (income), net by type			
Restructuring charges:			
Severance and related costs	$ 10.5	$ 49.1	$ 45.3
Asset impairment charges and lease cancellation costs	3.1	6.2	5.1
Other items:			
Transaction and related costs	20.9	4.2	2.6
Loss (gain) on sales of assets, net	.2	(.5)	(3.2)
Gain on venture investments, net	(23.0)	(5.4)	–
Gain on sale of product line	(5.7)	–	–
Outcomes of legal proceedings, net[1]	(.4)	–	3.4
Other expense (income), net	$ 5.6	$ 53.6	$ 53.2

[1] 2021 includes an indirect tax credit based on a Brazilian Federal Supreme Court ruling in our favor in the amount of $29.1 million, partially offset by a contingent liability related to a patent infringement lawsuit in the amount of $26.6 million. Refer to Note 8, "Contingencies" for more information related to the patent infringement lawsuit.

Property, plant and equipment, net, in our U.S. and international operations were as follows:

(In millions)	2021	2020	2019
Property, plant and equipment, net			
U.S.	$ 524.0	$ 403.1	$ 366.9
International	953.7	940.6	843.8
Property, plant and equipment, net	$ 1,477.7	$ 1,343.7	$ 1,210.7

Property, plant and equipment, net, located in China (including Hong Kong) was approximately $290 million in 2021, approximately $297 million in 2020 and approximately $282 million in 2019.

NOTE 16. SUPPLEMENTAL FINANCIAL INFORMATION

Inventories

Inventories at year-end were as follows:

(In millions)	2021	2020
Raw materials	$ 393.6	$ 268.6
Work-in-progress	233.1	210.3
Finished goods	280.5	238.3
Inventories	$ 907.2	$ 717.2

Property, Plant and Equipment

Major classes of property, plant and equipment, stated at cost, at year-end were as follows:

(In millions)	2021	2020
Land	$ 28.6	$ 26.1
Buildings and improvements	777.6	746.4
Machinery and equipment	2,582.2	2,538.6
Construction-in-progress	237.8	165.2
Property, plant and equipment	3,626.2	3,476.3
Accumulated depreciation	(2,148.5)	(2,132.6)
Property, plant and equipment, net	$ 1,477.7	$ 1,343.7

Software

Capitalized software costs at year-end were as follows:

(In millions)	2021	2020
Cost	$ 403.9	$ 506.5
Accumulated amortization	(280.6)	(370.1)
Software, net	$ 123.3	$ 136.4

Software amortization expense was $30.1 million in 2021, $29 million in 2020 and $20.8 million in 2019.

Allowance for Credit Losses

Given the short-term nature of trade receivables, our allowance for credit losses is based on the financial condition of customers, the aging of receivable balances, our historical collections experience, and current and expected future macroeconomic and market conditions, including as a result of COVID-19. Balances are written off in the period in which they are determined to be uncollectible.

The activity related to our allowance for credit losses was as follows:

(In millions)	2021	2020
Balance at beginning of year	$ 44.6	$ 27.1
(Reversal of) provision for credit losses[1]	(4.7)	20.3
Amounts written off	(7.7)	(5.7)
Other, including foreign currency translation	.8	2.9
Balance at end of year	$ 33.0	$ 44.6

[1] For 2020, our provision for credit losses reflected impacts on customers as a result of COVID-19.

The provision for credit losses was $10.6 million in 2019.

Research and Development

Research and development expense, which is included in “Marketing, general and administrative expense” in the Consolidated Statements of Income, was as follows:

(In millions)	2021	2020	2019
Research and development expense	$ 136.6	$ 112.8	$ 92.6

Supplemental Cash Flow Information

Cash paid for interest and income taxes was as follows:

(In millions)	2021	2020	2019
Interest	$ 62.8	$ 69.6	$ 74.3
Income taxes, net of refunds	253.4	203.4	155.0

Foreign Currency Effects

Gains and losses resulting from foreign currency transactions are included in income in the period incurred. Transactions in foreign currencies (including receivables, payables and loans denominated in currencies other than the functional currency), including hedging impacts, were not material in 2021, 2020 or 2019.

Deferred Revenue

Deferred revenue primarily relates to constrained variable consideration on supply agreements for sales of products, as well as to payments received in advance of performance under a contract. Deferred revenue is recognized as revenue as or when we perform under a contract.

The following table shows the amounts and balance sheet locations of deferred revenue as of January 1, 2022 and January 2, 2021:

(In millions)	January 1, 2022	January 2, 2021
Other current liabilities	$24.7	$18.9
Long-term retirement benefits and other liabilities	1.9	1.4
Total deferred revenue	$26.6	$20.3

Revenue recognized from amounts included in deferred revenue as of January 2, 2021 was $18.4 million in 2021. Revenue recognized from amounts included in deferred revenue as of December 28, 2019 was $12 million in 2020. Revenue recognized from amounts included in deferred revenue as of December 29, 2018 was $10.8 million in 2019. This revenue was included in “Net sales” in the Consolidated Statements of Income.

STATEMENT OF MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

The consolidated financial statements and accompanying information are the responsibility of and were prepared by management. The statements were prepared in conformity with accounting principles generally accepted in the United States of America and, as such, include amounts that are based on management's best estimates and judgments.

Oversight of management's financial reporting and internal accounting control responsibilities is exercised by our Board of Directors, through its Audit and Finance Committee, which is comprised solely of independent directors. The Committee meets periodically with financial management, internal auditors and our independent registered public accounting firm to obtain reasonable assurance that each is meeting its responsibilities and to discuss matters concerning auditing, internal accounting control and financial reporting. The independent registered public accounting firm and our internal audit department have free access to, and periodically meet with, the Audit and Finance Committee without management present.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as that term is defined in Exchange Act Rule 13a-15(f) and 15(d)-15(f). Under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of internal control over financial reporting based on the framework in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in *Internal Control – Integrated Framework (2013)*, management has concluded that internal control over financial reporting was effective as of January 1, 2022. The effectiveness of internal control over financial reporting as of January 1, 2022 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report included herein.

We have excluded Vestcom from our assessment of internal control over financial reporting as of January 1, 2022 because we acquired the company in a purchase business combination during the third quarter of fiscal year 2021. Vestcom is a wholly-owned subsidiary, whose total assets (excluding goodwill and other intangibles, which are in the scope of our assessment) represents 3% and whose total revenue represents 2% of the related consolidated financial statement amounts as of and for the year ended January 1, 2022.

Mitchell R. Butier
Chairman, President and Chief Executive Officer

Gregory S. Lovins
Senior Vice President and Chief Financial Officer

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Avery Dennison Corporation

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Avery Dennison Corporation and its subsidiaries (the "Company") as of January 1, 2022 and January 2, 2021, and the related consolidated statements of income, of comprehensive income, of shareholders' equity, and of cash flows for each of the three years in the period ended January 1, 2022, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of January 1, 2022, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of January 1, 2022 and January 2, 2021, and the results of its operations and its cash flows for each of the three years in the period ended January 1, 2022 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of January 1, 2022, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As described in Management's Report on Internal Control over Financial Reporting, management has excluded CB Velocity Holdings, LLC ("Vestcom") from its assessment of internal control over financial reporting as of January 1, 2022, because it was acquired by the Company in a purchase business combination during 2021. We have also excluded Vestcom from our audit of internal control over financial reporting. Vestcom is a wholly-owned subsidiary whose total assets and total revenues excluded from management's assessment and our audit of internal control over financial reporting represent 3% and 2%, respectively, of the related consolidated financial statement amounts as of and for the year ended January 1, 2022.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (i) relate to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Income Taxes

As described in Notes 1 and 14 to the consolidated financial statements, the Company is subject to income tax in the U.S. and multiple foreign jurisdictions, whereby management applies judgment in evaluating and estimating the Company's worldwide provision, accruals for taxes, deferred taxes and for evaluating the Company's tax positions. As of and for the year ended January 1, 2022, management recorded a provision for income taxes of $248.6 million, recorded total deferred tax assets of $130.2 million and disclosed unrecognized tax benefits of $74 million. As disclosed by management, significant judgments and estimates are required by management when determining the Company's tax expense and evaluating tax positions, including uncertainties. Management's estimate of the potential outcome of uncertain tax issues is subject to management's assessment of relevant facts and circumstances existing at the balance sheet date, as well as existing laws, regulations and practices of any governmental authorities exercising jurisdiction over the Company's operations. Management's assessment of the future realizability of the Company's deferred tax assets relies heavily on forecasted earnings in certain jurisdictions, and such forecasted earnings are determined by the manner in which the Company operates its business.

The principal considerations for our determination that performing procedures relating to income taxes is a critical audit matter are (i) the significant judgment by management when accounting for income taxes, including evaluating the potential outcome of various uncertain tax issues and the realizability of deferred tax assets; (ii) a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating evidence related to the potential outcome of uncertain tax issues and the realizability of deferred tax assets on a jurisdictional basis; and (iii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to accounting for income taxes, including controls over the identification and recognition of uncertain tax issues and the realizability of deferred tax assets on a jurisdictional basis. These procedures also included, among others, (i) testing the income tax provision and the rate reconciliation and (ii) evaluating management's process for assessing the potential outcome of uncertain tax issues and the future realizability of deferred tax assets. Evaluating management's process for assessing the potential outcome of certain uncertain tax issues included evaluating management's assessment of existing laws and regulations and practices of governmental authorities exercising jurisdiction over the Company's operations. Evaluating management's process for assessing the future realizability of certain deferred tax assets on a jurisdictional basis included evaluating estimates of future taxable income, evaluating management's application of income tax law, and testing the completeness and accuracy of underlying data used in management's assessment. Evaluating management's estimates of future taxable income involved evaluating whether the estimates used by management were reasonable considering the current and past performance of the Company on a jurisdictional basis and whether the estimates were consistent with evidence obtained in other areas of the audit. Professionals with specialized skill and knowledge were used to assist in evaluating the reasonableness of management's assessment of the potential outcome of uncertain tax issues and the future realizability of deferred tax assets, including the application of relevant foreign and domestic income tax laws and regulations, the provision for income taxes and the reasonableness of management's assessment of whether it is more-likely-than-not that certain tax positions will be sustained.

Acquisition of CB Velocity Holdings, LLC ("Vestcom")

As described in Notes 2 and 3 to the consolidated financial statements, on August 31, 2021, the Company completed the acquisition of CB Velocity Holdings, LLC ("Vestcom"), a provider of shelf-edge pricing, productivity and consumer engagement solutions for retailers and consumer packaged goods companies. The Company acquired Vestcom for a purchase price of $1.47 billion. In connection with its acquisition of Vestcom, the Company acquired approximately $727 million of identifiable intangible assets consisting of customer relationships, trade names and trademarks, and patented and other developed technology. Management utilized the income approach to estimate the fair values of acquired identifiable intangibles, primarily using Level 3 inputs. Management applied significant judgment in determining the fair value of intangible assets, which involved the use of estimates and assumptions with respect to estimated future revenue and related profit margins, customer retention rates, technology migration curves, royalty rates, discount rates, and economic lives assigned to the acquired intangible assets.

The principal considerations for our determination that performing procedures relating to the acquisition of CB Velocity Holdings, LLC ("Vestcom") is a critical audit matter are (i) a high degree of auditor judgment and subjectivity in performing procedures relating to the fair value of intangible assets acquired due to the significant judgment by management when developing the estimates; (ii) the significant audit effort in evaluating the significant assumptions related to profit margins and discount rates; and (iii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the acquisition accounting, including controls over management's valuation of the intangible assets and controls over the development of significant assumptions related to profit margins and discount rates. These procedures also included, among others (i) reading the purchase agreement and (ii) testing management's process for estimating the fair value of intangible assets. Testing management's process included evaluating the appropriateness of the valuation methods, testing the completeness and accuracy of data provided by management, and evaluating the reasonableness of significant assumptions related to profit margins and discount rates. Evaluating the reasonableness of the profit margins involved considering economic and industry factors and the past performance of the acquired business. The discount rates were evaluated by considering the cost of capital of comparable businesses and other industry factors. Professionals with specialized skill and knowledge were used to assist in the evaluation of management's valuation methods and the discount rate assumptions.

PricewaterhouseCoopers LLP

Los Angeles, California
February 23, 2022

We have served as the Company's auditor since at least 1960, which were the Company's first financial statements subject to SEC reporting requirements. We have not been able to determine the specific year we began serving as auditor of the Company or a predecessor company.

Other Information

Independent Registered Public Accounting Firm
PricewaterhouseCoopers LLP
601 South Figueroa Street, Suite 900
Los Angeles, California 90017
(213) 356-6000

Registrar and Transfer Agent
Broadridge Corporate Issuer Solutions, Inc.
P.O. Box 1342
Brentwood, New York 11717
(888) 682-5999
(720) 864-4993 (international)
(855) 627-5080 (hearing impaired)
https://investor.broadridge.com

Annual Meeting

Our Annual Meeting of Stockholders will be held virtually, with attendance via the internet at 1:30 p.m. Eastern Time on April 28, 2022. For more information on attending and asking questions during the virtual meeting, please refer to our 2022 Proxy Statement.

The Direct Share Purchase and Sale Program

Shareholders of record may reinvest their cash dividends in additional shares of our common stock at market price. Investors may also invest optional cash payments of up to $12,500 per month in our common stock at market price. Investors not yet participating in the program, as well as brokers and custodians who hold our common stock on behalf of clients, may obtain a copy of the program by contacting Broadridge Corporate Issuer Solutions, Inc.

Direct Deposit of Dividends

Shareholders may receive their quarterly dividend payments by direct deposit into their checking or savings accounts. For more information, contact Broadridge Corporate Issuer Solutions, Inc.

Certification Information

We are including, as Exhibits 31.1 and 31.2 to our Annual Report on Form 10-K for fiscal year 2021 filed with the Securities and Exchange Commission ("SEC"), certificates of our Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. We submitted to the New York Stock Exchange ("NYSE") an unqualified annual written affirmation, along with the Chief Executive Officer's certificate that he is not aware of any violation by the Company of NYSE's corporate governance listing standards, on April 28, 2021.

Annual Report on Form 10-K Requests

A copy of our Annual Report on Form 10-K, as filed with the SEC, will be furnished to shareholders and interested investors free of charge upon written request to our Corporate Secretary. Copies are also available on our investor website at www.investors.averydennison.com.

Corporate Headquarters
Avery Dennison Corporation
8080 Norton Parkway
Mentor, Ohio 44060
Phone: (440) 534-6000

Stock and Dividend Data
Our common stock is listed on the NYSE.
Ticker symbol: AVY

	2021	2020
Dividends per Common Share		
First Quarter	$ .62	$ .58
Second Quarter	.68	.58
Third Quarter	.68	.58
Fourth Quarter	.68	.62
	$ 2.66	$ 2.36
Number of shareholders of record as of fiscal year-end	3,952	4,195

2022

Notice and Proxy Statement

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AVERY DENNISON

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

RECORD DATE	February 28, 2022
MEETING DATE	April 28, 2022
MEETING TIME	1:30 p.m. Eastern Time
MEETING FORMAT	Virtual, at www.virtualshareholdermeeting.com/AVY2022

MEETING AGENDA

1. Elect the 8 directors nominated by our Board to serve a one-year term
2. Approve, on an advisory basis, our executive compensation
3. Ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for fiscal year 2022
4. Transact any other business properly brought before the meeting or any adjournment or postponement thereof

Our Board recommends that you vote FOR each of our 8 director nominees in Item 1 and FOR Items 2 and 3.

Stockholders of record as of February 28, 2022 are entitled to notice of, and to vote in connection with, the meeting and any adjournment or postponement thereof. This notice and our proxy materials are being mailed or made available to stockholders on or about March 15, 2022.

We want your shares to be represented and voted. We encourage you to vote promptly as this will save us the time and expense of additional proxy solicitation. As shown on the right, you can vote online, by telephone, by mail or, in certain circumstances, during the meeting.

On behalf of our Board of Directors, management and team members worldwide, thank you for your investment in us and our company. We look forward to engaging with you during the virtual Annual Meeting.

Vikas

Vikas Arora
Vice President, Associate General Counsel and
Corporate Secretary

March 10, 2022

Online

You can vote online at www.proxyvote.com by 11:59 p.m. Eastern Time on April 27, 2022. You will need the 16-digit control number on your Notice of Internet Availability or proxy card.

By Telephone

In the U.S. and Canada, you can vote by calling 1.800.690.6903 by 11:59 p.m. Eastern Time on April 27, 2022. You will need the 16-digit control number on your Notice of Internet Availability or proxy card.

By Mail

You can vote by mail by completing, dating and signing your proxy card and returning it in the postage-paid envelope or otherwise to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, New York 11717.

During Meeting

Unless your shares are held through our Employee Savings Plan, you can vote during the Annual Meeting. Beneficial holders must contact their broker or other nominee to be able to vote during the meeting.

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PROXY SUMMARY

This proxy summary includes key messages related to this proxy statement and does not contain all the information you should consider before voting. **We strongly encourage you to read the entire proxy statement before voting.**

DISTRIBUTION OF PROXY MATERIALS

We will mail our Notice of Internet Availability of Proxy Materials, which includes instructions on how to access these materials online, on or about March 15, 2022. If you previously elected to receive a paper copy of our proxy materials, on or about the same date, we will mail you our 2021 integrated report, which includes a letter to stockholders from our Chairman and Chief Executive Officer (CEO); our 2021 annual report; our notice and proxy statement for the 2022 Annual Meeting of Stockholders (the "Annual Meeting"); information regarding our businesses, financial performance and strategic achievements, including our continued progress as it relates to environmental, social and governance (ESG) matters; and a proxy card.

TIME, DATE AND FORMAT OF ANNUAL MEETING

The Annual Meeting will take place at 1:30 p.m. Eastern Time on April 28, 2022. Due to continued public health concerns about large, indoor in-person gatherings given the coronavirus/COVID-19 pandemic ("COVID-19"), the meeting will be held virtually, with attendance via the internet. To attend the virtual Annual Meeting, you will need to log in to www.virtualshareholdermeeting.com/AVY2022 using the 16-digit control number on your Notice of Internet Availability of Proxy Materials or proxy card.

Online access to the live audio webcast of the Annual Meeting will open at 1:15 p.m. Eastern Time to allow time for you to log in and test your device's audio system. We encourage you to access the meeting in advance of its designated start time as we plan to begin conducting the meeting promptly. For additional instructions on how to attend the virtual Annual Meeting, please refer to the *Voting and Meeting Q&A* section of this proxy statement.

ITEMS BEING VOTED ON DURING ANNUAL MEETING

You are being asked to vote on the items of business shown below during the Annual Meeting. Our Board of Directors (our "Board") recommends that you vote FOR each of our 8 director nominees and FOR the other 2 items being brought before the stockholder vote.

	Item	Board Recommendation	Vote Required	Discretionary Broker Voting	Page Reference
1	**Election of directors**	✓ **FOR each nominee**	Majority of votes cast	No	39
2	**Advisory vote to approve executive compensation**	✓ **FOR**	Majority of shares represented and entitled to vote	No	49
3	**Ratification of appointment of PricewaterhouseCoopers LLP as independent registered public accounting firm for FY 2022**	✓ **FOR**	Majority of shares represented and entitled to vote	Yes	89

VOTING PRIOR TO OR DURING ANNUAL MEETING

You may vote your shares by submitting a proxy in advance of the Annual Meeting or, in certain circumstances, voting during the meeting. You may not vote during the meeting if your shares are held through our Employee Savings Plan. Beneficial holders may only vote during the meeting if they properly request and receive a legal proxy in their name from the broker, bank or other nominee that holds their shares. Whether or not you plan to attend the virtual Annual Meeting, we urge you to vote and submit your proxy in advance of the meeting by following the instructions contained in the *Voting and Meeting Q&A* section of this proxy statement.

ASKING QUESTIONS DURING ANNUAL MEETING

We have designed the virtual Annual Meeting to ensure that you have the same rights and opportunities to participate as you would at an in-person meeting, using easy-to-use online tools that allow you to attend, vote and ask questions. After the business portion of the Annual Meeting concludes and the meeting is adjourned, our Chairman/CEO will lead a Q&A session during which we intend to answer all questions submitted on the day of or during the meeting that are pertinent to our company and the items being brought before stockholder vote. Answers to questions not addressed during the meeting, if any, will be posted promptly after the meeting on the investors section of our website. For information on how to submit questions during the Annual Meeting, please refer to the *Voting and Meeting Q&A* section of this proxy statement.

OUR COMPANY

We are a global materials science company specializing in the design and manufacture of a wide variety of labeling and functional materials. Our products and solutions, which are used in nearly every major industry, include pressure-sensitive materials for labels and graphic applications; tapes and other bonding solutions for industrial, medical and retail applications; tags, labels and embellishments for apparel; and radio-frequency identification (RFID) solutions serving apparel and other markets. We have approximately 36,000 employees in more than 50 countries.

Our company is comprised of the following businesses: Label and Graphic Materials (LGM), Retail Branding and Information Solutions (RBIS) and Industrial and Healthcare Materials (IHM).

STRATEGY OVERVIEW

We are committed to ensuring the continuing success of all our stakeholders – our employees, customers, investors and communities. **In 2021, we continued to invest in the long-term success of our company and advance our ESG priorities. To mitigate the challenges presented by the continued impact of COVID-19, we focused on ensuring the safety and well-being of our employees; managing a dynamic supply/demand environment and supply chain pressures to deliver for our customers; minimizing the impact of pandemic-related effects for our stockholders; and supporting our communities**. Our key strategies and 2021 achievements are shown below and on the following page. Our overriding focus remains the long-term success of all of our stakeholders, and we have a clear set of objectives and strategies to deliver for them.

1

Drive outsized growth in high-value categories

- We seek to increase the proportion of our portfolio in high-value products and solutions, both organically and through acquisitions; high-value categories serve markets that are growing faster than GDP, represent large pools of potential profit and leverage our core capabilities. These products and solutions include our specialty and durable label materials, graphics and reflective solutions, industrial tapes, Intelligent Labels that use RFID tags and inlays, external embellishments, and, with our recent acquisition of CB Velocity Holdings, LLC ("Vestcom"), shelf-edge pricing, productivity and consumer engagement solutions.
- In 2021, we achieved organic sales change in high-value product categories that outpaced that of our base businesses by a high-single digit rate driven by growth in specialty labels, external embellishments and Intelligent Labels; added to our capabilities and expanded our position in high-value product categories through our acquisition of Vestcom; and more than tripled the size of our Intelligent Labels platform over the last five years, reaching net sales of $0.7 billion in 2021

2

Grow profitability in our base businesses

- We strive to grow profitability in our base businesses by carefully balancing volume, price and mix, reducing complexity and tailoring our go-to-market strategies
- In 2021, we heightened our focus on material reengineering to drive productivity and mitigate the impact of rising input costs

3

Focus relentlessly on productivity

- We employ product reengineering and enterprise lean sigma to expand our margins, enhance our competitiveness (particularly in our base businesses) and provide a funding source for reinvestment
- In 2021, we continued expanding operating margins, with approximately $65 million in savings from restructuring, net of transition costs

4

Allocate capital effectively

- We balance our investments in organic growth, productivity, and acquisitions and venture investments, while continuing to return cash to stockholders through dividends and share repurchases
- In 2021, leveraging our strong balance sheet, we invested $272.1 million in fixed and information technology (IT) capital expenditures to support organic growth; completed three acquisitions and made three venture investments for a total of $1.48 billion; increased our quarterly dividend rate by ~10%; and repurchased $180.9 million in shares of our common stock

5

Lead in an environmentally and socially responsible manner

- We aim to deliver innovations that advance the circular economy and reduce the environmental impact of our operations; build a more diverse workforce and inclusive and equitable culture; maintain operations that promote health and safety; and support our communities through contributions from the Avery Dennison Foundation (ADF), supplemented by contributions from our company
- In 2021, we continued to make progress toward our 2025 sustainability goals, reducing the environmental impact of our operations and investing in strategic innovation platforms focused on material circularity and waste reduction/ elimination; driving sustainable change in diversity, equity and inclusion (DE+I), with a sharpened focus on increasing workforce racial/ethnic diversity, as well as representation from other underrepresented communities such as LGBTQ+, veteran or disabled individuals; and using the $10 million we contributed to ADF in 2020 to significantly increase grant-making in our communities, resulting in over $6 million of charitable contributions from ADF and our company in 2021. We also announced more ambitious 2030 sustainability goals.

PERFORMANCE HIGHLIGHTS

COVID-19 Response

Our top priority in 2021 as the COVID-19 pandemic continued to evolve and impact our global teams was to safeguard the safety and well-being of our employees by continually adapting our world-class safety protocols. We also were highly focused on delivering for our customers, leveraging our global scale to manage elevated lead times caused by constrained raw material, freight and labor availability and persistent inflation. To minimize the effects of the pandemic on our investors, we maintained a strong balance sheet to ensure financial flexibility. We also more than doubled our financial support for communities in 2021 compared to the prior year.

Strong 2021 Performance

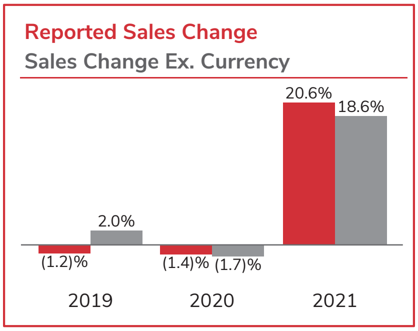
In 2021, by consistently executing our strategies, we delivered our tenth consecutive year of strong top- and bottom-line growth, expanded operating margins and achieved record free cash flow, despite the continued impact of COVID-19 and related supply chain, labor, freight and inflationary challenges. These results reflected the extraordinary efforts undertaken by our leaders and teams globally to respond to the difficult macroeconomic environment and mitigate its impacts on our company. Our performance reflects our rigorous scenario planning, which has enabled us to be prepared for a wide range of financial situations. We advanced our key strategies and delivered strong performance, while continuing to deliver for all of our stakeholders.

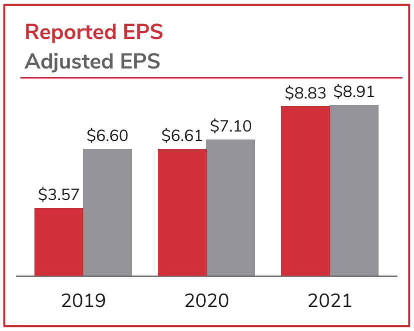
Our fiscal year 2021 performance reflects the strength of our markets, our industry-leading positions, the strategic foundations we have laid and our talented team. Our key financial achievements for the year are described below and on the following page.

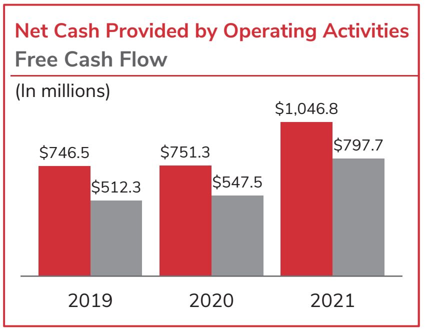
- **Reported net sales of $8.41 billion**, up ~21%, reflecting volume growth across our businesses and recovery from the prior-year impact of COVID-19
- Excluding the impact of currency, sales increased ~19%; sales on an organic basis increased by ~16% driven by continued strong demand for consumer packaged goods and the accelerated shift to e-commerce in LGM, as well as significant organic growth in Intelligent Labels
- **Reported earnings per share (EPS) increased ~34% from $6.61 in 2020 to $8.83 in 2021**, in part due to the prior-year impact of COVID-19

- Adjusted EPS increased ~25% from $7.10 to $8.91, driven by strong growth and operating margin expansion; adjusted EPS for the year was substantially higher than the top end of the $7.65 to $8.05 annual guidance range we provided to investors in February 2021
- With **reported net cash provided by operating activities of $1,046.8 million**, delivered record free cash flow of $797.7 million, $250+ million higher than 2020 and substantially exceeding our initial 2021 outlook of $600+ million
- On **reported net income of $740.1 million**, achieved return on total capital (ROTC) including acquisition amortization of ~18% and ROTC excluding acquisition amortization of ~19%

Sales change excluding the impact of currency (sales change ex. currency), organic sales change, adjusted EPS, free cash flow and ROTC both including and excluding acquisition amortization – as well as adjusted EBITDA margin, which is used later in this proxy summary – are supplemental non-GAAP financial measures that we provide to assist investors in assessing our performance and operating trends. These measures are defined, qualified and reconciled from generally accepted accounting principles in the United States of America (GAAP) in the last section of this proxy statement. These non-GAAP financial measures are not a substitute for or superior to the comparable financial measures under GAAP.







Delivering Financial Targets

Our objective is to deliver GDP+ growth and top-quartile returns on capital to create superior value over the long term. In March 2017, we announced five-year financial targets through 2021. As shown below, we exceeded each of these commitments we made to our investors.

This is the **third set of long-term financial targets we have delivered**. Our consistently strong performance reflects the strength of our industry-leading market positions, the strategic foundations we have laid, and our agile and talented workforce. Given the diversity of our end markets, strong competitive advantages and resilience as an organization, we are confident in our ability to continue delivering for you through a wide range of business cycles.

For the 2017-2021 period, on a five-year compound annual basis (with 2016 as the base period), GAAP reported net sales, net income and EPS increased by 6.7%, 18.2% and 20.1%, respectively.

	2017-2021 Targets	2017-2021 Results[(1)]
Sales Growth[(2)]	5%+ ex. currency[(3)] 4%+ organic	6.6% ex. currency 4.6% organic
GAAP Operating Margin	11%+ in 2021	12.6% in 2021
Adjusted EPS Growth[(2)]	10%+	17.3%
ROTC incl. Acquisition Amortization	17%+ in 2021	18.4% in 2021

EXCEEDED 2017-2021 FINANCIAL TARGETS

(1) Results for non-GAAP measures are reconciled from GAAP in the last section of this proxy statement.
(2) Percentages for targets and results reflect five-year compound annual growth rates, with 2016 as the base period.
(3) Target for sales growth ex. currency reflects the impact of completed acquisitions as of March 2017 of approximately one point.

In March 2021, we announced five-year financial targets through 2025. As shown below, based on the first year of this five-year period, we are on track to achieve these commitments.

In 2021 (with 2020 as the base period), GAAP reported net sales, net income and EPS increased by 20.6%, 33.1% and 33.6%, respectively.

	2021-2025 Targets	2021 Results[(1)]
Sales Growth[(2)]	5%+ ex. currency[(3)]	18.6% ex. currency 15.6% organic
Adjusted EBITDA Margin	16%+ in 2025	15.6% in 2021
Adjusted EPS Growth[(2)]	10%	25%
ROTC excl. Acquisition Amortization	18%+ in 2025	19.1% in 2021

ON TRACK TO ACHIEVE 2021-2025 FINANCIAL TARGETS

(1) Results for non-GAAP measures are reconciled from GAAP in the last section of this proxy statement.
(2) Percentages for targets reflect five-year compound annual growth rates, with 2020 as the base period. Percentages for results reflect one-year annual growth rates, with 2020 as the base period.
(3) Target for sales growth ex. currency reflects the impact of completed acquisitions as of March 10, 2021, which represents (0.2)%.

Effective Capital Allocation

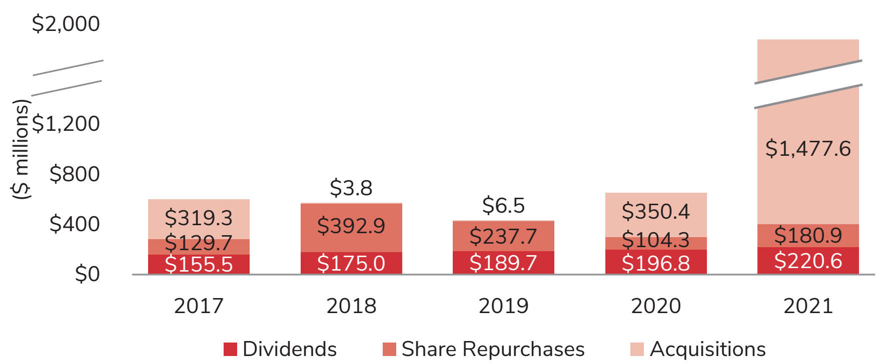
We have been consistently disciplined in executing our capital allocation strategy, balancing our investments in organic growth, productivity, and acquisitions and venture investments with continuing to return cash to stockholders through dividends and share repurchases. **In 2021, we invested $272.1 million in fixed and IT capital expenditures to support future growth and further productivity improvement and allocated $1.48 billion to acquisitions and venture investments; we also paid $220.6 million in dividends and repurchased $180.9 million in shares of our common stock**.

We have invested in our businesses to support organic growth and pursued complementary and synergistic acquisitions. Our fixed and IT capital spending in 2021 was nearly 25% higher than in 2020, reflecting our continued investment in high-value categories, including our fast-growing Intelligent Labels platform, and lower-than-planned capital expenditures in 2020 to mitigate the impact of COVID-19. During the year, we acquired Vestcom, an Arkansas-based provider of shelf-edge pricing, productivity and consumer engagement solutions for retailers and consumer packaged goods companies, for $1.47 billion, as well as ZippyYum, LLC ("ZippyYum"), a California-based developer of software products used in the food service and food preparation industries, and JDC Solutions, Inc. ("JDC"), a Tennessee-based manufacturer of pressure-sensitive specialty tapes, collectively for approximately $43 million. During 2021, we also made three venture investments in companies developing innovative technological solutions that we believe have the potential to advance our businesses.

In 2021, we deployed $401.5 million to pay dividends of $2.66 per share and repurchase 0.9 million shares of our common stock. We **raised our quarterly dividend rate by approximately 10% in April 2021**.

As shown below, **over the last five years, we have allocated over $2 billion to acquisitions and venture investments and nearly $2 billion to dividends and share repurchases**.

Capital Allocated to Dividends, Share Repurchases and Acquisitions*

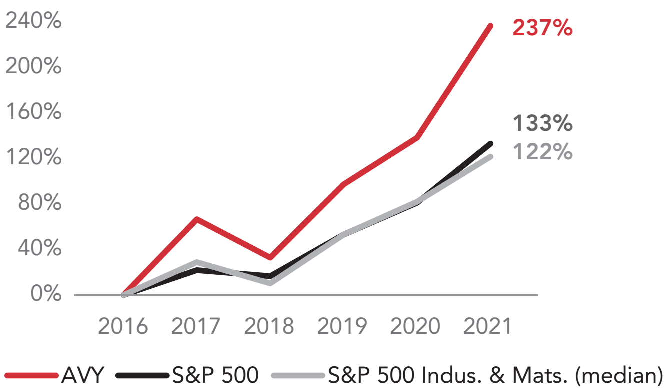


* Amounts for acquisitions include venture investments.

Total Stockholder Return (TSR) Outperformance

By generating substantial economic value added (EVA), we drove strong TSR in 2021 despite the continued uncertain macroeconomic environment as a result of COVID-19 and related supply chain, labor, freight and inflationary challenges. Our TSR of over 40% outperformed the S&P 500 and the median of the S&P 500 Industrials and Materials subsets, two comparator groups we use to assess our relative performance. We believe that our longer-term TSR is a more meaningful measure of our performance than our one-year TSR, which can be significantly impacted by short-term market volatility that may be unrelated to our performance. Both our three-year and five-year TSR substantially outperformed these two comparator groups. We focus on TSR because it measures the value we create for our stockholders, including stock price appreciation and dividends paid (assuming reinvestment of dividends). We compare ourselves to the median of the S&P 500 Industrials and Materials subsets because we are a member of the Materials subset, and also share many characteristics with members of the Industrials subset; investors have indicated that they also look at both subsets in evaluating our performance relative to that of our peers.

5-Year Cumulative TSR



1-, 3- and 5-YEAR TSR

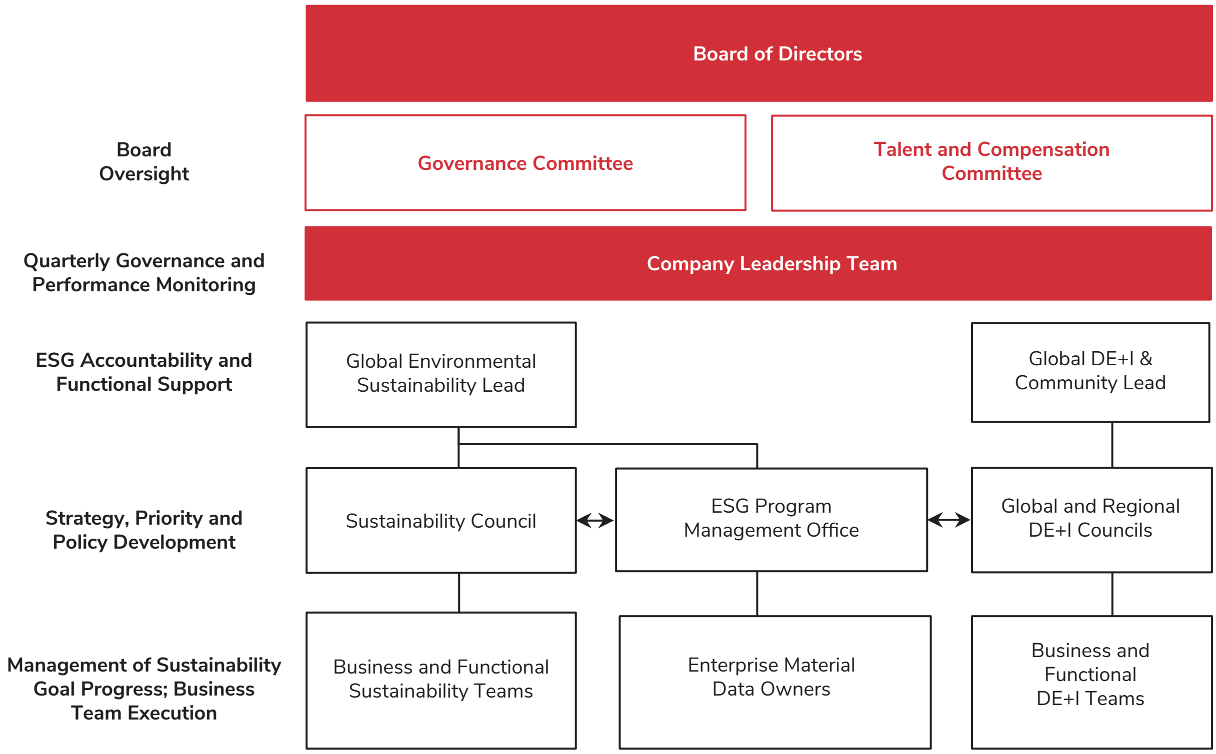
	AVY	S&P 500	S&P Indus. & Mats.*
2017	67%	22%	28%
2018	(20)%	(4)%	(14)%
2019	49%	32%	34%
2020	21%	18%	17%
2021	**41%**	**29%**	**24%**
3-Year TSR	**154%**	**100%**	**94%**
5-Year TSR	**237%**	**133%**	**122%**

* Based on median of companies in both subsets as of December 31, 2021

ESG GOVERNANCE

We have been consistently focused on advancing our ESG profile, establishing our priorities, setting ambitious goals and making consistent progress toward their achievement. Our sustained progress reflects the commitment and passion of our management and employees, as well as the robust engagement and oversight of our Board. Our ESG governance structure is shown on the following page.

ESG GOVERNANCE STRUCTURE



We believe that strong data governance ensures consistency and accuracy of information in support of our ESG priorities and enhances transparency to our stakeholders. Our ESG data is organized and indexed to the Global Reporting Initiative (GRI) and Sustainability Accounting Standards Board (SASB) frameworks to facilitate stakeholder usage and comparability with other companies. We have also responded to Carbon Disclosure Project (CDP) Climate, Water and Forests since 2010, 2015 and 2016, respectively. The volume of ESG information we disclose has significantly increased in recent years and our scores from ESG rating agencies have continued to improve.

During 2021, we evolved our ESG data governance program by establishing an ESG Program Management Office to assess our reporting in accordance with frameworks such as the Task Force on Climate-Related Financial Disclosures (TCFD); engage with targeted ESG rating agencies; manage our data collection and reporting processes; create assurance guidance and controls, and provide reports, data and information for publication. In addition, we engaged an **independent third party to review our energy and GHG emissions data**; requested our Internal Audit team to perform **walkthroughs of key metrics** and provide ongoing advisory engagement; and formalized our processes for **data owner sign-off, ESG Disclosure Committee review and senior management approval**.

Our March 2022 ESG Download, published concurrently with this proxy statement on our ESG website at esg.averydennison.com, reflects the organizational focus we have on these matters. It includes 120 categories covering our policies, goals, strategies, risks, outcomes/metrics and certifications. This information comes from multiple data owners and sources, including our enterprise-wide Sustainability Council, the sustainability teams in our businesses, and representatives from corporate and business functions such as EHS, Operations/Supply Chain, Procurement, HR and Law. The ESG Download and other information on our website are not and should not be considered part of, nor are they incorporated by reference into, this proxy statement.

ENVIRONMENTAL AND SOCIAL SUSTAINABILITY

Sustainability is one of our core values and has long been integral to our way of doing business. To create value for all our stakeholders, we aim to advance our strategic innovation platforms on material circularity and waste reduction/elimination, build a more diverse workforce and inclusive and equitable culture, maintain operations that promote health and safety, and support our communities. Integrating sustainability into our business strategies has helped us deliver sustained strong financial performance and engage employees at all levels.

In the first six years of the 10-year horizon for our 2025 sustainability goals, we have made substantial progress, as shown in the scorecard below. You can find additional information on our ESG progress in our 2021 integrated sustainability and annual report, as well as on our ESG website at esg.averydennison.com. The 2021 integrated sustainability and annual report and other information on our website are not and should not be considered part of, nor are they incorporated by reference into, this proxy statement.

2021 SCORECARD OF PROGRESS TOWARD 2025 SUSTAINABILITY GOALS

Focus Area	Goal(s)	Baseline Year	Highlights of Progress
Greenhouse Gas Emissions	Achieve at least 3% absolute reduction year-over-year and at least 26% overall reduction by 2025	2015	Reduced absolute GHG emissions by ~7% in 12 months through Q3 2021 compared to same period in prior year; reduced GHG emissions by ~48% compared to baseline year
Paper	Source 100% certified paper, of which at least 70% is Forest Stewardship Council®-certified	2015	Of total volume of paper procured in 2021, ~91% was certified, with ~81% of face stock Forest Stewardship Council®-certified
Films	Ensure that 70% of films we buy conform to, or enable end products to conform to, our environmental and social guiding principles	N/A	~97% of 2021 film volume conformed to LGM's restricted substance list (RSL)
Chemicals	Ensure that 70% of chemicals we buy conform to, or enable end products to conform to, our environmental and social guiding principles	N/A	~96% of 2021 chemical volume conformed to LGM's RSL
Products and Solutions	Through innovation, deliver above-average growth in sales from sustainability-driven products and services Ensure that 70% of our products and solutions conform to, or enable end products to conform to, our environmental and social guiding principles	2015	~55% and ~50% of RBIS Apparel and LGM sales, respectively, in 2021 came from sustainability-driven products that are responsibly sourced, enable recyclability, contain recycled content or use less material, without compromising performance
Waste	Be 95% landfill-free, with at least 75% of our waste reused, repurposed or recycled Eliminate 70% of the matrix and liner waste from our value chain	2015	Diverted ~94% of solid waste from landfills and recycled ~67% of waste as of Q3 2021, our most recently available data
People	Continue to cultivate diverse (40%+ female at level of manager and above), engaged, safe (recordable incident rate (RIR) of <0.25), productive and healthy workforce Continue to invest in our employees and the communities in which they live and work	2015	Increased female representation at level of manager and above by ~3% from baseline year, reaching 35% at YE 2021 Continued world-class safety record, with 2021 RIR of 0.21, substantially better than manufacturing industry average of 3.1 in 2020 (most recently available data)
Transparency	Commit to goals publicly and be transparent in reporting progress	N/A	Continued to enhance transparency by providing more frequent and comprehensive ESG disclosures, including by launching ESG website and making new commitments to external standards (e.g., Science Based Targets initiative) in 2021

After updating our materiality assessment in 2020 to better understand the environmental and social sustainability challenges facing our company and our stakeholders, we reframed our eight 2025 goals into three broader goals that we are aiming to achieve by 2030. Within each of these goals, we have specific targets related to environmental and social sustainability. We show our progress against the targets shown below in our 2021 integrated annual and sustainability report.

2030 SUSTAINABILITY GOALS AND TARGETS

GOALS	TARGETS
Deliver innovations that advance the circular economy	Satisfy the recycling, composting or reuse requirements of all single-use consumer packaging and apparel with our products and solutions RBIS: 100% within our core product categories (printed fabric labels, woven labels, paper, interior heat-transfer labels, packaging and RFID) will meet our third-party verified Sustainable ADvantage Standard LGM: 100% of our standard label products will contain recycled or renewable content; all of our regions will have labels that enable circularity of plastics
Reduce the environmental impact in our operations and supply chain	Reduced our Scope 1 and 2 GHG emissions by 70% from our 2015 baseline. Work with our supply chain to reduce our 2018 baseline Scope 3 GHG emissions by 30%, with an ambition of net zero by 2050
	Source 100% of paper fiber from certified sources focused on a deforestation-free future
	Divert 95% of our waste away from landfills, with a minimum of 80% of our waste recycled and the remainder either reused, composted or sent to energy recovery
	Deliver a 15% increase in water efficiency at our sites that are located in high or extremely high risk countries as identified in the World Resources Institute Aqueduct Tool
Make a positive social impact by enhancing the livelihood of our people and communities	Foster an engaged team and an inclusive workplace. • Inclusion Index: 85% • Employee Engagement: 82% • Females in manager level or above positions: 40% • Safety: 0.2 RIR
	Support the participation of employees in Avery Dennison Foundation grants and foster the well-being of the communities in which we and our supply chain operate.

DIVERSITY, EQUITY AND INCLUSION (DE+I)

Diversity is one of our core values, reflecting our commitment to ensuring an inclusive and equitable environment for people of all backgrounds and orientations and our belief that we gain strength from diverse ideas and teams. We are holding ourselves accountable for DE+I progress, with quantitative targets for employee engagement, inclusion and workforce gender diversity in our 2030 sustainability goals. Over the past several years, we have made consistent progress in our DE+I journey, as shown on the following page. **Our 2021 EEO-1 statistics**, which we collect as required by the U.S. Equal Opportunity Commission and reflect the voluntary self-identification by our U.S. employees, **can be found in our March 2022 ESG Download.**

HIGHLIGHTS OF DE+I JOURNEY

Year	Highlights
2015	• Established 2025 goal of 40%+ female at manager level and above • Employees established Northeast Ohio Chinese Employee Resource Group (ERG)
2016	• Launched unconscious bias training for managers globally • Released DE+I Talkabout Toolkit • Initiated Women.Empowered development program • Expanded flexible work arrangements • Added inclusion index to employee engagement survey
2017	• Employees established Elevate, women's ERG • Began requiring gender diverse hiring slate goals globally • Joined CEO Action for Diversity & Inclusion • Formally added Diversity as one of our company values
2018	• Established Regional DE+I Councils • Employees established BERG, our Black ERG • Launched Men as Allies program • Reviewed director+ level gender pay equity, making adjustments where appropriate
2019	• Employees established Veterans ERG and UNITE, our LGBTQ+ ERG • Launched North America iBelong employee engagement campaign • Expanded gender pay equity review, making adjustments where appropriate
2020	• Employees established Voz Latina ERG • Launched regional DE+I town halls • Began enhancing DE+I transparency with increased ESG reporting • Started to recruit for enterprise-wide DE+I leader • Continued expanding gender pay equity review and began evaluating U.S. racial/ethnic pay equity, making adjustments where appropriate
2021	• Engaged third party expert to assess our baseline and help us establish our global DE+I priorities • Established DE+I infrastructure with global leader and dedicated regional resources • Developed global DE+I strategy with four pillars and supporting regional focus areas • Increased DE+I transparency, including by publishing EEO-1 data and committing to do so annually • Further enhanced pay equity review by engaging third party expert to analyze racial/ethnic equity • Invested to further develop ERG leaders • Employees established ERGs focused on mental awareness, single parenting and young employees • Sponsored 50+ diverse leaders in externally-facilitated leadership academies • Ensured more equitable benefits for LGBTQ+ employees and their families, resulting in 100% score on Human Rights Campaign Foundation's 2022 Corporate Equality Index

STOCKHOLDER ENGAGEMENT

In addition to our extensive investor relations program through which our CEO, Chief Financial Officer (CFO), business leaders and Investor Relations team engage with our investors throughout the year, we have a longstanding practice of semiannual engagement with stockholders to further discuss and solicit their feedback on our strategies, performance, executive compensation and ESG matters.

Spring Engagement
Offer top 30 investors meeting with independent members of Board and/or management to discuss items being brought before stockholder vote; on day of annual meeting, discuss preliminary vote results with Board

Fall Engagement
Contact top 30 investors to request meeting with members of Board, generally our Lead Independent Director, **to discuss our strategies, performance, executive compensation and ESG matters**

Robust and Ongoing Stockholder Engagement

Board/Committee Discussions
Report on process, results and feedback from engagement to senior management and Board; consider whether changes to programs are advisable and reflect feedback in next year's proxy materials

Summary of 2021 Engagement Feedback

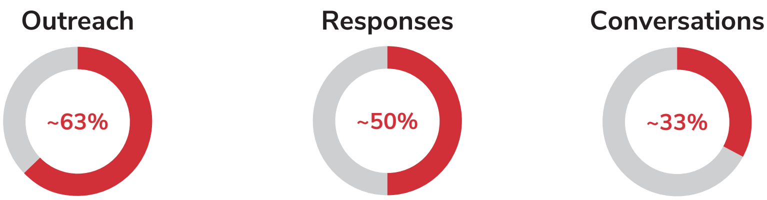
Our Board and management believe that regular stockholder engagement fosters a deeper understanding of our investors' evolving expectations on ESG matters and helps us ensure our programs continue to align with best practices. **The objectives of our stockholder engagement program are to maintain thoughtful dialogue and further strengthen our relationships with our top investors; gather feedback on the prior proxy season and identify potential improvement opportunities based on evolving expectations; and discuss our company strategies, Board matters, executive compensation, and ESG progress.**

In 2021, we contacted our top 30 investors in the spring and the fall. Board members, in particular our Lead Independent Director, and management were made available to answer questions and address concerns. **We engaged with every stockholder who accepted our invitation to meet, and our Lead Independent Director led the majority of our off-season engagements.**

We discussed the process, results and feedback from our 2021 engagement with the Talent and Compensation Committee (the "Compensation Committee") and the Governance Committee of our Board, and also shared highlights with the full Board to supplement the reports from those Committee Chairs.

A summary of the results from our 2021 stockholder engagement is shown on the following page.

2021 ENGAGEMENT RESULTS



Governance Feedback

With respect to governance, our 2021 engagements focused primarily on the matters described below.

- **Board oversight of ESG matters**, including the allocation of responsibilities among Board Committees and our full Board
- **Board composition**, with investors noting that the diversity of skills, qualifications and demographic backgrounds on our Board was appropriate given our company's strategies and ESG priorities
- **Board refreshment**, including actions underway to mitigate the risk from upcoming concentrated director retirements and the skills and backgrounds we would seek in any new director to complement those of our existing directors
- **Board leadership structure**, including our rationale for maintaining a combined Chairman/CEO with a robust Lead Independent Director role
- **Director commitments,** given the lower level of stockholder support at the 2021 Annual Meeting received by one of our current directors whose board memberships do not comply with certain of our investors' voting policies
- Our **shareholder rights** profile

Environmental Sustainability Feedback

Investors uniformly commended our significantly expanded **ESG transparency** with the disclosures contained in our integrated annual and sustainability reports, proxy statements and ESG Downloads and on our ESG website at esg.averydennison.com. Environmental sustainability was a key area of focus for many of our investors in 2021. During our conversations, we primarily discussed the matters described below.

- The **strong linkage between ESG and our company strategies**, as well as the ways in which our environmental and social **sustainability creates market opportunity and provides competitive advantage**
- **Our reframed sustainability framework, progress toward our 2025 goals and our new 2030 goals**, reviewing the step-change advancement between these sets of goals, including our more objective and ambitious 2030 targets, including those related to Scope 1, 2 and 3 GHG emissions reduction and water to address evolved stakeholder expectations
- Our launch of **strategic innovation platforms focused on waste reduction/elimination and material circularity**
- The approval by the Science Based Targets initiative of our 2030 Scope 1 and 2 GHG emissions reduction targets as consistent with reductions required to keep warming to no more than 1.5 degrees Celsius, and our **ambition to achieve net zero GHG emissions by 2050**

Executive Compensation Feedback

The stockholders with whom we spoke sought information regarding the consideration of ESG matters in our executive compensation program, seeking to ensure that the Compensation Committee is discussing evolving expectations regarding **ESG-executive compensation linkage**. We discussed our current approach of establishing performance objectives for our annual incentive program based on quantitative financial metrics, supplemented by a **qualitative individual assessment of executives that includes consideration of their ESG-related goals**. We also explained our Board's view that **our financial success in recent years has been inextricably linked to our ESG focus and progress** and that we have made substantial ESG progress as part of our commitment to deliver for all our stakeholders. Investors noted the need to be thoughtful and objective if we were to add ESG performance objectives, cautioning against setting targets without sufficient time and data to assess their appropriateness. To provide additional perspective on the Compensation Committee's views on the linkage between ESG and executive compensation, we have included additional disclosure in the *Compensation Discussion and Analysis* section of this proxy statement.

Social Sustainability and Talent Management Feedback

Social sustainability and talent management continued to be significant areas of investor focus in 2021. In addition to the general feedback on our ESG program noted above, discussions related to these topics included the following:

- **Training and development opportunities** we provide our employees with a view to ensuring an informed and ethical workforce
- Our efforts to **attract team members from underrepresented communities** and ensure **diverse hiring slates**
- The programs we offer to make **our company an attractive place to work**
- **Employee retention and attrition**

DE+I continued to be a key topic of engagement. The matters described below were areas of DE+I focus.

- The ways in which DE+I aligns with our business strategies, allowing us to **recruit and retain an engaged workforce committed to advancing their success and ours**
- Given our focus on **building a more diverse workforce and inclusive and equitable culture**, sharing our quantitative achievements, as well as information related to our qualitative efforts to continuously improve
- The Compensation Committee's discussion of our DE+I initiatives and progress at each of its regular meetings in 2021, with supplemental engagement on these matters by our full Board with our CEO, Chief Human Resources Officer (CHRO), business leaders and DE+I leaders
- **Our disclosure of EEO-1 data** for the first time in 2021, with investors expressing their interest in learning more about the demographics of our workforce, what drives employee engagement and how our company plans to ensure the continued success of this key stakeholder group

We also candidly discussed our projected inability to achieve our **goal of 40%+ women at the manager level and above** by 2025, including the challenges we experienced, our key learnings and the organizational enhancements we have made in recent years to ensure we can deliver this renewed goal by 2030.

2022 DIRECTOR NOMINEES (ITEM 1)

Director's Decision Not to Stand for Reelection

In February 2022, Director Mark Barrenechea notified our Board of Directors of his decision not to stand for reelection at the 2022 Annual Meeting so that he can focus on other endeavors.

Matrix of Director Nominee Skills, Qualifications and Demographic Backgrounds

Our director nominees bring a balance of skills, qualifications and demographic backgrounds to their roles of providing oversight of our company, as shown by individual in the matrix on the following page, which we have modified slightly from prior year to conform with the areas of industry expertise by which we now classify directors given our evolved strategic profile. **This matrix reflects information received from each of our directors in their responses to our annual director questionnaire.** At least annually, the Governance Committee evaluates and reports to our Board on the skills, qualifications and demographic backgrounds desirable for our Board to best advance our business strategies and serve the interests of all our stakeholders.

BOARD MATRIX

	A. LOPEZ	A. ANDERSON	B. ALFORD	J. STEWART	K. HICKS	M. SULLIVAN	M. BUTIER	P. SIEWERT
								
Governance Guidelines Criteria								
Independent	✓	✓	✓	✓	✓	✓		✓
Senior Leadership Experience(1)	✓	✓	✓	✓	✓	✓	✓	
Industry Experience(2)	✓		✓	✓	✓	✓	✓	✓
Global Exposure(3)	✓	✓	✓	✓	✓	✓	✓	✓
Board Experience(4)	✓	✓	✓	✓	✓	✓		✓
Financial Expertise(5)		✓					✓	✓
Industry Expertise								
Software/Digital/Cybersecurity(6)								
Retail/Dining				✓	✓			
Packaging	✓						✓	
Consumer Goods			✓		✓			✓
Industrial Goods						✓	✓	
Materials Science							✓	
Demographic Background								
Tenure (years)	5	9	12	19	14	9	5	16
Gender								
Female				✓		✓		
Male	✓	✓	✓		✓		✓	✓
Non-Binary Gender								
Age	59	66	65	66	69	65	50	66
Mandatory Retirement Year	2035	2028	2029	2028	2025	2029	2044	2028
Race/Ethnicity								
Black or African American		✓						
Hispanic or Latino	✓							
White	✓		✓	✓	✓	✓	✓	✓
Asian (including South Asian)								
Native Hawaiian or Pacific Islander								
Native American or Alaska Native					✓			
LGBTQ+								
Veteran					✓			
Lives/Has Lived Abroad	✓		✓				✓	✓

(1) Service as president, chief executive officer or in similar senior executive positions.
(2) Experience in the software/digital/cybersecurity, retail/dining, packaging, consumer goods, industrial goods or materials science industries.
(3) Seniority in a global enterprise or significant experience in international markets.
(4) Prior or concurrent service on other U.S. public company boards.
(5) Expertise in accounting, auditing, tax, banking, insurance or investments.
(6) Departing director Mark Barrenechea had this expertise, which is among the skills the Governance Committee and our Board will seek in new directors.

Board Performance Highlights

Our Board provides strong oversight of our management team and company, with highlights of its notable accomplishments in recent years described below.

- Supported management in navigating our evolving response to COVID-19, including related labor, freight and inflationary challenges in 2021 by ensuring we protected employee safety and well-being, delivered for our customers, mitigated supply chain risk, maintained a strong balance sheet to provide financial flexibility and supported our communities, while continuing to invest in our company's future growth and further productivity
- Oversaw consistent execution of our business strategies, which delivered significant operating margin expansion and double-digit compound adjusted EPS growth and exceeded our 2017-2021 financial targets, as well as 2017-2021 TSR of 237%, substantially outperforming the S&P 500 and the median of the S&P 500 Materials and Industrials subsets
- Acquired 10 companies through year-end 2021 that added new capabilities and expanded our position in high-value product categories that serve markets that are growing faster than GDP, represent large pools of potential profit and leverage our core capabilities
- Advanced Board and management focus on advancing ESG priorities, with consistent progress toward achieving our 2025 sustainability goals, more ambitious 2030 goals and increased transparency with more frequent and comprehensive disclosures, resulting in improved scores with key ESG rating agencies
- Implemented thoughtful Board refreshment and succession planning, adding 3 new directors in the last 6 years, transitioning Patrick Siewert into Lead Independent Director role and appointing new Chairs for the Audit and Governance Committees, and proactively working to mitigate the impact of upcoming concentrated retirements under our mandatory retirement policy and further enhance Board diversity
- Conducted regular executive leadership development and succession planning, resulting in several experienced leaders promoted to senior executive positions, including our new President and Chief Operating Officer (COO), new leaders of our RBIS Apparel Solutions and IHM businesses, and our CHRO and Chief Legal Officer (CLO) in 2020 who effectively transitioned into their roles during 2021

Board Governance Highlights

Our governance program ensures independent Board oversight of our company. Highlights of our program, which we believe is generally **consistent and aligned with the Investor Stewardship Group's Corporate Governance Principles for U.S. Listed Companies**, are shown below.

Stockholder Rights	✓ Market-standard proxy access ✓ No supermajority voting requirements ✓ No poison pill ✓ No exclusive forum or fee-shifting bylaws
Board Governance	✓ Annual election of directors ✓ Majority voting in director elections ✓ Single class of outstanding voting stock ✓ Current directors 89% independent; director nominees 88% independent ✓ Robust Lead Independent Director role ✓ Regular director succession planning and Board refreshment ✓ Continuous executive succession planning and leadership development ✓ Annual Board evaluations ✓ Mandatory director retirement policy at age 72 with no exemptions or waivers allowed or granted ✓ Governance Guidelines ✓ Strong Committee governance ✓ Direct access to management and experts

APPROVAL OF EXECUTIVE COMPENSATION (ITEM 2)

The Compensation Committee oversees our executive compensation program, which delivers pay for performance, with realized compensation dependent on our company achieving challenging annual and long-term financial targets and value creation objectives that advance the interests of our stockholders.

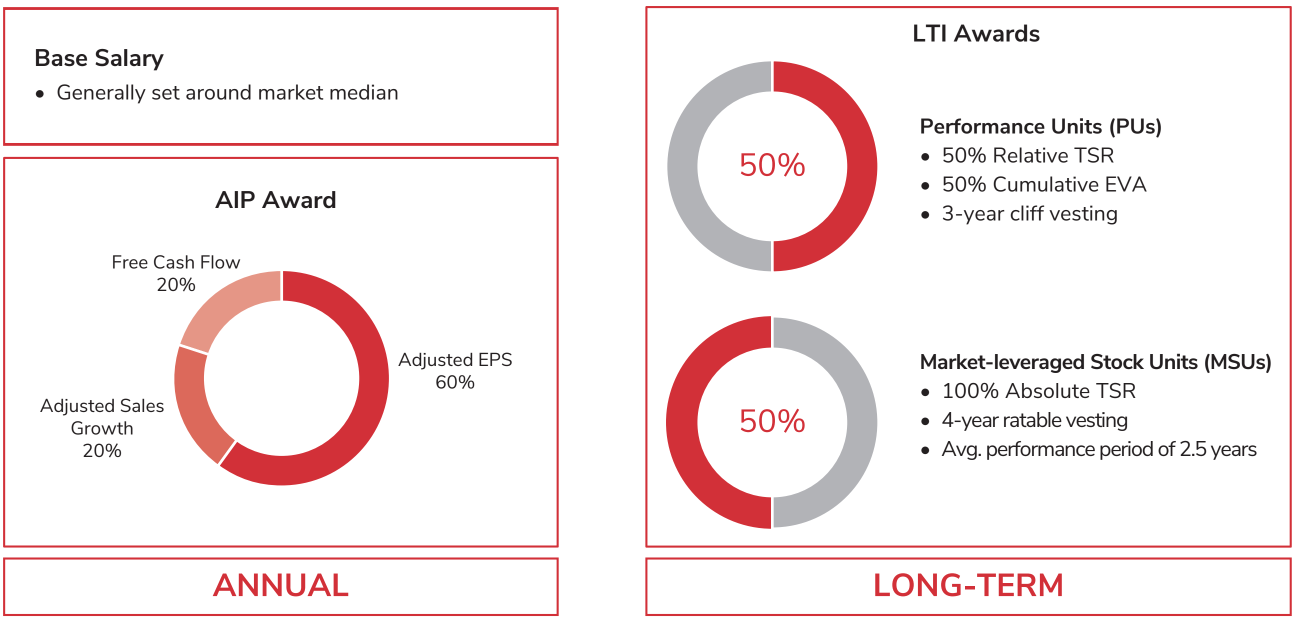
Election of President and COO

In late 2021 and early 2022, during Board meetings and executive sessions with our Chairman/CEO, but no other members of management present, and further one-on-one conversations between our Chairman/CEO and each director, our Board conducted leadership planning, among other things, discussing the potential election of Deon M. Stander, the Vice President and General Manager of our RBIS business, as President and COO. As a result of this thorough planning and these robust discussions, in February 2022, Mr. Stander was elected by our Board as our President and COO, effective March 1, 2022. Mr. Butier served as our President through the end of February 2022 and now serves only in the roles of Chairman and CEO.

Performance-Based Compensation

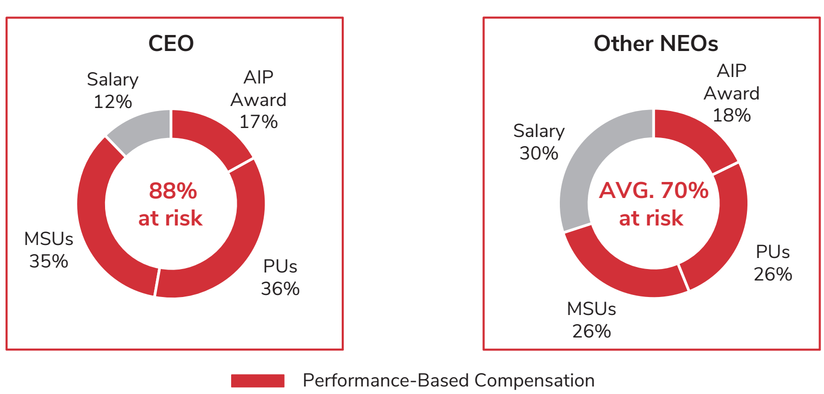
Target total direct compensation (TDC) for our corporate Named Executive Officers (NEOs) is comprised of the elements shown below.

ELEMENTS OF TARGET TDC FOR CORPORATE NEOs



The Compensation Committee approves the target TDC of our NEOs to incent strong operational and financial performance and stockholder value creation. As shown below, **the substantial majority of this compensation is performance-based, meaning that our executives ultimately may not realize the value of the at-risk components of TDC if we fail to achieve our strategic, financial and ESG objectives.** Our business NEO's 2021 AIP award and PUs had different performance objectives than those of our corporate NEOs.

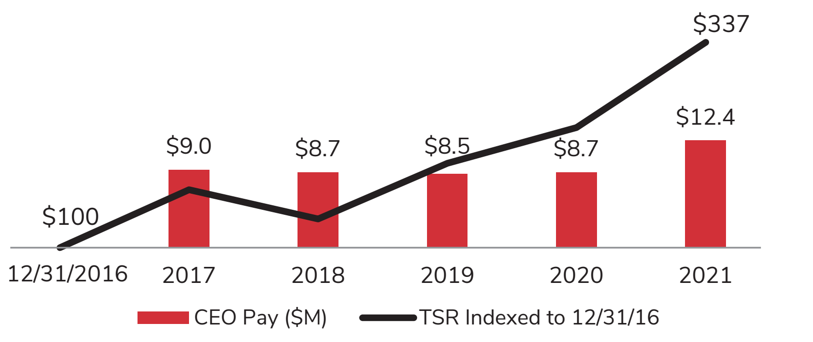
2021 TARGET TDC MIX



Pay for Performance

As shown in the graph below, in recent years, our CEO's compensation increased commensurate with our cumulative TSR, with his 2021 pay reflecting the longer-term approach to CEO compensation approved by the Compensation Committee in 2021. See the *Compensation Discussion and Analysis* section of this proxy statement for more information.

Five-Year CEO Pay and Cumulative TSR



Executive Compensation Best Practices

As summarized below and described in further detail in the *Compensation Discussion and Analysis* section of this proxy statement, our executive compensation program aligns with our financial goals and business strategies and reflects best practices.

Pay-for-Performance	✓ 88% of CEO 2021 target TDC tied to company performance ✓ 71% of CEO 2021 target TDC equity-based to incent delivery of long-term stockholder value ✓ Rigorous stock ownership policy; requires CEO to own ~6x base salary, 50%+ of which must be vested shares; does not count unvested PUs and only counts 50% of unvested MSUs
Compensation Best Practices	✓ Double-trigger equity vesting requires termination of employment after change of control ✓ YE 2021 three-year average burn rate of 0.58%, in line with 50th percentile of S&P 500 companies ✓ Compensation clawback in event of accounting restatement ✓ Independent compensation consultant retained and serving at direction of Compensation Committee ✓ Annual Compensation Committee evaluation and charter review ✓ Periodic formal risk assessment of compensation policies and practices ✓ Releases from liability and restrictive covenants for departing executives ✓ Compensation Committee review of NEO tally sheets reflecting all compensation components
	✓ No NEO employment contracts ✓ No guaranteed AIP awards; NEO AIP awards based on company, business and ESG performance ✓ No excise tax gross-ups on change of control severance benefits ✓ No tax gross-ups on perquisites ✓ No above-market interest rates for deferred compensation ✓ No re-pricing of stock options without stockholder approval ✓ No payout of MSU dividend equivalents until vesting ✓ No grant of stock options below fair market value ✓ No supplemental retirement benefits

RATIFICATION OF APPOINTMENT OF PwC (ITEM 3)

Our Board's Audit and Finance Committee has appointed PricewaterhouseCoopers LLP (PwC) as our independent registered public accounting firm for fiscal year 2022 and our Board is seeking stockholder ratification of the appointment. PwC is well-qualified to continue serving as our independent registered public accounting firm, has a deep understanding of our operations and accounting practices, and maintains rigorous procedures to ensure auditor independence. The committee considered the qualifications, performance and independence of PwC, the quality of its discussions with PwC, and the fees charged by PwC for the level and quality of services provided by the firm during 2021 – as well as considerations regarding PwC's tenure as our independent auditor – and determined that the reappointment of PwC was in the best interest of our company and stockholders.

GOVERNANCE

With oversight from our Board, we have designed our governance program to comply with applicable laws and regulations – including the rules of the Securities and Exchange Commission (SEC) and the listing standards of the New York Stock Exchange (NYSE) – and to reflect best practices as informed by the practices of other large public companies, recommendations from our outside advisors, the voting guidelines of our stockholders and the policies of proxy advisory firms. The key features of our program are described in the *Board Governance Highlights* section of the proxy summary.

We encourage you to visit the investors section of our website under Corporate Governance, where you can view and download the current versions of the documents shown below and referenced in this proxy statement.

- Amended and Restated Certificate of Incorporation
- Amended and Restated Bylaws (our "Bylaws")
- Corporate Governance Guidelines (our "Governance Guidelines")
- Charters for our Board's Audit and Finance Committee (the "Audit Committee"), Talent and Compensation Committee (the "Compensation Committee") and Governance Committee
- Code of Conduct
- Code of Ethics for the CEO and Senior Financial Officers
- Audit Committee Complaint Procedures for Accounting and Auditing Matters

Information on our website is not and should not be considered part of, nor is it incorporated by reference into, this proxy statement. You can receive copies of these documents, without charge, by writing to our Corporate Secretary at 8080 Norton Parkway, Mentor, Ohio 44060.

VALUES AND ETHICS

Our Code of Conduct applies to all of our directors, officers and employees and reflects our values of Integrity, Courage, External Focus, Diversity, Sustainability, Innovation, Teamwork and Excellence. The Code includes leadership messages, detailed information regarding higher risk areas, and case studies to provide guidance on situations that raise complex ethical questions. It has been translated into over 30 languages and our leaders affirm their commitment to complying with it when they first join our company and thereafter as part of our compliance certification process. We regularly train employees on Code topics in instructor-led sessions held in person or virtually, in addition to our online training program generally consisting of four courses per year that our computer-based employees are required to complete.

To ensure that the policies and principles encompassed in our Code of Conduct reach all our employees, we develop and launch three "Talkabout" Toolkits (also in over 30 languages) globally each year, which managers are required to use to engage in meaningful discussion with their teams regarding topics from the Code of Conduct. These toolkits consist of presentation slides and an introductory subtitled video, which includes messages from our Chief Compliance Officer and other company leaders.

Ethics-Based Corporate Culture and Policies

Reflecting the culture of our company, the ethics-based corporate policies and other matters discussed in our Code of Conduct are shown below. Our global supplier standards extend our commitment to our third party service providers, establishing our expectation that they do business in an ethical manner.

Code of Conduct

Our Workplace	Our Marketplace	Our World
Equal Employment Opportunity Anti-Nepotism Harassment-Free Workplace Safe and Drug Free Work Environment Accurate Business and Financial Records Compliance with Laws and Internal Controls Protection of Company Assets and Intellectual Property Records Retention and Insider Trading Respecting Privacy and Protecting Personal Data	Avoidance of Conflicts of Interest Appropriate Gifts, Meals and Entertainment Respecting Corporate Opportunities Supplier Standards Honest Sales and Marketing Fair Dealing and Antitrust Compliance	Trade Compliance Anti-Corruption and Anti-Bribery Governmental Cooperation Sustainability and Environmental Respect Community and Social Responsibility Social Media Engagement

Business Conduct GuideLine

Our Business Conduct GuideLine (the "GuideLine") is a whistleblower hotline available at all hours for employees or third parties to report potential violations of our Code of Conduct or applicable laws, anonymously if they so choose.

The GuideLine may be reached by (i) calling 800.461.9330 toll-free in the U.S., +1.720.514.4400 direct with applicable charges from any location, or toll-free outside of the U.S. using the country-specific toll-free numbers found in our Code of Conduct or (ii) visiting www.averydennison.com/guidelinereport (www.averydennison.com/guidelinereport-eu in Europe). The hotline is operated by an independent third party and accepts reports in any language to accommodate the needs of our global workforce and customer/supplier base. Reports are investigated under the direction of our Chief Compliance Officer, in consultation with our law department and senior management and with oversight from the Governance Committee. We prohibit retaliation for good-faith reporting.

Financial Code of Ethics

We have adopted a Code of Ethics that requires our CEO, CFO and Controller/Chief Accounting Officer (CAO) to act professionally and ethically in fulfilling their responsibilities. Only the Audit Committee or the Governance Committee can amend or waive the provisions of our Code of Ethics, and any amendments or waivers must be posted promptly on our website or timely filed with the SEC on a Current Report on Form 8-K. We last amended our Code of Ethics in April 2014 and we have made no exemptions or granted any waivers since its inception.

Code of Ethics Responsibilities

- Avoid actual or apparent conflicts of interest
- Ensure complete and accurate SEC filings
- Respect confidentiality of financial and other information
- Employ corporate assets responsibly
- Report Code of Ethics violations to Chair of Audit or Governance Committees

Supporting fulfillment of these responsibilities, our controllership and internal audit functions ensure that we maintain a robust internal control environment, with the leaders of these functions regularly reporting to, and periodically meeting in executive session with, the Audit Committee.

COMPLAINT PROCEDURES FOR ACCOUNTING AND AUDITING MATTERS

The Audit Committee has adopted procedures for the confidential, anonymous submission of complaints related to accounting, accounting standards, internal accounting controls and audit practices.

These procedures relate to reports of (i) fraud or deliberate error in the preparation, evaluation, review or audit of our financial statements or other financial reports; (ii) fraud or deliberate error in the recording or maintenance of our financial records; (iii) deficiencies in, or noncompliance with, our internal accounting controls; (iv) misrepresentation or false statement regarding any matter contained in our financial records, statements or other reports; or (v) deviation from full and fair reporting of our financial condition. Any person, including third parties, may submit a good faith complaint regarding accounting and auditing matters and employees may do so without fear of retaliation. The Audit Committee oversees these procedures, with investigations conducted under the direction of our internal audit department in consultation with our Corporate Secretary, Chief Legal Officer and senior management to the extent appropriate under the circumstances.

Stockholders and other interested parties interested in communicating regarding these matters may make a confidential, anonymous report by contacting the GuideLine or writing to the Audit and Finance Committee Chair, c/o Corporate Secretary, 8080 Norton Parkway, Mentor, Ohio 44060.

STOCK OWNERSHIP POLICY

Our stock ownership policy requires that non-employee directors acquire and maintain a minimum ownership interest in our company of $500,000 and our CEO, Level 2 executives and Level 3 executives acquire and maintain a minimum ownership interest in our company equal to 6x, 3x and 2x their base salary, respectively, at least 50% of which must be held in vested shares.

The values of the following shares/units are considered in measuring compliance with our stock ownership policy: shares beneficially owned or deemed to be beneficially owned, directly or indirectly, under federal securities laws; for officers, shares or units held in qualified and non-qualified employee benefit plans, unvested restricted stock units (RSUs) subject to time-based vesting, and 50% of the value of unvested MSUs at the target payout level; and, for non-employee directors, deferred stock units (DSUs). Neither stock options nor unvested PUs are considered in measuring compliance.

Until a director or officer achieves his or her respective ownership requirement, he or she is required to retain shares acquired, net of taxes, from the exercise of stock options or vesting of stock awards until the requirement is met. These individuals are not allowed to transact in company stock until they certify that they will remain in compliance with our stock ownership policy after giving effect to the transaction they plan to effectuate.

The Compensation Committee and the Governance Committee reviewed the stock ownership of our non-employee directors in November 2021 and February 2022, respectively. Both Committees determined that **all of our non-employee directors were in compliance with the policy, with average ownership of 12x the ownership requirement**, helping ensure their interests remain aligned with those of our stockholders and further incenting their focus on long-term stockholder value creation. The relatively high average ownership level by our non-employee directors is largely due to the inclusion of DSUs for purposes of our stock ownership policy; DSUs represent annual cash retainers deferred at a director's election. DSUs are included as owned under the policy because they are earned upon receipt and would be paid out to a director upon his or her separation from our Board.

The Compensation Committee reviewed executive stock ownership in November 2021 and determined that **all of our executive officers, including all NEOs, were in compliance with our stock ownership policy**. The compliance of our directors and NEOs with our stock ownership policy as of year-end 2021 is shown on the following page.

STOCK OWNERSHIP POLICY COMPLIANCE

	Minimum Requirement[1]	Shares[2] as of 2021 FYE (#)	Requirement Multiple Achieved	Policy Compliance
Non-Employee Directors	$ 500,000			
Bradley Alford		42,930	18x	✓
Anthony Anderson		16,069	6x	✓
Mark Barrenechea		6,892	2x	✓
Ken Hicks		43,810	18x	✓
Andres Lopez		8,390	3x	✓
Patrick Siewert		16,842	7x	✓
Julia Stewart		63,471	27x	✓
Martha Sullivan		28,727	12x	✓
Chairman & CEO				
Mitchell Butier	$7,200,000	269,668	8x	✓
Level 2 NEOs				
Gregory Lovins	$1,983,780	46,051	5x	✓
Deon Stander	$1,707,021	35,663	4x	✓
Level 3 NEOs[3]				
Deena Baker-Nel	$ 832,000	4,005	1x	✓
Ignacio Walker	$ 850,750	6,948	1x	✓

(1) Minimum requirements for CEO, Level 2 NEOs and Level 3 NEOs reflect 6x, 3x and 2x, respectively, of their respective base salary as of year-end 2021.

(2) Reflects shares/units considered in measuring compliance with our stock ownership policy rather than vested shares, based on the average closing price of our common stock from October 1 to December 31, 2021.

(3) Minimum requirements for Ms. Baker-Nel and Mr. Walker increased from 1x to 2x their respective base salaries in connection with their promotions in September 2020.

INSIDER TRADING POLICY

Our insider trading policy prohibits our Board members, officers and employees from engaging in transactions in our company's stock while in the possession of material non-public information; engaging in transactions in the stock of other companies while in possession of material non-public information that they become aware of in performing their duties; and disclosing material non-public information to unauthorized persons outside our company.

Limited Trading Windows

Our insider trading policy restricts trading by Board members, officers (including our NEOs) and director-level employees during blackout periods, which generally begin two weeks before the end of each fiscal quarter and end two business days after the release of earnings for the quarter. Additional blackout periods may be imposed with or without notice, as the circumstances require.

Prohibitions on Hedging and Pledging

Our insider trading policy prohibits our directors, officers (including our NEOs) and employees from purchasing financial instruments (such as prepaid variable forward contracts, equity swaps, collars and exchange funds) designed to hedge or offset any decrease in the market value of shares of our common stock they hold, directly or indirectly. In addition, directors and officers are expressly prohibited from – and our non-officer employees are strongly discouraged from – pledging shares of our common stock to secure personal loans or other obligations, including by holding such shares in a margin account.

To our knowledge based on our review of their written representations in our annual director and officer questionnaire, all of our Board members and executive officers complied with our insider trading policy during 2021, and none of them has hedged or pledged shares of our common stock.

ENVIRONMENTAL AND SOCIAL SUSTAINABILITY

Sustainability and Diversity are two of our core values and have long been part of our approach to doing business, driving us to work within our company and across our entire value chain to address the environmental and social impacts of our products and practices**. We aim to continually improve the environmental sustainability of our products and processes, build a more diverse, equitable and inclusive workforce, and provide meaningful support for our communities**.

With strategic guidance and direction provided by Mitch Butier, our Chairman/CEO, responsibility over ensuring that we continue to make progress toward achieving our sustainability goals resides with Deon Stander, now our President and COO. Our enterprise-wide Sustainability Council, led by Mr. Stander and comprised of a cross-divisional and cross-functional group of leaders to drive broad accountability and continually accelerate our progress, met regularly during 2021 to develop our 2030 sustainability goals and targets, as well as formulate our go-forward ESG strategy.

Board oversight over environmental sustainability and community investment is primarily conducted by the Governance Committee, which receives a report from management on each of these topics at least once a year. In addition, our full Board engages with business leaders on their sustainability initiatives during its regular review of their business strategies. In July and October 2021, **our full Board held strategy sessions focused on environmental sustainability, our innovation efforts to address the increasing need and demand for more sustainable products, our strategic innovation platforms focused on waste reduction/elimination and material circularity, and our overall ESG strategy, priorities and progress.**

Board oversight over social sustainability is conducted primarily through the Compensation Committee, which reviewed our DE+I progress at each of its meetings in 2021 and regularly discusses other matters related to talent management. In December 2021, **our full Board engaged with, and challenged, management on our DE+I progress**, including by reviewing the four pillars of our enterprise DE+I strategy, as well as its supporting regional focus areas.

ENGAGING OUR STAKEHOLDERS

We seek to ensure that our sustainability efforts are consistent with the expectations of our stakeholders. We regularly communicate with individuals and organizations interested in how we do business generally and our sustainability efforts in particular, and also conduct stakeholder interviews as part of our biennial materiality assessments. These assessments help set our sustainability agenda, focusing us on the areas in which we can have the most impact. In 2020, we partnered with Environmental Resources Management to refresh our materiality assessment and reprioritize the sustainability topics most significant to our stakeholders. **The resulting materiality map showing the importance of various ESG topics to our company and external stakeholders may be found in our March 2022 ESG Download.** We have begun working on our next biennial materiality assessment, which we plan to share with our stakeholders in March 2023.

SUSTAINABILITY STAKEHOLDERS

1

Industry

Trade Associations   Cross-Industry Working Groups   Conferences

2

Customers and Brand Owners

Product Collaborations   Surveys   Site Audits   Working Groups

3

Employees

Engagement Survey   Works Councils   Employee Resource Groups   Intranet/Town Halls
Code of Conduct   Training   Business Conduct GuideLine

4

Investors

Annual Meetings   Quarterly Earnings Calls   Investor Meetings   Stockholder Engagement Program

5

Non-Governmental Organizations

Consultations on Issues of Concern   Specific Initiatives (e.g., responsibly sourcing paper, reducing GHG emissions)

6

Policymakers and Regulators

Permitting   Audits   Certifications

7

Communities

Foundation Grant-making   Employee Volunteerism   Civic Collaboration

8

Suppliers

Supplier Standards   Compliance Training   Supplier Audits   Joint Projects

PROGRESS TOWARD ACHIEVING OUR 2025 AND 2030 GOALS

We present our scorecard showing progress against our 2025 sustainability goals through 2021 in the proxy summary. We present our progress against our 2030 goals in our 2021 integrated annual and sustainability report. You can find additional information in our ESG Downloads available in the investors section of our website at investors.averydennison.com and on our ESG website at esg.averydennison.com. Our 2021 integrated sustainability and annual report, ESG Downloads and other information on our website are not and should not be considered part of, nor are they incorporated by reference into, this proxy statement.

We disclose our ESG metrics using the frameworks of the Sustainability Accounting Standards Board (SASB), the Global Reporting Initiative (GRI) and CDP Worldwide. We are a member of the United Nations Global Compact and have made commitments to the UN Sustainable Development Goals and the Science Based Targets initiative (SBTi), with our Scope 1 and 2 GHG emissions reduction targets having been approved by SBTi as consistent with levels required to meet the goals of the Paris Agreement.

DIVERSITY, EQUITY AND INCLUSION (DE+I)

Diversity is one of our core values, reflecting our desire to ensure an equitable and inclusive environment for people of all backgrounds and orientations and our recognition that we gain strength from diverse ideas and teams. The importance of DE+I to our company is evidenced by the engagement, inclusion and gender diversity-related targets included in our 2030 sustainability goals. Highlights of our DE+I journey are shown in the proxy summary.

Beginning in 2020, we redoubled our efforts on DE+I, engaging with our employees across the globe to gather information on areas where we most needed to focus. After listening and learning from our employees, our leaders regularly met to discuss areas of focus, and each of our business' strategies include quantitative DE+I goals, with their leaders evaluated on the progress they make.

In 2021, we engaged a third party expert to help us perform DE+I baselining, which included an **enterprise-wide inclusion assessment** and pipeline analysis, provide external benchmarking and obtain independent anonymous and focus group feedback from our team members worldwide. With this information, we identified our DE+I priorities and developed **our go-forward DE+I strategy, which includes the following four pillars: increasing the number of women who hold leadership positions; enhancing the experience of our shop floor employees; increasing DE+I for underrepresented groups; and making merit and transparency even more foundational to our employee experience**. These pillars, as well as the supporting regional focus areas, have been communicated to our employees worldwide.

Each of our strategic pillars is sponsored by members of our Company Leadership Team. To ensure we achieve our goals, we have advanced our internal DE+I capability and leadership, with a Global DE+I Director and additional resources in each of our regions, together forming a global infrastructure of fully-dedicated resources. To keep ourselves accountable, we are committed to continuing to enhance external transparency into our DE+I journey through regular reporting and engagement with our stakeholders so they may critically assess our progress and provide feedback to help us achieve our goals.

OTHER TALENT MANAGEMENT MATTERS

Succession Planning

The Compensation Committee and our full Board conduct executive succession planning at least semiannually, reviewing succession plans for our CEO and other senior executives. Consistent with this practice, in April 2021, **the Compensation Committee discussed potential successors to the members of our Company Leadership Team, and aligned on a process and timeline to enhance focus on CEO succession planning as a matter of strong corporate governance**. In October 2021, **the Compensation Committee again reviewed talent that is ready** – or, with continued development on their current trajectory with mentorship and coaching from our current leaders, will be ready – **to fill senior executive positions in the event of a vacancy**. These assessments were further discussed with our full Board. In addition, in July and December 2021, **our full Board conducted CEO succession planning to ensure ready-now successors over multiple time horizons.** The Compensation Committee also reviews executive new hires, promotions, transfers and departures in connection with each of its meetings to assist with executive succession planning and leadership development.

Leadership Development

The Compensation Committee oversees our company's talent management programs to assist with identifying and developing our future leaders. We maintain a robust performance review process and provide leadership development opportunities for our employees. **Senior management reports to the Compensation Committee or our full Board on leadership at executive levels of our organization by identifying high-potential talent and critical experts, cultivating the skills and capabilities to allow identified individuals to become our future leaders, and ensuring that they have appropriate development plans in place to progress them toward greater responsibility**. Through regular reports from management, our Board has the opportunity to meet our business leaders and functional leaders in law, finance, information technology and human resources. In addition, Board members have freedom of access to all our employees, and are encouraged to visit our facilities to meet with local management and attend company events.

COMMUNITY INVESTMENT

With Board oversight from the Governance Committee, our community investment efforts help strengthen the communities around the world in which we operate. We make most of our community investments through the Avery Dennison Foundation (ADF), which annually distributes at least 5% of its assets from the prior year. ADF's grant-making, our primary means of giving, is aided by our employees worldwide who help identify deserving nonprofit organizations serving communities where our employees live and work. **Historically, ADF has given to organizations advancing education, women's empowerment and sustainability. In 2021, ADF continued to address these funding areas, while also responding to the COVID-19 pandemic, natural disasters and the call for greater DE+I worldwide.**

In 2021, ADF and our company collectively made $6.3 million in grants and other financial contributions, more than double that of the prior year. In the discussion that follows, we provide an overview of this giving.

COVID-19 and Disaster Response

Beginning in 2020, ADF shifted its resources to support the response to COVID-19 in communities where our company has a presence. We continued that support in 2021. In a joint effort with the company, ADF provided grants to help fund COVID-19 relief efforts by nonprofit organizations in our global communities, including those described below.

- **India:** A grant of $230,000 to support the American India Foundation in helping meet the acute shortage of portable hospital beds in the city of Gurgaon, where our company has facilities; a second grant of $235,000 to the American India Foundation helped source vaccines, supply diagnostic and medical emergency equipment, raise vaccination awareness and mitigate nutrition gaps in the city of Bangalore, where our company also has operations
- **Brazil:** A grant of $100,000 supported Doctors Without Borders/Médecins Sans Frontières' with vaccine coordination and the purchase and distribution of medical supplies
- **Sri Lanka:** A grant of $50,000 helped the Rotary Club in the city of Kandy provide ICU beds at a rural hospital and purchase ventilators and other needed medical equipment
- **Vietnam:** Two grants totaling $70,000 helped support the Red Cross Vietnam's COVID-19 response in Long An and Bac Ninh

In 2021, ADF also continued to support the Employee Assistance Fund it launched in 2020, which provides financial assistance to our employees who have been significantly adversely impacted by COVID-19. The fund was designed to help provide for basic needs such as housing and utilities, medical care, dependent care and other pandemic-related expenses. The fund also provides support to families of employees who have died from COVID-19. Employee donations have significantly supplemented ADF funds for this effort. In all, more than $3.4 million was distributed in 2021 to more than 4,200 individuals in 27 countries. The fund is administered by Global Impact, an independent third party.

ADF also partnered with third-party nonprofit GlobalGiving to facilitate donations from our employees to disaster relief efforts, ensuring that their donations support legitimate and vetted nonprofit organizations in affected communities. All donations made through GlobalGiving are matched by ADF, and employees receive regular reports from the organizations they support describing accomplishments with the funding received. In 2021, our employees supported 43 charitable organizations through GlobalGiving, with donations totaling $60,000.

DE+I Support

Prompted in part by events in the U.S. in 2020, and in recognition of the role it can play in accelerating society's journey toward greater equity, ADF made grants to organizations promoting DE+I globally. ADF worked with our regional DE+I councils and ERGs around the world to identify organizations most relevant to underrepresented communities in each region. A selection of these grants is described below.

- **Education:** Included grants of $200,000 to World Vision Honduras to teach life skills to at-risk women; $132,000 to Associação Beneficente ABID to enhance foster care services in São Paulo, Brazil; $17,000 to Fundacion Leer to support literacy programs in Buenos Aires, Argentina; and $5,000 to Boys and Girls Club of Pasadena, California

- **Sustainability:** Included grants of $200,000 to Waste and Resource Action Program to support public-private partnerships aimed at reducing food waste in Indonesia and $50,000 to Lake-Geauga Habitat for Humanity to provide housing for low-income families in Painesville, Ohio
- **Women's Empowerment**: Included grants of $250,000 to UN Foundation Resilience Fund to support women in South and Southeast Asia; $124,000 to The Smile Foundation to support women's empowerment in Delhi, India; $100,000 to Right to Play to provide educational opportunities for girls in refugee camps and underserved communities in Pakistan and Burundi; and $88,000 to Gesanghua Education Foundation to provide hygiene care packages for girls in Qinghai, China
- **DE+I:** Included grants of $200,000 to HOLA Ohio to support a new Hispanic community center in Painesville; $50,000 to Youth Opportunities Unlimited to provide job readiness and training to African American youth in Cleveland, Ohio; $25,000 to the LGBT Community Center of Greater Cleveland to support LGBTQ+ awareness and programming in Northeastern Ohio; $25,000 to the Wounded Warrior Project to support veteran mental health; and $10,000 to Stichting – Women in Higher Technical Education to support gender diversity in STEM programs in the Netherlands

Employee Engagement

As the heart and hands of our company, our employees are critical to advancing our community investment efforts through both their giving and volunteerism. More than 150 employee teams coordinate volunteerism locally at our global locations. Examples of employee engagement in 2021 are described below.

- Employees in India supported The Smile Foundation's "Health Cannot Wait" campaign to boost distribution of oxygen concentrators and ventilators to government health institutions
- Team members in Ireland honored International Women's Day by donating to Longford Women's Link, an organization providing education and training opportunities for women
- Our RBIS employees produced limited-edition, iron-on patches designed to celebrate healthcare and frontline workers and promote health and safety, with net proceeds benefiting Doctors Without Borders/Médecins Sans Frontières
- Business partnerships with local organizations promoting DE+I, as well as our company hiring interns from community partners such as Esperanza, the National Society of Black Engineers and Black Professionals Charitable Foundation

ADF also engages employees through its Granting Wishes program, which allows employees to recommend one-time grants to their local non-governmental organizations (NGOs). Given increased need in 2021, employees were more engaged than ever in nominating charitable organizations for funding and volunteering to support those organizations, resulting in grants of $10,000 each to 80 NGOs in 33 countries. In the 10 years since ADF launched Granting Wishes, more than 2,000 of our employees have submitted funding recommendations, resulting in grants to more than 350 organizations.

Scholarship Programs

ADF continues to provide scholarships to the children of our U.S. employees in the U.S. To date, over 660 scholarships have been awarded. This program is administered by Scholarship America, an independent third party.

ADF has also partnered with our company to develop a Children of Employees Scholarship Program outside the U.S. Initial countries proposed for the program include Bangladesh, Mexico, Sri Lanka and Vietnam. This program, which is expected to launch in 2022, will be administered by the Institute for Internal Education, an independent third party.

ADF's InvEnt Scholarships have for more than a decade supported the next generation of innovators in science, technology, engineering and mathematics. Scholarships have provided undergraduates in China and India with tuition assistance, the opportunity to participate in an invention competition and professional development opportunities. To date, scholarships have been awarded to over 100 students in China and nearly 100 students in India who have demonstrated outstanding innovative spirit and strong practical competence.

OUR BOARD OF DIRECTORS

OVERVIEW

Our Board oversees, counsels and ensures management is serving the best interests of our company and stockholders, with the goal of maximizing the performance of our businesses and delivering long-term value for all our stakeholders.

PRIMARY BOARD RESPONSIBILITIES

- Establish strong governance, with Board/Committee structure and responsibilities providing **independent oversight**
- Review **Board composition and conduct director succession planning** to maintain **engaged and diverse Board** with balance of skills, qualifications and demographic backgrounds
- Oversee **businesses, strategy execution, ESG priorities and progress, and risk mitigation**
- Approve **annual operating plan** and strategic decisions, including significant fixed and IT **capital expenditures and acquisitions**
- Maintain **integrity of financial statements**
- Evaluate performance of senior leaders and determine **executive compensation**
- Conduct **executive succession planning** and ensure effective **talent management**

Our Board's top priority in 2021 given the continuing public health crisis of COVID-19 was supporting management in protecting the health, safety and well-being of our employees, delivering for our customers, minimizing the impact of the pandemic on our investors and supporting our communities.

2022 Director Nominees

Our Bylaws provide that our Board be comprised of between 8 and 12 directors, with the exact number fixed from time to time by Board resolution. Our Board has fixed the current number of directors at 9. In February 2022, director Mark Barrenechea notified our Board of his decision not to stand for reelection at the 2022 Annual Meeting so he can focus on other endeavors; as a result, our Board expects that it will fix the number of directors at 8 in April 2022 assuming that all nominees are reelected.

Our 2022 director nominees are shown in the chart below.

Name	Age	Director Since	Principal Occupation	Independent	AC	CC	GC
Bradley A. Alford	65	2010	Retired Chairman & CEO, Nestlé USA	✓		Member	Member
Anthony K. Anderson	66	2012	Retired Vice Chair & Managing Partner, Ernst & Young LLP	✓	Member		Member
Mitchell R. Butier	50	2016	Chairman & CEO, Avery Dennison Corporation				
Ken C. Hicks	69	2007	Chairman, President & CEO, Academy Sports + Outdoors	✓		Member	
Andres A. Lopez	59	2017	President & CEO, O-I Glass, Inc.	✓	Member		
Patrick T. Siewert★	66	2005	Managing Director & Partner, The Carlyle Group	✓	Member		Chair
Julia A. Stewart	66	2003	Chair & CEO, Alurx, Inc.	✓		Chair	Member
Martha N. Sullivan	65	2013	Retired CEO, Sensata Technologies Holding PLC	✓	Chair		

AC = Audit and Finance Committee CC = Talent and Compensation Committee GC = Governance Committee
★ = Lead Independent Director ● = Chair ● = Member

The ages of our director nominees range from 50 to 69, with an average age of approximately 63. Their lengths of service range from 5 to 19 years, with an average tenure on our Board – after Mr. Barrenechea's scheduled departure in April 2022 – of approximately 11½ years.

Our director nominees bring a balance of skills, qualifications and demographic backgrounds in overseeing our company, as shown by individual in the Board matrix included in the proxy summary.

Board Meetings and Attendance

Our Board met five times and acted once by unanimous written consent during 2021. There were 14 Board Committee meetings and one Committee action by unanimous written consent during the year. All directors attended at least 75% of their respective Board and Committee meetings, with **average attendance of 99%.** In addition, our directors regularly discussed matters of critical importance with our Chairman/CEO throughout the year outside of meetings, particularly with regard to our COVID-19 response; related supply chain, labor, freight and inflationary challenges; potential acquisitions; and ESG priorities and progress. Directors are strongly encouraged to attend our annual stockholder meetings under our Governance Guidelines and **all directors attended the virtual 2021 Annual Meeting**.

GOVERNANCE GUIDELINES

Our Governance Guidelines provide the governance framework for our company and reflect the values of our Board, as highlighted below. They are reviewed at least annually and amended from time to time to reflect changes in regulatory requirements, evolving market practices, recommendations from our advisors and feedback from our stockholders. Our Governance Guidelines were most recently amended in December 2021.

BOARD GOVERNANCE HIGHLIGHTS

Board Composition	✓ Reasonable Board size of 9 directors; after Annual Meeting, 8 directors ✓ Mandatory retirement after age 72 with no exemptions or waivers allowed or granted; no term limits ✓ On average, director nominee age of 63 years and tenure of $11^1/_2$ years ✓ 63% of director nominees are female or from underrepresented communities
Director Independence	✓ Current directors and director nominees 89% and 88% independent, respectively ✓ Executive sessions of independent directors held at all five 2021 Board meetings
Board Leadership Structure	✓ Annual review of Board leadership structure ✓ Robust Lead Independent Director role and independent Committee Chairs
Board Committees	✓ 100% independent ✓ Annual composition review and periodic Chair/members rotation ✓ Act under annually reviewed charters reflecting best practices and stakeholder expectations ✓ Directors required to attend Board/Committee and stockholder meetings
Board Duties	✓ Regular CEO/senior executive succession planning ✓ Ongoing review of long-term strategic plans, including key risks and mitigating strategies ✓ Directors entitled to rely on independent legal, financial or other advisors at our expense
Continuous Board Improvement	✓ New directors participate in initial orientation to familiarize themselves with our company and after joining Board committees to understand their responsibilities ✓ Continuing education through meetings with management, visits to our facilities and participation in director education programs ✓ Annual evaluation process ensures Board, Committees, Chairman, Lead Independent Director and Committee Chairs are functioning effectively; includes peer evaluation
Director Qualifications	✓ Regular review of Board composition (skills, qualifications, demographic backgrounds including with respect to gender, race and ethnicity, and board commitments) and director succession planning

DIRECTOR INDEPENDENCE

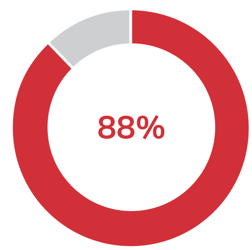
Our Governance Guidelines require that our Board be comprised of a majority of directors who satisfy the criteria for independence under NYSE listing standards and that our audit, compensation and nominating committees be comprised entirely of independent directors. An independent director is one who meets the independence requirements of the NYSE and who our Board affirmatively determines has no material relationship with our company, directly or indirectly as a partner, stockholder or officer of an entity with which we have a relationship.

Each year, our directors complete a questionnaire designed to solicit information that may have a bearing on our Board's independence determination, including all relationships they have with our company, directly or indirectly through our company's sale or purchase of products or services to or from the companies or firms by which they are employed. The Governance Committee reviews any relevant disclosures made in the questionnaires with our Corporate Secretary, as well as any transactions our company has with director-affiliated entities. In February 2022, after review of the facts and circumstances relevant to each director, the Governance Committee concluded that only Mr. Butier had a relationship that was disqualifying under NYSE listing standards, otherwise material or impairing of director independence. Upon the recommendation of the Governance Committee, our Board affirmatively determined the 8 current directors named below to be independent; as shown below, 88% of our director nominees are independent.

Independent Directors

Bradley Alford
Anthony Anderson
Mark Barrenechea
Ken Hicks
Andres Lopez
Patrick Siewert
Julia Stewart
Martha Sullivan

Director Nominee Independence



For a discussion of the potential impact of tenure on director independence, see the *Board Refreshment and Director Succession Planning* section of this proxy statement.

BOARD LEADERSHIP STRUCTURE

Our Governance Guidelines give our Board – acting through its independent directors – the discretion to separate or combine the roles of Chairman and CEO as it deems appropriate based on the needs of our company at any given time. To facilitate this decision-making, the Governance Committee annually reviews our Board leadership structure, providing its recommendation on the appropriate structure for the following one-year term to our independent directors giving consideration to, among other things, our financial position, business strategies, ESG priorities and any feedback received from our stockholders.

Robust Lead Independent Director Role

Our robust Lead Independent Director role balances our combined Chairman/CEO role by exercising critical duties to ensure independent decision-making in the boardroom. Mr. Siewert began serving as our Lead Independent Director in April 2020 and was reelected by our independent directors for another one-year term in April 2021. Our Governance Guidelines clearly define his primary responsibilities, which are shown below.

LEAD INDEPENDENT DIRECTOR	PRIMARY RESPONSIBILITIES
Designee: **Patrick Siewert**	• **Preside over executive sessions of independent directors** and Board meetings where Chairman/CEO is not present • **Serve as liaison** between Chairman/CEO and independent directors
Selected annually by independent directors	• **Approve Board meeting agendas and schedules** • **Call meetings of independent directors** • **Consult and meet with stockholders**

Mr. Siewert also performed the activities described below and on the following page as Lead Independent Director in 2021.

- Led majority of our off-season stockholder engagement discussions
- Frequently engaged with Chairman/CEO to help guide strategic direction, including COVID-19 response and related supply chain, labor, freight and inflationary challenges, review of business strategies, mitigation of related risks, assessment of potential acquisitions and ESG progress
- Consulted frequently with other independent directors and interviewed each of them as part of annual Board/Committee evaluation process

- Provided feedback to Chairman/CEO based on discussions with independent directors
- Met with members of senior management other than Chairman/CEO

Supplementing our Lead Independent Director in providing independent Board leadership are our Committee Chairs, all of whom are independent.

Board Leadership Structure

During our Board evaluation process conducted during the fourth quarter of 2021, Messrs. Butier and Siewert each received uniformly positive feedback from our independent directors in their respective roles as Chairman/CEO and Lead Independent Director, indicating that our current Board leadership structure is enabling effective oversight of our company. During our 2021 engagement with stockholders, only one investor expressed a preference that the positions of Chairman and CEO be separated at our company, which we believe reflects support for our robust and clearly delineated Lead Independent Director role and Mr. Siewert's participation and strong engagement in the majority of our off-season meetings.

In February 2022, the Governance Committee evaluated our Board leadership structure and recommended to our Board that Mr. Butier be elected to continue serving as Chairman, noting that he has successfully led our company as CEO for the last six years and remains best positioned to lead our Board in overseeing our strategies to deliver long-term value for our employees, customers, investors and communities. The committee further noted that **Mr. Butier has articulated and worked to realize a long-term vision for our company that has delivered top quartile TSR performance and exceeded our 2017-2021 financial targets** and that we can best continue to advance our strategies and ESG progress toward achieving our 2025 sustainability goals – as well as our 2021-2025 financial targets and more ambitious 2030 sustainability goals – continuing with combined leadership in the boardroom at this time. Upon the recommendation of the Governance Committee, our Board unanimously elected Mr. Butier (with him abstaining) to serve as our Chairman, effective immediately after the Annual Meeting subject to his reelection.

At that time, the Governance Committee also recommended that Mr. Siewert (with him not participating in the discussion) continue serving as Lead Independent Director. **Having a long-serving director with financial expertise and substantial international experience serve as Lead Independent Director has provided Mr. Butier valuable mentorship and guidance while ensuring robust independent Board oversight of management. The committee also recognized Mr. Siewert's valuable support and substantial effort with our stockholder engagement program.** The Governance Committee determined that, in light of his demonstrated commitment, engagement and leadership in the second year in which he served in this capacity, Mr. Siewert should continue in the role of ensuring independent stewardship of our Board in its oversight of our strategies to deliver long-term value for all our stakeholders. The committee's decision took into account his significant contribution to the Board's responsibilities as a member of the Audit Committee since joining our Board and as its Chair for five years, as the current Chair of the Governance Committee, and his extensive international experience in Asia, a region from which approximately 35% of our sales originated and approximately 58% of our employees were located in 2021. Upon the recommendation of the Governance Committee, our independent directors unanimously selected Mr. Siewert (with him abstaining from the vote) to serve as Lead Independent Director, effective immediately after the Annual Meeting subject to his reelection.

BOARD COMMITTEES

Each of our Board Committees has a written charter that describes its purposes, membership and meeting structure, and responsibilities. These charters may be found on the investors section of our website under Corporate Governance and are reviewed by the respective committee at least annually, with any recommended changes adopted upon approval by our Board. Amended charters are promptly posted on our website. The Charters of the Audit, Compensation and Governance Committees were most recently amended in February 2021.

Each of our Board Committees has the ability to form and delegate authority to subcommittees and may obtain advice and assistance from internal or external consultants, legal counsel or other advisors at our expense. In addition, each committee annually evaluates its performance. The primary responsibilities, current membership and 2021 meeting and attendance information for the three standing committees of our Board are summarized on the following pages.

AUDIT AND FINANCE COMMITTEE	PRIMARY RESPONSIBILITIES
Current Members: **Martha Sullivan (Chair)** **Anthony Anderson** **Andres Lopez** **Patrick Siewert** 2021 meetings: 8 2021 average attendance: 100% Audit committee financial experts: Anderson and Siewert All members satisfy NYSE enhanced independence standards	• **Oversee financial statement and disclosure matters**, including quarterly and annual earnings release documentation and SEC reports, internal controls, critical accounting policies and practices, and major financial risk exposures • **Appoint and oversee independent registered public accounting firm**, including evaluating its qualifications and independence, as well as scope, staffing and fees for annual audit and other audit, review or attestation services and annually reviewing its performance and **regularly considering whether to change firm** • **Oversee internal audit function**, including appointing/dismissing senior internal auditor, evaluating his performance, reviewing significant issues identified in internal audits and management's response, and discussing annual internal audit plan, budget and staffing • **Perform compliance oversight responsibilities**, including **overseeing cybersecurity risk management and risks related to information technology controls and security;** maintaining procedures for complaints regarding accounting, internal accounting controls or auditing matters; reviewing financially material legal matters; and making determinations regarding certain Code of Ethics violations • **Conduct finance oversight responsibilities**, including reviewing capital structure and financing plans, capital allocation strategy, funding status of pension plans, and significant tax matters • **Approve Audit and Finance Committee Report** for proxy statement

TALENT AND COMPENSATION COMMITTEE	PRIMARY RESPONSIBILITIES
Current Members: **Julia Stewart (Chair)** **Bradley Alford** **Mark Barrenechea** **Ken Hicks** 2021 meetings: 4 2021 average attendance: 100% All members satisfy NYSE enhanced independence standards and qualify as "non-employee directors" under Exchange Act Rule 16b-3	• Review and approve corporate goals and CEO objectives and evaluate company and individual performance to **determine annual CEO compensation** • Review and **approve senior executive compensation**, including base salaries and incentive compensation • **Oversee CEO succession planning and conduct succession and development planning for other senior executives**; regularly review executive new hires, promotions and role changes, departures and open positions • **Oversee appropriate compensation strategy**, incentive plans and benefit programs • **Review and provide oversight of policies and strategies related to talent management**, including **DE+I**; leadership compensation plans, benefit programs, recruiting and retention strategies, and development programs; and **employee engagement** • **Review stockholder engagement process, results and feedback** related to executive compensation and talent management • **Approve CD&A and Talent and Compensation Committee Report** for proxy statement • **Oversee stockholder approval of executive compensation matters**, including say-on-pay votes and frequency of such votes • **Ensure no encouragement of excessive risk-taking** in compensation policies/programs • **Recommend non-employee director compensation**

GOVERNANCE COMMITTEE	PRIMARY RESPONSIBILITIES
Current Members: **Patrick Siewert (Chair)** **Bradley Alford** **Anthony Anderson** **Julia Stewart** 2021 meetings: 2 2021 average attendance: 100% All members satisfy NYSE independence standards	• **Identify potential or incumbent Board members** and **recommend director nominees** • **Annually consider Board leadership structure** and recommend whether to separate or combine positions of Chairman and CEO; if combined, recommend Lead Independent Director • **Recommend Board and Committee structure, Chairs and members** • **Recommend independent directors** based on NYSE independence standards • Review and **approve related person transactions** • **Oversee annual performance evaluation** of Board and Committees • **Review Governance Guidelines** and recommend changes • Review and provide **oversight of governance, environmental sustainability and community investment initiatives, policies and programs** • **Review stockholder engagement process, results and feedback** related to governance, environmental sustainability and community investment • **Review stockholder proposals** • **Oversee values and ethics program and Code of Conduct**, evaluate significant conflicts of interest and make determinations regarding certain Code of Ethics violations

EXECUTIVE SESSIONS

Our Board believes it is important to have executive sessions with our Chairman/CEO, without other members of management present, and without him, both of which are held at each Board meeting. Our independent directors have robust and candid discussions at the executive sessions that exclude Mr. Butier during which they critically evaluate the performance of our company, Chairman/CEO and management. **As Lead Independent Director, Mr. Siewert presided over the five executive sessions of independent directors held during 2021.**

In 2021, implementing feedback from our annual Board evaluation process, our Board began starting each of its meetings with one of two executive sessions with our Chairman/CEO, but no other members of management, to discuss key focus areas and frame meeting discussions; the second such session at the end of the meeting provides time for the Board to reflect and align on key priorities, after which our independent directors meet in executive session without our Chairman/CEO.

Executive sessions are also generally scheduled for meetings of the Audit, Compensation and Governance Committees. These executive sessions exclude our Chairman/CEO and other members of management, unless the Committee requests one or more of them to attend a portion of the session to provide additional information or perspective.

RISK OVERSIGHT

Management is responsible for managing the day-to-day risks confronting our businesses, and our Board has responsibility for overseeing enterprise risk management (ERM). In performing its oversight role, our Board is responsible for ensuring that the ERM processes designed and implemented by management are functioning effectively, and that our culture promotes risk-adjusted decision-making. The teams leading our businesses have incorporated ERM into developing and executing their strategies, assessing the risks impacting their businesses, and identifying and implementing appropriate mitigating actions on an ongoing basis. In addition, in consultation with our leader of Risk Management and senior management, these teams semiannually prepare a risk profile consisting of a heat map and a summary of their key risks and mitigating strategies, which are used to prepare a company risk profile based on identified business-specific risks as well as enterprise-wide risks, including risks related to ESG matters such as climate change, GHG emissions and energy use; materials management; advancing the circular economy; DE+I; waste; and employee health and safety.

We have global processes that support our strong internal control environment and promote the early identification and continued mitigation of risks by our company's leadership. Our legal and compliance functions report into our CLO to provide independent evaluation of the challenges facing our businesses and our Vice President of Internal Audit reports to the Audit Committee in the conduct of his operational responsibilities, ensuring his independence from management.

In 2021, we enhanced our already robust ERM program by meeting to prepare risk profiles with an **expanded group of functional leaders** for our RBIS and IHM businesses and each of the regions of our LGM business, in addition to the global risk profiles we have routinely prepared for each of our reportable segments and our company as a whole. We also prepared **standalone compliance and information technology risk profiles** to enable greater focus on these critical risk areas, and designated **risk champions** from our Law Department to partner with our Risk Management team in facilitating future ERM discussions with our business leadership teams. These advancements have embedded ERM deeper into our organization, allowing us to benefit from the engagement and critical thinking of a broader cross-section of corporate and business leaders. We plan to continue advancing our ERM program, with leadership from our ERM Steering Committee comprised of members of senior management and oversight by our Board.

Our Board as a whole oversees risks related to our company and business strategies and operations, exercising this responsibility by considering the risks related to its decisions. **Each year, our Board receives reports on the ERM process and the strategic plans and risks facing our businesses and company as a whole; these risks include financial risks, geopolitical risks, legal and regulatory risks, supply chain risks, competitive risks, compliance risks, ESG risks, information technology risks and other risks related to the ways in which we do business**. Employees who lead various risk areas – such as law, information technology, tax, compliance, sustainability, DE+I and community investment – report periodically to Board Committees and occasionally to our full Board.

Our Board has delegated elements of its risk oversight responsibility to its Committees to better coordinate with management to serve the long-term interests of all our stakeholders. Our Board receives reports from the Committee Chairs regarding topics discussed at committee meetings, including the areas of risk they primarily oversee, and engages with our leaders on these risk areas during its regular review of our business strategies.

Risk Oversight

Board of Directors

- Business strategies
- Annual operating plan and significant fixed and IT capital expenditures
- Corporate governance
- Acquisitions, divestitures and other significant transactions
- Enterprise risk management

Audit Committee

- Financial reporting processes and statements, and internal controls
- Capital structure
- Financing, including debt, liquidity, capital allocation and pension plan funding
- Stockholder distributions (dividends and stock repurchases)
- Information technology and cybersecurity
- Certain legal, compliance and regulatory matters

Compensation Committee

- Executive compensation and CEO/senior executive succession planning
- Annual and long-term incentive plans
- Compensation plans and benefit programs
- Non-employee director compensation
- Social sustainability and talent management, including DE+I; leadership compensation plans, benefit programs, recruiting and retention strategies and development progress; and employee engagement

Governance Committee

- Board and Committee structure and composition
- Director succession planning
- Values and Ethics/Code of Conduct
- Conflicts of interest and related person transactions
- Governance, environmental sustainability and community investment
- Certain legal, compliance and regulatory matters

Management

- Day-to-day management of risks facing our businesses

The Audit Committee oversees our internal control environment and evaluates the effectiveness of our internal controls at least annually. Supplementing these processes, the Audit Committee regularly meets in executive session with each of our CFO, Controller/CAO, Vice President of Internal Audit and representatives of our independent registered public accounting firm and meets as needed in executive session with other members of management such as our CEO and CLO. The Governance Committee meets semiannually with our Chief Compliance Officer to discuss, among other things, the investigation of allegations reported to the GuideLine.

During 2021, our Board was particularly focused on the risk areas described below.

2021 Risk Focus Areas

- **Impact of COVID-19** – Prioritizing safety and well-being of global team members, followed immediately by delivering for customers. Among other things, COVID-19 response encompassed risks related to business continuity; governmental regulations impacting manufacturing operations; cybersecurity and information technology security in work-from-home environment for office-based employees; and finance matters such as cash management and collections
- **Delivering for customers** – Managing constrained raw material, freight and labor availability and elevated lead times to continue providing high-quality service to customers
- **Inflation management** – Offsetting impact of inflation through productivity and pricing
- **Intelligent Labels** – Further accelerating primary long-term profitable growth driver, including risks related to acquisition and integration of Vestcom
- **Innovation** – Advancing innovation through strategic innovation platforms on material circularity and waste reduction/elimination
- **M&A** – Being bolder to expand robust pipeline of acquisition opportunities, including evaluating risks related to our acquisitions and integrations of Zippy Yum and JDC, as well as our venture investments, while maintaining our disciplined approach to capital allocation
- **ESG** – Heightening focus on ESG matters, resulting in more frequent and comprehensive disclosures contained in our integrated sustainability and annual reports, proxy statements and ESG Downloads
- **Sustainability** – Increasing focus on more sustainable packaging, including strategies and risks related to the strategic innovation platforms described above
- **DE+I** – Raising the bar to drive sustainable change with new 2030 goals and more robust global infrastructure

Risks Associated with Compensation Policies and Practices

As described in the *Compensation Discussion and Analysis* section of this proxy statement, we maintain best practices in compensation that collectively encourage ongoing risk mitigation. The Compensation Committee annually discusses with management and its independent compensation consultant, WTW, whether our executive compensation programs are meeting the committee's objectives. In addition, the Compensation Committee periodically engages WTW to undertake a more formal assessment of our compensation programs to ensure they do not provide incentives that encourage our employees to take excessive risks in managing their respective businesses or functional areas. The committee most recently conducted this evaluation in February 2022.

The Compensation Committee noted the risk-mitigating features of our compensation program described on the following page.

Risk-Mitigating Compensation Features

Governance and Oversight	✓ Compensation Committee has discretion to decrease Annual Incentive Plan (AIP) awards and long-term incentive (LTI) grants to penalize potentially risky actions ✓ Clawback policy deters fraud or other misconduct that results in financial restatement, providing means to recoup inappropriately received AIP and LTI awards ✓ Incentive compensation plan structure and targets are reviewed within context of market practices, tied to operating business plans and corporate goals, and approved by Compensation Committee ✓ Compensation Committee annually evaluates CEO/senior executive performance against challenging strategic, financial and ESG goals ✓ Rigorous stock ownership policy is consistent with best practices, with minimum ownership level of 6x for CEO; requires net shares acquired to be retained until compliance is achieved ✓ Officers prohibited from hedging or pledging company stock and required to engage in stock transactions only during limited trading windows
Pay Philosophy and Structure	✓ Focus on incenting stockholder value creation, balanced by retention and other considerations ✓ Substantial majority of leadership compensation delivered in long-term equity or cash-based awards to motivate pursuit of superior performance and sustainable growth ✓ Executive severance plans consistent with market practices, with double-trigger change of control benefits and only for most senior NEOs ✓ Incentive compensation designed to incent strong annual financial performance and long-term economic and stockholder value creation, and balance growth and efficient capital deployment
Incentive Program Design	✓ AIP and LTI awards incent annual profitable growth and long-term financial value creation, using multiple performance objectives ✓ AIP awards not guaranteed, with below-threshold performance resulting in zero payout, payments subject to overall cap of 200%, and NEO individual modifiers generally capped at 100% ✓ Equity awards use multiple performance objectives, vest over multiple time horizons and are subject to threshold and maximum payout opportunities • Performance units (PUs) cliff vest at end of three years with payout for relative total stockholder return (TSR) component capped at 100% of target if absolute TSR is negative • Market-leveraged stock units (MSUs) vest over one-, two-, three- and four-year performance periods (average performance period of 2.5 years), with threshold performance at absolute TSR of (15)% and target performance at absolute TSR of 10%

Given low risk in each of these categories and other factors, WTW advised the Compensation Committee that our compensation program strikes an appropriate pay-risk balance and presents no risk-related concerns.

The Compensation Committee has concluded that our compensation policies and practices do not create risks that are reasonably likely to have a material adverse effect on our company.

DIRECTOR EDUCATION

Initial Orientation

Our initial director orientation generally covers (i) our performance and leadership; (ii) investor messaging; (iii) the strategies, risks and mitigating strategies, and ESG priorities of our businesses; (iv) finance matters, including our financial reporting policies and practices, internal control environment, internal audit deployment, tax planning and compliance, and capital allocation; (v) legal and compliance matters, including our Board composition, governance policies and procedures, Values and Ethics program, and ERM; (vi) executive compensation and talent management matters, including succession planning, leadership development, DE+I and community investment; and (vii) information technology and cybersecurity.

Continuing Education

Our continuing director education program consists of periodic visits to our facilities and regular management presentations regarding our business operations, performance, strategies and risk mitigation activities. We provide updates on these topics to our Board during and between meetings throughout the year, and provide access to a boardroom news resource platform for them to keep informed of emerging best practices. We also reimburse directors who attend continuing director education programs for fees and related expenses.

BOARD AND COMMITTEE EVALUATIONS

The Governance Committee oversees an annual performance evaluation of our Board, Chairman, Lead Independent Director and Board Committees, including the Committee Chairs. **As part of this process, our directors evaluate the performance of their peers serving on the Board, providing candid feedback to enable continuous boardroom improvement and assist with director succession planning**. Our Board views the evaluation process as integral to assessing its effectiveness and identifying improvement opportunities in the pursuit of continued excellence. We have continually improved our Board processes as a result of this annual evaluation process, as shown below and on the following page.

BOARD AND COMMITTEE EVALUATIONS

1

Process

- Written evaluations on Board/Committee
  - Composition, including diversity of skills, qualifications and demographic backgrounds
  - Meeting materials
  - Meeting mechanics and structure
  - Fulfillment of responsibilities
  - Meeting content and conduct
  - Overall performance
  - Effectiveness of Chairman, Lead Independent Director and Committee Chairs
- One-on-one interviews with Governance Committee Chair to provide additional perspectives and discuss feedback
- Verbal peer reviews to identify potential improvement opportunities for individual directors

2

2021 Review of Results

- Discussion of evaluation results and feedback
  - Chairman/CEO, Lead Independent Director/Governance Committee Chair, Corporate Secretary, and CLO
  - Joint Governance Committee and Board discussion in executive session with Chairman/CEO, aligning on improvement opportunities for implementation

3

Recent Improvement Actions

- Sharpened focus on **strategic and risk oversight**, highlighting one business group during each Board meeting, establishing mentorships between individual directors and key business leaders, and ensuring meeting discussions prioritize discussion of challenges and opportunities rather than presentation of information
- Heightened focus on **financial scenario planning, cybersecurity preparedness, ESG priorities and progress, and compliance matters**
- Enhanced discussion of **M&A pipeline and potential targets**, as well as performance of acquired companies and integration learnings
- Expanded review of potential CEO successors and their development plans to ensure ready-now successors over multiple time horizons and increased engagement with leaders below NEO level to enhance **executive succession planning and leadership development**

- Increased engagement on **investor relations, stockholder engagement** and **competitive landscape** to bring external perspectives into boardroom
- Conducted **annual post-investment reviews** of returns on significant fixed capital expenditures, acquisitions and IT investments
- Sharpened focus on **director succession planning**, selecting new Lead Independent Director, appointing new Chairs for Audit and Governance Committees and refreshing Committee memberships; proactively aligning on steps to mitigate impact of upcoming concentrated retirements; and focusing on software/digital/cybersecurity and materials science industry expertise and increased Board diversity for future directors
- Increased **Chairman/CEO engagement with directors between meetings**, with frequent updates and one-on-one discussions between him and each director, which were important in 2021 as we continued responding to COVID-19, mitigated related supply chain, labor, freight and inflationary challenges, advanced ESG focus and transparency, and redoubled efforts to advance DE+I
- Refined **Board schedule and meeting process** to maintain robust dialogue despite move to primarily virtual meetings given COVID-19, including establishing annual strategic discussion calendars, beginning each meeting in executive session with Chairman/CEO, but no other members of management, to discuss key focus areas and frame meeting discussions; holding another such executive session to reflect on the meeting and align on key priorities, after which our independent directors meet in executive session without our Chairman/CEO; and planning to hold certain Committee meetings off-cycle (not coincident with Board meetings) and future Board meetings as a mix of virtual and in-person meetings given equally high level of engagement and discussion in both formats

STOCKHOLDER ENGAGEMENT

We value stockholder feedback on our governance program and we actively solicit input through stockholder engagement to ensure that we reflect not only our evolving business strategies but also the expectations of our stakeholders. In addition to our extensive investor relations program through which members of management engage with our investors throughout the year, this supplemental engagement program is depicted – and the feedback we received on governance matters is described – in the proxy summary.

CONTACTING OUR BOARD

Our Board welcomes feedback from all our stockholders. We review correspondence submitted by stockholders, discussing feedback received with senior management and/or our Board as appropriate.

Stockholders and other interested parties may contact our Board, Chairman, Lead Independent Director, any Committee Chair, or any other individual director concerning business matters by writing to Board of Directors (or particular Board subgroup or individual director), c/o Corporate Secretary, 8080 Norton Parkway, Mentor, Ohio 44060.

ITEM 1 – ELECTION OF DIRECTORS

Our Bylaws provide for a Board of between 8 and 12 directors, with the exact number fixed by resolution of our Board. Our Board has fixed the current number of directors at 9. In February 2022, director Mark Barrenechea notified our Board of his decision not to stand for reelection at the 2022 Annual Meeting so he can focus on other endeavors; as a result, our Board expects that it will fix the number of directors at 8 in April 2022 assuming that all nominees are reelected. All nominees are standing for election for a one-year term expiring at the 2023 Annual Meeting.

In voting for the election of directors, each share has one vote for each position to be filled and there is no cumulative voting. Each of our nominees is presently serving on our Board and has consented to being named in this proxy statement and serving if elected by stockholders.

Majority Voting Standard; Unelected Director Resignation Requirement

Our Bylaws provide for the approval by a majority of votes cast for the election of directors in uncontested elections like this one and require that an incumbent director who is not reelected tender his or her resignation from our Board. Our Board, excluding the tendering director, is required to determine whether to accept the resignation – taking into account the recommendation of the Governance Committee and any other factors it considers appropriate – and publicly disclose its decision regarding the tendered resignation, including the rationale for its decision, within 90 days from the date election results are certified. In contested elections, plurality voting is the standard for the election of directors.

Recommendation of Board of Directors

Our Board of Directors recommends that you vote FOR each of our 8 director nominees. The persons named as proxies will vote for their election, unless you specify otherwise. If any director nominee were to become unavailable prior to the Annual Meeting, your proxy would be voted for a substitute nominee designated by our Board or we would decrease the size of our Board.

SELECTION OF DIRECTOR NOMINEES

Director nominees are generally recommended by the Governance Committee for nomination by our Board and election by our stockholders. Director nominees may also be recommended by the Governance Committee for appointment to our Board, with their election by stockholders taking place at the next Annual Meeting. **Our director nominees reflect a balance and diversity of skills, qualifications and demographic backgrounds, as shown in the Board matrix contained in the proxy summary, that allows them to effectively discharge their oversight responsibilities.**

In evaluating whether to recommend a new or incumbent director nominee, the Governance Committee primarily uses the criteria in our Governance Guidelines, which are described below.

- **Independence**, to ensure substantial majority of Board remains independent
- **Business and leadership experience**, including **industry experience** and **global exposure** and considering factors such as size, scope and complexity
- **Board service** at other U.S. publicly-traded companies
- **Experience in finance, accounting and/or executive compensation**
- For incumbent directors, **attendance** and **compliance with our stock ownership policy**
- **Time commitments**, including service on other boards; any **new directors joining our Board who are executive officers of a public company may not serve on more than one other public company Board**
- Potential **conflicts of interest**
- **Demographic characteristics** (including, without limitation, gender, race and ethnicity); **when evaluating new nominees, the committee will seek to consider (and ask any search firm engaged to provide) candidates that include highly qualified women and individuals from underrepresented communities**
- Ability to contribute to **oversight, governance and sustainability** of our company
- Ability to represent balanced interests of all stockholders, **as well as the interests of our other stakeholders**, rather than those of any special interest group

For incumbent directors, the Governance Committee also considers their contributions to our Board and Committees, mandatory retirement dates to assist with director succession planning, and feedback received during our annual Board evaluation process. The Governance Committee does not assign specific weights to the criteria and no particular criterion is necessarily applicable to all nominees.

The Governance Committee reviews the skills, qualifications and demographic background of any candidate with those of our current directors to assess how our Board can most effectively fulfill its oversight responsibilities. Sources for identifying potential nominees include current Board members, senior management, executive search firms and investors.

Stockholder Submission of Director Nominees

Advance Notice Nominees

Stockholders may recommend director candidates by submitting the candidate's name, together with his or her biographical information, professional experience and written consent to nomination, to Governance Committee Chair, c/o Corporate Secretary, 8080 Norton Parkway, Mentor, Ohio 44060. To be considered at the 2023 Annual Meeting, advance notice stockholder nominations must comply with the requirements described in the *Voting and Meeting Q&A* section of this proxy statement. The Governance Committee considers stockholder nominees on the same basis as it considers all other nominees.

Proxy Access Nominees

A stockholder, or a group of no more than 20 stockholders, owning at least 3% of our company's stock continuously for at least three years is permitted to submit director nominees (up to 20% of the Board) for inclusion in our proxy materials, subject to the requirements described in our Bylaws. For information on submitting proxy access nominees for the 2023 Annual Meeting, please refer to the *Voting and Meeting Q&A* section of this proxy statement.

BOARD REFRESHMENT AND DIRECTOR SUCCESSION PLANNING

Our Board's ongoing director succession planning is designed to ensure an independent, well-qualified Board, with diversity in skills, qualifications and demographic backgrounds that enables effective independent oversight and aligns with our business strategies and ESG priorities.

No Term Limits

Our Governance Guidelines reflect our Board's belief that directors should not be subject to term limits. While term limits could help facilitate new viewpoints being brought to the boardroom, our Board believes they could also result in the premature loss of a director who over a period of time has gained valuable experience and is continuing to significantly contribute to Board deliberations assessing our strategies, operations, risks and mitigating strategies, and ESG priorities and progress. We believe that **our Board's decision not to establish term limits at this time is consistent with the prevailing practice among companies in the S&P 500**.

Our Board recognizes that certain governance stakeholders have suggested that longer-serving directors may have decreased independence and objectivity. However, our Board believes that, except as required by our mandatory retirement policy arbitrarily removing knowledgeable directors and losing the oversight consistency they bring, particularly during periods of executive management change, such as our new President and COO, the new leaders for our RBIS Apparel Solutions and IHM businesses, and our CHRO and CLO elected in 2020 weighs against implementing term limits at this time. Ultimately, our Board believes it is responsible for establishing appropriate board refreshment policies in light of our strategies, financial position and ESG priorities at any particular time, exercising its discretion in the best interest of our company and stockholders. To assist in discharging this responsibility, in November 2021 and February 2022, **the Governance Committee reviewed the skills, qualifications and demographic backgrounds of our Board members and conducted director succession planning to ensure that our Board continues to meet the needs of our businesses, align with our strategies and advance the interests of all our stakeholders.**

Policies and Events Supporting Regular Board Refreshment

Our Board has adopted the policies described below to facilitate regular refreshment and ensure that it continues to independently oversee and challenge our management team.

Policy	Description	Events Occurring at or Since 2021 Annual Meeting
Mandatory Resignation Policy	Incumbent directors not elected by stockholders must tender their resignation	All incumbent directors standing for election were elected at the 2021 Annual Meeting
Mandatory Retirement Policy	Directors must retire on date of annual meeting of stockholders that follows their reaching age 72; no exemptions or waivers allowed or granted	Peter Barker retired under this policy on the date of the 2021 Annual Meeting
Resignation Tendered Upon Change in Principal Employment	Directors who change their principal occupation, position or responsibility must volunteer to resign	No directors changed their principal employment since the 2021 Annual Meeting
Prior Notice Requirement to Prevent Overboarding	Directors must give prior notice before accepting another U.S. public company directorship so that his/her ability to fulfill Board responsibilities may be evaluated if he/she serves on more than four other such boards	No directors joined another U.S. public company board since the 2021 Annual Meeting

Upon the recommendation of the Governance Committee, Messrs. Barrenechea and Lopez were appointed to our Board as independent directors in September 2018 and February 2017, respectively. In connection with his becoming our CEO, Mr. Butier joined our Board in May 2016. Mr. Barker retired from our Board in April 2021 and Mr. Barrenechea will leave our Board in April 2022. We believe that this recent experience with both joining and departing directors demonstrates our Board's commitment to regular refreshment.

Both the Governance Committee and our full Board plan to regularly discuss director succession planning in 2022 to mitigate the impact of upcoming concentrated retirements, develop a candidate profile for one or more new directors that would both complement and advance the skills and qualifications currently represented on our Board, and further enhance Board diversity.

DIRECTOR DIVERSITY

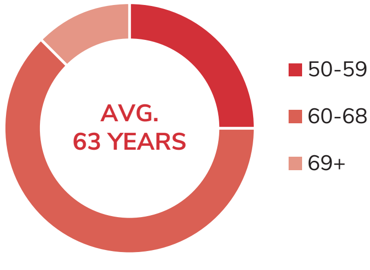
Our Board supports and reflects our values, recognizing the benefits of diversity in the boardroom, including the healthy debate that results from different viewpoints that may stem from diverse backgrounds.

Age and Tenure

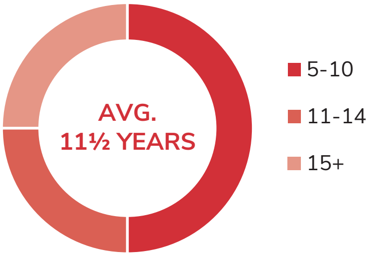
The average age of our director nominees is 63, which is consistent with the average director age in the S&P 500 and within the 60 to 63-year band in which the plurality of these companies fall. The average tenure of our director nominees is 11½ years; were it not for our most recently appointed director's decision not to stand for reelection, our average tenure of 10½ years would have been comparable to the average tenure for companies in the S&P 500, the majority of which have average tenure of six to ten years. Our director nominees reflect a balance between newer directors who bring fresh ideas and insights and longer-serving directors with deep institutional knowledge of our Board and company.

Director Nominee
Age and Tenure

Age



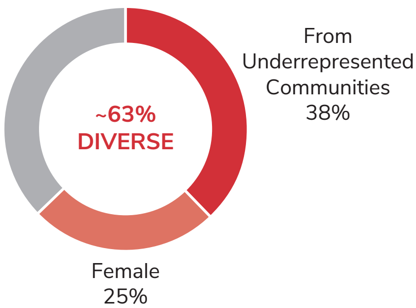
Tenure



Demographic Background

Our Governance Guidelines reflect that the Governance Committee's assessment of director candidates includes consideration of their demographic backgrounds, including, without limitation, race, gender and ethnicity. Although we have no formal policy regarding the consideration of diversity in selecting director nominees, the Governance Committee seeks to recommend individuals with a broad diversity of experience, skill, geographic representation and demographic background. While diversity is a consideration and area of focus in recommending future nominees, a given nominee would not be chosen or excluded solely or primarily on that basis; rather, the Governance Committee would focus on an overall candidate profile that would complement our existing Board in light of the diverse and global nature of our businesses and operations. **When evaluating new nominees, the Governance Committee will seek to consider (and ask any search firm engaged to provide) candidates that include highly qualified women and individuals from underrepresented communities; 2 of our 4 most recently appointed independent directors increased the racial, ethnic or gender diversity on our Board.**

Director Nominee Diversity



2022 DIRECTOR NOMINEES

The following pages provide information on the directors nominated for election, including his or her age, current Board roles, and business experience during at least the past five years. We also indicate the name of any other U.S. public company board on which each nominee currently serves or has served during the past five years.

We also present each nominee's experience and qualifications that led our Board to conclude that he or she should serve as a director, which includes senior leadership experience, industry expertise, global exposure, U.S. public company board experience, and/or financial expertise as defined in the Board matrix shown in the proxy summary. **Each nominee also has demonstrated the ability to exercise sound judgment, fulfill the time commitments necessary to serve on our Board and advance the long-term interests of our stockholders, as well as those of our other stakeholders**.

ANDRES A. LOPEZ

Age 59

Director since February 2017

Independent

RECENT BUSINESS EXPERIENCE

O-I Glass, Inc., a glass container manufacturer and supplier to food and beverage brands

- President & CEO since January 2016
- COO & President, Glass Containers, from February 2015 to December 2015
- President, O-I Americas, from July 2014 to January 2015
- President, O-I Latin America, from April 2009 to July 2014

BOARD ROLES

Audit Committee Member

OTHER PUBLIC COMPANY BOARDS

Current:
O-I Glass, Inc.
Past Five Years:
None

SELECT SKILLS AND QUALIFICATIONS

Senior leadership experience

- Oversees company with $6.4 billion in revenues and more than 24,000 employees in 2021

Industry expertise and global exposure

- Leads multinational packaging company in food and beverage segment of consumer goods industry into which our LGM business sells
- Led Latin America and Americas divisions, after having worked in positions of increasing responsibility throughout the region

U.S. public company board experience

- Concurrent service on one other board

ANTHONY K. ANDERSON

Age 66

Director since December 2012

Independent

RECENT BUSINESS EXPERIENCE

Ernst & Young LLP, an assurance, tax, transaction and advisory services firm

- Vice Chair, Managing Partner and Member of Executive Board from 2000 to March 2012

BOARD ROLES

Audit Committee Member
Governance Committee Member

OTHER PUBLIC COMPANY BOARDS

Current:
AAR Corporation
Exelon Corporation
Marsh & McLennan Companies, Inc.
Past Five Years:
First American Financial Corporation

SELECT SKILLS AND QUALIFICATIONS

Senior leadership experience

- Served on executive board of Ernst & Young for 12 years, and as managing partner of Midwest and Pacific Southwest regions

Financial expertise

- 45+ years of financial statement and internal control expertise acquired through auditing global public companies
- Substantial experience advising audit committees of large multinational corporations
- Certified public accountant (now inactive)

U.S. public company board experience

- Concurrent service on three other boards and prior service on other boards

BRADLEY A. ALFORD

Age 65

Director since April 2010

Independent

RECENT BUSINESS EXPERIENCE

Nestlé USA, a nutrition, health and wellness company

- Chairman & CEO from January 2006 to October 2012

Nestlé Brands Company, an operating unit of Nestlé USA

- President & CEO from 2003 to December 2005

BOARD ROLES

Compensation Committee Member
Governance Committee Member

OTHER PUBLIC COMPANY BOARDS

Current:
Perrigo Company PLC
Past Five Years:
Conagra Brands, Inc.

SELECT SKILLS AND QUALIFICATIONS

Senior leadership experience

- Led company then with over $12 billion in annual revenues and more than 26,000 employees

Industry expertise and global exposure

- 41+ years in consumer goods industry
- Knowledge of food and beverage segments into which our LGM business sells
- Substantial M&A and integration experience

U.S. public company board experience

- Concurrent service on one other board and prior service on other boards

JULIA A. STEWART

Age 66

Director since January 2003

Independent

RECENT BUSINESS EXPERIENCE

Alurx, Inc., a health and wellness company
- Founder, Chair & CEO since January 2020

Dine Brands Global, Inc. (formerly DineEquity, Inc.), owner, operator and franchisor of IHOP and Applebee's restaurants
- Chairman & CEO from June 2008 to March 2017

BOARD ROLES

Compensation Committee Chair
Governance Committee Member

OTHER PUBLIC COMPANY BOARDS

Current:
Bite Acquisition Corp.
Past Five Years:
Dine Brands Global, Inc.

SELECT SKILLS AND QUALIFICATIONS

Senior leadership experience
- Led company then with over $600 million in annual revenues and nearly 1,000 employees

Industry expertise and global exposure
- Substantial operational and marketing experience in retail/dining industry
- Expertise in brand positioning, risk assessment, financial reporting and governance

U.S. public company board experience
- Concurrent service on one other board and prior service on other boards

KEN C. HICKS

Age 69

Director since July 2007

Independent

RECENT BUSINESS EXPERIENCE

Academy Sports + Outdoors, a sports and recreation retailer
- Chairman, President & CEO since May 2018

Foot Locker, Inc., a specialty athletic retailer
- Executive Chairman from December 2014 to May 2015
- Chairman, President & CEO from February 2010 to November 2014
- President & CEO from August 2009 to February 2010

BOARD ROLES

Compensation Committee Member

OTHER PUBLIC COMPANY BOARDS

Current:
Academy Sports + Outdoors
Past Five Years:
Whole Foods Corporation

SELECT SKILLS AND QUALIFICATIONS

Senior leadership experience
- Leads company with more than 250 U.S. locations, over $5 billion in annual revenues and more than 23,000 employees

Industry expertise
- 34+ years of senior marketing and operational experience in retail industry into which our RBIS business sells

U.S. public company board experience
- Concurrent service on one other board and prior service on other boards

MARTHA N. SULLIVAN

Age 65

Director since February 2013

Independent

RECENT BUSINESS EXPERIENCE

Sensata Technologies Holding PLC, a supplier of sensors and controls
- President & CEO from January 2013 to March 2020
- President & COO from September 2010 to December 2012
- COO from April 2006 to August 2010

Texas Instruments, Inc., Sensata's predecessor entity
- Vice President of Sensor Products from 1997 to 2006

BOARD ROLES

Audit Committee Chair

OTHER PUBLIC COMPANY BOARDS

Current:
Sensata Technologies Holding PLC
Past Five Years:
Goldman Sachs Acquisition Holding Company Corp II

SELECT SKILLS AND QUALIFICATIONS

Senior leadership experience
- Led company then with approximately $3.5 billion in revenues and more than 21,000 employees

Industry expertise and global exposure
- Oversaw all business segments, global operations and strategic planning
- Strong technology background, including experience overseeing an RFID business

U.S. public company board experience
- Concurrent service on one other board and prior service on another board

MITCHELL R. BUTIER

Age 50

Director since April 2016

Not Independent

RECENT BUSINESS EXPERIENCE

Avery Dennison Corporation

- Chairman & CEO since March 2022
- Chairman, President & CEO from April 2019 to February 2022
- President & CEO from May 2016 to April 2019
- President & COO from November 2014 to April 2016
- Senior Vice President & CFO from June 2010 to October 2014; continued serving as CFO until March 2015
- Vice President, Global Finance & Chief Accounting Officer from March 2007 to May 2010

BOARD ROLES

Chairman

OTHER PUBLIC COMPANY BOARDS

Current:
None
Past Five Years:
None

SELECT SKILLS AND QUALIFICATIONS

Senior leadership experience

- Held roles of increasing responsibility at our company, including CAO, CFO, COO and CEO

Industry expertise and global exposure

- Served in positions in our primary business segments, including international assignments in Europe, gaining packaging, industrial goods and materials science industry expertise

Financial expertise

- Served as CAO for 3 years and CFO for 5 years

PATRICK T. SIEWERT

Age 66

Director since April 2005

Independent

RECENT BUSINESS EXPERIENCE

The Carlyle Group, a global alternative investment firm

- Managing Director and Partner since April 2007

The Coca-Cola Company, a beverage company

- Executive Committee member and Group President, Asia, from August 2001 to March 2007

BOARD ROLES

Lead Independent Director
Governance Committee Chair
Audit Committee Member

OTHER PUBLIC COMPANY BOARDS

Current:
Mondelēz International, Inc.
Past Five Years:
None

SELECT SKILLS AND QUALIFICATIONS

Industry expertise and global exposure

- Led division of global consumer goods company in beverage segment of consumer goods industry into which our LGM business sells
- Work experience, citizenship and residency in Asia, region in which we generate substantial amount of sales and majority of our employees is located

Financial expertise

- Advises on investments in consumer goods businesses globally, particularly in Asia

U.S. public company board experience

- Concurrent service on one other board

DIRECTOR COMPENSATION

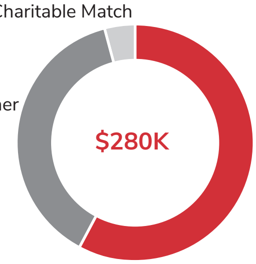
In recommending non-employee director compensation to our Board with the independent expert advice of WTW, the Compensation Committee seeks to **target compensation at the median** of similarly sized companies with which we compete for director talent. Compensation is reviewed periodically (generally every three years) to ensure market competitiveness and consistency. The **majority of compensation is delivered in equity** to align director interests with those of our stockholders.

Median Target Compensation

The components of our non-employee director compensation program are summarized in the charts below and described thereafter.

NON-EMPLOYEE DIRECTOR COMPENSATION

Target Grant Date Fair Value of Restricted Stock Units (RSUs)	**$170,000**
Cash Retainer	**$100,000**
Match of Charitable/Educational Contributions	**$ 10,000**
Additional Cash Retainer for Lead Independent Director	$ 30,000
Additional Cash Retainer for Audit Committee Chair	$ 25,000
Additional Cash Retainer for Compensation Committee Chair	$ 20,000
Additional Cash Retainer for Governance Committee Chair	$ 20,000



Our 2017 Incentive Award Plan, under which RSUs are granted to our non-employee directors, limits the sum of the grant date fair value of equity awards and the amount of any cash compensation granted to any non-employee director during any calendar year to $600,000. **In 2021, all non-employee directors except for our Lead Independent Director/ Governance Committee Chair and our Audit Committee Chair received less than half of this maximum compensation amount.**

Compensation Setting

In February 2021, at the Compensation Committee's request, its independent compensation consultant analyzed trends in non-employee director compensation and assessed the competitiveness of the components of our program, including total cash compensation (Board and Committee Chair retainers), annual equity grant, charitable match, total direct compensation (annual cash plus equity), our stock ownership policy and the additional retainer for our Lead Independent Director.

Using benchmark data from public filings of companies ranked in the Fortune 350-500, WTW recommended that the additional cash retainers for our Audit, Compensation and Governance Committee Chairs each increase by $5,000 and the target grant date fair value of our annual equity grant to non-employee directors increase by $15,000. Modestly increasing the annual equity grant would bring total direct compensation for regular Board service to $270,000 (or $280,000 with the charitable match), the projected median of Fortune 350-500 companies in 2024, the next time the Compensation Committee plans to review non-employee director compensation. Giving consideration to, among other things, the advice of WTW, the Compensation Committee recommended to our Board that the additional cash retainers for our Audit, Compensation and Governance Committee Chairs be increased to $25,000, $20,000 and $20,000, respectively, and the target grant date fair value of RSUs granted annually to our non-employee directors be increased to $170,000.

Based on the recommendation of the Compensation Committee and further discussion, our Board approved the revised non-employee director compensation program, effective as of the date of the 2021 Annual Meeting.

Stock Ownership Policy

Our stock ownership policy requires non-employee directors to own $500,000 of our company stock, 50% of which must be held in vested shares. Only shares owned directly or in a trust, deferred stock units (DSUs) and unvested RSUs, which are subject only to time-based vesting, count for these purposes. Our non-employee directors are prohibited from hedging or pledging our common stock.

All of our non-employee directors have achieved the minimum ownership required by our stock ownership policy; **average non-employee director ownership was ~12x the required level at year-end 2021**. Based on our review of their written representations in our 2021 director questionnaire, none of our non-employee directors has hedged or pledged our common stock.

Equity Compensation

The 2021 equity grant to non-employee directors consisted of RSUs that vest on the one-year anniversary of the grant date, consistent with the one-year term to which directors are elected. Unvested RSUs (i) fully vest upon a director's death, disability, retirement from our Board after reaching age 72 or termination of service within 24 months after a change of control and (ii) are cancelled in the event a director voluntarily resigns, is not reelected by stockholders or is otherwise asked to leave our Board, unless otherwise determined by the Compensation Committee. On May 1, 2021, each of our then-serving non-employee directors was granted 792 RSUs with a grant date fair value of $167,809.

In connection with his mandatory retirement from our Board on the date of the 2021 Annual Meeting and as permitted by our 2017 Incentive Award Plan, the Compensation Committee determined to accelerate the vesting of the RSUs granted to Peter Barker in May 2020 that were scheduled to vest a few days after his separation from our Board. In making its determination, the Compensation Committee noted that Mr. Barker had served nearly the entire one-year term for which he had been elected by our stockholders.

Deferrable Cash Compensation

Cash retainers are paid semiannually and prorated for any director's partial service during the year. Directors are also reimbursed for travel expenses incurred to attend Board meetings and continuing director education events.

Our non-employee directors may choose to receive this compensation in (i) cash, either paid directly or deferred into an account under our Directors Variable Deferred Compensation Program (DVDCP), which accrues earnings at the rate of return of certain bond and equity investment funds managed by a third party; (ii) DSUs credited to an individual account pursuant to our Directors Deferred Equity Compensation Program (DDECP); or (iii) a combination of cash and DSUs. None of our non-employee directors participates in the DVDCP and 7 of them currently participate in the DDECP. Dividend equivalents, representing the value of dividends per share paid on shares of our common stock calculated with reference to the number of DSUs held as of a dividend record date, are reinvested on the applicable payable date in the form of additional DSUs credited to the accounts of directors participating in the DDECP. When a director participating in the DDECP ceases serving as a director, the dollar value of the DSUs in his or her account is divided by the closing price of our common stock on the last date of the director's service, with the resulting number of shares of our common stock issued to the director.

Charitable Match

We match up to $10,000 per year of each non-employee director's documented contributions to charitable organizations or educational institutions.

DIRECTOR COMPENSATION TABLE

Name	Fees Earned or Paid in Cash[(1)]	Stock Awards[(2)]	All Other Compensation[(3)]	Total
Bradley A. Alford	$100,000	$167,809	$10,000	$277,809
Anthony A. Anderson	$100,000	$167,809	—	$267,809
Peter K. Barker[(4)]	—	—	—	—
Mark J. Barrenechea	$100,000	$167,809	—	$267,809
Ken C. Hicks	$100,000	$167,809	$10,000	$277,809
Andres A. Lopez	$100,000	$167,809	—	$267,809
Patrick T. Siewert	$150,000	$167,809	$10,000	$327,809
Julia A. Stewart	$120,000	$167,809	$10,000	$297,808
Martha N. Sullivan	$125,000	$167,809	$10,000	$302,809

(1) Mr. Butier does not appear in the table because he serves as CEO of our company and does not receive any additional compensation to serve as director or Chairman. Amounts represent retainers earned as shown in the table below. At their election, the following currently-serving directors deferred their cash compensation through the DDECP, with the indicated following number of DSUs in their accounts as of January 1, 2022, the last day of our 2021 fiscal year: Mr. Alford – 20,575; Mr. Anderson – 11,895; Mr. Barrenechea – 2,356; Mr. Hicks – 14,808; Mr. Lopez – 1,275; Ms. Stewart – 41,829; and Ms. Sullivan – 12,067. Mr. Barker's DDECP account was paid out to him in shares of our common stock after he left our Board in April 2021 in accordance with program terms.

Director	Board Leadership Roles	Board Retainer	Committee Chair Retainer	Lead Director Retainer
Alford		$100,000	—	—
Anderson		$100,000	—	—
Barker		—	—	—
Barrenechea		$100,000	—	—
Hicks		$100,000	—	—
Lopez		$100,000	—	—
Siewert	Lead Independent Director, Governance Committee Chair	$100,000	$20,000	$30,000
Stewart	Compensation Committee Chair	$100,000	$20,000	—
Sullivan	Audit Committee Chair	$100,000	$25,000	—

(2) Amounts reflect the grant date fair value of 792 RSUs granted on May 1, 2021 in accordance with Accounting Standards Codification Topic 718, Compensation, Stock Compensation) (ASC 718). Fair value was determined based on the fair market value of our common stock on the grant date, adjusted for foregone dividends, of $211.88. Each non-employee director serving as of January 1, 2022 held 792 unvested RSUs.

(3) Amounts reflect our match of documented director contributions made to charitable organizations or educational institutions.

(4) Mr. Barker retired from the Board on the date of our 2021 Annual Meeting. Although he served as a non-employee director for four months of the year, he received no cash fees during this time since fees for the second half of a non-employee director's term are paid in December of the previous year. In addition, he received no stock awards during the year, which are granted only to elected directors after the date of the Annual Meeting. However, in connection with his mandatory retirement from our Board on the date of the 2021 Annual Meeting and as permitted by our 2017 Incentive Award Plan, the Compensation Committee determined to accelerate Mr. Barker's RSUs granted in May 2020 that were scheduled to vest a few days after his separation from our Board. In accelerating the vesting, the Compensation Committee noted that he had served nearly the entire one-year term for which he had been elected by stockholders.

ITEM 2 — ADVISORY VOTE TO APPROVE EXECUTIVE COMPENSATION

After considering the voting results of the advisory vote on the frequency of our say-on-pay vote at the 2017 Annual Meeting, our Board determined to hold say-on-pay votes annually, at least until the next advisory vote on the frequency of our say-on-pay vote (which will take place at the 2023 Annual Meeting).

The advisory vote is a vote to approve the compensation of our NEOs, as described in the *Compensation Discussion and Analysis* and *Executive Compensation Tables* sections of this proxy statement. It is not a vote on our general compensation policies or any specific element of compensation, the compensation of our non-employee directors, our CEO pay ratio, or the features of our compensation program designed to prevent excessive risk-taking as described in the *Risks Associated with Compensation Policies and Practices* section of this proxy statement.

Recommendation of Board of Directors

We are committed to maintaining ongoing engagement with our stockholders to seek their feedback and discuss why we believe our executive compensation program aligns with our strategies and incents our leaders to deliver strong financial performance and consistent ESG progress, creating superior long-term, sustainable value for our customers, employees, investors and communities. **Our Board recommends that you vote FOR approval, on an advisory basis, of our executive compensation**. Properly dated and signed proxies will be so voted unless you specify otherwise.

Meaning of Advisory Vote

The results of the advisory vote are not binding on our Board. However, in accordance with SEC regulations, the Compensation Committee will disclose its consideration of the results of the vote in the *Compensation Discussion and Analysis* section of our 2023 proxy statement.

TALENT AND COMPENSATION COMMITTEE REPORT

The Talent and Compensation Committee (referred to in this report as the "Committee") of our Board of Directors has reviewed and discussed the Compensation Discussion and Analysis (CD&A) required by Item 402(b) of Regulation S-K with management and, based on its review and those discussions, has recommended to our Board of Directors that the CD&A be included in our 2022 proxy statement and incorporated by reference into our 2021 Annual Report on Form 10-K.

The Committee welcomes feedback regarding our executive compensation program. Stockholders may communicate with the Committee by writing to the Talent and Compensation Committee Chair, c/o Corporate Secretary, 8080 Norton Parkway, Mentor, Ohio 44060.

Julia A. Stewart, Chair
Bradley A. Alford
Mark J. Barrenechea
Ken C. Hicks

COMPENSATION DISCUSSION AND ANALYSIS (CD&A)

This CD&A* describes our executive compensation program and the decisions of our Board's Talent and Compensation Committee (referred to in this CD&A as the "Committee") on 2021 executive compensation. It includes the sections shown below.

EXECUTIVE SUMMARY

Business Strategy Overview

We have consistently executed our business strategies, delivering long-term, sustainable value for our employees, customers and investors and improving the communities in which we operate. From our investors' perspective, we believe that this value is best measured by our total stockholder return (TSR) and cumulative economic value added (EVA), both of which are performance objectives used in our long-term incentive (LTI) program and inform how we set our goals for sales growth, operating margin improvement, asset efficiency, return on total capital (ROTC) and capital allocation.

Our key strategies and 2021 achievements are shown on the following page. Our overriding focus remains on ensuring the long-term success of all of our stakeholders, and we have a clear set of strategies to deliver for them.

* This CD&A contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are subject to certain risks and uncertainties, which could cause actual results to differ materially from the results, performance or achievements expressed or implied thereby. For a detailed discussion of these risks, see Part I, Item 1a, "Risk Factors" and Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," in our 2021 Annual Report on Form 10-K, filed on February 23, 2022 with the SEC (our "2021 Annual Report"). Stockholders should note that statements contained in this CD&A regarding our company and business performance targets and goals should not be interpreted as management's expectations, estimates of results or other guidance.

1

Drive outsized growth in high-value categories

- We seek to increase the proportion of our portfolio in high-value products and solutions, both organically and through acquisitions; high-value categories serve markets that are growing faster than GDP, represent large pools of potential profit and leverage our core capabilities. These products and solutions include our specialty and durable label materials, graphics and reflective solutions, industrial tapes, Intelligent Labels that use RFID tags and inlays, external embellishments, and, with our recent acquisition of Vestcom, shelf-edge pricing, productivity and consumer engagement solutions.
- In 2021, we achieved organic sales change in high-value product categories that outpaced that of our base businesses by a high-single digit rate driven by growth in specialty labels, external embellishments and Intelligent Labels; added to our capabilities and expanded our position in high-value product categories through our acquisition of Vestcom; and more than tripled the size of our Intelligent Labels platform over the last five years, reaching net sales of $0.7 billion in 2021

2

Grow profitability in our base businesses

- We strive to grow profitability in our base businesses by carefully balancing volume, price and mix, reducing complexity and tailoring our go-to-market strategies
- In 2021, we heightened our focus on material reengineering to drive productivity and mitigate the impact of rising input costs

3

Focus relentlessly on productivity

- We employ product reengineering and enterprise lean sigma to expand our margins, enhance our competitiveness (particularly in our base businesses) and provide a funding source for reinvestment
- In 2021, we continued expanding operating margins, with approximately $65 million in savings from restructuring, net of transition costs

4

Allocate capital effectively

- We balance our investments in organic growth, productivity, and acquisitions and venture investments, while continuing to return cash to stockholders through dividends and share repurchases
- In 2021, leveraging our strong balance sheet, we invested $272.1 million in fixed and IT capital expenditures to support organic growth; completed three acquisitions and made three venture investments for a total of $1.48 billion; increased our quarterly dividend rate by ~10%; and repurchased $180.9 million in shares of our common stock

5

Lead in an environmentally and socially responsible manner

- We aim to deliver innovations that advance the circular economy and reduce the environmental impact of our operations; build a more diverse workforce and inclusive and equitable culture; maintain operations that promote health and safety; and support our communities through contributions from the Avery Dennison Foundation (ADF), supplemented by contributions from our company
- In 2021, we continued to make progress toward our 2025 sustainability goals, reducing the environmental impact of our operations and investing in strategic innovation platforms focused on material circularity and waste reduction/ elimination; continuing to drive sustainable change in diversity, equity and inclusion (DE+I), with a sharpened focus on increasing workforce racial/ethnic diversity, as well as representation from other underrepresented communities such as LGBTQ+, veteran or disabled individuals; and using the $10 million we contributed to ADF in 2020 to significantly increase grant-making in our communities, resulting in over $6 million of charitable contributions from ADF and our company in 2021. We also announced more ambitious 2030 sustainability goals.

Delivering Financial Targets

Our objective is to deliver GDP+ growth and top-quartile returns on capital to create superior value over the long term. In March 2017, we announced five-year financial targets through 2021. As shown below, we exceeded each of these commitments we made to our investors.

Sales change ex. currency, organic sales change, adjusted EPS and ROTC, including and excluding acquisition amortization – as well as free cash flow and adjusted EBITDA margin, which are referenced later in this CD&A – are non-GAAP financial measures we provide investors to assist them in assessing our performance and operating trends. These non-GAAP financial measures are not a substitute for or superior to progress toward the comparable financial measures under GAAP and are defined, qualified and reconciled from GAAP in the last section of this proxy statement.

For the 2017-2021 period, on a five-year compound annual basis (with 2016 as the base period), GAAP reported net sales, net income and EPS increased by 6.7%, 18.2% and 20.1%, respectively.

	2017-2021 Targets	2017-2021 Results[1]
Sales Growth[2]	5%+ ex. currency[3] 4%+ organic	6.6% ex. currency 4.6% organic
GAAP Operating Margin	11%+ in 2021	12.6% in 2021
Adjusted EPS Growth[2]	10%+	17.3%
ROTC incl. Acquisition Amortization	17%+ in 2021	18.4% in 2021

EXCEEDED 2017-2021 FINANCIAL TARGETS

(1) Results for non-GAAP measures are reconciled from GAAP in the last section of this proxy statement.
(2) Percentages for targets and results reflect five-year compound annual growth rates, with 2016 as the base period.
(3) Target for sales growth ex. currency reflects the impact of completed acquisitions as of March 2017 of approximately one point.

In March 2021, we announced five-year financial targets through 2025. As shown below, based on the first year of this five-year period, we are on track to achieve these commitments.

In 2021 (with 2020 as the base period), GAAP reported net sales, net income and EPS increased by 20.6%, 33.1% and 33.6%, respectively.

	2021-2025 Targets	2021 Results[1]
Sales Growth[2]	5%+ ex. currency[3]	18.6% ex. currency 15.6% organic
Adjusted EBITDA Margin	16%+ in 2025	15.6% in 2021
Adjusted EPS Growth[2]	10%	25%
ROTC excl. Acquisition Amortization	18%+ in 2025	19.1% in 2021

ON TRACK TO ACHIEVE 2021-2025 FINANCIAL TARGETS

(1) Results for non-GAAP measures are reconciled from GAAP in the last section of this proxy statement.
(2) Percentages for targets reflect five-year compound annual growth rates, with 2020 as the base period. Percentages for results reflect one-year annual growth rates, with 2020 as the base period.
(3) Target for sales growth ex. currency reflects the impact of completed acquisitions as of March 10, 2021, which represents (0.2)%.

2021 Financial Performance

In fiscal year 2021, we delivered another year of strong top- and bottom-line growth, expanded operating margins and record free cash flow. We substantially exceeded our goals for the year, achieving the financial results shown on the following page.

NET SALES

$8.41B

Reported sales increased by ~21%, reflecting volume growth across our businesses and prior-year impact of COVID-19; sales ex. currency increased by ~19% and organic sales increased by ~16% driven by strong demand for consumer packaged goods and accelerated shift to e-commerce in LGM and significant organic sales growth in Intelligent Labels

REPORTED EPS

$8.83

Reported EPS substantially increased by ~34%, in part due to prior-year impact of COVID-19; adjusted EPS increased by ~25% to $8.91 driven by strong growth and operating margin expansion; adjusted EPS substantially exceeded top end of February 2021 guidance range

CASH FROM OPERATING ACTIVITIES

$1,046.8M

Free cash flow of $797.7 million was used to fund three acquisitions and three venture investments, pay dividends of $220+ million and repurchase 0.9 million shares of our common stock

NET INCOME

$740.1M

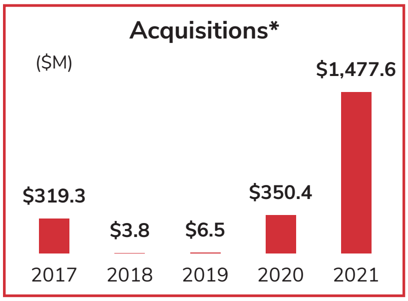
Achieved ROTC including acquisition amortization of ~18% and ROTC excluding acquisition amortization of ~19%

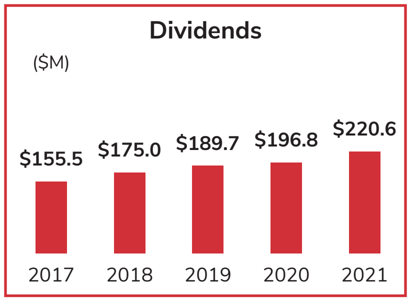
Effective Capital Allocation

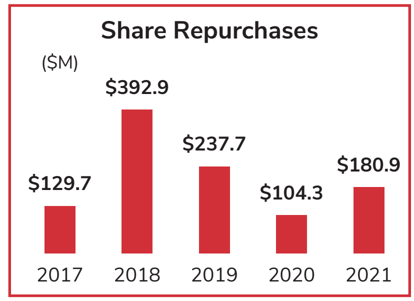
We have been consistently effective in executing our capital allocation strategy, balancing our investments in organic growth, productivity, and acquisitions and venture investments with continuing to return cash to stockholders through dividends and share repurchases. **In 2021, we invested $272.1 million in fixed and IT capital expenditures to support future growth and further productivity improvement and allocated $1.48 billion to acquisitions and venture investments; we also paid $220.6 million in dividends and repurchased $180.9 million in shares of our common stock**.

We have invested in our businesses to support organic growth and pursued complementary and synergistic acquisitions. Our fixed and IT capital spending in 2021 was nearly 25% higher than in 2020, reflecting our continued investment in high-value categories, including our fast-growing Intelligent Labels platform, and lower-than-planned capital expenditures in 2020 to mitigate the impact of COVID-19. During 2021, we acquired Vestcom, an Arkansas-based provider of shelf-edge pricing, productivity and consumer engagement solutions for retailers and consumer packaged goods companies, for $1.47 billion, as well as ZippyYum, a California-based developer of software products used in the food service and food preparation industries, and JDC, a Tennessee-based manufacturer of pressure-sensitive specialty tapes, collectively for approximately $43 million. During 2021, we also made three venture investments in companies developing innovative technological solutions that we believe have the potential to advance our businesses.

In 2021, we deployed $401.5 million to pay dividends of $2.66 per share and repurchase 0.9 million shares of our common stock. We **raised our quarterly dividend rate by approximately 10% in April 2021**. As shown on the following page, **over the last five years, we have allocated over $2 billion to acquisitions and venture investments and nearly $2 billion to dividends and share repurchases**.





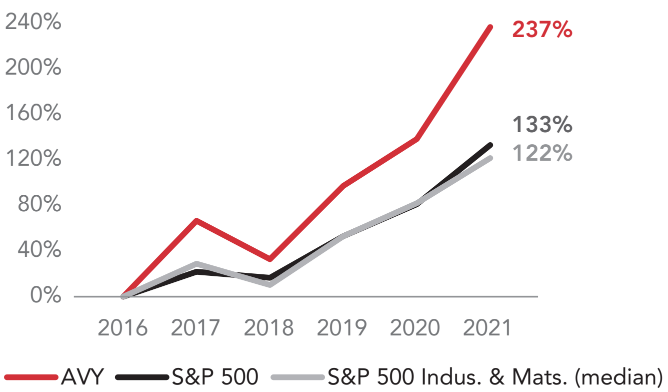


* Includes venture investments

TSR Outperformance

By generating substantial EVA, we drove strong TSR in 2021 despite the uncertain macroeconomic environment during the year due to the continued impact of COVID-19 and related supply chain, labor, freight and inflationary challenges. Our TSR of over 40% outperformed the S&P 500 and the median of the S&P 500 Industrials and Materials subsets. More important, both our three-year and five-year TSR substantially outperformed these two comparator groups.

5-Year Cumulative TSR



1-, 3- and 5-Year TSR

	AVY	S&P 500	S&P Indus. & Mats.*
2017	67%	22%	28%
2018	(20)%	(4)%	(14)%
2019	49%	32%	34%
2020	21%	18%	17%
2021	**41%**	**29%**	**24%**
3-Year TSR	**154%**	**100%**	**94%**
5-Year TSR	**237%**	**133%**	**122%**

* Based on median of companies in both subsets as of December 31, 2021

2021 Say-on-Pay Vote and Feedback During Stockholder Engagement

In 2021, we maintained proactive engagement with stockholders regarding executive compensation and talent management. The Committee regularly reviews our executive compensation program, making changes as needed to address feedback from our stockholders or more closely align the program with our financial profile, business strategies and ESG priorities. We believe this process and the specific actions taken over time demonstrate the Committee's commitment to paying for performance and being responsive to investor feedback. **In 2021, during our ongoing stockholder engagement program, we discussed elements of our executive compensation program with some of our stockholders, who generally expressed support for its structure**.

Results and Analysis of 2021 Vote

At the 2021 Annual Meeting, nearly 96% of our stockholders approved, on an advisory basis, our executive compensation. The level of strong support we received was consistent with the high approval rates we have received in recent years. The Committee believes that these strong say-on-pay vote results, as well as the generally positive feedback we have received during our ongoing engagement with stockholders, reflects strong support of our executive compensation program and our consistently improving CD&A disclosure.

Stockholder Engagement

We actively solicit feedback through stockholder engagement to ensure that we reflect not only our evolving business strategies but also the expectations of our investors. In addition to our extensive investor relations program through which members of management engage with our investors throughout the year, this supplemental engagement program is depicted – and the feedback we received on executive compensation, social sustainability and talent management are described – in the proxy summary.

Strong ESG-Executive Compensation Linkage

Information on our ESG progress may be found in the proxy summary and the *Environmental and Social Sustainability* section of this proxy statement. Additional information may be found in our 2021 integrated sustainability and annual report and our March 2022 ESG Download being published concurrently with this proxy statement, as well as on our ESG website at esg.averydennison.com. The 2021 integrated sustainability and annual report, March 2022 ESG Download and other information on our website are not and should not be considered part of, nor are they incorporated by reference into, this proxy statement.

The stockholders with whom we spoke during 2021 asked about the Committee's consideration of ESG matters in our executive compensation program. In recent years, **the Committee has engaged in frequent discussions with its compensation consultant, WTW, and management regarding ESG–executive compensation linkage, in part due to increasing investor interest in the topic, and reviewed market practices to explore the potential to further incorporate ESG into our program**. The Committee noted that our key company strategies include leading in an environmentally and socially responsible manner, and that the committee seeks to approve executive compensation that reflects company strategy and incents achievement of company goals.

The Committee has determined that our existing compensation practices and talent management priorities reflect our ESG strategies, hold our leaders accountable and reward results. The Committee noted, among other things, the items described below.

- Nearly **half of the measures on our annual business group scorecards using the objectives, goals, strategies and measures (OGSM) framework are ESG-related,** aligning our leaders with these objectives and providing visibility and accountability to enable continuous improvement. With their concise format and use of color-coding to indicate progress, these OGSMs surface ESG underperformance relative to our goals and offer an assessment tool in year-end discussions with our business leaders on their annual performance.
- **Our senior leadership, including our NEOs and Vice Presidents, have accountability for driving our ESG progress**, **with responsibility for executing toward our goals and targets cascaded throughout our organization.** People managers are expected to discuss the progress their team members make toward their annual goals as part of our performance evaluation process. In approving base salary increases, AIP award individual modifiers, structural pay increases and promotions, our managers consider not only financial or business achievements, but also a leader's success in advancing our ESG priorities, consistent with our company's strategies and values.
- Although the financial modifier in the AIP does not include ESG metrics, our financial performance in part reflects our ESG progress and a key component in determining an **AIP award is the individual modifier, which relies on a qualitative assessment of annual performance. For our leaders, this process includes consideration of their ESG-related contributions.** In determining their 2021 AIP awards, the Committee discussed the ESG achievements of our CEO and other NEOs in assessing their performance and determining their individual modifiers.
- **Diversity and Sustainability are two of our company's values**, reflecting the priority with which we hold ESG matters. Our annual Leadership Excellence Awards are granted to teams globally in each of these categories, with winners receiving at least a 120% individual modifier on their AIP award, subject to the overall AIP award cap of 200%. In 2021, over 70 employees globally received awards for diversity and sustainability, a substantial increase from the 10 awards granted in 2018; over 20 additional individuals received awards related to their leadership in the community.

As described in this proxy statement, we have made substantial ESG progress in recent years, and our Board and the Committee are committed to delivering for all our stakeholders. The Committee shares our Board's view that **our financial success in recent years has been inextricably linked to our ESG progress.** We have consistently delivered more sustainable solutions, which have provided significant competitive advantage, fueling our success in the marketplace and strong financial performance. **While our compensation programs have played an important part in advancing our ESG initiatives, ESG has become embedded into our workplace culture. We are working diligently to advance our journey because we believe that our company can have a long-term positive impact on people and our planet.**

After reviewing benchmark data on current market practices, the Committee noted that, consistent with our existing practice, the majority of S&P 500 companies consider ESG performance in their executive compensation programs, with most doing so in ways similar to the way in which we do. **The Committee is committed to regularly reviewing stakeholder expectations and market practices, and pressure testing the continued appropriateness of its current approach,** in consultation with management and WTW**.** If or when the Committee determines to include additional ESG metrics as performance objectives in any of our incentive programs, it would establish targets that are as rigorous and objectively measurable as our financial performance objectives.

2021 Named Executive Officers (NEOs)

In this CD&A and the *Executive Compensation Tables* section of this proxy statement, we provide compensation information for our 2021 NEOs, who are identified in the chart below. **Subsequent to year-end 2021, Mr. Stander was elected by our Board to serve as President and Chief Operating Officer effective March 1, 2022; in connection with this election, Mr. Butier ceased serving in the capacity of President.** References in this proxy statement to Level 2 NEOs are to Messrs. Lovins and Stander and references to Level 3 NEOs are to Ms. Baker-Nel and Mr. Walker.

NEOs

Name	Title in 2021
Mitchell R. Butier	Chairman, President & Chief Executive Officer
Gregory S. Lovins	Senior Vice President & Chief Financial Officer
Deena Baker-Nel	Vice President & Chief Human Resources Officer
Deon M. Stander	Vice President & General Manager, RBIS
Ignacio J. Walker	Vice President & Chief Legal Officer

Overview of Pay Philosophy and Executive Compensation Components

Our executive compensation program reflects the Committee's philosophy that a substantial majority of compensation should be tied to our success in achieving our financial objectives and creating stockholder value, providing higher realized compensation when we deliver superior, sustained performance. The objectives of this strategy are to motivate our executives to achieve our annual and long-term financial goals, giving consideration to their contributions to delivering strong performance. **In support of our increased focus on ESG matters and greater transparency with all our stakeholders, the Committee considers our ESG progress in evaluating the individual performance of our CEO and other NEOs**.

The Committee implements its pay-for-performance philosophy as follows:

- Establishing target total direct compensation (TDC) to incent strong operational and financial performance and stockholder value creation**,** giving consideration to median pay at similarly sized companies, role responsibilities, individual performance, tenure, retention, and succession
- Aligning our annual incentives for executives with our company's annual operating plan and financial goals for the year
- Rewarding long-term performance using absolute and relative TSR, as well as cumulative EVA, to focus our executives on delivering consistent and sustainable stockholder value creation

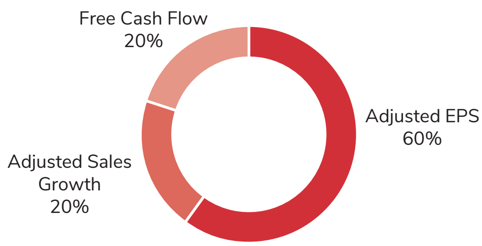
Incentive compensation consists of target award opportunities under our AIP and our LTI compensation program, with payouts determined based on our performance against objectives established by the Committee. The Committee structures annual incentive compensation to reward NEOs based on corporate and/or business performance to align their compensation with stockholder interests, giving consideration to their individual contributions to our performance. **AIP targets are established at or above the midpoint of the guidance we give to our stockholders on our anticipated performance for the year and consistent with achieving our long-term financial goals. Our LTI awards provide higher realized compensation for exceeding performance targets and downside risk (up to and including cancellation) for failing to achieve threshold performance, with EVA targets that are consistent with our long-term goals for earnings growth and ROTC.**

ELEMENTS OF TARGET TDC FOR CORPORATE NEOs

Base Salary

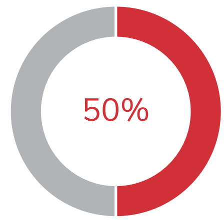
- Generally set around market median

AIP Award



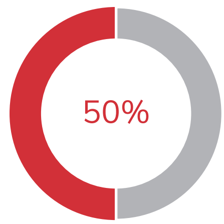
ANNUAL

LTI Awards



Performance Units (PUs)

- 50% Relative TSR
- 50% Cumulative EVA
- 3-year cliff vesting



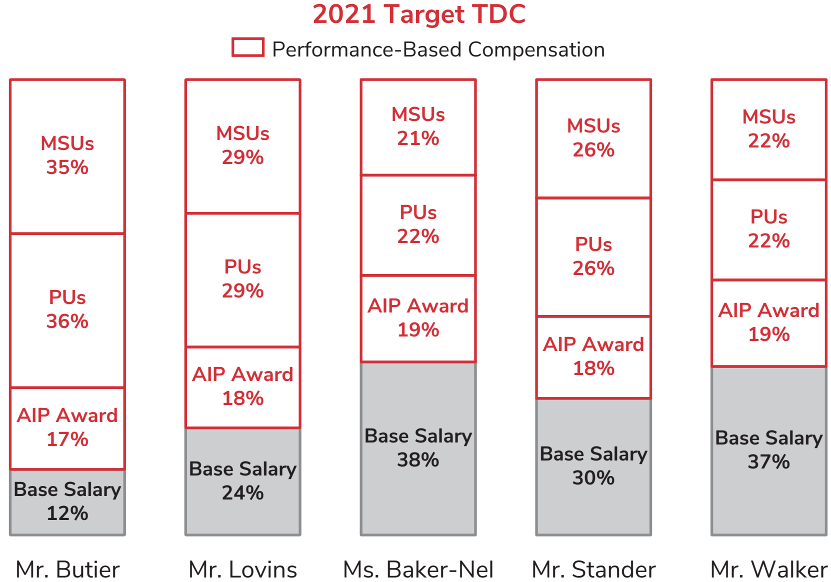
Market-leveraged Stock Units (MSUs)

- 100% Absolute TSR
- 4-year ratable vesting
- Avg. performance period of 2.5 years

LONG-TERM

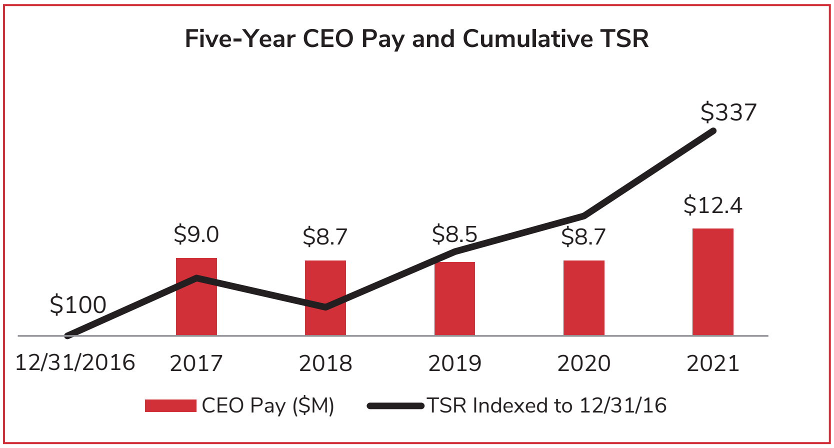
As shown in the graph below, the substantial majority of each of our NEOs' 2021 target TDC was performance-based, meaning that they may not ultimately realize the value of the at-risk components of TDC if we fail to achieve the designated performance objectives. As a business NEO in 2021, Mr. Stander's AIP award and PUs had different performance objectives than those of our corporate NEOs.

2021 Target TDC



CEO'S 2021 TARGET TDC 88% PERFORMANCE-BASED

As shown in the graph below, in recent years, our CEO's compensation increased commensurate with our cumulative TSR, with his 2021 pay reflecting the longer-term approach to CEO compensation described below.



Change in Approach to CEO Compensation

In the few years prior to 2021, the Committee discussed how best to ensure that it was compensating our CEO optimally and in alignment with the long-term interests of our stockholders. The Committee's objectives were to:

- Recognize our company's performance and delivery of value to our customers, employees, investors and communities during his tenure as our CEO
- Enhance his incentive to continue creating value for these stakeholders, including by driving superior TSR
- Encourage his retention for the long term

The Committee sought to maintain market-competitive target TDC for our CEO well-aligned with our company's performance and ensure that his target TDC did not fall substantially below the median of similarly sized companies, without relying on the traditional approach of annual review and periodic increase to the components of his TDC – base salary, target AIP opportunity and target LTI opportunity – to maintain consistency with continually rising market CEO pay.

With expert advice and guidance from its independent compensation consultant, WTW, and **giving consideration to the feedback received in 2020 and 2021 during engagement with our investors**, the Committee determined to shift from considering annual increases to our CEO's base salary and target AIP and LTI opportunities to a longer-term approach that generally holds his target TDC constant for a three-year period. At the end of the period, the Committee will evaluate both his and our company's performance, as well as market conditions, before determining the appropriate level of his go-forward compensation, continuing to give consideration to factors such as tenure, retention and succession. **The Committee intends for this approach to CEO compensation to be more consistent with the long-term approach we take to planning our strategies, setting our financial targets and sustainability goals, and creating value for all our stakeholders.**

To ensure our CEO's compensation remained competitive and mitigate the potential for his target TDC to substantially fall behind his peers over the next three years, the Committee set our CEO's compensation roughly halfway between the 50th and 75th percentiles of companies with annual revenues between $6 billion and $10 billion, reflecting his strong performance during his tenure in the role, during which our company consistently delivered top quartile performance. The Committee's expectation is that – at the end of the three-year period during which our CEO's compensation is expected not to increase – his TDC would be at or around the median pay at similarly sized companies.

Reviewing 2020 benchmark data and projected 2021 pay rates, the Committee targeted our CEO's TDC for the year at $9.9 million by increasing (i) his base salary by 6% to $1.2 million; (ii) his target AIP opportunity from 125% of base salary to 140% of base salary; and (iii) his target LTI opportunity from 475% of base salary to 585% of base salary. **The Committee noted that our CEO had delivered strong value creation for all our stakeholders by leading the development and execution of our strategies during his tenure in the role and successfully navigated the impact of COVID-19 in 2020**. Nearly 90% of his target TDC consists of at-risk, performance-based compensation; his realized compensation depends on our company continuing to deliver strong TSR performance, achieving our 2021 and 2025 financial targets and our 2025 and 2030 sustainability goals, and continuing to engage our employees, serve our customers, deliver for our investors and support the communities in which we operate.

Strong Compensation Governance Practices

Our executive compensation program incorporates the best practices shown below, which the Committee believes ensure that it serves the long-term interests of our stockholders.

Policy or Best Practice		Description and Stockholder Benefit
		PAY FOR PERFORMANCE
Compensation Primarily Performance-Based	✓	88% of 2021 CEO target TDC and 70% of average 2021 target TDC of other NEOs tied to company and/or business performance
Capped Annual Incentive Set At or Above Midpoint of Guidance	✓	AIP award based on achievement of performance objectives set at or above midpoint of annual guidance and consistent with long-term financial targets, subject to limited upward and unlimited downward discretion based on Committee's assessment of CEO's performance against predetermined strategic objectives and other NEOs' individual contributions; awards capped at 200% of target and individual modifiers for NEOs generally capped at 100%
Majority Long-Term Equity Incentive Compensation	✓	LTI awards prioritize long-term performance, with PUs cliff-vesting in 3 years and MSUs vesting in tranches over 4 years; realized compensation based on long-term performance and stockholder value creation
Strategic Targeting	✓	TDC (base salary + target AIP opportunity + target LTI opportunity) set to incent strong performance and value creation, giving consideration to median pay at similarly sized companies, role responsibilities, performance, tenure, retention and succession
No Annual Stock Options	✓	Last made regular grant of stock options in 2012, though stock options may be granted for special purposes such as promotion
		COMPENSATION BEST PRACTICES
No Employment Contracts	✓	NEOs employed at-will
Rigorous Stock Ownership Policy	✓	CEO required to maintain ownership of 6x his base salary; at YE 2021, he owned 8x his requirement; Level 2 and Level 3 NEOs required to maintain ownership of 3x and 2x of base salary, respectively
No Hedging or Pledging	✓	Insider trading policy prohibits officers and employees from hedging – and officers from pledging – AVY common stock and all NEOs complied during 2021
Limited Trading Windows	✓	NEOs may only transact in our common stock during approved trading windows after satisfying clearance requirements, including certifying continued compliance with stock ownership policy
Median Burn Rate	✓	Three-year average burn rate of 0.58% at YE 2021, in line with 50th percentile of S&P 500 companies
Clawback Policy	✓	Cash and equity incentive compensation subject to clawback in event of fraud or other intentional misconduct that necessitates accounting restatement
No Excise Tax Gross Ups	✓	No gross-up payments for excise taxes for termination following change of control
Double Trigger Equity Vesting	✓	Equity awards not accelerated on change of control, unless NEO is terminated without cause or terminates employment for good reason within 24 months following change of control
No Repricing/Exchange of Underwater Stock Options	✓	No repricing or exchange of underwater options without stockholder approval
Limited Perquisites	✓	Other than capped financial planning reimbursement for certain NEOs and payment for annual physical examinations, NEOs receive flat taxable executive benefit allowances not subject to tax gross-up
Reasonable Severance Benefits	✓	Severance formula for qualifying termination: *CEO:* 2x (annual salary + target AIP award for year of termination + cash value of annual health insurance premium) *All other NEOs:* 1x (annual salary + target AIP award for year of termination + cash value of annual health insurance premium)
Reasonable Change of Control Benefits	✓	Severance formula for qualifying termination of certain NEOs within 24 months following a change of control: *CEO:* 3x (annual salary + target AIP award for year of termination + cash value of annual health insurance premium) + prorated target AIP award for year of termination *Level 2 NEOs:* 2x (annual salary + target AIP award for year of termination + cash value of annual health insurance premium) + prorated target AIP award for year of termination
		STRONG GOVERNANCE
Independent Oversight	✓	Committee comprising independent directors with executive compensation decisions reviewed and ratified by all independent directors
Expert Compensation Consultant	✓	WTW is independent, free of conflicts of interest and provides Committee with expert executive compensation advice

SUMMARY OF COMPENSATION DECISIONS FOR 2021

The Committee approves executive compensation to pay for performance, with the target TDC of NEOs established to incent strong financial performance and stockholder value creation. Compensation is primarily performance-based, meaning that our executives may not ultimately realize some or all of the at-risk components of TDC if we fail to achieve our financial objectives. **In 2021, approximately 88% and 70% of the target TDC of our CEO and the average of our other NEOs, respectively, was performance-based**.

In determining 2021 NEO compensation – in addition to the continued impact of COVID-19, and related supply chain, labor, freight and inflationary challenges, on our businesses and our leaders' continuous efforts during the year to address and mitigate these matters – the Committee considered the factors described below.

- **Company/Business Performance** – Our company's financial performance, including our 2021 adjusted sales growth, adjusted EPS and free cash flow for corporate NEOs, and, for our business NEO, the performance of RBIS
- **Stockholder Returns** – Our TSR on an absolute basis, as well as relative to a designated group of peer companies
- **Individual Performance** – Our CEO's performance against the predetermined strategic objectives established for him at the beginning of the year and the individual contributions of our other NEOs
- **Competitiveness** – Pay practices and company performance relative to the market
- **Investor Feedback** – The results of our 2021 say-on-pay vote and feedback on executive compensation received during our ongoing stockholder engagement program

The key elements of 2021 NEO target TDC are described in the table shown below and on the following page. **While we provide consistent, market-competitive target TDC opportunities for our NEOs, the actual compensation they realize varies year-to-year based primarily on company and business performance**.

2021 EXECUTIVE COMPENSATION SUMMARY

Component	Rationale	Decisions Impacting 2021 Compensation
FIXED Base Salary 12% of TDC for CEO; Avg. 30% of TDC for Other NEOs	Provides fixed, market competitive monthly income for performing day-to-day responsibilities	As part of the longer-term compensation approach implemented for our CEO, his base salary increased by 6%. The base salaries of our other NEOs increased by 2.5%, consistent with the average merit increase for our U.S. employees, except that Mr. Lovins received an increase of 7% to be more consistent with the market.
PERFORMANCE-BASED SHORT-TERM CASH Target AIP Award 17% of TDC for CEO; Avg. 18% of TDC for Other NEOs Capped at 200% of target	Provides variable, cash-based incentive to motivate executives to grow sales, increase profitability and deliver strong free cash flow consistent with our annual financial goals Target AIP opportunity based on market survey data; financial modifier based on company and/or business performance; individual modifier based on CEO's achievement against predetermined strategic objectives and other NEOs' individual contributions	As part of longer-term compensation approach implemented for our CEO, his target AIP opportunity increased from 125% of base salary to 140% of base salary. There were no other changes to NEO target AIP opportunities. Company performance resulted in financial modifier of 200% for corporate NEOs. Financial modifier for business NEO was 186% based 75% on RBIS performance and 25% on company performance. Individual modifiers for all NEOs were 100%.

2021 EXECUTIVE COMPENSATION SUMMARY

Component	Rationale	Decisions Impacting 2021 Compensation
PERFORMANCE-BASED LONG-TERM EQUITY **Target LTI Award (50% PUs, 50% MSUs)** 71% of TDC for CEO; Avg. 52% of TDC for Other NEOs	Provides variable, equity-based incentive compensation to align NEO interests with stockholder interests and drive long-term value creation Target LTI opportunity based on market survey data; award vehicles, performance criteria and weightings determined with advice from WTW	**LTI Awards Granted in 2021** • As part of the longer-term compensation approach implemented for our CEO, his target LTI opportunity increased from 475% of base salary to 585% of base salary. There were no other changes to NEO target LTI opportunities. • 50% in PUs that cliff-vest at the end of three-year period with payouts ranging from zero to 200% based on the achievement of the respective cumulative EVA and relative TSR performance objectives. Payout for the TSR component is capped at 100% of target for any three-year performance period in which absolute TSR is negative. There were no changes to PU performance objectives or weightings for 2021. • 50% in MSUs that vest based on absolute TSR over one-, two-, three- and four-year performance periods, with an average performance period of 2.5 years. Performance criteria are as follows: (i) threshold performance level, which results in payout at vesting of 85%, is TSR of (15)%; (ii) target performance level, which results in a payout at vesting of 100%, requires TSR of 10%; and (iii) maximum performance level, which results in payout at vesting of 200%, requires TSR of 75%. There were no changes to MSU performance criteria for 2021.

		LTI Awards Vesting at YE 2021
		• **2019-2021 PUs**: Our 2019-2021 TSR was at the 93rd percentile of the objectively determined peer group established in February 2019, resulting in a payout of 200% on that performance objective for all NEOs. Cumulative EVA for our company was $1,132.0 million, resulting in a payout of 176% on that performance objective for corporate NEOs. Cumulative EVA for RBIS was 94% of target, resulting in a payout of 87% on that performance objective for our business NEO. 2019-2021 PUs paid out at 188% of target for corporate NEOs and 115% of target for our business NEO.
		• **MSUs Vesting at YE 2021**
		  • **4th Tranche of MSUs granted in 2018**
		  2018-2021 Absolute TSR of 87%
		  Paid out at 200% of target
		  • **3rd Tranche of MSUs granted in 2019**
		  2019-2021 Absolute TSR of 131%
		  Paid out at 200% of target
		  • **2nd Tranche of MSUs granted in 2020**
		  2020-2021 Absolute TSR of 64%
		  Paid out at 183% of target
		  • **1st Tranche of MSUs granted in 2021**
		  2021 Absolute TSR of 33%
		  Paid out at 135% of target

In addition to the elements of our executive compensation program described above, we also provide our NEOs with limited perquisites and benefits that the Committee believes are comparable to those offered by other multinational public companies.

DISCUSSION OF COMPENSATION COMPONENTS AND DECISIONS IMPACTING 2021 EXECUTIVE COMPENSATION

The Committee aims to have base salaries at or around median pay at similarly sized companies, with the substantial majority of NEO compensation consisting of incentive compensation to advance the Committee's pay-for-performance philosophy, driving higher realized compensation when our financial and ESG performance is stronger and lower realized compensation when our financial and ESG performance is weaker.

Base Salary

Increases in base salary for NEOs are generally based on the average merit increase given to our U.S. employees, subject to increase based on the NEO's performance and market comparisons for positions with similar scope and responsibility. As part of the longer-term compensation approach implemented for our CEO, his base salary increased by 6% in 2021. The Committee approved base salary increases of 2.5% for our other NEOs, consistent with the average merit increase for our U.S. employees, except that Mr. Lovins' base salary increased by 7% to be more consistent with the market.

NEO base salaries at year-end 2021 were as follows: Mr. Butier – $1,200,000; Mr. Lovins – $661,260; Ms. Baker-Nel – $416,000; Mr. Stander – $569,007; and Mr. Walker – $425,375.

2021 AIP Awards

The 2021 AIP was designed to incent management to create long-term stockholder value. **NEOs are not eligible for guaranteed AIP awards.** AIP awards are determined for each fiscal year using the formula below. Individual modifiers for NEOs are generally capped at 100% although the Committee retains the discretion to determine higher individual modifiers to reward individual performance, including for their ESG-related achievements, up to 150%.

YE **Base Salary**	X	**Target AIP Opportunity** (based on market survey data)	X	**Financial Modifier** (based on corporate and/or business performance) **Capped at 200%**	X	**Individual Modifier** (based on individual performance) **Capped at 150%**

Aggregate Cap of 200%

Target AIP Opportunities

As a percentage of base salary, 2021 target AIP opportunities were 140% for Mr. Butier, 75% for Mr. Lovins, 60% for Mr. Stander and 50% for Ms. Baker-Nel and Mr. Walker. As part of the longer-term compensation approach implemented for our CEO, his target AIP increased from 125% of base salary. There were no other changes to NEO target AIP opportunities.

AIP Performance Objectives and Weightings; Target-Setting Principles

The following performance objectives and weightings for the 2021 AIP were established by the Committee, which were the same ones used for the 2020 AIP to continue incenting our NEOs to increase sales on an organic basis, improve adjusted EPS and generate strong free cash flow. Our CEO, CFO and CHRO participated during portions of the meetings during which the Committee reviewed and recommended performance objectives for the AIP and analyzed our performance against these objectives.

For our business NEO, the Committee determined to link 75% of his AIP financial modifier to RBIS' results and 25% to corporate results. RBIS' performance objectives were designed to provide realized compensation only if the business improved upon its 2020 performance and delivered results consistent with delivering its 2017-2021 financial targets.

2021 AIP TARGETS

Objective	Description	Linkage
Adjusted Sales Growth (20%)	Focuses management on top-line organic growth, a key contributor to sustained long-term value creation	• Tied to total company for corporate NEOs (Butier, Lovins, Baker-Nel and Walker) • Tied to RBIS for business NEO (Stander)

Profitability (60%)	Primary driver of stockholder value creation and measure used to provide annual guidance to investors; focuses management on profitable growth and expense control	• For corporate NEOs, based on our total company adjusted EPS
		• For business NEO (as a proportion of profitability objective) based:
		  • 42% on total company adjusted EPS
		  • 58% on RBIS' adjusted net income

Free Cash Flow (20%)	Cash available after investment in our business, which can be deployed for acquisitions, dividends and share repurchases; focuses management on improving capital efficiency, including working capital	• Tied to total company for corporate NEOs • Tied to RBIS for business NEO

In setting 2021 AIP targets, the Committee aimed to ensure consistency with our 2017-2021 financial targets and require improvement over the prior year, considering the factors described below. **Results in 2020 were significantly impacted by COVID-19, resulting in targets and results that were significantly higher than prior years.** Beginning in 2021, the Committee reduced the threshold payout level for the AIP's profitability performance objective(s) from 50% to 0% to heighten management's focus on improving profitability and more closely align with market practices.

- Target adjusted sales growth of 5.5% was set above our 2017-2021 target of at least 4% and our 2020 results of (3.4)%.
- Target adjusted EPS of $7.90 was set above the midpoint of the annual guidance we provided to investors in February 2021 and consistent with our 2017-2021 target of over 10%, representing an 11% increase from our 2020 results.
- Although we did not externally communicate a free cash flow target as part of our 2017-2021 financial goals, our outlook at the beginning of 2021 was to deliver free cash flow of at least $600 million. Our 2021 target for corporate free cash flow was 11% higher than the record free cash flow we generated in 2020, despite higher planned fixed and IT capital investments to support our future growth and profitability.

CORPORATE 2021 AIP TARGETS VS. LONG-TERM TARGETS AND 2020 RESULTS

	2017-2021 Long-Term Target	2020 Results	2021 AIP Target
Adjusted Sales Growth	4%+	(3.4)%	5.5%
Adjusted EPS Growth	10%+	$7.10	$7.90 *(11% over 2020 results)*
Free Cash Flow	N/A	$548M	$610M *(11% over 2020 results)*

Financial Modifiers

AIP financial modifiers are capped at 200%. In evaluating our achievement of these performance objectives, the Committee has the discretion to exclude the impact, positive or negative, of extraordinary items such as acquisitions and divestitures; restructuring and integration actions not included in our annual net income plan; currency translation fluctuations; changes in accounting principles, tax codes or related regulations and rulings; extraordinary events such as natural disasters, outbreaks of epidemiological disease, terrorism and war; costs related to the early extinguishment of debt and pension plan terminations; costs of litigation outside the normal course of business; and non-cash charges associated with the impairment of long-lived assets.

The table below shows the 2021 AIP financial modifiers for our NEOs. As shown, the maximum level was exceeded for all three performance objectives established for our corporate NEOs and three of the four performance objectives established for our business NEO; the fourth performance objective for our business NEO was in excess of the target level.

2021 AIP FINANCIAL MODIFIERS

NEO(s)	Performance Objective	Weighting	Threshold (50%)	Target (100%)	Maximum (200%)	2021 Actual	Modifier	Weighted Average Modifier
Butier Lovins Baker-Nel Walker	Total Company Adjusted Sales Growth(1)	20%	3.0%	5.5%	9.0%	15.6%	200%	40%
	Total Company Adjusted EPS(2)	60%	$7.60	$7.90	$8.60	$8.78	200%	120%
	Total Company Free Cash Flow(3)	20%	$550M	$610M	$730M	$754M	200%	40%
Corporate NEO Financial Modifier								**200%**
Stander	Total Company Adjusted EPS(2)	25%	$7.60	$7.90	$8.60	$8.78	200%	50%
	RBIS Adjusted Sales Growth(4)	20%	6.0%	11.0%	15.0%	25.2%	200%	40%
	RBIS Adjusted Net Income(4) (5)	35%	$135.3M	$147.6M	$162.3M	$177.6M	200%	70%
	RBIS Free Cash Flow(4) (6)	20%	$133M	$159M	$212M	$175M	130%	26%
Business NEO Financial Modifier								**186%**

(1) Total Company Adjusted Sales Growth refers to reported sales growth of 20.6%, adjusted for the impact of currency translation of (3.4%), acquisitions and product line divestitures of (3.1%) and impact of 53rd week in 2020 of 1.4%. Total does not sum due to rounding.

(2) Total Company Adjusted EPS refers to reported net income per common share, assuming dilution, of $8.83, adjusted for restructuring charges and other items of $0.08 and removing the impact of acquisitions completed since the target was set of ($0.13).

(3) Total Company Free Cash Flow refers to net cash provided by operations of $1,046.8 million, minus purchases of property, plant and equipment of $255.0 million and software and other deferred charges of $17.1 million, plus proceeds from sales of property, plant and equipment of $1.1 million, plus proceeds from insurance and sales (purchases) of investments, net, of $3.1 million, minus the impact of free cash flow from acquisitions, net of acquisition costs, completed since the targets were set of $25.1 million.

(4) Adjusted sales growth, adjusted net income and free cash flow measures at the segment level are internal metrics. These metrics exclude or make simplifying assumptions for items that cannot be allocated precisely by segment, such as interest and income tax expense, and related balance sheet accounts, such as deferred tax assets and liabilities, income tax payables and receivables, and short- and long-term debt. Certain balance sheet accounts such as pension and other postretirement benefits and insurance that are generally managed at the corporate level, as well as the impact of foreign currency translation, are also excluded from the calculation of these metrics at the segment level. In certain limited circumstances, one-time items may be excluded from segment adjusted net income. The impact of intercompany sales is included in segment metrics.

(5) Adjusted net income refers to income before taxes, tax-effected at the adjusted tax rate, and adjusted for tax-effected restructuring charges and other items, as well as the impact of acquisitions completed since the targets were set. Adjusted tax rate is the full-year GAAP tax rate, excluding certain unusual or infrequent events that are expected to significantly impact the GAAP tax rate, such as effects of discrete tax structuring and planning actions.

(6) RBIS free cash flow payout reflects impact of corporate capital specifically allocated to support future RBIS growth.

NEO Performance Evaluations and Individual Modifiers

Our NEOs are evaluated on their individual performance for the year. The Committee approves our CEO's strategic objectives and our CEO approves the goals of our other NEOs, in each case in February, with the performance of all NEOs evaluated in February of the following year. The Committee evaluates our CEO's performance against his predetermined strategic objectives; for our NEOs other than the CEO, this assessment considers the totality of their performance.

While the goal-setting process in 2021 was consistent with prior years, ensuring the safety and well-being of our employees and navigating the uncertain macroeconomic environment caused by COVID-19 and related supply chain, labor, freight and inflationary challenges to deliver for our customers were the primary objectives for all our leaders who continually adjusted our COVID-19 response in the face of continuously evolving health information, governmental regulations and economic conditions.

Individual modifiers for all participants are capped at 150%, subject to the total cap on AIP awards of 200%. Although it retains the discretion to determine individual modifiers of up to 150%, the Committee has determined that the individual modifiers for our CEO and other NEOs should generally be capped at 100%. The individual modifiers for all NEOs for 2021 were 100%.

The Committee evaluated our CEO's annual performance, giving consideration to his success in navigating the impact of COVID-19 on our employees and customers, constrained raw material, freight and labor availability, and persistent inflation during the year; his performance against his predetermined strategic objectives established in February 2021; and the self-assessment of his performance discussed with the Committee in February 2022. The Committee determined the individual modifier for our CEO based on its assessment of his performance. **The Committee Chair, together with our Lead Independent Director, discussed with our CEO the feedback from discussions by the Committee and our full Board regarding his 2021 performance**.

For 2021, the Committee evaluated the performance of our CEO against his strategic objectives for the year, determining that he substantially achieved or exceeded them, as shown in the chart below. In contrast to prior years, our CEO's strategic objectives for 2021 had no assigned weightings, reflecting the Committee's expectation that Mr. Butier delver on all fronts given the uncertain economic environment as a result of COVID-19.

Strategic Objective	Evaluation
Drive outsized growth in high-value categories – Deliver above-average organic growth rate in LGM's graphics and specialty product categories; achieve targeted percentages of growth in external embellishments in RBIS and in Intelligent Labels; and manage IHM through challenging macroeconomic environment	Significantly grew graphics and specialty product categories in LGM; substantially exceeded growth targets in RBIS' external embellishments and in Intelligent Labels; and managed IHM through challenging macroeconomic environment, with significant improvement in Industrial and Automotive market segments compared to prior year
Grow profitably in our base businesses – Manage market segment share position in LGM's regional businesses; protect share position in RBIS' base product categories (adjusted for RFID); and accelerate near-term productivity in IHM	Managed LGM regional share positions well given constrained raw material availability and inflationary environment; expanded share in RBIS' base business with sales substantially increasing over prior year; and, although its margins expanded in recent years, IHM did not achieve targeted 2021 operating margin
Focus relentlessly on productivity – Achieve targeted restructuring savings in LGM and RBIS and execute designated significant projects in each reportable segment	Significantly exceeded targeted restructuring savings and successfully executed designated significant projects, realizing savings in excess of target
Allocate capital effectively – Invest in capital expenditures within targeted range to enable future growth; continue to build M&A pipeline and integrate acquisitions; invest targeted amount in accelerated growth platforms; and repurchase shares as appropriate	Invested $270+ million in fixed and IT capital expenditures to enable future growth; improved operating working capital; completed 3 acquisitions, made 3 venture investments and continued to ensure robust M&A pipeline; exceeded target for investment in accelerated growth platforms; and repurchased $180+ million in shares
Lead in an environmentally and socially responsible manner – Progress innovation strategy and deployment program; continue to reduce GHG emissions; develop accelerated roadmap to enable greater recyclability of consumer packaged goods in LGM; further increase leadership diversity; and expand ESG reporting and transparency, improving ESG rating agency scores	Developed scorecard and defined innovation pipeline to continue progressing innovation strategy; set bolder 2030 targets for GHG emissions reduction, including new Scope 3 target and net zero ambition by 2050; advanced two strategic innovation platforms focused on material circularity and waste reduction/elimination; increased representation of women in manager-level and above roles to 35% and continued to advance DE+I for members of other underrepresented communities; and published second integrated report and 2021 ESG Downloads, with improved scores from key ESG rating agencies
Refine/Execute leadership succession plan – Progress CEO succession to ensure ready-now successors over multiple time horizons, and refine/execute executive leadership development plans	Progressed CEO succession strategy, ensuring ready-now successors over multiple time horizons, and refined and executed development plans for leadership, resulting in seasoned executives being promoted to serve as President/COO and leaders of RBIS Apparel Solutions and IHM businesses
CEO Individual Modifier Based on Evaluation	**100%**

Our CEO recommended to the Committee the individual modifiers for our other NEOs based on his assessment of their 2021 performance. The Committee considered our CEO's assessments and recommendations, retaining the discretion to approve individual modifiers for them different than what our CEO had recommended. Other than discussing with our CEO their performance against their individual performance plans, our other NEOs played no role in their compensation determinations.

In determining the individual modifiers for our other NEOs, the Committee noted the highlights of their 2021 performance described below.

- **Mr. Lovins** – Led our global finance function, including overseeing our strong controllership environment and our tax, treasury and operational finance teams; ensuring we delivered 2021 results that exceeded our annual goals for adjusted EPS and free cash flow while continuing to make progress toward our long-term financial targets and sustainability goals, despite the challenging macroeconomic environment caused by persistent inflation and supply chain disruptions; and ensuring our balance sheet remained strong as we continued to invest in our businesses, both organically and through acquisitions, while also returning cash to stockholders. In addition, Mr. Lovins continued to serve as the interim leader of our IHM business through the end of 2021, achieving strong top-line and operating income growth, and oversaw the continued expansion of our ESG disclosures. Mr. Lovins also served as a member of the Board of Trustees of the Avery Dennison Foundation (ADF).
- **Ms. Baker-Nel** – Led our global human resources, communications and community investment functions, prioritizing the safety, health and well-being of our teams as we continued navigating the impacts of COVID-19; facilitating senior leadership succession, including the appointments of our new President/COO and the new leaders of our RBIS Apparel and IHM businesses; developing our go-forward DE+I strategy and increasing transparency on our progress; onboarding approximately 1,400 new team members from the three acquisitions we completed in 2021; formalizing the guiding principles around the future of work in support of greater workplace flexibility and effectiveness; and fostering employee engagement and enhanced dialogue around key areas of talent management such as DE+I and employee well-being. Ms. Baker-Nel also served as a member of the Board of Trustees of ADF.
- **Mr. Stander** – Led our global RBIS business through another challenging year, ensuring continued elevation of global service and flexibility for customers while delivering record growth and margin expansion; investing in and continuing to grow the high-value categories of Intelligent Labels and external embellishments; and ensuring the safety of an engaged and diverse global team. In addition, Mr. Stander led our successful acquisition of Vestcom, further accelerating our position in high-value categories, and continued leading our enterprise-wide Sustainability Council, overseeing our progress toward our 2025 sustainability goals, developing and beginning to track progress toward our 2030 sustainability goals, and implementing enhanced ESG reporting protocols. Mr. Stander also served as a member of the Board of Trustees of ADF.
- **Mr. Walker** – Led our global legal function, advising our Board and management on acquisitions and venture investments, litigation, intellectual property and footprint optimization projects; overseeing our Values & Ethics and risk management functions, securities and governance work, and government relations efforts; implementing a new functional operational model to accelerate productivity, standardize processes and deploy best practices; developing strategic priorities for his department that align with our company's values and strategies; designing and executing projects to progress the department's strategic priorities of business risk optimization, people and culture, operational efficiency, and sustainability; and leading training and career development sessions to enhance engagement across his global team.

Based on these assessments and after giving consideration to the recommendations of our CEO (other than with respect to himself), the Committee approved individual modifiers of 100% for all NEOs.

AIP Awards

Our NEOs received the AIP awards shown in the table below for 2021, based on their respective year-end base salary, AIP opportunity, financial modifier and individual modifier.

2021 AIP AWARDS

NEO	2021 YE Base Salary	AIP Opportunity	Target AIP Award	Financial Modifier	Individual Modifier	AIP Award
Butier	$1,200,000	140%	$1,680,000	200%	100%	$3,360,000
Lovins	$ 661,260	75%	$ 495,945	200%	100%	$ 991,890
Baker-Nel	$ 416,000	50%	$ 208,000	200%	100%	$ 416,000
Stander	$ 569,007	60%	$ 341,404	186%	100%	$ 635,011
Walker	$ 425,375	50%	$ 212,687	200%	100%	$ 425,374

2021 GRANTS OF LTI AWARDS

Our LTI program provides variable incentive compensation to enhance alignment of executive interests with stockholder interests and drive long-term value creation. The **annual and special LTI awards granted to NEOs in 2021 were fully performance-based** and delivered through the equity vehicles described below.

- 50% in PUs that cliff-vest at the end of a three-year period subject to the achievement of the respective cumulative EVA and relative TSR performance objectives established for the award
- 50% in MSUs that vest at the end of the one-, two-, three- and four-year performance periods, with an average performance period of 2.5 years, based solely on our absolute TSR

Annual LTI awards were granted on March 1, 2021. Actual amounts, if any, realized by our NEOs from the vesting of these awards will be based on our performance, as well as our stock price at the time of vesting.

The Committee does not offset the loss or gain of prior year grants in determining current year grants, as doing so would compromise the intended risk/reward nature of these incentives.

Special LTI awards may be granted by the Committee for hiring, promotion, retention and/or other incentive purposes, with the awards granted on the first day of the last month of the quarter following the event or decision to make a grant. For retention purposes and to further incent Mr. Stander to contribute to our total company – including by driving our ESG progress as leader of our enterprise-wide Sustainability Council and continuing to transform our RBIS business – Mr. Stander was granted a special one-time award of PUs with a grant date fair value of approximately $500,000 based 50% on our relative TSR and 50% of total company EVA, the same performance objectives, weightings and targets, and over the same performance period, as the 2021-2023 PUs granted to our corporate NEOs.

Target LTI Opportunity

As a percentage of base salary, the 2021 target LTI opportunities for our NEOs were 585% for Mr. Butier; 250% for Mr. Lovins; 180% for Mr. Stander; and 120% for Ms. Baker-Nel and Mr. Walker. **Target LTI award opportunities represented 71% and 52%, respectively, of our CEO's and other NEOs' average performance-based incentive compensation.** As part of the longer-term compensation approach implemented for our CEO in 2021, Mr. Butier's target LTI opportunity increased from 475% of base salary.

Performance Units (PUs)

PUs cliff-vest in shares of our common stock after the end of a three-year period at threshold (50% payout), target (100% payout) and maximum (200% payout) levels based on our achievement of the performance objectives established for the award. PUs do not accrue dividend equivalents and are not counted for purposes of our stock ownership policy.

The Committee established the following performance objectives for the 2021-2023 PUs. The Committee believes that these objectives align executive compensation with the long-term interests of our stockholders because delivering cumulative EVA and strong TSR relative to peer companies reflects the value we create for our investors.

- **Cumulative EVA, weighted 50% for our corporate NEOs (based on our total company) and 75% for our business NEO (based on RBIS' cumulative EVA)**. EVA is a measure of financial performance calculated by deducting the economic cost associated with the use of capital (weighted average cost of capital multiplied by average invested capital) from after-tax operating profit, with the cost of capital fixed over the performance period. The Committee established cumulative EVA targets for our corporate NEOs consistent with our 2017-2021 financial goals for earnings growth and ROTC and our primary objective of delivering superior TSR, with the target payout at or slightly above the midpoint of these targets and the maximum payout exceeding the high end of these targets. The cumulative EVA target for our business NEO focused on RBIS' EVA change compared to the prior three-year period, with the target payout at the top end of its 2017-2021 targets. In contrast to the AIP, cash restructuring charges – which include severance and related costs and exclude asset impairment charges and lease and other contract cancellation costs – are included in EVA calculations as the Committee expects these investments to generate a return over the three-year performance period (in contrast to the AIP, which measures performance over one year). Whether linked to corporate or business results, the 2021-2023 cumulative EVA targets require continued improvement in financial performance.
- **Relative TSR compared to an objectively determined peer group of companies, weighted 50% for our corporate NEOs and 25% for our business NEO**. TSR measures the return that we provide to our stockholders, including stock price appreciation and dividends paid (assuming reinvestment of dividends). Consistent with its pay-for-performance philosophy, the Committee designed the TSR objective to provide realized compensation only if our stockholder value creation compares favorably relative to the designated peer group. The Committee set the threshold payout at TSR at the 40th percentile, target payout at TSR at the 50th percentile, and maximum payout at TSR at the 80th percentile, which were the same levels used for the 2020-2022 PUs. **Payouts for the relative TSR component of PUs are capped at 100% of target if our absolute TSR is negative for the 2021-2023 performance period**. In assessing the rigor of the TSR objectives, the Committee noted that our stock price and TSR had significantly increased in the second half of 2020; as a result, performing at the median relative to our peers over the 2021-2023 period would represent solid performance, particularly in light of continued uncertainty regarding the impact of COVID-19, as well as our relatively high exposure to the impact of foreign currency translation and the geopolitical and trade-related uncertainty at that time.

  Consistent with the 2020-2022 PUs and with the advice of WTW, to benchmark TSR, the Committee utilized a peer group† comprised of U.S. companies (i) in similar industries based on their classification in one of five GICS groups (diversified chemicals, specialty chemicals, metal and glass containers, paper packaging, and paper products) and (ii) with revenues during the last 12 months of $1 billion to $20 billion. Applying this same criteria, the peer group changed from the prior year as follows: (A) Pactiv Evergreen Inc. was added following a merger; (B) Quaker Chemical Corporation was added because its GICS classification changed; and (C) Ferro Corporation and GCP Applied Technologies were deleted because each of their last 12 months' revenues was less than $1 billion.

† The following companies comprised the peer group for the 2021-2023 PUs at the end of fiscal year 2021: Albermarle Corporation; AptarGroup, Inc.; Ashland Global Holdings Inc.; Axalta Coating Systems Ltd.; Avient Corporation (formerly known as PolyOne Corporation); Ball Corporation; Berry Global Group, Inc.; Celanese Corporation; Clearwater Paper Corporation; Crown Holdings, Inc.; Eastman Chemical Company; Ecolab Inc.; Ecovyst Inc. (formerly PQ Group Holdings Inc.); Element Solutions Inc.; Graphic Packaging Holding Company; Greif, Inc.; H.B. Fuller Company; Huntsman Corporation; Ingevity Corporation; Innospec Inc.; International Flavors & Fragrances Inc.; Kraton Corporation; Minerals Technologies Inc.; NewMarket Corporation; O-I Glass Inc.; Packaging Corporation of America; Pactive Evergreen; PPG Industries, Inc.; Quaker Chemical Corporation; Rayonier Advanced Materials Inc.; RPM International Inc.; Schweitzer-Maudit International Inc.; Sealed Air Corporation; Sensient Technologies Corporation; Silgan Holdings Inc.; Sonoco Products Company; Stepan Company; The Chemours Company; The Sherwin-Williams Company; Valhi, Inc.; Verso Corporation; and WestRock Company.

2021-2023 PUs

NEO	Performance Objectives	Weighting
Butier **Lovins** **Baker-Nel** **Walker**	Total Company Cumulative EVA Relative TSR	50% 50%
Stander	RBIS Cumulative EVA Relative TSR	75% 25%

Market-leveraged Stock Units (MSUs)

MSUs are performance-based LTI awards tied to our absolute TSR performance, which represents appreciation in our stock price and dividends paid. **MSUs are designed to achieve the Committee's combined objectives of retention and higher incentive compensation driven by stock price appreciation**.

MSUs vest based on our performance over periods as shown in the graph below, with the number of shares paid out at vesting based solely on our absolute TSR and the value realized reflecting both the number of shares paid out as well as our stock price at the time of vesting. Although dividend equivalents accrue on MSUs during the performance period, they are earned and paid only at vesting; if the threshold level of performance is not achieved, any dividend equivalents accrued during the performance period are cancelled.

The performance criteria for MSUs are shown in the chart below. Every 1% increase in TSR above 10% increases the payout by 1.54%. The Committee determined to maintain the same MSU performance objectives for 2021 given that the program is accomplishing the Committee's goal of incenting strong performance and value creation.

MSU PERFORMANCE PERIODS

First 25%	1-Year
Second 25%	2-Year
Third 25%	3-Year
Last 25%	4-Year

AVG. PERFORMANCE PERIOD = 2.5 YEARS

MSU PERFORMANCE CRITERIA

	Absolute TSR	Unit Payout
Cancelled	<(15)%	0%
Threshold	(15)%	85%
Target	10%	100%
Above Target	>10%	>100%
Maximum	75%	200%

Annual LTI Awards

Our NEOs were granted the annual LTI awards shown in the table below in February 2021. Except as noted, the number of awards granted was based on the respective NEO's base salary at year-end 2020 and target LTI opportunity. Consistent with our historical practice, the number of PUs granted was based on the average closing price for shares of our common stock during the first 10 trading days of February 2021 and the number of MSUs granted was based on a grant date fair value using the Monte-Carlo simulation method described in footnote (2) of the *2021 Summary Compensation Table.*

2021 ANNUAL LTI AWARDS

NEO	2020 YE Base Salary	Target LTI Opportunity	PUs (#)	PUs ($)	MSUs (#)	MSUs ($)	LTI Value
Butier(1)	$1,200,000	585%	17,886	$3,537,766	16,245	$3,509,903	$7,047,669
Lovins	$ 618,000	250%	3,936	$ 778,523	3,575	$ 772,438	$1,550,961
Baker-Nel	$ 400,000	120%	1,223	$ 241,884	1,111	$ 240,066	$ 481,950
Stander(2)	$ 555,129	180%	2,750	$ 505,487	2,312	$ 499,531	$1,005,018
Walker	$ 415,000	120%	1,269	$ 251,026	1,152	$ 248,901	$ 499,927

(1) For Mr. Butier, the Committee determined to use his increased base salary approved in February 2021 to give effect to the longer-term compensation approach it approved for him at that time.

(2) On March 1, 2021, in addition to his annual award of PUs tied primarily to RBIS' performance, Mr. Stander received a one-time special award of 2,547 PUs with a fair market value $503,784 based on the same performance objectives, weightings and targets as the annual award of PUs granted to our corporate NEOs (50% relative TSR and 50% total company EVA).

2021 VESTING OF PREVIOUSLY GRANTED LTI AWARDS

2019-2021 PUs Eligible for Vesting

The PUs granted to our NEOs in February 2019 were eligible to vest at the end of 2021 based (i) for our corporate NEOs, 50% on our company's cumulative three-year EVA and 50% on our three-year relative TSR compared to a peer group§ of companies determined using the same criteria used for the 2021-2023 PUs; and (ii) for our business NEO, 75% on RBIS' cumulative three-year EVA and 25% on our relative TSR. The key goal-setting principle in setting cumulative EVA targets was consistency with our 2017-2021 financial targets for earnings growth and ROTC, which the Committee believes translates into delivering above-average TSR.

The cumulative EVA target of $1,081 million for our corporate NEOs was consistent with our 2017-2021 financial goals for organic sales growth and operating margin expansion and recognized that increasing sales and operating margin, together with balance sheet efficiency, are key drivers of EVA improvement. **The cumulative EVA target was approximately 43% higher than the cumulative EVA we achieved for the three-year period ending in 2018**. EVA required for maximum payout – cumulative EVA of $1,148 million – was consistent with the high end of our long-term growth and operating margin targets. As shown below, we delivered cumulative EVA of $1,132 million for the 2019-2021 performance period, resulting in a payout of 176% for the EVA component for our corporate NEOs.

2019-2021 PUs: CORPORATE CUMULATIVE EVA

(In millions)	2019	2020	2021	Cumulative EVA
Adjusted EBIT(1)	$ 777.0	$ 810.8	$1,012.1	
Taxes(2)	(191.1)	(195.4)	(253.0)	
Equity method investment net losses	(2.6)	(3.7)	(3.9)	
	583.3	611.7	755.2	
Capital charge(3)	(260.9)	(281.7)	(275.6)	
EVA	**$ 322.4**	**$ 330.0**	**$ 479.6**	**$1,132.0**

(1) Adjusted EBIT is a non-GAAP financial measure defined and reconciled from GAAP in the last section of this proxy statement.

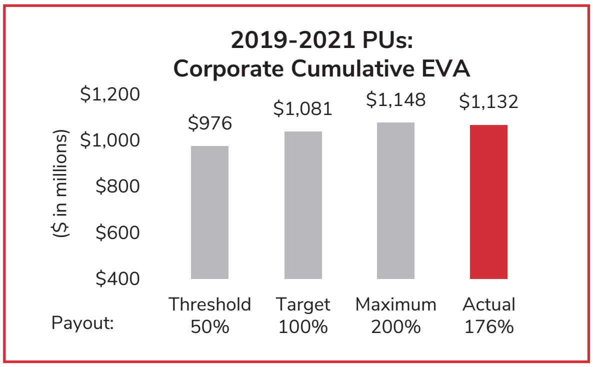
(2) The GAAP tax rates for 2019, 2020, and 2021 were (22.7)%, 24.1% and 25.0%, respectively. Taxes shown in the table are based on adjusted tax rates of 24.6%, 24.1% and 25.0% for 2019, 2020 and 2021, respectively. The adjusted tax rate represents the full-year GAAP rate, excluding certain unusual or infrequent events that are expected to significantly impact the GAAP tax rate, such as impacts related to the termination of our U.S. pension plan and the effects of discrete tax structuring and planning transactions.

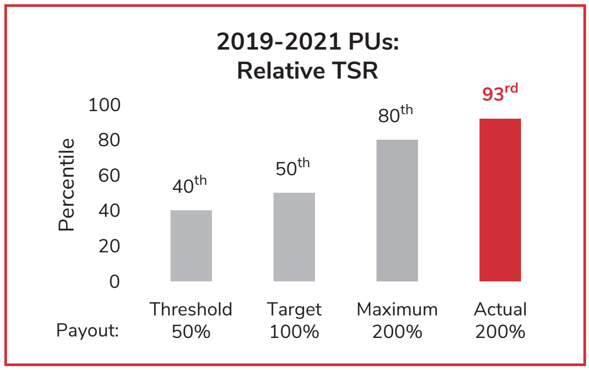
(3) 8.5% of average invested capital of $3.07 billion, $3.31 billion and $3.24 billion for 2019, 2020 and 2021, respectively, using an annual five-point average (December of prior year and March, June, September and December of current year) of short- and long-term debt plus equity, adjusted to exclude the impact of acquisitions completed since the target was set.

§ The following companies comprised the peer group for the 2019-2021 PUs at the time of payout: Albermarle Corporation; AptarGroup, Inc.; Ashland Global Holdings Inc.; Axalta Coating Systems Ltd.; Avient Corporation (formerly known as PolyOne Corporation); Ball Corporation; Berry Global Corp., Inc.; Celanese Corporation; Clearwater Paper Corporation; Crown Holdings Inc.; Eastman Chemical Company; Ecolab Inc.; Ecovyst Inc. (formerly PQ Group Holdings Inc.); Element Solutions Inc.; Ferro Corporation; GCP Applied Technologies Inc.; Graphic Packaging Holding Company; Greif Inc.; H.B. Fuller Company; Huntsman Corporation; Ingevity Corporation; Innospec Inc.; International Flavors & Fragrances Inc.; Kraton Corporation; Minerals Technologies Inc.; Neenah, Inc.; NewMarket Corporation; O-I Glass, Inc.; Packaging Corporation of America; PH Glatfelter Company; PPG Industries Inc.; Rayonier Advanced Materials Inc.; RPM International Inc.; Schweitzer- Mauduit International, Inc.; Sealed Air Corporation; Sensient Technologies Corporation; Silgan Holdings Inc.; Sonoco Products Company; Stepan Company; The Chemours Company; The Sherwin-Williams Company; Valhi Inc.; and WestRock Company.

Relative TSR for the 2019-2021 performance period was at the 93rd percentile of the designated peer group, resulting in a 200% payout for this component for all NEOs.

PUs for 2019-2021 performance period paid out at 188% for our corporate NEOs and 115% for our business NEO.





MSUs Eligible for Vesting at YE 2021

Four tranches of MSUs were eligible for vesting at the end of 2021 based on our absolute TSR for the four-, three-, two- and one-year performance periods shown below, with the number of shares paid out at vesting determined in accordance with the formula shown below.

Stock price at settlement (avg. closing price for trading days of January 2022) + reinvested dividends during period ÷ Stock price at grant (avg. closing price for trading days of January of year of grant) = Payout at vesting

4TH TRANCHE OF MSUs GRANTED IN 2018

Performance period of 4 years
2018-2021 Absolute TSR of 87%

Paid out at 200% of target

3RD TRANCHE OF MSUs GRANTED IN 2019

Performance period of 3 years
2019-2021 Absolute TSR of 131%

Paid out at 200% of target

2ND TRANCHE OF MSUs GRANTED IN 2020

Performance period of 2 years
2020-2021 Absolute TSR of 64%

Paid out at 183% of target

1ST TRANCHE OF MSUs GRANTED IN 2021

Performance period of 1 year
2021 Absolute TSR of 33%

Paid out at 135% of target

PERQUISITES

Our NEOs receive the perquisites shown in the chart below. We do not reimburse our NEOs for the tax consequences of their receipt of these perquisites.

LIMITED PERQUISITES

Perquisite	Description and Limitations	Benefit to Stockholders
Executive Benefit Allowance	$70,000 for CEO, $65,000 for our Level 2 NEOs and $50,000 for our Level 3 NEOs; amounts have never increased since program inception; taxable with no gross-up	Flat allowance reduces expense of administering a variety of separate perquisites
Financial Planning	Annual reimbursement of up to $25,000 for our CEO and $15,000 for our Level 2 NEOs; taxable with no gross-up	Allows senior executives to focus on job duties
Annual Physical Examination	Paid directly to the service provider only to the extent received; as such, not taxable	Helps ensure company leaders maintain good overall health

GENERAL BENEFITS

Nonqualified Deferred Compensation Benefits

Our NEOs are eligible to participate in our nonqualified deferred compensation plan, which allows eligible U.S. employees to defer up to 75% of their base salary and up to 90% of their AIP award. The plan provides NEOs and other eligible employees with a long-term capital accumulation opportunity because deferred amounts accumulate on a pre-tax basis. Participating executives may select from a number of investment options**. Our deferred compensation plan does not offer above-market interest rates.** Deferrals are 100% vested.

We made an annual contribution as of January 1, 2021 to the deferred compensation accounts of our U.S. NEOs for 401(k) eligible earnings and deferred compensation in 2020 in excess of the Internal Revenue Code of 1986, as amended (the "Code") compensation limit. This annual contribution provided an automatic contribution of 3% of pay and a matching contribution of up to 50% of the first 7% of pay above the Code compensation limit. This benefit is designed to supplement 401(k) contributions that are limited under the Code.

For additional information regarding our deferred compensation plan and accrued NEO benefits thereunder, see *2021 Nonqualified Deferred Compensation* in *Executive Compensation Tables*.

Retirement Benefits

Of our NEOs, only Messrs. Butier and Lovins were eligible for retirement benefits under our U.S. pension plan and are eligible for retirement benefits under our benefit restoration plan, a nonqualified excess benefit plan, in each case subject to the same terms and conditions as our other eligible U.S. employees. We terminated our U.S. pension plan in September 2018 and, because the accrual of benefits under the benefit restoration plan was frozen as of year-end 2010, none of our eligible NEOs accrued additional retirement benefits during 2021. For additional information regarding the benefit restoration plan and accrued NEO benefits thereunder, see *2021 Pension Benefits* in *Executive Compensation Tables*.

Defined Contribution Benefits

Our NEOs are eligible to participate in our employee savings plan, a qualified 401(k) plan that permits U.S. employees to defer up to 100% of their eligible earnings less payroll deductions on a pre-tax basis and 25% of their eligible earnings on an after-tax basis, subject to the annual limit prescribed by the Internal Revenue Service (IRS) for the aggregate of company contributions and employee pre- and post-tax contributions. Employee deferrals are immediately vested upon contribution. In 2021, we contributed up to 6.5% of an employee's eligible compensation, 3% of which was an automatic contribution and up to 3.5% of which was a matching contribution of 50% of the employee's contributions up to 7% of pay, subject to the federal compensation limit. Participants vest in company contributions to their savings plan account after two years of service.

Employees are immediately eligible to participate in the savings plan and all NEOs participated in 2021. Our NEOs participate in the plan subject on the terms and conditions as our other U.S. employees.

Life Insurance Benefits

In addition to the $50,000 in life insurance benefits we provide to all U.S. employees, our NEOs are provided with supplemental life insurance benefits equal to three times the NEO's base salary less $50,000, up to a maximum coverage amount of $1 million.

Executive Long-Term Disability Insurance Benefits

If our NEOs elect to enroll in executive long-term disability coverage, their long-term disability benefit is equal to 65% of their eligible pre-disability monthly earnings up to a maximum of $25,000 per month. Coverage is available only for the NEO; their dependents are not covered.

Personal Excess Liability Insurance Benefits

We provide $3 million of personal excess liability insurance coverage to our NEOs. Personal excess liability coverage provides an additional layer of liability coverage that supplements the coverage provided by the individual's personal liability insurance. To receive any benefit from this excess liability insurance, the NEO must maintain certain minimum coverage requirements under his or her personal liability policy.

Charitable Match Benefits

We match up to $10,000 of our CEO's and $5,000 of our other NEOs' annual documented contributions to charitable organizations or educational institutions.

SEVERANCE BENEFITS

None of our NEOs has an employment contract, and each is employed at-will, which reflects our pay-for-performance philosophy; if an NEO is no longer performing at the expected level, he or she can be terminated immediately without receiving a contractually guaranteed payment. However, consistent with market practices, the Committee believes that providing our executives with severance benefits helps ensure that they act in the best interests of our company and stockholders, even if doing so may be contrary to their personal interests, such as where it could lead to termination of their employment or a change of control of our company.

The compensation of our NEOs in the event of termination not for cause is governed by our Amended and Restated Executive Severance Plan (the "Severance Plan") and, as applicable, our Amended and Restated Key Employee Change of Control Severance Plan (the "COC Severance Plan"). We use these plans rather than individually negotiated agreements to provide us with the flexibility to change the severance benefits for which applicable NEOs are eligible to reflect market practices without the need to obtain their individual consent. In addition, this plan-based approach eliminates the time and expense it would require to individually negotiate separation payments and ensures that eligible NEOs receive benefits on the same terms and conditions as employees with similar levels of responsibility. Receipt of benefits under these plans is conditioned on the executive signing a waiver and general release of claims against our company, as well as agreeing to non-competition, non-solicitation, and non-disclosure covenants in favor of our company. Any violation of these covenants could result in our company seeking to recover some or all severance benefits previously paid or pursuing any other claims that may be appropriate under the circumstances.

Unvested equity awards outstanding on the date of termination are generally cancelled, except for employees who qualify as retirement eligible under the terms of our equity incentive plans, whose awards are accelerated upon termination of service.

For additional information regarding potential NEO benefits under these plans, including the treatment of equity awards under various termination scenarios, see *Payments Upon Termination as of January 1, 2022* in *Executive Compensation Tables*.

Severance Following Involuntary Termination Not for Cause

Our NEOs are eligible to receive severance benefits upon involuntary termination not for "cause," in accordance with the terms and conditions of the Severance Plan. **In the event of a qualifying termination, our CEO would be eligible to receive two times the sum of his annual salary, target AIP award for the year of termination and the cash value of 12 months of his qualified medical and dental insurance premiums; our other NEOs would be eligible to receive one times their respective sum of these amounts**. NEOs would also be eligible to receive up to $25,000 in outplacement services for up to one year following termination of employment. Any payments made under the Severance Plan would be offset by any payments received by the NEO under any statutory, legislative and regulatory requirement or, if applicable, the COC Severance Plan.

Severance Following Change of Control

Messrs. Butier, Lovins, and Stander are eligible for severance payments upon termination not for "cause" or by the executive for "good reason" within 24 months of a "change of control" of our company, in accordance with the terms and conditions of the COC Severance Plan. As Level 3 NEOs, Ms. Baker-Nel and Mr. Walker are not eligible for benefits under this plan. **In the event of a qualifying termination following a change of control, our CEO would be eligible to receive three times the sum of his annual salary, target AIP award for the year of termination and the cash value of 12 months of his qualified medical and dental insurance premiums; our Level 2 NEOs would be eligible to receive two times their respective sum of these amounts**. These NEOs would also be eligible to receive a prorated AIP award for the year of termination and up to $25,000 in outplacement services for up to one year following termination of employment. Any payments under the COC Severance Plan would be offset by any payments received by the NEO under the Severance Plan and any other statutory, legislative and regulatory requirement.

Under our equity incentive plans, unvested equity awards granted to our NEOs would generally vest only if the NEO is terminated without "cause" or resigns for "good reason" within 24 months after the change of control. Outstanding PUs and MSUs vest based on actual performance, if determinable, and otherwise based on target performance.

Participating NEOs are not eligible to receive any excise tax gross-up on amounts payable under the COC Severance Plan. If the NEO would otherwise incur excise taxes under Section 4999 of the Code, payments under the COC Severance Plan would be reduced so that no excise taxes would be due if the reduction results in a greater after-tax benefit to the NEO.

COMPENSATION-SETTING TOOLS

Market Survey Data

The Committee annually considers market survey data to target TDC, looking at companies of similar size based on annual revenues that span all industries to reflect the broad talent market across which we seek our executives. The Committee reviews results from a third-party survey to understand market compensation practices and assess our competitiveness, narrowing the scope of the results to account for variations caused by company size.

In February 2021, the Committee was presented with industry-wide data from the most recent WTW U.S. Compensation General Industry Database, which was narrowed in scope to focus on data of the 68 participants with $6 billion to $10 billion in annual revenue. The Committee reviewed the data with executive matches based on job and functional responsibility on an aggregated basis, with no consideration of the survey's component companies, which were not determined or known by the Committee.

The Committee uses the survey data as a reference point to target TDC and the components thereof, giving consideration to median pay at similarly sized companies, responsibilities, individual performance, tenure, retention and succession.

Peer Groups

For determining our relative TSR for purposes of the vesting of the 2019-2021 PUs and the grant of the 2021-2023 PUs, the Committee used a peer group comprised of U.S. companies satisfying objective criteria for industry classification and revenue size, the names of which are disclosed earlier in this CD&A. The Committee does not utilize a peer group for any other purpose.

Tally Sheets

The Committee annually reviews tally sheets that reflect the components of each NEO's compensation. The tally sheets reviewed in February 2022 included the information shown below for each of the most recent three fiscal years.

- Compensation history, including annual cash compensation (base salary and AIP awards), LTI awards, value of vested LTI awards, and annualized cost of benefits and perquisites
- Expected value of annual compensation, including base salary, AIP award and grant date fair value of LTI awards
- Accumulated value of compensation, including total accumulated value of LTI awards and accumulated benefit values under retirement and deferred compensation plans
- Potential payments under various termination scenarios
- Compliance with stock ownership policy

The Committee believes that reviewing tally sheets is useful in determining executive compensation because they provide a historical perspective on NEO compensation and include information that will be contained in our proxy statement.

INDEPENDENT OVERSIGHT AND EXPERTISE

Our Board believes that retaining our executives and providing them with market-competitive compensation are essential to the success of our company and advancing the interests of our stockholders. The Committee, which is comprised solely of independent directors, is responsible for approving executive compensation. The Committee may delegate authority to subcommittees or, in certain circumstances not related to the compensation of our executive officers, to our CEO.

Under its charter, the Committee has authority, in its sole discretion and at our expense, to obtain advice and assistance from external advisors. The Committee may retain and terminate any compensation consultant or other external advisor and has sole authority to approve the advisor's fees and other terms and conditions of the retention. In retaining its advisors, the Committee considers each advisor's independence from management, as required by NYSE listing standards.

During 2021, the Committee retained WTW as its independent compensation consultant, with the firm performing the services described below for the Committee.

WTW 2021 SERVICES

- Assisted with setting target TDC for our CEO, including the longer-term compensation approach implemented in 2021
- Evaluated a proxy advisory firm's pay-for-performance analysis
- Commented on our 2021 CD&A
- Provided incentive compensation advice (including recommending relative TSR peer group for the 2021-2023 PUs)
- Conducted analyses of share utilization and stockholder value transfer related to LTI compensation
- Advised on compensation for our non-employee directors
- Advised on incentive compensation related to our Vestcom acquisition
- Prepared for, attended and reviewed documentation for Committee meetings

In 2021, WTW received $127,927 in compensation from our company for professional services performed for or at the request of the Committee. We also reimbursed the firm for its reasonable expenses.

The Committee conducted its annual assessment of WTW's performance in October 2021, which included an evaluation of its services and fees year-to-date, and the additional criteria described below.

- *Experience* – The firm's depth and breadth of executive compensation knowledge and experience; qualification as a board-level consultant; quality of resources available; and understanding of our business strategy, issues, industry, performance drivers and human capital considerations
- *Independence* – The firm's objectivity in giving advice and making recommendations, and its willingness to provide candid feedback regarding management and Committee proposals, questions and concerns
- *Preparation* – The quality and timeliness of the firm's reports, including accuracy, type and amount of information, and responsiveness to issues); its review and feedback on management proposals; and the firm's preparation with the Committee Chair and our management
- *Committee Relationship* – The accessibility and availability of members of the engagement team; the firm's reporting relationship with the Committee Chair and its working relationship with our human resources team; and the effectiveness of its communication

Based on this evaluation, the Committee determined that it remained satisfied with the performance of WTW and the individual members of the engagement team serving the Committee.

Advisor Independence

WTW and the Committee have had the following protocols in place since the engagement commenced to ensure the firm's independence from management: **the Committee has the sole authority to select, retain and terminate WTW, authorize the firm's fees and determine the terms and conditions that govern the engagement**; the Committee directs WTW on the process for delivery and communication of its work product, including its analyses, findings, conclusions and recommendations; **in the performance and evaluation of its duties, WTW is accountable, and reports directly, to the Committee**; and members of the Committee may consult with WTW at any time, with or without members of management present, at their sole discretion.

As required by SEC regulations and NYSE listing standards, the Committee considered the independence of its advisors – including WTW and the law firms providing executive compensation counsel to the Committee and/or our company – in October 2021. The Committee reviewed the information provided by WTW described below.

- WTW performed no services for our company in 2021 other than executive compensation services performed at the request of the Committee
- Fees from our company reflected approximately 0.001% of WTW's revenue for its fiscal year ended December 31, 2021

- WTW has several policies and procedures to ensure its advice is objective and independent, including a comprehensive code of conduct and ethics and quality policies that mandate rigorous work reviews and periodic compliance reviews, which the firm has represented to the Committee are highly effective
- Based on disclosures from WTW and members of the Committee, there are no business or personal relationships between them
- No members of the WTW team serving the Committee own stock in our company, other than potentially through investments in mutual or other funds managed without the member's input
- Based on disclosures from the firm and our executive officers, there are no business or personal relationships between WTW or the members of the engagement team advising the Committee with any executive officer of our company

OTHER CONSIDERATIONS

Clawback Policy

In the event of fraud or other intentional misconduct on the part of an NEO that necessitates a restatement of our financial results (including, without limitation, any accounting restatement due to material noncompliance with any financial reporting requirement), the NEO would be required to reimburse our company for any AIP or LTI awards paid or granted in excess of the amount that would have been paid or granted based on the restated financial results. These remedies would be in addition to, not instead of, any other actions taken by our company (through the imposition of any discipline up to and including termination), law enforcement agencies, regulators or other authorities. This clawback policy is contractually acknowledged by our NEOs upon the execution of their LTI award agreements.

Our clawback policy is designed to subject incentive compensation to forfeiture if our financial results are not achieved consistent with our high ethical standards. This policy is expressly incorporated into our AIP and LTI plans. The Committee will revise the policy as necessary to comply with final rules issued by the SEC, which are currently expected to be issued in 2022.

Tax Implications of Executive Compensation

The Committee aims to compensate our NEOs in a manner that is tax effective for our company. However, the Committee may, in its discretion, adopt or implement compensation programs and/or practices that are not fully tax deductible if it believes that doing so is in the best interests of our company and stockholders.

Section 162(m) of the Code

Following the enactment of the Tax Cuts and Jobs Act (TCJA), for taxable years beginning on or after January 1, 2018, compensation in excess of $1 million paid to executive officers covered by Section 162(m) of the Code ("Section 162(m)") generally is not deductible, unless it qualifies for limited transition relief under the TCJA. To qualify for transition relief, compensation must, among other things, have been payable pursuant to a written binding contract that was in effect on November 2, 2017 and not subsequently modified in any material respect.

While in the past we have structured certain of our incentive compensation in a manner intended to be tax-deductible for purposes of Section 162(m), due to the TCJA and the uncertainties in the application of Section 162(m), as amended by the TCJA, and the regulations thereunder, there is no guarantee that any deductions claimed under Section 162(m) will not be challenged or disallowed by the IRS and our ability to deduct compensation under Section 162(m) may be restricted. Furthermore, although the Committee believes that the deductibility of executive compensation is a relevant consideration and may continue to consider the effects of Section 162(m) on our future pay practices, it reserves the right to approve incentive compensation that is not fully tax deductible, and/or modify executive compensation without regard to tax deductibility, if it believes that doing so is in the best interests of our company and stockholders.

Section 409A of the Code

Nonqualified deferred compensation must be deferred and paid under plans or arrangements that satisfy the requirements of Section 409A of the Code with respect to the timing of deferral elections and payments and certain other matters. Failure to satisfy these requirements could expose individuals to accelerated income tax liabilities, penalty taxes and interest on their compensation deferred under these plans. As a general matter, we design and administer our compensation and benefit plans and arrangements in a manner intended to cause them to be either exempt from, or satisfy the requirements of, Section 409A of the Code.

EXECUTIVE COMPENSATION TABLES

2021 SUMMARY COMPENSATION TABLE

This table shows the compensation of our NEOs in accordance with SEC regulations. Compensation as shown in the table does not reflect the compensation actually realized by our NEOs for these years.

Name and Principal Position	Year	Salary[(1)]	Stock Awards[(2)]	Non-Equity Incentive Plan Compensation[(3)]	Change In Pension Value and NQDC Earnings	All Other Compensation[(4)]	Total
Mitchell R. Butier							
Chairman, President &	2021	$1,183,250	$7,047,669	$3,360,000	$662,480	$180,322	$12,433,721
Chief Executive Officer	2020	$1,133,000	$5,598,133	$1,331,275	$464,100	$182,840	$ 8,709,348
	2019	$1,133,000	$5,358,043	$1,288,788	$508,024	$207,177	$ 8,495,032
Gregory S. Lovins							
Senior Vice President &	2021	$ 650,445	$1,550,961	$ 991,890	$133,115	$126,497	$ 3,452,908
Chief Financial Officer	2020	$ 618,000	$1,232,041	$ 653,535	$ 76,327	$125,223	$ 2,705,126
	2019	$ 613,500	$1,493,462	$ 421,785	$ 81,676	$126,425	$ 2,736,848
Deena Baker-Nel[(5)]	2021	$ 412,000	$ 481,950	$ 416,000	$ 87,340	$104,164	$ 1,501,454
Vice President & Chief HR Officer							
Deon M. Stander							
Vice President &	2021	$ 565,537	$1,508,802	$ 635,012	$142,139	$124,331	$ 2,975,821
General Manager, RBIS	2020	$ 555,129	$ 791,699	$ 379,708	$120,727	$122,642	$ 1,969,906
	2019	$ 551,086	$ 963,728	$ 363,887	$105,550	$143,172	$ 2,127,423
Ignacio J. Walker[(5)]	2021	$ 422,781	$ 499,927	$ 425,375	$ 320	$ 91,282	$ 1,439,685
Vice President & Chief Legal Officer							

(1) Amounts include any portions of salary contributed to our employee savings plan or deferred under our deferred compensation plan. Changes in base salary, if any, become effective in April.

(2) Amounts in 2021 include the grant date fair value of PUs, which are paid out in shares of our common stock at the end of a three-year period provided that the designated performance objectives are achieved as of the end of the period. The number of shares paid out at vesting can range from 0% to 200% of the target units at the time of grant. The performance objectives that determine the number of shares that may be earned for the PUs granted in 2021 are (i) cumulative EVA (weighted 50% based on our total company for our corporate NEOs and 75% based on our RBIS business for our business NEO), which is a performance condition under Accounting Standards Codification Topic 718, *Compensation-Stock Compensation* (ASC 718), and (ii) relative TSR (weighted 50% for our corporate NEOs and 25% for our business NEO), compared to a peer group of companies determined based on GICS code and revenue size, which is a market condition under ASC 718, in each case computed over the 2021-2023 performance period. The performance condition component of the fair value of PUs was determined based on the fair market value of our common stock on the grant date, adjusted for foregone dividends during the performance period. The maximum grant date fair values of the performance condition component of PUs were $3,565,710, $784,659, $761,308 and $252,853 for Messrs. Butier, Lovins, Stander and Walker respectively, and $243,921 for Ms. Baker-Nel. The market condition component of the fair value of PUs was determined as of the date of grant using the Monte-Carlo simulation method, which utilizes multiple input variables to estimate the probability of meeting the performance objectives established for the award, including the expected volatility of our stock price relative to the group of peer companies listed on page 69 of this proxy statement at the end of the three-year performance period and a risk-free interest rate of 0.23% derived from linear interpolation of the term structure of Treasury Constant Maturities yield rates for the period; as such, their maximum grant date fair values were the same as their target grant date fair values shown in the table. Based on the Monte-Carlo simulation method, the grant date fair value of the market condition component of the PUs was 131.65% of our average stock price on the grant date. The grant date fair values of the market condition component of the PUs were $1,754,911, $386,188, $374,733 and $124,599 for Messrs. Butier, Lovins, Stander and Walker, respectively, and $119,924 for Ms. Baker-Nel.

Amounts in 2021 also include the grant date fair value of MSUs, which are paid out in shares of our common stock over one-, two-, three- and four-year performance periods provided that the designated performance objective is achieved as of the end of each period. The number of shares paid out at each vesting date can range from 0% to 200% of one-quarter of the target units on the grant date. The single performance objective that determines the number of units that may be paid out for MSUs is our absolute TSR, which is a market condition under ASC 718; as such, their maximum grant date fair values were the same as their target grant date fair values shown in the table. The grant date fair value was 121.68% of our average stock price on the grant date and determined using the Monte-Carlo simulation method, which utilizes multiple input variables to estimate the probability of meeting the performance objective established for the award, including the expected volatility of our stock price and risk-free interest rates of 0.08%, 0.12%, 0.23% and 0.42% for the first, second, third and fourth MSU tranches, respectively, derived from linear interpolation of the term structure of Treasury Constant Maturities yield rates for the respective performance periods. The grant date fair values of MSUs were $3,509,903, $772,438, $499,531 and $248,901 for Messrs. Butier, Lovins, Stander and Walker, respectively, and $240,066 for Ms. Baker-Nel.

Amount for Mr. Stander also includes grant date for value of additional PUs granted in 2021. The performance objectives, weightings and targets for this special one-time award were the same as the 2021-2023 PUs granted to our corporate NEOs described above. The maximum grant date fair value of the performance condition component of these 2021-2023 PUs was $507,767 and the grant date fair value of the market condition component of these PUs was $249,900.

(3) Amounts reflect cash AIP awards for the applicable year, which are determined in February and paid in March of the following year.

(4) The table shown on the following page shows the components of these amounts for 2021.

	Perquisites				Benefits							
Name	Executive Benefit Allowance	Financial Planning	Executive Physical	Other	Company Contribution/ Match, Savings Plan	Company Contributions, Deferred Comp. Plan	Company Match Charitable Contribution	Excess Life Insurance	Executive Long-Term Disability Insurance	Executive Group Term Life Insurance	Excess Executive Liability Insurance	Total
Butier	$70,000	–	–	–	$18,850	$73,387	$10,000	$1,944	$2,619	$2,622	$900	$180,322
Lovins	$65,000	–	–	–	$18,850	$31,927	$ 3,547	$1,944	$2,619	$1,710	$900	$126,497
Baker-Nel	$50,000	–	–	$3,795*	$18,850	$18,783	$ 5,000	$1,944	$2,270	$2,622	$900	$104,164
Stander	$65,000	–	–	–	$18,462	$32,784	–	$1,944	$2,619	$2,622	$900	$124,331
Walker	$50,000	–	$3,125	–	$18,850	$14,446	–	$1,944	$ 307	$1,710	$900	$ 91,282

* Other for Ms. Baker-Nel reflects miscellaneous carryover living expenses related to her previous international assignment in the Netherlands, which includes $1,025 tax equalization gross-up.

(5) Ms. Baker-Nel and Mr. Walker became NEOs in 2021. As permitted by SEC rules, the table shows their compensation beginning in the year in which they became NEOs.

2021 GRANTS OF PLAN-BASED AWARDS

The table below provides information regarding grants of plan-based incentive awards made to our NEOs during 2021.

			Estimated Future Payouts Under Non-Equity Incentive Plan Awards ($)(1)			Estimated Future Payouts Under Equity Incentive Plan Awards (#)(2)			All Other Stock Awards: Number of Shares of Stock Units(#)	Grant Date Fair Value of Stock and Option Awards ($)(3)
Name	Award Type	Grant Date	Threshold	Target	Maximum	Threshold	Target	Maximum		
Mitchell R. Butier										
	MSUs	03/01/21	–	–	–	13,808	16,245	32,490	–	$3,509,903
	PUs	03/01/21	–	–	–	8,943	17,886	35,772	–	$3,537,766
	AIP Award	–	$336,000	$1,680,000	$3,360,000	–	–	–	–	–
Gregory S. Lovins										
	MSUs	03/01/21	–	–	–	3,039	3,575	7,150	–	$ 772,438
	PUs	03/01/21	–	–	–	1,968	3,936	7,872	–	$ 778,523
	AIP Award	–	$ 99,189	$ 495,945	$ 991,890	–	–	–	–	–
Deena Baker-Nel										
	MSUs	03/01/21	–	–	–	944	1,111	2,222	–	$ 240,066
	PUs	03/01/21	–	–	–	611	1,223	2,446	–	$ 241,884
	AIP Award	–	$ 41,600	$ 208,000	$ 416,000	–	–	–	–	–
Deon M. Stander(4)										
	MSUs	03/01/21	–	–	–	1,965	2,312	4,624	–	$ 499,531
	PUs	03/01/21	–	–	–	1,375	2,750	5,500	–	$ 505,487
	Special PUs	03/01/21	–	–	–	1,273	2,547	5,094		$ 503,784
	AIP Award	–	$ 42,538	$ 341,404	$ 682,808	–	–	–	–	–
Ignacio J. Walker										
	MSUs	03/01/21	–	–	–	979	1,152	2,304	–	$ 248,901
	PUs	03/01/21	–	–	–	634	1,269	2,538	–	$ 251,026
	AIP Award	–	$ 68,281	$ 212,688	$ 425,376	–	–	–	–	–

(1) Amounts represent threshold, target and maximum opportunities under the 2021 AIP. Target AIP awards are established by multiplying each NEO's base salary at the end of 2021 by the following target opportunities: 140% for Mr. Butier; 75% for Mr. Lovins; 60% for Mr. Stander; and 50% for Ms. Baker-Nel and Mr. Walker. Payout levels range from zero for below-threshold performance; 20% for threshold performance based on a threshold of 0% for profitability performance objective(s) and a threshold of 50% for other performance objectives; 100% for target performance with respect to each of the performance objectives; and 200% for maximum performance with respect to each of the performance objectives.

(2) Amounts for MSUs represent threshold, target and maximum opportunities, which are paid out in shares of our common stock over one-, two-, three- and four-year performance periods provided that the absolute TSR performance objective is achieved as of the end of each period. The actual number of shares paid out at each vesting date can range from 0% to 200% of one-fourth of the target number of units on the grant date, with a threshold payout of 85%. MSUs accrue dividend equivalents during the performance period, which are earned and paid only at vesting.

Amounts for PUs represent threshold, target and maximum opportunities for the 2021-2023 PUs, which are paid out in shares of our common stock at the end of the three-year performance period provided that the respective cumulative EVA and relative TSR performance objectives are achieved at the end of the period. The actual number of shares paid out can range from 0% to 200% of the target number of units on the grant date, with a payout of 50% if threshold performance is achieved with respect to each of the performance objectives.

(3) The grant date fair value of MSUs was determined using the Monte-Carlo simulation method, which utilizes multiple input variables, including expected volatility of our stock price and other assumptions appropriate for determining fair value, to estimate the probability of satisfying the performance objective established for the award.

The grant date fair value for the performance condition component of PUs was determined based on the fair market value of our common stock on the grant date, adjusted for foregone dividends during the performance period. The grant date fair value for the market condition component of PUs was determined as of the grant date using the Monte-Carlo simulation method described above.

For information on the inputs to the Monte-Carlo simulation method, see footnote (2) of the 2021 *Summary Compensation Table*. For additional information regarding the assumptions we use for our stock-based compensation, see Note 12, "Long-Term Incentive Compensation," to the consolidated financial statements contained in our 2021 Annual Report.

(4) On March 1, 2021, in addition to his annual grant of PUs tied primarily to RBIS' performance, Mr. Stander was granted a special one-time award of 2021-2023 PUs with a fair market value of $503,784 based 50% on our relative TSR and 50% on our total company EVA, the same performance objectives, weightings and targets as the 2021-2023 PUs granted to our corporate NEOs.

2021 OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

The table below shows NEO equity awards outstanding as of January 1, 2022, the end of our 2021 fiscal year.

		Option Awards				Stock Awards			
Name	Grant Date	Number of Securities Underlying Unexercised Options – Exercisable (#)	Number of Securities Underlying Unexercised Options – Unexercisable (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)[1]	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)[1]
Mitchell R. Butier									
	06/01/16	141,108	–	$73.96	06/01/26	–	–	–	–
	02/22/18	–	–	–	–	–	–	11,848[2]	$ 2,565,921
	02/28/19	–	–	–	–	–	–	45,071[3]	$ 9,761,027
	02/28/19	–	–	–	–	–	–	20,333[2]	$ 4,403,518
	02/27/20	–	–	–	–	–	–	38,182[3]	$ 8,269,076
	02/27/20	–	–	–	–	–	–	32,406[2]	$ 7,018,167
	03/01/21	–	–	–	–	–	–	35,772[3]	$ 7,747,142
	03/01/21	–	–	–	–	–	–	30,061[2]	$ 6,510,311
		141,108	–	–	–	–	–	213,673	$46,275,162
Gregory S. Lovins									
	02/22/18	–	–	–	–	–	–	2,424[2]	$ 524,966
	02/28/19	–	–	–	–	–	–	12,562[3]	$ 2,720,552
	02/28/19	–	–	–	–	–	–	5,668[2]	$ 1,227,519
	02/27/20	–	–	–	–	–	–	10,960[3]	$ 2,373,607
	02/27/20	–	–	–	–	–	–	9,312[2]	$ 2,016,700
	03/01/21	–	–	–	–	–	–	7,872[3]	$ 1,704,839
	03/01/21	–	–	–	–	–	–	6,616[2]	$ 1,432,827
		–	–	–	–	–	–	55,414	$12,001,010
Deena Baker-Nel									
	02/22/18	–	–	–	–	–	–	631[2]	$ 136,656
	02/28/19	–	–	–	–	–	–	3,340[3]	$ 723,344
	02/28/19	–	–	–	–	–	–	1,358[2]	$ 294,102
	02/27/20	–	–	–	–	–	–	2,864[3]	$ 620,256
	02/27/20	–	–	–	–	–	–	2,432[2]	$ 526,698
	03/01/21	–	–	–	–	–	–	2,446[2]	$ 529,730
	03/01/21	–	–	–	–	–	–	2,056[3]	$ 445,268
		–	–			–	–	15,127	$ 3,276,054
Deon M. Stander									
	02/22/18	–	–	–	–	–	–	1,939[2]	$ 419,929
	02/28/19	–	–	–	–	–	–	8,176[3]	$ 1,770,676
	02/28/19	–	–	–	–	–	–	3,667[2]	$ 794,162
	02/27/20	–	–	–	–	–	–	7,174[3]	$ 1,553,673
	02/27/20	–	–	–	–	–	–	6,022[2]	$ 1,304,185
	03/01/21	–	–	–	–	–	–	5,500[3]	$ 1,191,135
	03/01/21	–	–	–	–	–	–	5,094[3]	$ 1,103,208
	03/01/21	–	–	–	–	–	–	4,278[2]	$ 926,486
		–	–	–	–	–	–	41,850	$ 9,063,454
Ignacio J. Walker									
	02/22/18	–	–	–	–	–	–	791[2]	$ 171,307
	02/28/19	–	–	–	–	–	–	3,092[3]	$ 669,634
	02/28/19	–	–	–	–	–	–	1,397[2]	$ 302,548
	02/27/20	–	–	–	–	–	–	2,698[3]	$ 584,306
	02/27/20	–	–	–	–	–	–	2,293[2]	$ 496,595
	09/01/20	–	–	–	–	1,734	$375,532	–	–
	03/01/21	–	–	–	–	–	–	2,538[3]	$ 549,655
	03/01/21	–	–	–	–	–	–	2,132[2]	$ 461,727
		–	–	–	–	1,734	$375,532	14,941	$ 3,235,772

(1) Market value calculated based on the closing price of our common stock of $216.57 on December 31, 2021, the last trading day of our 2021 fiscal year.

(2) MSUs are eligible for vesting over one-, two-, three- and four-year performance periods, subject to achievement of the absolute TSR performance objective established for the award. Amounts are shown at (i) 200%, 200%, 183% and 135% of target for the vesting tranches of the MSUs granted in 2018, 2019, 2020 and 2021, respectively, the payouts for all NEOs based on our actual performance for the respective performance periods as determined by the Compensation Committee in February 2022 and (ii) the maximum level of performance for the remaining tranches of the MSUs granted in 2019, 2020 and 2021 as actual performance through January 1, 2022 would result in above-target payouts.

(3) PUs are eligible for vesting at the end of a three-year performance period, subject to achievement of the respective performance objectives established for the award. Amounts are shown at (i) 188% of target for the 2019-2021 PUs for corporate NEOs, and 115% of target for the 2019-2021 PUs for our business NEO, which were the payouts based on our actual performance for the period as determined by the Compensation Committee in February 2022 and (ii) the maximum level of performance for (A) the 2020-2022 PUs and 2021-2023 PUs for all NEOs and (B) the special one-time award of PUs granted to Mr. Stander in 2021, as actual performance through January 1, 2022 would result in above-target payouts.

2021 OPTION EXERCISES AND STOCK VESTED

The table below provides information regarding the number of shares acquired and the value realized by our NEOs upon the vesting of stock awards during 2021.

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)[1]
Mitchell R. Butier	–	–	73,772	$13,090,841
Gregory S. Lovins	–	–	16,477	$ 2,993,224
Deena Baker-Nel	–	–	4,523	$ 802,606
Deon M. Stander	–	–	10,591	$ 1,879,373
Ignacio J. Walker	–	–	5,932	$ 1,093,985

(1) Amounts reflect the number of shares acquired on vesting multiplied by the fair market value of our common stock on the vesting date, and include the vesting of the following stock awards. The number of shares acquired on vesting for MSUs includes the payout of accrued dividend equivalents.

Name	Award Type	Grant Date	Number of Units Subject to Vesting (#)	Performance Modifier (%)	Number of Shares Acquired on Vesting (#)	Fair Market Value on Vesting Date ($)	Value Realized on Vesting ($)
Butier							
	MSUs	02/23/17	6,394	200%	13,812	$177.45	$2,450,939
	MSUs	02/22/18	5,713	146%	8,842	$177.45	$1,569,013
	MSUs	02/28/19	4,952	197%	10,139	$177.45	$1,799,166
	MSUs	02/27/20	5,462	120%	6,693	$177.45	$1,187,673
	PUs	02/22/18	23,324	147%	34,286	$177.45	$6,084,051
Lovins							
	RSUs	09/01/17	1,453	–	1,453	$225.20	$ 327,215
	MSUs	02/23/17	676	200%	1,462	$177.45	$ 259,432
	MSUs	02/22/18	1,168	146%	1,806	$177.45	$ 320,475
	MSUs	02/28/19	1,380	197%	2,826	$177.45	$ 501,474
	MSUs	02/27/20	1,571	120%	1,921	$177.45	$ 340,881
	PUs	02/22/18	4,768	147%	7,009	$177.45	$1,243,747
Baker-Nel							
	MSUs	02/23/17	190	200%	413	$177.45	$ 73,287
	MSUs	02/22/18	304	146%	469	$177.45	$ 83,224
	MSUs	02/28/19	331	197%	676	$177.45	$ 119,956
	MSUs	02/27/20	410	120%	502	$177.45	$ 89,080
	PUs	02/22/18	1,239	199%	2,463	$177.45	$ 437,059
Stander							
	MSUs	02/23/17	586	200%	1,266	$177.45	$ 224,652
	MSUs	02/22/18	935	146%	1,447	$177.45	$ 256,770
	MSUs	02/28/19	893	197%	1,827	$177.45	$ 324,201
	MSUs	02/27/20	1,016	120%	1,242	$177.45	$ 220,393
	PUs	02/22/18	3,817	126%	4,809	$177.45	$ 853,357
Walker							
	RSUs	09/01/20	866	–	866	$225.20	$ 195,023
	MSUs	02/23/17	476	200%	1,028	$177.45	$ 182,419
	MSUs	02/22/18	381	146%	588	$177.45	$ 104,341
	MSUs	02/28/19	340	197%	694	$177.45	$ 123,150
	MSUs	02/27/20	387	120%	472	$177.45	$ 83,756
	PUs	02/22/18	1,554	147%	2,284	$177.45	$ 405,296

2021 PENSION BENEFITS

The present value of accumulated pension benefits shown in the table below has been calculated based on the assumptions we used to calculate our pension benefit obligations in the consolidated financial statements contained in our 2021 Annual Report. Ms. Baker-Nel and Messrs. Stander and Walker are not included in the table because they have no accumulated pension benefits.

Amounts shown reflect the lump-sum present value of the pension benefits accumulated as of January 1, 2022, the last day of our fiscal year.

Name	Plan Name	Number of Years of Credited Service(#)	Present Value of Accumulated Benefit[1]($)	Payments During Last Fiscal Year[1]($)
Mitchell R. Butier	Benefit Restoration Plan	9.33	$362,434	–
Gregory S. Lovins	Benefit Restoration Plan	15.58	$ 48,937	–

(1) The Benefit Restoration Plan allows for lump-sum payment. For information regarding the assumptions we use to determine the present value of accumulated benefits for our pension plans, see Note 6, "Pension and Other Postretirement Benefits," to the consolidated financial statements contained in our 2021 Annual Report.

Benefit Restoration Plan

Our Benefit Restoration Plan (BRP) is a nonqualified excess benefit plan that provides for the payment of supplemental retirement benefits to eligible participants in an amount equal to the amount by which their benefits payable under our now terminated U.S. pension plan would have been reduced under the Code. Messrs. Butier and Lovins are our only NEOs eligible to receive benefits under the BRP. No accruals were made during 2021.

Compensation covered by the BRP includes base salary and AIP awards, up to applicable statutory limitations each plan year. Employees vested in the BRP after five years of service, or at age 55 upon termination of employment. Benefits under the BRP are based on pensionable earnings, length of service, when benefits commence and how they are paid. Benefits are calculated separately for each year of applicable service using a formula equal to 1.25% times compensation up to the breakpoint (which for each year prior to our freezing the accrual of additional benefits was the average of the Social Security wage bases for the preceding 35 years) plus 1.75% times compensation in excess of the breakpoint. The results of the calculation for each year of service are added together to determine the annual single life annuity benefit under the BRP for an employee at normal retirement (generally age 65), which is not subject to reduction for Social Security payments. Payments are in the form of a lump-sum distribution, unless a timely election is made for monthly payments over the lifetime of the participant and, if applicable, a designated beneficiary, generally payable upon the later of separation from service and age 55.

2021 NONQUALIFIED DEFERRED COMPENSATION

The table below provides information regarding NEO and company contributions to our Executive Variable Deferred Retirement Plan (EVDRP). Under the EVDRP, participants may choose among publicly available funds ranging from money market and bond funds to index and other equity/mutual funds. Their rate of return depends on the funds selected by the participant.

Name	Executive Contributions in Last FY ($)	Registrant Contributions in Last FY ($)[(1)]	Aggregate Earnings in Last FY ($)[(2)]	Aggregate Withdrawals/ Distributions ($)	Aggregate Balance At Last FYE ($)
Mitchell R. Butier	–	$73,387	$662,480	–	$3,373,198
Gregory S. Lovins	–	$31,927	$133,115	–	$ 596,615
Deena Baker-Nel	$ 40,388	$18,783	$ 87,340	–	$ 760,929
Deon M. Stander	$132,495	$32,784	$142,088	–	$1,178,921
Ignacio J. Walker	–	$14,446	$ 320	–	$ 89,077

(1) Company contributions to the EVDRP are included in the "All Other Compensation" column of the *2021 Summary Compensation Table*.

(2) Amounts reflect EVDRP vested account balances as of January 1, 2022, the last day of our 2021 fiscal year. Because the amounts do not represent above-market earnings, they are not reported in the *2021 Summary Compensation Table*. The amounts shown below were reported under the "All Other Compensation" column of the *Summary Compensation Table* in previous proxy statements.

Name	Aggregate Company Contributions Previously Reported ($)
Butier	$756,247
Lovins	$147,788
Baker-Nel	–
Stander	$111,777
Walker	–

Executive Variable Deferred Retirement Plan

The EVDRP is the only active deferred compensation plan available to our eligible U.S. employees. Earnings are based on a fixed rate and/or the performance of variable bond and equity funds selected by the participant from available options**. The EVDRP does not offer investment options that provide above-market interest rates.**

Eligible employees are able to defer U.S. taxes until their investment is withdrawn, providing an opportunity for them to accumulate savings on a pre-tax basis. We also benefit from this arrangement because we can use this cash for other corporate purposes until a deferred compensation account is paid to a participant based on his or her election to receive in-service withdrawals or after termination of employment.

All deferred compensation accounts are unfunded obligations of our company and subject to the same risks as any of our general debts and obligations. As a result, these accounts help mitigate risk-seeking behavior by management that could be detrimental to the long-term health of our company.

Employee Contributions

Under the EVDRP, eligible employees can defer up to 75% of their salary and 90% of their AIP award. Deferrals are immediately vested.

Company Contribution

As of January 1, 2021, we made a contribution to the deferred compensation accounts of eligible employees based on 401(k) eligible earnings in excess of the federal compensation limit and deferred compensation in 2020. This annual contribution provided an automatic contribution of 3% of pay plus a matching contribution of 50% on the first 7% of pay not covered by company contributions to our 401(k) Plan. This contribution was added to the deferred compensation accounts of eligible employees employed at year-end 2020, which included all our NEOs. This benefit is designed to supplement 401(k) contributions that are limited under federal law.

Withdrawals/Distributions

Contributions to deferred compensation accounts are required to be distributed following an eligible employee's separation from service. Subject to Section 409A of the Code, eligible employees may elect to receive separation from service withdrawals in the form of a lump-sum payment or monthly installments over two to 20 years. Eligible employees may change the method in which payments are distributed provided that they do so at least 12 months before the date of distribution; however, any change results in the distribution occurring or beginning five years later than it would have otherwise. All NEOs are "specified employees" under Section 409A. Distributions to specified employees cannot be made until at least the seventh month after separation from service, except in the event of death.

PAYMENTS UPON TERMINATION AS OF JANUARY 1, 2022

The table below shows potential benefits that would have been payable to our NEOs in the event of termination on January 1, 2022, the last day of our 2021 fiscal year. Amounts paid or distributed upon actual termination may differ from amounts shown due to timing and any future changes to our benefit plans.

		Termination Scenarios as of End of Fiscal Year 2021				
Name	Benefit	Death	Qualifying Disability	Qualifying Retirement	Involuntary Termination Not for Cause	Termination within 24 Mos. of Change of Control
Mitchell R. Butier						
	Severance Payment	–	–	–	$ 5,808,720	$ 8,713,079
	Unvested PUs[(1)]	$ 4,047,549	$ 4,047,549	–	–	$ 8,008,109
	Unvested MSUs[(1)]	$ 3,240,074	$ 3,240,074	–	–	$ 6,249,951
	Outplacement	–	–	–	$ 25,000	$ 25,000
	Total	$ 7,287,623	$ 7,287,623	–	$ 5,833,720	$22,996,139
	Value of Forfeited Equity[(1)]	$(6,970,437)	$(6,970,437)	$(14,258,060)	$(14,258,060)	–
Gregory S. Lovins						
	Severance Payment	–	–	–	$ 1,181,565	$ 2,363,130
	Unvested PUs[(1)]	$ 1,075,342	$ 1,075,342	–	–	$ 2,039,223
	Unvested MSUs[(1)]	$ 858,595	$ 858,595	–	–	$ 1,606,267
	Outplacement	–	–	–	$ 25,000	$ 25,000
	Total	$ 1,933,937	$ 1,933,937	–	$ 1,206,565	$ 6,033,620
	Value of Forfeited Equity[(1)]	$(1,711,553)	$(1,711,553)	$ (3,645,490)	$ (3,645,490)	–
Deena Baker-Nel						
	Severance Payment	–	–	–	$ 648,360	$ 648,360
	Unvested PUs[(1)]	$ 295,041	$ 295,041	–	–	$ 574,993
	Unvested MSUs[(1)]	$ 229,875	$ 229,875	–	–	$ 442,299
	Outplacement	–	–	–	$ 25,000	$ 25,000
	Total	$ 524,916	$ 524,916	–	$ 673,360	$ 1,690,652
	Value of Forfeited Equity[(1)]	$ (492,376)	$ (492,376)	$ (1,017,292)	$ (1,017,292)	–
Deon M. Stander						
	Severance Payment	–	–	–	$ 934,771	$ 1,869,542
	Unvested PUs[(1)]	$ 900,281	$ 900,281	–	–	$ 1,924,008
	Unvested MSUs[(1)]	$ 555,627	$ 555,627	–	–	$ 1,039,203
	Outplacement	–	–	–	$ 25,000	$ 25,000
	Total	$ 1,455,908	$ 1,455,908	–	$ 959,771	$ 4,857,753
	Value of Forfeited Equity[(1)]	$(1,507,303)	$(1,507,303)	$ (2,963,211)	$ (2,963,211)	–
Ignacio J. Walker						
	Severance Payment	–	–	–	662,423	$ 662,423
	Unvested RSUs[(1)]	$ 375,532	$ 375,532	–	–	$ 375,532
	Unvested PUs[(1)]	$ 286,378	$ 286,378	–	–	$ 566,980
	Unvested MSUs[(1)]	$ 227,997	$ 227,997	–	–	$ 440,873
	Outplacement	–	–	–	$ 25,000	$ 25,000
	Total	$ 889,907	$ 889,907	–	$ 687,423	$ 2,070,808
	Value of Forfeited Equity[(1)]	$ (493,479)	$ (493,479)	$ (1,383,386)	$ (1,383,386)	–

(1) Values for PUs, MSUs and RSUs determined based on the number of shares that would have been acquired or forfeited on vesting multiplied by the fair market value of our common stock on December 31, 2021.

In the event of termination, our NEOs would be entitled to receive their accrued balance under the EVDRP. These amounts would be determined and paid in accordance with the terms and conditions of the plan, and are not included in the table. See *2021 Nonqualified Deferred Compensation* for more information.

None of our NEOs has an employment contract, and all of them are employed at-will; if an NEO were no longer performing at the expected level, he or she could be terminated for cause immediately without receiving a contractually guaranteed payment. The other potential payments upon termination or a change of control are described below.

Executive Severance Plan

Our NEOs are eligible participants under the Severance Plan. Upon involuntary termination not for cause, our NEOs would be entitled to the benefits shown below.

Lump-sum payment equal to annual base salary + target AIP award for year of termination + cash value of 12 months of employer and employee medical and dental insurance premiums	×	2 For our CEO 1 For all other NEOs	+	Outplacement services of up to $25,000 for up to one year

Benefits Not Subject to Gross-up. Benefits are subject to withholding for all applicable taxes and not grossed-up for taxes.

Trigger for Benefits. Involuntary termination, which excludes termination for cause or due to disability, death, voluntary resignation, or an executive declining simultaneous or continuing employment in a comparable position.

Definition of Cause. Cause is defined as (i) commission of a crime or other act that could materially damage the reputation of our company or its subsidiaries; (ii) theft, misappropriation, or embezzlement of company or subsidiary property; (iii) falsification of company or subsidiary records; (iv) substantial failure to comply with written policies and procedures; (v) misconduct; or (vi) substantial failure to perform material job duties not cured within 30 days after written notice.

Key Executive Change of Control Severance Plan

The COC Severance Plan is designed to retain certain key executives during a period in which a change of control transaction is being negotiated or a hostile takeover is being attempted. Messrs. Butier, Lovins and Stander are the only eligible participants under the COC Severance Plan. **These NEOs are entitled to benefits only if they are terminated not for "cause" or terminate employment for "good reason" within 24 months of the change of control (a "double trigger").** In these circumstances, these NEOs would be entitled to the benefits shown below.

Lump-sum payment equal to annual base salary + target AIP award for year of termination + cash value of 12 months of employer and employee medical and dental insurance premiums	×	3 For our CEO 2 For Level 2 NEOs	+	Prorated target AIP award for year in which termination occurs	+	Outplacement services of up to $25,000 for up to one year

Benefits Not Subject to Gross-up. Benefits are subject to withholding for all applicable taxes and not grossed-up for excise or other taxes. However, if the payment would trigger an excise tax for a participating NEO, the NEO can elect to receive (i) his full benefits, with him responsible for paying any applicable excise taxes, or (ii) reduced benefits to an amount sufficient to eliminate any excise tax liability. In the termination payments table, we assume that these NEOs would elect to reduce their respective benefits.

Definition of Change of Control. Change of control is defined as (i) replacement of a majority of our Board during any 12-month period by directors whose appointment or election was not endorsed by a majority of the members of our Board; or (ii) acquisition by any person, group or corporation that has entered into a merger, acquisition, consolidation, purchase, stock acquisition, asset acquisition, or similar business transaction with our company, of (A) together with any of our company's stock previously held, more than 50% of the total fair market value or the total voting power of our company's stock; (B) 30% or more of the total voting power of our company's stock during any 12-month period; or (C) assets of our company having a total gross fair market value of 40% or more of the total gross fair market value of all of our company's assets during any 12-month period.

Definition of Cause. Cause is defined as it is under the Severance Plan.

Definition of Good Reason. Good reason is defined as (i) material diminution in base compensation; (ii) material diminution in authority, duties, or responsibilities or supervisor's authority, duties, or responsibilities; (iii) material change in geographic job location; or (iv) any other action or inaction that constitutes a material breach by our company.

Equity Incentive Plans

Under our 2017 Incentive Award Plan approved by stockholders in April 2017, unvested equity awards held by our NEOs on the date of termination would vest as shown in the table below.

VESTING OF EQUITY AWARDS ON TERMINATION EVENTS

	PUs	MSUs	RSUs	Stock Options
Resignation/Involuntary Termination, Whether or Not for Cause	Cancelled	Cancelled	Cancelled	Cancelled
Death	Vest at time of event on prorated basis based on target performance	Vest at time of event on prorated basis based on target performance	Vest	Cancelled
Qualifying Disability	Same as death	Same as death	Vest	Cancelled
Qualifying Retirement	Vest after end of performance period on prorated basis based on actual performance	Vest after end of performance period on prorated basis based on actual performance	Vest	Vest and exercisable for term of option
Change of Control	Vest based on actual, if determinable, and otherwise target performance only in event of termination without cause or for good reason within 24 months after change of control	Vest based on actual, if determinable, and otherwise target performance only in event of termination without cause or for good reason within 24 months of change of control	Vest only in event of termination without cause or for good reason within 24 months after change of control	Vest only in event of termination without cause or for good reason within 24 months after change of control

EQUITY COMPENSATION PLAN INFORMATION AS OF JANUARY 1, 2022

Plan Category	Number of Securities to Be Issued Upon Exercise of Outstanding Options, Warrants and Rights (A)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (B)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (A)) (C)
Equity compensation plans approved by security holders			
Amended and Restated Stock Option and Incentive Plan[1]	141,932	$73.76	–
2017 Incentive Award Plan[2]	1,146,041	–	3,759,493
Total	1,287,973	$73.76	3,759,493

(1) Our Amended and Restated Stock Option and Incentive Plan was last approved by stockholders in April 2012. We ceased issuing awards under this plan in March 2017. Under this plan, shares issuable under outstanding equity awards only includes stock options for non-employee directors, officers and other eligible employees. Amount in column (A) reflects 141,932 stock options.

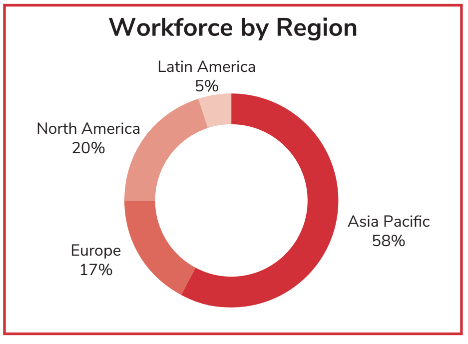
(2) Our 2017 Incentive Award Plan was approved by our stockholders in April 2017. We began issuing awards under this plan in May 2017. Under this plan, shares issuable under outstanding equity awards include (i) RSUs and DSUs for non-employee directors and (ii) restricted stock awards (RSAs), RSUs, PUs and MSUs for officers and other eligible employees. Amount in column (A) includes 65,929 RSAs, 36,090 RSUs, 104,809 DSUs, 390,356 MSUs (including accrued dividend equivalents and reflecting the tranches granted in 2019, 2020 and 2021 subject to vesting as of January 1, 2022 at 200%, 183% and 135%, respectively, the payouts based on our actual performance and the unvested tranches of these MSUs at the maximum level of performance as actual performance would result in above-target payouts); 548,857 PUs (reflecting the relative TSR component of the 2019-2021 PUs subject to vesting as of January 1, 2022 at 188%, the payout based on our actual performance, the maximum level of performance for the relative TSR component of the 2020-2022 and 2021-2023 PUs as actual performance would result in above-target payouts, and a weighted-average of 126%, 200% and 198%, respectively, for the cumulative EVA components of the PUs granted in 2019, 2020 and 2021). Amount in column (C) represents the aggregate number of shares available for future issuance, with each full-value award decreasing the number of shares available for future issuance by 1.5 shares.

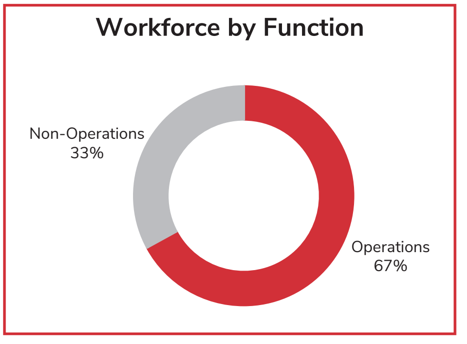
CEO PAY RATIO

This disclosure compares the median annual total compensation of our employees to the annual total compensation of our CEO.

With approximately 75% of our 2021 revenues originating outside the U.S. and approximately half of our revenues having originated in emerging markets (Asia, Latin America, Eastern Europe and Middle East/Northern Africa), our employees are located in over 50 countries to best serve our customers. Approximately 84% of our employees at year-end 2021 were located outside the U.S. and approximately 68% were located in emerging markets, where median compensation is substantially lower than it is in the U.S.

The charts shown below show the demographics of our global employee population by region and function. Approximately 21,055 of our approximately 36,000 employees at year-end 2021, representing approximately 58% of our global workforce, were in Asia, serving our customers in that region. In addition, approximately 67% of our global workforce at that time worked in the operations of our manufacturing facilities or in positions directly supporting them from other locations.





Our compensation philosophy is to offer market-based, competitive wages and benefits in all the markets where we compete for talent. All of our employees were paid at least the applicable legal minimum wage, and 96% of our employees were paid *above* the applicable legal minimum wage at year-end 2021. Our CEO's compensation is substantially driven by pay-for-performance incentive compensation, consistent with U.S. market practices.

2021 PAY RATIO

- The annual total compensation of our median employee (among all employees except for our CEO) was $15,256.
- Our CEO's annual total compensation, as reported in the Total column of the 2021 *Summary Compensation Table*, was $12,433,721.
- Based on this information, a reasonable estimate of the 2021 ratio of the annual total compensation of our CEO to the annual total compensation of our median employee was approximately 815 to 1.

We calculated this ratio based on the rules and guidance provided by the SEC. SEC rules allow for varying methodologies for companies to use in identifying their median employee; other companies may have different workforce demographics and employment and compensation practices and may utilize different methodologies, exclusions, estimates and assumptions in calculating their CEO pay ratios. As a result, the CEO pay ratios reported by other companies may not be meaningful comparisons to our CEO pay ratio.

IDENTIFICATION OF MEDIAN EMPLOYEE

To identify our median employee, we considered annual base compensation, which is the most common pay element for all our employees, as reflected in our global human resources information system. We selected this compensation element because it represents the principal broad-based compensation element for the vast majority of our employees globally. We measured compensation for purposes of determining the median employee using the 12-month period ended December 31, 2021, making no cost-of-living adjustments.

We selected January 1, 2022 as the date on which to determine our median employee. As of that date, we had 35,971 employees, 30,320 of which were located outside of the U.S. and 24,571 of which were located in emerging markets. We utilized the de minimis exemption to eliminate those countries representing no more than 5% of our global population in the aggregate. The countries excluded were Mauritius (19 employees), the Dominican Republic (120 employees), Pakistan (353 employees), Indonesia (527 employees) and Sri Lanka (669 employees), representing approximately 0.1%, 0.3%, 1.0%, 1.5% and 1.9%, respectively, of our global workforce.

To determine our medianable group, we used a statistical sampling approach known as stratified sampling to concentrate on medianable employees, which were those within a narrow range of the estimated median salary of $10,645, because these employees were all reasonably likely to be our median employee. As a result of this statistical sampling process, we identified 819 employees with a salary within $500 of this amount. Employees from China represented approximately 58% of the medianable group; as a result, we narrowed the medianable group to those 478 employees. Finally, we identified the 5 employees who were potentially our median employee by analyzing additional qualitative and quantitative characteristics, including pay volatility.

MEDIAN EMPLOYEE COMPENSATION

Our median employee was a full-time, salaried employee working at a manufacturing facility in China, with annual base compensation of $10,198. For purposes of this disclosure, we converted the employee's base compensation from Chinese Yuan to U.S. dollars using the average monthly exchange rate during 2021 of 0.1548281792.

As required by SEC rules, in determining the annual total compensation of $15,256 for our median employee, we calculated the employee's compensation in accordance with Item 402(c)(2)(x) of Regulation S-K, consistent with how we determined our CEO's total compensation for the *2021 Summary Compensation Table*.

ITEM 3 – RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee – which is directly responsible for the appointment, compensation (including approval of audit and non-audit fees) and evaluation of the independent registered public accounting firm that audits our financial statements and internal control over financial reporting – has appointed PricewaterhouseCoopers LLP (PwC) as our independent registered public accounting firm for fiscal year 2022 and our Board is seeking stockholder ratification of the appointment. Stockholder ratification is not required by our Bylaws or applicable laws and regulations. However, our Board annually submits the appointment for stockholder ratification as an element of our strong governance program. If stockholders were not to ratify the appointment, the Audit Committee would reconsider whether or not to retain PwC, but could determine to do so in the committee's discretion. In addition, even if the appointment is ratified, the Audit Committee could subsequently appoint a different independent registered public accounting firm without stockholder approval if the committee were to determine that doing so was in the best interests of our company and stockholders.

Although no formal statement from PwC is planned, representatives of the firm will be available during the Annual Meeting to answer questions from stockholders.

AUDIT COMMITTEE EVALUATION

In determining whether to reappoint PwC, the Audit Committee considered its qualifications, performance and independence, as well as those of the audit engagement team; the quality of its discussions with PwC; and the fees charged by PwC for the quality and scope of services provided. In connection with the 2022 appointment, the Audit Committee considered, among other things, the factors described below.

- **Audit Quality** – The quality of PwC's audit and non-audit work based on its oversight of the firm's work product, considering the firm's (i) compliance with accounting, auditing and regulatory requirements; (ii) deep and broad understanding of our businesses and the financial environments in which we operate; (iii) use of its experience to identify and resolve issues in a timely manner; and (iv) exercise of integrity, objectivity and professional skepticism when performing our audits, as well as the committee's discussions with management in executive session without PwC present and its discussions with PwC in executive session without management present
- **Performance** – PwC's performance during our 2021 and prior-year audits, noting the firm's agility and continued satisfactory performance in 2021 despite the impact of COVID-19
- **Qualitative Review** – The results of our global survey of members of management and the Audit Committee evaluating PwC's (i) expertise and resources; (ii) quality and timeliness of audit planning; (iii) communication and interaction; (iv) independence, objectivity and professional skepticism; and (v) value from fees
- **Self-Assessment** – PwC's self-assessment of its performance in connection with the 2021 audit, its satisfaction of the service needs and expectations of the Audit Committee and management, and areas of strength and improvement opportunities
- **Regulatory Reviews** – External data on the firm's audit quality and performance, including the most recent Public Company Accounting Oversight Board (PCAOB) report on PwC
- **Fees** – The reasonableness of PwC's fees for audit and non-audit services, both on an absolute basis and relative to peer firms
- **Independence** – PwC's processes to ensure it maintains independence, written disclosures from the firm and the independence letter required by the PCAOB
- **Tenure** – PwC's tenure as our independent auditor, including related feedback from certain of our investors and the benefits of having a longer-tenured auditor, as well as the controls we and PwC have in place to mitigate any potential independence risk

The Audit Committee has determined that the appointment of PwC is in the best interest of our company and stockholders. The Audit Committee has appointed PwC as our independent registered public accounting firm for fiscal year 2022 and recommends that stockholders ratify the appointment.

RECOMMENDATION OF BOARD OF DIRECTORS

Our Board recommends that you vote FOR ratification of the appointment of PwC as our independent registered public accounting firm for fiscal year 2022. Properly dated and signed proxies will be so voted unless you specify otherwise.

AUDIT MATTERS

AUDITOR TENURE

PwC has been our independent registered public accounting firm since 1998 and served in that capacity during fiscal year 2021. Through its predecessor entities, the firm has served as our independent auditor since at least 1960, which was the year our financial statements were first subject to SEC reporting requirements. We have been unable to determine the exact year PwC began serving as the independent auditor for our company. PwC is well-qualified to continue serving as our independent registered public accounting firm, has a deep understanding of our operations and accounting practices, and maintains rigorous procedures to ensure auditor independence. Some governance stakeholders, including certain of our investors, have suggested that, because longer tenure poses a risk to auditor independence, the Audit Committee should consider rotating firms. After giving these views due consideration, the Audit Committee determined to reappoint PwC because it continues to believe that PwC's years of experience auditing our company confers significant benefits, including those described below.

- **Audit Quality** – PwC has deep institutional knowledge regarding our operations, businesses, and accounting policies and practices, and optimizes its people and technology to deliver quality assurance services
- **Scale** – PwC has a global presence with resources in virtually all of the countries in which we do business, enabling the firm to cost-effectively perform statutory audit work on our subsidiary accounts
- **Capability** – PwC's capability and experience handling the breadth and complexity of our global operations, including our phased worldwide implementation of a new enterprise resource planning system over the next several years
- **Efficiency** – PwC brings customized knowledge incorporating independent judgment tailored to our audits, allowing for significant time savings
- **Cost** – PwC is able to effectively perform audit, audit-related, tax compliance, tax planning and other services cost-competitively

In conducting its regular review of whether to appoint a new independent registered public accounting firm, among other things, the Audit Committee considers the fact that onboarding a new firm would require a significant time commitment on the part of management, potentially distracting from the paramount focus on financial reporting and internal controls, without necessarily increasing audit quality.

The Audit Committee has noted that PwC's advanced technological tools have substantially improved the efficiency and effectiveness of its assurance procedures, enhancing the quality of its audit and making it less burdensome for our team members. These digital advancements were particularly valuable during 2021 when the firm continued to leverage technology to plan and complete many of its audit procedures remotely as a result of the continued impact of COVID-19.

In addition, **PwC has continuously provided management and the Audit Committee with accounting/financial reporting insights and best practices relevant to our business, as well as advance notice of legislative and regulatory developments that have the potential to significantly impact our company.**

The Audit Committee has several controls in place to mitigate any potential independence risk related to auditor tenure, including those described below and on the following page.

- **Annual Review of Performance and Independence** – In addition to its ongoing assessment and real-time feedback provided to PwC, the Audit Committee formally evaluates both the performance and independence of PwC in determining whether or not to appoint the firm for the following year
- **Limits on Non-Audit Services** – The Audit Committee assesses the impact providing non-audit services may have on PwC's independence each time it approves the firm's provision of these services, as well as during its annual assessment of the firm's independence; our company regularly uses other independent registered public accounting firms to provide non-audit services, engaging PwC only where doing so confers significant benefits given its role as our independent auditor

- **Regular Consideration of Auditor Rotation** – The Audit Committee regularly considers whether to change the independent registered public accounting firm based on its assessment of PwC's audit quality, performance, compensation and independence, having most recently done so in February 2020
- **Executive Sessions** – The Audit Committee meets regularly both with PwC without management present and with management without PwC present
- **Lead Engagement Partner Rotation and Selection** – To regularly bring a fresh perspective to the audit, a new lead engagement partner is designated at least every five years; a new lead engagement partner was most recently designated in advance of the 2019 audit. The Audit Committee interviewed the partner prior to his designation, and the Audit Committee was directly responsible for making the selection, in consultation with management and representatives from PwC. The Audit Committee anticipates that it will begin discussions with the firm regarding the next lead engagement partner in late 2022.
- **Oversight by Lead Relationship Partner** – PwC designates a separate lead relationship partner to provide additional assurance and objective oversight; this partner meets at least annually with the Audit Committee and is available as needed to resolve any issues that may arise.

AUDITOR INDEPENDENCE

PwC has advised us that neither the firm nor any member thereof has any financial interest, direct or indirect, in our company or our subsidiaries, confirming to the Audit Committee that it is in compliance with the rules, standards and policies of the PCAOB and the regulations of the SEC governing auditor independence. In February 2022, the Audit Committee reviewed the non-audit services approved by the committee and provided by PwC during 2021, including the related fees, and determined that the firm's provision of these services did not impair PwC's independence.

The Audit Committee discussed with PwC its independence from our company, Board and management and concluded that PwC was independent during 2021.

AUDITOR COMPENSATION

In approving PwC's services and fees, the Audit Committee considers whether PwC is best positioned to provide the services effectively and efficiently due to its familiarity with our operations, businesses, accounting policies and practices, internal controls, and financial and information technology systems, as well as whether the services enhance our ability to manage control risks and maintain audit quality. The Audit Committee regularly receives updates on the services provided by, and fees paid to, PwC to ensure that they are within the parameters approved by the Audit Committee.

COMMITTEE APPROVAL OF SERVICES AND FEES

The Audit Committee has adopted procedures for the pre-approval of all audit and non-audit services and fees provided by the independent registered public accounting firm. In the fourth quarter of 2020, the Audit Committee approved the (i) audit, audit-related and other services PwC would perform in the 2021 audit and (ii) permissible tax services the firm could provide during the year. The Audit Committee pre-approved PwC's budgeted fees for audit, audit-related, tax compliance, tax planning and other services in February 2021, received updates on year-to-date fees incurred in July and October of that year, and assessed the final fees in connection with its review of the results of the audit in February 2022. These procedures include reviewing and approving a plan for audit and permitted non-audit services, which includes a description of, and estimated fees for, each category of audit and non-audit services. Additional Audit Committee approval is required for services not included in the initial plan or substantially in excess of the budgeted amount for the particular category of services. The Audit Committee has delegated interim pre-approval authority to its Chair for services not included in the audit plan; these services are presented for approval to the entire Audit Committee at a subsequent meeting.

AUDIT FEES

In fiscal years 2021 and 2020, PwC provided the services shown below for our company – all of which were approved by the Audit Committee under the procedures described above – for which we paid the firm the fees indicated.

	2021	2020
Audit Fees(1)	$ 8,690,000	$ 8,455,000
Audit-Related Fees(2)	236,000	173,000
Tax Fees:		
Tax Compliance(3)	2,610,000	2,190,000
Tax Planning(4)	1,647,000	1,984,000
All Other Fees(5)	16,000	15,000
Total	**$13,199,000**	**$12,817,000**

(1) Includes fees for services performed to comply with the standards established by the PCAOB, including the audit of our financial statements and the effectiveness of our internal control over financial reporting; audits in connection with statutory filings; and other services that the principal independent registered public accounting firm most effectively and efficiently can provide, such as procedures related to comfort letters, consents and review of our SEC filings.

(2) Includes fees associated with assurance and related services traditionally performed by the independent registered public accounting firm and reasonably related to the performance of the audit or review of our financial statements, including assistance in financial due diligence related to acquisitions and divestitures and the audit or compliance services not required by applicable statutes or regulations. This category also includes audits of pension and other employee benefit plans, as well as the audit or review of information technology systems and internal controls unrelated to the audit of the financial statements.

(3) Includes fees associated with tax compliance such as preparation of tax returns in foreign jurisdictions, tax audits and transfer pricing documentation.

(4) Includes fees for domestic and international tax planning, and tax planning related to restructuring actions, acquisitions and divestitures.

(5) Includes fees for any services other than those described in the above categories. In both years, included subscriptions and licenses to accounting and tax resources and other permissible services.

AUDIT AND FINANCE COMMITTEE REPORT

COMPOSITION AND QUALIFICATIONS

The Audit and Finance Committee (referred to in this report as the "Committee") of our Board of Directors (our "Board") is comprised of the directors named at the end of this report, each of whom meets the enhanced independence and experience standards for audit committee members required by Securities and Exchange Commission (SEC) rules and New York Stock Exchange (NYSE) listing standards. Our Board has determined all members to be financially literate and designated each of Anthony Anderson and Patrick Siewert as an "audit committee financial expert" under applicable SEC regulations. Members of the Committee are prohibited from sitting on the audit committee of more than two other public companies, and all members are in compliance with this restriction.

PRIMARY RESPONSIBILITIES

The Committee has a written charter adopted by our Board, which is available under Corporate Governance in the investors section of our website. The Committee annually reviews the charter and recommends changes to the Board for approval. The charter was last amended in February 2021.

During fiscal year 2021, the Committee primarily performed the activities described below on behalf of our Board.

- Reviewed and discussed with management and the independent registered public accounting firm our quarterly and annual financial results, earnings release documentation and the related reports we file with the SEC
- Reviewed and discussed with management, our Vice President of Internal Audit and the independent registered public accounting firm our internal controls report and the independent registered public accounting firm's attestation thereof
- Evaluated the qualifications, performance and independence of the independent registered public accounting firm and met with representatives of the firm to discuss the scope, budget, staffing and progress of its audit
- Supervised our Vice President of Internal Audit with respect to the scope, budget, staffing and progress of the internal audit and evaluated his personal performance, as well as the performance of his function
- Discussed significant financial risk exposures, including our cybersecurity risk management program and risks related to our company's information technology controls and security, and the steps taken by management to monitor and control these exposures

OVERSIGHT OF CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for our consolidated financial statements, accounting and financial reporting policies, internal control over financial reporting, and disclosure controls and procedures. The Committee appointed the independent registered public accounting firm of PricewaterhouseCoopers LLP (PwC) to provide audit, audit-related and tax compliance services, with limited tax planning and other services to the extent approved by the Committee. PwC performed an independent audit of our 2021 consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (PCAOB) and issued an opinion on the conformity of those financial statements with accounting principles generally accepted in the United States of America (GAAP). The Committee's responsibility is to monitor and oversee our accounting and financial reporting processes and the audits of our consolidated financial statements and internal control over financial reporting. The members of the Committee are not professionally engaged in the practice of auditing or accounting and rely without independent verification on the information provided to them and the representations made by management and PwC.

The Committee reviewed and discussed our consolidated financial statements and related footnotes for the fiscal year ended January 1, 2022 – including our company's critical accounting policies and management's significant estimates and judgments – with management and PwC, as well as PwC's report and unqualified opinion on the audit. Management represented to the Committee and PwC that our consolidated financial statements were prepared in accordance with GAAP. PwC presented the matters required to be discussed by Auditing Standard No. 1301, *Communications with Audit Committees*. The Committee received these written disclosures and the letters from PwC required by the applicable requirements of the PCAOB regarding communications concerning independence – including Rule 3524, *Audit Committee Pre-approval of Certain Tax Services*, and Rule 3526, *Communication with Audit Committees Concerning Independence*, – and discussed with PwC its independence from our company, Board and management.

Based on the Committee's review and discussions with management and PwC described above, as well as the Committee's review of the representations of management and the audit report and unqualified opinion of PwC, the Committee recommended that our Board approve the inclusion of the audited consolidated financial statements for our fiscal year ended January 1, 2022 in our Annual Report on Form 10-K filed with the SEC.

OVERSIGHT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Committee is responsible for appointing the independent registered public accounting firm, and monitoring and overseeing the firm's qualifications, compensation, performance and independence. In this capacity, the Committee reviewed with PwC the overall scope of services and fees for its audit, and monitored the progress of PwC's audit in assessing our compliance with Section 404 of the Sarbanes-Oxley Act of 2002, including the firm's findings and required resources.

PwC provided to the Committee the written disclosures and independence letter required by the PCAOB. The Committee discussed with PwC its independence from our company and management and concluded that PwC was independent during fiscal year 2021. The Committee has a policy requiring pre-approval of fees for audit, audit-related, tax compliance, tax planning and other services and has concluded that PwC's provision of limited non-audit services to our company in 2021 was compatible with maintaining its independence.

Under its charter, the Committee is required to regularly consider whether it is appropriate to change the independent registered public accounting firm, having most recently formally evaluated with management whether it may be appropriate to do so in February 2020. With a view to ensuring that audit quality would continue to be paramount and recognizing that PwC was continuing to independently and appropriately challenge management, the Committee determined at that time to retain PwC, noting the firm's strong performance and consistently improving service delivery.

The Committee has determined that the appointment of PwC as our independent registered public accounting firm for fiscal year 2022 is in the best interest of our company and stockholders. The Committee has appointed PwC in this capacity and recommends that stockholders ratify the appointment.

OVERSIGHT OF INTERNAL AUDIT

The Committee's responsibility is to monitor and oversee our internal audit function, reviewing the significant audit results reported to management and management's responses thereto. In this capacity, the Committee reviews with our Vice President of Internal Audit the overall scope and budget for the internal audit, and regularly monitors the progress of the internal audit in assessing our compliance with Section 404 of the Sarbanes-Oxley Act of 2002, including key findings and required resources. The Committee supervises our Vice President of Internal Audit in the conduct of his operational responsibilities and evaluates his individual performance as well as that of the entire internal audit function.

EXECUTIVE SESSIONS

The Committee regularly meets separately in executive session without management present with each of our Vice President of Internal Audit and PwC to review and discuss their evaluations of the overall quality of our accounting and financial reporting and internal control. The Committee also regularly meets, without PwC or our Vice President of Internal Audit present, with management, our CFO and our Controller/CAO, and meets as needed with other members of management such as our CEO and our CLO, to discuss, among other things, significant risk exposures impacting our financial statements and accounting policies.

STOCKHOLDER FEEDBACK

The Audit Committee has established procedures for the receipt, retention and treatment, on a confidential basis, of complaints regarding our accounting, internal controls and auditing matters. See *Complaint Procedures for Accounting and Auditing Matters* in the *Governance* section of this proxy statement. The Committee welcomes feedback regarding its oversight of our audit and finance programs. Stockholders may communicate with the Committee by writing to the Audit and Finance Committee Chair, c/o Corporate Secretary, 8080 Norton Parkway, Mentor, Ohio 44060.

Martha N. Sullivan, Chair
Anthony K. Anderson
Andres A. Lopez
Patrick T. Siewert

SECURITY OWNERSHIP INFORMATION

SECURITY OWNERSHIP OF MANAGEMENT AND SIGNIFICANT STOCKHOLDERS

The table below shows the number of shares of our common stock beneficially owned by our (i) directors; (ii) NEOs; (iii) current directors and executive officers as a group; and (iv) greater-than-five-percent, or "significant," stockholders, in each case as of the February 28, 2022 record date for the Annual Meeting. Beneficial ownership means that the individual, group or entity, directly or indirectly, has or shares with others the power to vote (or direct the voting of) or the power to dispose of (or direct the disposition of) the shares; the individual, group or entity may or may not have any economic interest in the shares. The inclusion of information in the table does not constitute an admission that the individual, group or entity is, for purposes of Section 13 or 16 of the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), the beneficial owner of the shares shown.

Name of Beneficial Owner	Common Stock[(1)]	Number of Rights Exercisable and Vesting within 60 Days[(2)]	Number of Shares Beneficially Owned	Percent of Class[(3)]
Directors				
Bradley A. Alford	21,563	20,575	42,138	*
Anthony K. Anderson	3,382	11,895	15,277	*
Mark J. Barrenechea	3,744	2,356	6,100	*
Mitchell R. Butier	243,041	226,442	469,483	*
Ken C. Hicks	28,210	14,808	43,018	*
Andres A. Lopez	6,323	1,275	7,598	*
Patrick T. Siewert	16,050	–	16,050	*
Julia A. Stewart	20,850	41,829	62,679	*
Martha N. Sullivan	15,868	12,891	28,759	*
Non-director NEOs				
Gregory S. Lovins	38,948	22,169	62,117	*
Deena Baker-Nel	2,363	5,844	8,207	*
Deon M. Stander	31,623	11,650	43,273	*
Ignacio J. Walker	3,529	5,749	9,278	*
All current directors and executive officers as a group (15 persons)	465,131	390,794	855,925	1.0%
Significant stockholders				
The Vanguard Group[(4)]	9,649,647	–	9,649,647	11.7%
BlackRock, Inc.[(5)]	6,726,210	–	6,726,210	8.2%
T. Rowe Price Associates, Inc.[(6)]	5,486,584	–	5,486,584	6.7%

(1) Except as otherwise noted herein, each director, NEO and current executive officer has sole voting and investment power with respect to the shares indicated and no shares have been pledged as security by any such person. Includes for the following beneficial owners the following amounts of shares held in our employee savings plan as of February 28, 2022: Butier – 4,010, Lovins – 2,086, Baker-Nel – 1,213, Walker – 545, and all current directors and executive officers as a group – 10,189.

(2) Numbers reported in this column are not entitled to vote during the Annual Meeting. Includes the following number of DSUs deferred through the DDECP by the following directors as of February 28, 2022, as to which they have no voting or investment power: Alford – 20,575; Anderson – 11,895; Barrenechea – 2,356; Hicks – 14,808; Lopez – 1,275; Stewart – 41,829; and Sullivan – 12,067. DSUs are included as beneficially owned because, if the director were to resign or retire from our Board, his or her DDECP account would be valued as of the date of separation and the equivalent number of shares of our common stock would be issued to the separating director.

(3) Percent of class based on 82,355,333 shares of our common stock outstanding as of February 28, 2022. Individuals with an (*) beneficially own less than 1% of our outstanding common stock.

(4) Number of shares beneficially owned based on information as of December 31, 2021 contained in Amendment No. 11 to Schedule 13G filed with the SEC on February 9, 2022. The Vanguard Group has sole voting power with respect to no shares; shared voting power with respect to 136,002 shares; sole dispositive power with respect to 9,310,583 shares; and shared dispositive power with respect to 339,064 shares. The Vanguard Group is an investment adviser, in accordance with Rule 13d-1(b)(1)(ii)(E) of the Exchange Act, with a business address of 100 Vanguard Boulevard, Malvern, Pennsylvania 19355.

(5) Number of shares beneficially owned based on information as of December 31, 2021 contained in Amendment No. 13 to Schedule 13G filed with the SEC on February 1, 2022. BlackRock, Inc. has sole voting power with respect to 5,702,277 shares and sole dispositive power with respect to all 6,726,210 shares. BlackRock, Inc. is a parent holding company or control person, in accordance with Rule 13d-1(b)(1)(ii)(G) of the Exchange Act, with a business address of 55 East 52nd Street, New York, New York 10055.

(6) Number of shares beneficially owned based on information as of December 31, 2021 contained in Amendment No. 3 to Schedule 130 filed with the SEC on February 14, 2022. T. Rowe Price Associates, Inc. has sole voting power with respect to 1,842,064 shares and sole dispositive power with respect to all 5,486,584 shares. T. Rowe Price Associates, Inc. is an investment adviser, in accordance with Rule 13d-1(b)(1)(ii)(E) of the Exchange Act, with a business address of 100 East Pratt Street, Baltimore, Maryland 21202.

RELATED PERSON TRANSACTIONS

Both our Code of Conduct and our Conflict of Interest Policy ("COI Policy") provide that conflicts of interest should be avoided. Under our Governance Guidelines, Board members are expected to comply with our Code of Conduct and avoid any action, position or interest that conflicts with those of our company, or gives the appearance of a conflict. Our COI Policy proscribes any of our officers (including our executive officers) or employees – or any of their immediate family members – from directly or indirectly doing business, seeking to do business or owning an interest in an entity that does business or seeks to do business with our company without approval in writing from the Governance Committee. Under our COI Policy, any officer or employee who has a question as to the interpretation of the policy or its application to a specific activity, transaction or situation may submit the question in writing to our Chief Compliance Officer or Chief Legal Officer for any further necessary review by the Governance Committee.

Generally on an annual basis, all employees at the level of manager and above and all non-supervisory professionals are required to complete a compliance certification in which they must (i) disclose, among other things, whether they or any of their immediate family members have a job, contract or other position with an entity that has commercial dealings with our company and (ii) certify that they have complied with our Code of Conduct and company policies. All disclosures are reviewed by our compliance and law departments in consultation with senior management to determine whether the activity has the potential to significantly influence our business. The Governance Committee receives a report from our Chief Compliance Officer on the disclosures elicited in the compliance certification and, in the event that an unresolved disclosure potentially gives rise to a significant conflict of interest, determines whether a conflict of interest exists or whether there is a reasonable likelihood that the activity, transaction or situation would influence the individual's judgment or actions in performing his or her duties for our company. In 2021, we temporarily suspended the compliance certification process to allow our Corporate Compliance team to implement improvement opportunities aligned upon with an independent third party expert we engaged to benchmark our compliance program. We plan on launching the improved certification process in 2022.

In addition, each of our directors and executive officers annually completes a questionnaire designed to solicit information about any potential related person transactions. Transactions involving directors are reviewed with the Governance Committee by our Corporate Secretary in connection with the annual assessment of director independence. Responses from executive officers are reviewed by our Corporate Secretary with oversight by the Governance Committee in the event any transactions are identified.

We review internal financial records to identify transactions with security holders known by us from information contained in Schedules 13D or 13G filed with the SEC to be beneficial owners of more than five percent of our common stock to determine whether we have any relationships with the security holders that might constitute related person transactions under Item 404(a) of Regulation S-K. Our Corporate Secretary discusses any such findings with the Governance Committee.

During fiscal year 2021, there were no related person transactions requiring disclosure under SEC rules and regulations. To our knowledge, all related person transactions were reviewed under our policies and procedures.

VOTING AND MEETING Q&A

ANNUAL REPORT AND PROXY MATERIALS

WHEN WILL I RECEIVE THE 2021 ANNUAL REPORT?

We expect to mail or make available our 2021 Annual Report to all stockholders of record on or about March 15, 2022.

HOW DO I ACCESS THE 2022 PROXY MATERIALS?

We have elected to provide access to our proxy materials on the internet. Accordingly, we are sending the Notice of Internet Availability of Proxy Materials (the "Notice") to our stockholders of record. Brokers, banks and other nominees (collectively, "nominees") who hold shares on behalf of beneficial owners (also called "street name" holders) will send a similar notice. You will have the ability to access our proxy materials on the website referred to in the Notice. Instructions on how to request printed proxy materials by mail, including an option to receive paper copies in the future, may be found in the Notice and on the website referred to in the Notice.

On or about March 15, 2022, we intend to make this proxy statement available online and mail the Notice to all stockholders entitled to vote. On or about the same date, we intend to mail this proxy statement, together with a proxy card, to stockholders entitled to vote during the Annual Meeting who have previously requested paper copies. In addition, if you request paper copies of these materials for the first time, they will be mailed within three business days of your request. If you hold your shares in street name, you may request paper copies of the proxy statement and proxy card from your nominee by following the instructions on the notice your nominee provides to you.

Stockholders of record may obtain a copy of this proxy statement without charge by writing to our Corporate Secretary at 8080 Norton Parkway, Mentor, Ohio 44060.

WHAT IS HOUSEHOLDING?

We will deliver a single copy of our 2021 integrated sustainability and annual report, which includes our 2022 notice and proxy statement, to stockholders sharing the same address. Householding allows us to reduce our printing and postage costs, prevents duplicative information from being received at your household and impacts only the delivery of proxy materials; it does not impact the delivery of dividend checks.

For holders who share a single address, we are sending only one integrated report to that address unless we have received instructions to the contrary from any stockholder at that address. If you wish to receive an additional copy of our integrated report, or if you receive multiple copies of our integrated report and wish to receive a single copy in the future, you may make your request by writing to our Corporate Secretary at 8080 Norton Parkway, Mentor, Ohio 44060.

If you are a street name holder and wish to revoke your consent to householding and receive separate copies of our proxy statement and annual report in future years, you may call Broadridge Investor Communications Services toll-free at 866.540.7095 in the U.S. and Canada or write them c/o Householding Department, 51 Mercedes Way, Edgewood, New York 11717.

HOW CAN I ACCESS THE ANNUAL REPORT AND PROXY MATERIALS ELECTRONICALLY?

Instead of receiving paper copies of proxy statements and annual reports by mail in the future, you can elect to receive an email that will provide a link to these documents on the internet. By electing to access proxy materials online, you can access them more quickly, save us the cost of printing and mailing them to you, reduce the amount of mail you receive from us, and help us preserve environmental resources.

You may enroll to access proxy materials and annual reports electronically for future Annual Meetings by registering online at the following website: https://enroll.icsdelivery.com/avy. If you are voting online, you can follow the links on the voting website to reach the electronic enrollment website.

VOTING

WHO IS ENTITLED TO VOTE?

Stockholders of record as of the close of business on February 28, 2022 are entitled to notice of, and to vote at, the Annual Meeting. Our common stock is the only class of shares outstanding, and there were 82,355,333 shares of common stock outstanding on February 28, 2022. The list of stockholders entitled to vote will be available for inspection during the virtual Annual Meeting, as well as starting 10 days before the Annual Meeting during regular business hours at our company headquarters in Mentor, Ohio. You are entitled to one vote for each share of common stock you held on the record date.

HOW DO I VOTE?

You may vote by submitting a proxy or voting during the Annual Meeting at www.virtualshareholdermeeting.com/AVY2022. If you hold your shares in street name, you may only vote during the meeting if you properly request and receive a legal proxy in your name from the nominee that holds your shares.

The method of voting by proxy differs depending on whether you are viewing this proxy statement online or reviewing a paper copy.

- If you are viewing this proxy statement online, you may vote your shares by (i) submitting a proxy by telephone or online by following the instructions on the website or (ii) requesting a paper copy of the proxy materials and following one of the methods described below.
- If you are reviewing a paper copy of this proxy statement, you may vote your shares by (i) submitting a proxy by telephone or online by following the instructions on the proxy card or (ii) completing, dating and signing the proxy card included with the proxy statement and returning it in the preaddressed, postage-paid envelope provided.

Whether or not you plan to attend the Annual Meeting, we urge you to vote promptly using one of the methods described in the proxy materials. We encourage you to vote by telephone or online since these methods immediately record your vote and allow you to confirm that your votes have been properly recorded. Telephone and online votes must be received by 11:59 p.m. Eastern Time on April 27, 2022.

WHAT IF MY SHARES WERE ACQUIRED THROUGH THE DIRECT SHARE PURCHASE AND SALE PROGRAM?

Shares acquired through our Direct Share Purchase and Sale Program may be voted by following the procedures described above.

WHAT IF MY SHARES ARE HELD IN THE EMPLOYEE SAVINGS PLAN?

If you hold shares as a participant in our Employee Savings (401(k)) Plan, your vote serves as a voting instruction to Fidelity Management Trust Company, the trustee of the plan, on how to vote your shares. Your voting instruction must be received by the trustee by 11:59 p.m. Eastern Time on April 25, 2022.

If the trustee does not receive your instruction in a timely manner, your shares will be voted in the same proportion as the shares voted by participants in the plan who timely furnish instructions. Shares of our common stock that have not been allocated to participant accounts will also be voted by the trustee in the same proportion as the shares voted by participants in the plan who timely furnish instructions.

HOW DO I REVOKE MY PROXY OR CHANGE MY VOTE AFTER I HAVE VOTED?

If you give a proxy pursuant to this solicitation, you may revoke it at any time before it is acted upon during the Annual Meeting by (i) submitting another proxy by telephone or online (only your last voting instructions will be counted); (ii) sending a later dated paper proxy; (iii) delivering to our Corporate Secretary a written notice of revocation prior to the voting of the proxy during the Annual Meeting; or (iv) if you are entitled to do so, voting during the Annual Meeting. Simply attending the Annual Meeting will not revoke your proxy.

If your shares are held in street name, you may only change your vote by submitting new voting instructions to your nominee. You must contact your nominee to find out how to change your vote. Shares held in our Employee Savings Plan cannot be changed or revoked after 11:59 p.m. Eastern Time on April 25, 2022, nor can they be voted during the Annual Meeting.

IS MY VOTE CONFIDENTIAL?

Except in contested proxy solicitations, when required by law or as authorized by you (such as by making a written comment on your proxy card, in which case the comment, but not your vote, may be shared with our company), your vote or voting instruction is confidential and will not be disclosed other than to the broker, trustee, agent or other entity tabulating your vote.

HOW WILL VOTES BE COUNTED?

Votes cast by proxy or during the Annual Meeting will be tabulated by a representative from Broadridge Financial Solutions, Inc., the independent inspector of election appointed by our Board. The inspector of election will also determine whether a quorum is present. During the Annual Meeting, shares represented by proxies that reflect abstentions or broker non-votes (which are shares held by a nominee that are represented during the meeting, but with respect to which the nominee neither has discretionary authority to vote nor has been given actual authority to vote on a particular item) will be counted as shares that are present and entitled to vote during the Annual Meeting for purposes of determining the presence of a quorum. Items 1 and 2 are non-routine under the rules of the NYSE, and Item 3 is routine. Nominees are prohibited from voting on non-routine items in the absence of instructions from the beneficial owners of the shares; as a result, if you hold your shares in street name and do not submit voting instructions to your nominee, your shares will not be voted on Item 1, election of directors, or Item 2, approval, on an advisory basis, of our executive compensation. We urge you to promptly provide voting instructions to your nominee so that your vote is counted.

The vote required to approve each of the Annual Meeting items, as well as the impact of abstentions and broker non-votes, is shown in the chart below.

	Item	Vote Required	Impact of Abstentions	Impact of Broker Non-Votes
1	**Election of directors**	Majority of votes cast	Not counted as votes cast; no impact on outcome	Not counted as votes cast; no impact on outcome
2	**Advisory vote to approve executive compensation**	Majority of shares represented and entitled to vote	Negative impact on outcome	Not counted as represented and entitled to vote; no impact on outcome
3	**Ratification of appointment of PricewaterhouseCoopers LLP as independent registered public accounting firm for fiscal year 2022**	Majority of shares represented and entitled to vote	Negative impact on outcome	Not applicable

WHAT IF THERE IS ADDITIONAL BUSINESS TO BE VOTED ON?

As of the date of this proxy statement, we know of no other business to be presented for consideration during the meeting. If any other business properly comes before the meeting, your vote will be cast on any such other business in accordance with the best judgment of the individuals acting pursuant to your proxy.

HOW DO I FIND VOTE RESULTS?

We expect to announce preliminary voting results during the Annual Meeting and report final voting results in a Current Report on Form 8-K filed with the SEC on or before May 4, 2022.

ANNUAL MEETING INFORMATION

WHAT IS THE TIME, DATE AND FORMAT OF THE ANNUAL MEETING?

Due to continued public health concerns about large, indoor in-person gatherings given the COVID-19 pandemic, the Annual Meeting will take place at 1:30 p.m. Eastern Time on April 28, 2022 virtually, with attendance via the internet.

HOW CAN I ATTEND THE VIRTUAL MEETING?

To attend the virtual Annual Meeting, you will need to log in to www.virtualshareholdermeeting.com/AVY2022 using the 16-digit control number on the Notice or proxy card mailed or made available to you on or about March 15, 2022.

Online access to the live audio webcast of the Annual Meeting will open at 1:15 p.m. Eastern Time to allow time for you to log in and test your device's audio system. We encourage you to access the meeting in advance of its designated start time as we plan to begin conducting the meeting promptly.

HOW DO I ASK QUESTIONS DURING THE MEETING?

We have designed the virtual Annual Meeting to ensure that you have the same rights and opportunities to participate as you would at an in-person meeting, using easy-to-use online tools that allow you to attend, vote and ask questions. Only stockholders as of the record date or their properly appointed proxies may ask questions during the meeting, and our Chairman may limit the length of discussion on any particular matter. On the day of, and during, the Annual Meeting, you can view our Ground Rules for Conduct of Meeting and submit questions on www.virtualshareholdermeeting.com/AVY2022.

After the business portion of the Annual Meeting concludes and the meeting is adjourned, **we will hold a Q&A session during which we intend to answer all questions submitted before or during the meeting** that are pertinent to our company and the items being brought before stockholder vote during the Annual Meeting, as time permits and in accordance with our Ground Rules for Conduct of Meeting. Questions and answers will be grouped by topic and substantially similar questions will be answered only once. To promote fairness and ensure all stockholder questions are able to be addressed, we will respond to no more than three questions from any single stockholder. **Answers to questions not addressed during the meeting, if any, will be posted promptly after the meeting on the investors section of our website.**

As a result of time constraints and other considerations, we cannot assure you that every stockholder wishing to address the meeting will have the opportunity to do so. However, all stockholders are invited to direct inquiries or comments regarding business matters to our Investor Relations department by email to investorcom@averydennison.com or by mail to 8080 Norton Parkway, Mentor, Ohio 44060. In addition, stockholders wishing to address matters to our Board or any of its members may do so as described under Contacting Our Board in the *Our Board of Directors* section of this proxy statement.

WHAT DO I DO IF I AM HAVING TECHNICAL ISSUES ACCESSING OR PARTICIPATING IN THE MEETING?

Beginning 15 minutes prior to, and during, the Annual Meeting, we will have support available to assist stockholders with any technical difficulties they may have accessing or hearing the virtual meeting. If you encounter any difficulty accessing, or during, the virtual meeting, please call the support team at 1.844.986.0822 (toll-free in the U.S. and Canada) or +1.303.562.9302 (for international participants).

HOW ARE PROXIES BEING SOLICITED?

We have retained D.F. King & Co., Inc. to assist in soliciting proxies for a fee of $12,000, plus reimbursement of out-of-pocket expenses incident to preparing and mailing our proxy materials. Some of our employees may solicit proxies by telephone or email; these employees will not receive any additional compensation for their proxy solicitation efforts. We will bear all costs related to this solicitation of proxies and we will reimburse banks, brokers and other custodians, nominees and fiduciaries for reasonable out-of-pocket expenses they incur in forwarding our proxy materials to beneficial stockholders. You can help reduce these costs by accessing our proxy materials electronically.

MATTERS RELATED TO 2023 ANNUAL MEETING

HOW DO I SUBMIT ITEMS FOR POTENTIAL CONSIDERATION AT THE 2023 ANNUAL MEETING?

To propose business otherwise satisfying the eligibility requirements of SEC Rule 14a-8 to be considered for inclusion in our proxy statement for the 2023 Annual Meeting, you must provide notice of proposed items so they are received at our principal executive offices on or before November 15, 2022. If you wish to nominate persons for election to our Board or bring any other business before an annual meeting under the advanced notice provisions or our Bylaws, you must notify our Corporate Secretary at our principal executive offices in writing 90 to 120 days prior to the first anniversary of the preceding year's annual meeting (with respect to the 2023 Annual Meeting, no earlier than December 29, 2022 and no later than January 28, 2023).

Your notice must include, among other things, the information described below.

- As to each person who you propose to nominate for election or reelection as a director:
  - All information relating to the person that is required to be disclosed in solicitations of proxies for election of directors in an election contest or is otherwise required pursuant to Regulation 14 under the Exchange Act
  - The person's written consent to be named in our proxy statement as a nominee and serve as a director if elected
  - A description of any material relationships between you (and your associates and affiliates) and the nominee (and his or her associates and affiliates), as more particularly set forth in our Bylaws
- As to any other item of business you propose to bring before the meeting, a brief description of the business, the reasons for conducting the business during the meeting and any material interest you have in the business being proposed
- Your name and address, and class and number of shares you own beneficially and as of record, as well as information relating to your security ownership in our company, as described in greater detail in Article II, Section 14 of our Bylaws, which are available under Corporate Governance in the investors section of our website

Stockholder items of business that do not fully comply with the advance notice requirements contained in our Bylaws will not be permitted to be brought before the 2023 Annual Meeting. In addition to satisfying the foregoing requirements under our Bylaws, to comply with the SEC's universal proxy rules (once they become effective), stockholders who intend to solicit proxies in support of director nominees other than our company's nominees must provide written notice to our Corporate Secretary at our principal executive offices that includes the information required by Rule 14a-19 under the Exchange Act no later than February 22, 2023.

We intend to file a proxy statement and a WHITE proxy card with the SEC in connection with our solicitation of proxies for the 2023 Annual Meeting.

HOW DO I NOMINATE DIRECTORS FOR INCLUSION IN THE 2023 PROXY STATEMENT?

Our Bylaws permit a stockholder, or a group of no more than 20 stockholders, owning at least 3% of our company's outstanding shares of common stock continuously for at least three years to nominate and include in our annual meeting proxy materials director nominees constituting up to the greater of two nominees or 20% of our Board, subject to the requirements contained in Article II, Section 17 of our Bylaws, which are available under Corporate Governance in the investors section of our website. Notice of proxy access director nominees for the 2023 Annual Meeting must be delivered to our Corporate Secretary at our principal executive offices no earlier than October 16, 2022 and no later than November 15, 2022 and must otherwise comply with our Bylaws.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES FROM GAAP

We report our financial results in conformity with accounting principles generally accepted in the United States of America, or GAAP, and also communicate with investors using certain non-GAAP financial measures. These non-GAAP financial measures are not in accordance with, nor are they a substitute for or superior to, the comparable GAAP financial measures. These non-GAAP financial measures are intended to supplement the presentation of our financial results that are prepared in accordance with GAAP. Based on feedback from investors and financial analysts, we believe that the supplemental non-GAAP financial measures we provide are useful to their assessment of our performance and operating trends, as well as liquidity.

Our non-GAAP financial measures exclude the impact of certain events, activities or strategic decisions. The accounting effects of these events, activities or decisions, which are included in the GAAP financial measures, may make it difficult to assess our underlying performance in a single period. By excluding the accounting effects, both positive or negative, of certain items (such as restructuring charges, outcomes of certain legal proceedings, certain effects of strategic transactions and related costs, losses from debt extinguishments, gains or losses from curtailment or settlement of pension obligations, gains or losses on sales of certain assets, gains or losses on venture investments, and other items), we believe that we are providing meaningful supplemental information that facilitates an understanding of our core operating results and liquidity measures. While some of the items we exclude from GAAP financial measures recur, they tend to be disparate in amount, frequency or timing.

We use these non-GAAP financial measures internally to evaluate trends in our underlying performance, as well as to facilitate comparison to the results of competitors for quarters and year-to-date periods, as applicable.

We use the non-GAAP financial measures described below in this proxy statement.

- *Sales change ex. currency* refers to the increase or decrease in net sales, excluding the estimated impact of foreign currency translation, and, where applicable, an extra week in our fiscal year and the calendar shift resulting from the extra week in the prior fiscal year and currency adjustment for transitional reporting of highly inflationary economies. The estimated impact of foreign currency translation is calculated on a constant currency basis, with prior period results translated at current period average exchange rates to exclude the effect of currency fluctuations.
- *Organic sales change* refers to sales change ex. currency, excluding the estimated impact of acquisitions and product line divestitures.

  We believe that sales change ex. currency and organic sales change assists investors in evaluating the sales change from the ongoing activities of our businesses and enhance their ability to evaluate our results from period to period.
- *Adjusted EBITDA margin* refers to adjusted EBITDA as a percentage of net sales. Adjusted EBITDA is adjusted operating income before depreciation and amortization. Adjusted operating income is income before taxes; interest expense; other non-operating expense (income), net; and other expense (income), net. We believe that adjusted EBITDA margin assists investors in understanding our core operating trends and comparing our results with those of our competitors.
- *Adjusted net income per common share, assuming dilution (adjusted EPS)*, refers to adjusted net income divided by weighted average number of common shares outstanding, assuming dilution. Adjusted net income is income before taxes, tax-effected at the adjusted tax rate, and adjusted for tax-effected restructuring charges and other items. Adjusted tax rate is the full-year GAAP tax rate, adjusted to exclude certain unusual or infrequent events that are expected to significantly impact that rate, such as effects of certain discrete tax planning actions, impacts related to the enactment of the U.S. Tax Cuts and Jobs Act (TCJA), where applicable, and other items. We believe that adjusted EPS assists investors in understanding our core operating trends and comparing our results with those of our competitors.
- *Free cash flow* refers to cash flow provided by operating activities, less payments for property, plant and equipment, software and other deferred charges, plus proceeds from sales of property, plant and equipment, plus (minus) net proceeds from insurance and sales (purchases) of investments. Free cash flow is also adjusted for, where applicable, certain acquisition-related transaction costs and the cash contributions related to the termination of our U.S. pension plan. We believe that free cash flow assists investors by showing the amount of cash we have available for debt reductions, dividends, share repurchases, and acquisitions.

- *Return on total capital incl. acquisition amortization (ROTC)* refers to net income excluding the expense and tax benefit of debt financing divided by the average of beginning and ending invested capital. ROTC excl. acquisition amortization refers to ROTC adjusted for the impact of amortization of intangible assets from acquisitions. We believe that ROTC incl. acquisition amortization and ROTC excl. acquisition amortization assist investors in understanding our ability to generate returns from our capital.
- *Adjusted EBIT* refers to earnings before interest expense and taxes, excluding non-cash restructuring costs, acquisitions completed since the targets were set, and other items. We believe that adjusted EBIT assists investors in understanding our core operating trends and comparing our results with those of our competitors. We use adjusted EBIT to calculate economic value added (EVA), one of the performance objectives used in our long-term incentive compensation program.

ORGANIC SALES CHANGE

($ in millions)	2017	2018	2019	2020	2021	2017-2021 5-YR CAGR[1]
Net sales	**$6,613.8**	**$7,159.0**	**$7,070.1**	**$6,971.5**	**$8,408.3**	6.7%
Reported net sales change	8.7%	8.2%	(1.2)%	(1.4)%	20.6%	
Foreign currency translation	(0.5)%	(1.4)%	3.3%	0.9%	(3.4)%	
Extra week impact	–	–	–	(1.3)%	1.4%	
Sales change ex. currency (non-GAAP)[2]	8.2%	6.9%	2.0%	(1.7)%	18.6%	6.6%
Acquisitions and product line divestitures	(3.9)%	(1.4)%	–	(1.7)%	(3.1)%	
Organic sales change (non-GAAP)[2]	4.2%	5.5%	2.0%	(3.4)%	15.6%	4.6%

(1) Reflects five-year compound annual growth rate, with 2016 as the base period.

(2) Totals may not sum due to rounding and other factors.

ADJUSTED EBITDA MARGIN

($ in millions)	2021
Net sales	**$8,408.3**
Operating income before interest expense, other non-operating expense (income) and taxes, as reported	$1,058.7
Operating margin, as reported	12.6%
Non-GAAP adjustments:	
Restructuring charges:	
Severance and related costs	$ 10.5
Asset impairment and lease cancellation charges	3.1
Other items[1]	(8.0)
Adjusted operating income (non-GAAP)	$1,064.3
Adjusted operating margin (non-GAAP)	12.7%
Depreciation and amortization	$ 244.1
Adjusted EBITDA (non-GAAP)	$1,308.4
Adjusted EBITDA margin (non-GAAP)	15.6%

(1) Includes pretax gain on venture investments, gain on sale of product line, outcomes of legal proceedings, transaction and related costs, and other items.

ADJUSTED EARNINGS PER SHARE (EPS)

	2016	2017	2018	2019	2020	2021	2017-2021 5-YR CAGR[1]	2020-2021 % Change
As reported net income per common share, assuming dilution	**$3.54**	**$ 3.13**	**$ 5.28**	**$ 3.57**	**$6.61**	**$8.83**	20.1%	33.6%
Non-GAAP adjustments per common share, net of tax:								
Restructuring charges and other items[2]	0.48	0.29	0.68	0.47	0.48	0.05		
Pension plan settlement and curtailment losses	–	–	0.84	3.12	0.01	0.03		
Tax benefit from discrete foreign tax structuring and planning transactions	–	–	(0.35)	(0.56)	–	–		
TCJA provisional amounts and subsequent adjustments[3]	–	1.91	(0.39)	–	–	–		
Impact of previously planned repatriation of foreign earnings for Q4 2017	–	(0.33)	–	–	–	–		
Adjusted net income per common share, assuming dilution (non-GAAP)	$4.02	$ 5.00	$ 6.06	$ 6.60	$7.10	$8.91	17.3%	25.4%

The adjusted tax rates were 32.8%, 28.0%, 25.0%, 24.6%, 24.1% and 25.0% for 2016, 2017, 2018, 2019, 2020 and 2021, respectively.

(1) Reflects five-year compound annual growth rate, with 2016 as the base period.

(2) Includes restructuring charges, transaction and related costs, gain/loss on venture investments, gain/loss on sale of assets, gain on sale of product line, outcomes of legal proceedings, Argentine peso remeasurement transition loss, reversal of acquisition-related contingent consideration and other items.

(3) In the fourth quarter of 2018, we finalized our provisional amounts as defined under SEC Staff Accounting Bulletin No. 118 related to the TCJA.

FREE CASH FLOW

($ in millions)	2019	2020	2021
Net cash provided by operating activities	**$ 746.5**	**$ 751.3**	**$1,046.8**
Purchases of property, plant and equipment	(219.4)	(201.4)	(255.0)
Purchases of software and other deferred charges	(37.8)	(17.2)	(17.1)
Proceeds from sales of property, plant and equipment	7.8	9.2	1.1
Proceeds from insurance and sales (purchases) of investments, net	4.9	5.6	3.1
Payments for certain acquisition-related transaction costs	–	–	18.8
Contributions for U.S. pension plan termination	10.3	–	–
Free cash flow (non-GAAP)	$ 512.3	$ 547.5	$ 797.7

RETURN ON TOTAL CAPITAL

($ in millions)	2020	2021
As reported net income	**$ 555.9**	**$ 740.1**
Interest expense, net of tax benefit	53.1	52.7
Effective tax rate	24.1%	25%
Net income, excluding interest expense and tax benefit of debt financing (non-GAAP)	609.0	792.8
Total debt	$2,116.8	$3,104.7
Shareholders' equity	1,484.9	1,924.4
Total debt and shareholders' equity	$3,601.7	$5,029.1
ROTC incl. acquisition amortization (non-GAAP)	18.1%	18.4%
Intangible amortization, net of tax benefit	$ 15.1	$ 33.5
Net income, excluding		
Interest expense and tax benefit of debt financing and intangible amortization (non-GAAP)	$ 624.1	$ 826.3
ROTC excl. acquisition amortization (non-GAAP)	18.5%	19.1%

ADJUSTED EARNINGS BEFORE INTEREST AND TAXES (EBIT)

($ in millions)	2019	2020	2021
As reported net income	**$303.6**	**$ 555.9**	**$ 740.1**
Reconciling items:			
Interest expense	75.8	70.0	70.2
Provision for (benefit from) income taxes	(56.7)	177.7	248.6
Earnings before interest expense and taxes	$322.7	$ 803.6	$1,058.9
Adjustments:			
Non-cash restructuring costs	4.8	6.2	2.4
Other items[1]	449.5	1.0	(49.2)
Adjusted earnings before interest expense, taxes, non-cash restructuring costs, acquisitions completed since the targets were set, and other items (non-GAAP)	$777.0	$ 810.8	$1,012.1

(1) Includes pension plan settlement and curtailment losses, transaction and related costs, gain/loss on venture investments, gain/loss on sale of assets, gain on sale of product line, outcomes of legal proceedings, Argentine peso remeasurement transition loss, reversal of acquisition-related contingent consideration, impact of acquisitions completed after targets were set and other items.

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We welcome your feedback on this report

Contact Us
averydennison.com/contactus

Email
info@averydennison.com

Visit **averydennison.com** and follow us on social media to learn more about how we are creating superior long-term, sustainable value for our customers, employees and investors and improving the communities in which we operate.

Company Websites
Corporate: averydennison.com

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Making a Material Difference

2021 Integrated Sustainability and Annual Reports; 2022 Proxy Statement

In support of our commitment to sustainability, the paper for this annual report is Forest Stewardship Council® (FSC®) certified, which promotes environmentally responsible, socially beneficial and economically viable management of the world's forests.

Printed on Rolland Enviro Print, 100 lb cover and 80 lb text, and Rolland Opaque Smooth, 40 lb text.

AVERY DENNISON