

Avery Dennison Corp  
Form 10-K  
February 23, 2017

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2016 10-K

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549**

**FORM 10-K**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the fiscal year ended December 31, 2016**

**Commission file number 1-7685**

**AVERY DENNISON CORPORATION**

*(Exact Name of Registrant as Specified in Its Charter)*

**Delaware**  
*(State of Incorporation)*

**95-1492269**  
*(I.R.S. Employer Identification No.)*

**207 Goode Avenue  
Glendale, California**  
*(Address of Principal Executive Offices)*

**91203**  
*(Zip Code)*

**Registrant's telephone number, including area code:  
(626) 304-2000**

**Securities registered pursuant to Section 12(b) of the Act:**

| <b>Title of Each Class</b>  | <b>Name of each exchange on which registered</b> |
|-----------------------------|--|
| Common stock, \$1 par value | New York Stock Exchange                          |

**Securities registered pursuant to Section 12(g) of the Act:  
Not applicable.**

Indicate by a check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by a check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer                       Accelerated filer                       Non-accelerated filer                       Smaller reporting company   
(do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

The aggregate market value of voting and non-voting common equity held by non-affiliates as of July 2, 2016, the last business day of the registrant's most recently completed second fiscal quarter, was \$6,414,034,778.

Number of shares of common stock, \$1 par value, outstanding as of January 28, 2017, the end of the registrant's most recent fiscal month: 88,123,603.

The following documents are incorporated by reference into the Parts of this Form 10-K below indicated:

| <b>Document</b>  | <b>Incorporated by reference into:</b> |
|--|--|
| Portions of Annual Report to Shareholders for fiscal year ended December 31, 2016                      | <b>Parts I, II</b>                     |
| Portions of Definitive Proxy Statement for Annual Meeting of Stockholders to be held on April 27, 2017 | <b>Parts III, IV</b>                   |

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**FISCAL YEAR 2016 ANNUAL REPORT ON FORM 10-K**

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**PART I**

**Item 1. BUSINESS**

**Company Background**

Avery Dennison Corporation ("Avery Dennison," the "Company," "Registrant," or "Issuer," which are generally referred to as "we" or "us") was incorporated in Delaware in 1977 as Avery International Corporation, the successor corporation to a California corporation of the same name that had been incorporated in 1946. In 1990, we merged one of our subsidiaries into Dennison Manufacturing Company ("Dennison"), as a result of which Dennison became our wholly-owned subsidiary and in connection with which our name was changed to Avery Dennison Corporation. You can learn more about us by visiting our website at [www.averydennison.com](http://www.averydennison.com). Our website address provided in this Form 10-K is not intended to function as a hyperlink and the information on our website is not, nor should it be considered, part of this report or incorporated by reference into this report.

**Business Overview and Reportable Segments**

Our businesses include the production of pressure-sensitive materials and a variety of tickets, tags, labels and other converted products. Some pressure-sensitive materials are sold to label printers and converters that convert the materials into labels and other products through embossing, printing, stamping and die-cutting. Some materials are sold by us 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, and imprinting equipment and related services, which we market to retailers, apparel manufacturers, and brand owners.

In the fourth quarter of 2016, we changed our operating structure to align with our overall business strategy, and our Chief Executive Officer, who is also our chief operating decision maker, requested changes in the information that he regularly reviews for purposes of allocating resources and assessing performance. As a result of these events, our fiscal year 2016 results are reported based on our new reportable segments described below and in Note 15, "Segment Information." We have reclassified certain prior period amounts to reflect our new operating structure.

Our reportable segments for fiscal year 2016 were:

Label and Graphic Materials ("LGM");

Retail Branding and Information Solutions ("RBIS"); and

Industrial and Healthcare Materials ("IHM").

These segment changes resulted in the movement of performance tapes (previously part of the former Pressure-sensitive Materials segment) and fastener solutions (previously part of RBIS) into the IHM segment.

In 2016, the LGM, RBIS, and IHM segments made up approximately 69%, 24% and 7%, respectively, of our total sales.

In 2016, international operations constituted a substantial majority of our business, representing approximately 75% of our sales. As of December 31, 2016, we operated approximately 180 manufacturing and distribution facilities worldwide and had operations in over 50 countries.

**Label and Graphic Materials Segment**

Our LGM segment manufactures and sells Fasson®, JAC®, and Avery Dennison®-brand pressure-sensitive label and packaging materials, Avery Dennison®- and Mactac®-brand graphics, and Avery



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Dennison®-brand reflective products. The business of this segment tends not to be seasonal, except for certain outdoor graphics and reflective products.

Pressure-sensitive materials consist primarily of papers, plastic films, metal foils and fabrics, which are coated with company-developed and purchased adhesives, and then laminated with specially coated backing papers and films. They are sold in roll or sheet form with either solid or patterned adhesive coatings, and are available in a wide range of face materials, sizes, thicknesses and adhesive properties.

A pressure-sensitive, or self-adhesive, material is one that adheres to a surface by press-on contact. It generally consists of four layers: a face material, which may be paper, metal foil, plastic film or fabric; an adhesive, which may be permanent or removable; a release coating; and a backing material to protect the adhesive from premature contact with other surfaces that can also serve as a carrier for supporting and dispensing individual labels. When the products are to be used, the release coating and protective backing are removed, exposing the adhesive so that the label or other face material may be pressed or rolled into place. Because they are easy to apply without the need for adhesive activation, self-adhesive materials can provide cost savings compared to other materials that require heat- or moisture-activated adhesives.

Label and packaging materials are sold worldwide to label converters for labeling, decorating, and special applications in the home and personal care, beer and beverage, durables, pharmaceutical, wine and spirits, and food market segments. When used in package decoration applications, the visual appeal of self-adhesive materials can help increase sales of the products on which the materials are applied. Self-adhesive materials are also used to convey a variety of variable information, such as bar codes for mailing or weight and price information for packaged meats and other foods. Self-adhesive materials provide consistent and versatile adhesion and are available in a large selection of materials, which can be made into labels of varying sizes and shapes.

Our graphics and reflective products include a variety of films and other products that are sold to the architectural, commercial sign, digital printing, and other related market segments. We also sell durable cast and reflective films to the construction, automotive, and fleet transportation market segments and reflective films for traffic and safety applications. We provide sign shops, commercial printers and designers a broad range of pressure-sensitive materials to enable them to create impactful and informative brand and decorative graphics. We have an array of pressure-sensitive vinyl and specialty materials designed for digital imaging, screen printing and sign cutting applications.

In the LGM segment, our larger competitors in label and packaging materials include Raflatac, a subsidiary of UPM-Kymmene Corporation, Lintec Corporation; Ritrama, Inc., Flexcon Corporation, Inc., and various regional firms. For graphics and reflective products, our largest competitors are 3M Company ("3M") and the Orafol Group. We believe that entry of competitors into the field of pressure-sensitive adhesives and materials is limited by technical knowledge and capital requirements. We believe that our technical expertise, size and scale of operations, broad line of quality products and service programs, distribution capabilities, brand strength, and new product innovation are the primary advantages in maintaining and further developing our competitive position.

## **Retail Branding and Information Solutions Segment**

Our RBIS segment designs, manufactures and sells a wide variety of branding and information solutions to retailers, brand owners, apparel manufacturers, distributors and industrial customers on a global basis. This segment experiences some seasonality, with higher volume generally in advance of the spring, fall (back-to-school), and holiday shipping periods. In recent years, as the apparel industry has moved to more frequent seasonal updates, this segment has experienced less seasonality than in previous years.

The branding solutions of RBIS include creative services, brand embellishments, graphic tickets, tags, and labels, and sustainable packaging. RBIS information solutions include item-level RFID solutions,

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visibility and loss prevention solutions; price ticketing and marking; care, content, and country of origin compliance solutions; and brand protection and security solutions.

In the RBIS segment, our primary competitors include Checkpoint Systems, Inc., a subsidiary of CCL Industries Inc., R-pac International Corporation, and SML Group Limited. We believe that our global distribution network, reliable service, product quality and consistency, and ability to serve customers consistently with comprehensive solutions wherever they manufacture are the key advantages in maintaining and further developing our competitive position.

### **Industrial and Healthcare Materials Segment**

Our IHM segment manufactures and sells Fasson®-brand and Avery Dennison®-brand tapes and fasteners, Vancive™-brand medical pressure-sensitive adhesive (PSA) based materials and products, and performance polymers. Our tape products include coated tapes and adhesive transfer tapes that are sold for use in non-mechanical fastening, bonding and sealing systems. The mechanical fasteners are primarily precision extruded and injection-molded plastic devices used in various applications in automotive, industrial, and retail applications.

These tapes and fasteners are sold worldwide to original equipment manufacturers, as well as converters, for use in various bonding and fastening applications in the automotive, electronics, building and construction, other industrial, and personal care segments. The tapes are available in roll form and in a wide range of face materials, sizes, thicknesses and adhesive properties.

Our Vancive-brand products include an array of PSA materials and products that address the needs of medical device manufacturers, clinicians, and patients for surgical, wound care, ostomy, and electromedical device applications.

For tapes and bonding solutions, our primary competitors include 3M, Tesa-SE, Nitto Denko Corporation, and various regional firms. We believe that entry of competitors into this field is limited by technical knowledge and capital requirements. We believe that our technical expertise, size and scale of operations, broad line of quality products and new product innovation are the most significant advantages in maintaining and further developing our competitive position in this business. For Vancive products, we compete with a variety of specialized medical tapes and converted products suppliers ranging from start-ups to multinational companies. We believe that entry into the medical solutions business is limited by capital and regulatory requirements. For fastener products, there are a variety of competitors supplying extruded and injection molded fasteners and fastener attaching equipment. They range from smaller regional competitors to multinational companies. We believe that entry into this business is limited by capital requirements and technical knowledge. For both our Vancive and fastener solutions businesses, we believe that our ability to serve our customers with high-quality, cost-effective solutions and our innovation capabilities are the most significant factors in developing our competitive positions.

### **Segment Financial Information**

Certain financial information on our reporting segments for fiscal years 2016, 2015, and 2014 appears in Note 15, "Segment Information," in the Notes to Consolidated Financial Statements contained in our 2016 Annual Report to Shareholders (our "2016 Annual Report") and is incorporated herein by reference. Certain prior period amounts have been reclassified to reflect our new reportable segments, as described above.

### **Foreign Operations**

Certain financial information about our sales by geographic area for fiscal years 2016, 2015, and 2014 appears in Note 15, "Segment Information," in the Notes to Consolidated Financial Statements contained in our 2016 Annual Report and is incorporated herein by reference.

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**Working Capital**

Certain financial information about our working capital for fiscal years 2016, 2015, and 2014 appears in the "Financial Condition" section of "Management's Discussion and Analysis of Financial Condition and Results of Operations" (Part II, Item 7) and is incorporated herein by reference.

**Research and Development**

Many of our current products are the result of our research and development efforts. Our research efforts are directed primarily toward developing new products and operating techniques and improving productivity and product performance, often in close association with customers. These efforts include patent and product development work relating to printing and coating technologies, as well as adhesive, release and ink chemistries. Additionally, we focus on research projects related to RFID in our RBIS segment and medical technologies in our IHM segment, for both of which we hold and license a number of patents.

Our expenses for research and development were \$89.7 million in 2016, \$91.9 million in 2015, and \$102.5 million in 2014.

**Patents, Trademarks and Licenses**

The loss of individual patents or licenses would not be material to us taken as a whole, nor to our operating segments individually. Our principal trademarks are Avery Dennison, our logo, and Fasson. We believe these trademarks are strong in the market segments in which our products compete.

**Manufacturing and Environmental Matters**

We use various raw materials primarily paper, plastic films and resins, as well as specialty chemicals purchased from various commercial and industrial sources that are subject to price fluctuations. Although shortages can occur from time to time, these raw materials are generally available.

We produce a majority of our self-adhesive materials using water-based emulsion and hot-melt adhesive technologies. Emissions from these operations contain small amounts of volatile organic compounds, which are regulated by federal, state, local and foreign governments. We continue to evaluate the use of alternative materials and technologies to minimize these emissions.

A portion of our manufacturing process for self-adhesive materials utilizes certain organic solvents which, unless controlled, could be emitted into the atmosphere or contaminate soil or groundwater. Emissions of and contamination by these substances are regulated by federal, state, local and foreign governments. In connection with the maintenance and acquisition of certain manufacturing equipment, we invest in solvent capture and control units to assist in regulating these emissions.

We have developed adhesives and adhesive processing systems that minimize the use of solvents. Emulsion adhesives, hot-melt adhesives, and solventless and emulsion silicone systems have been installed in many of our facilities.

Based on current information, we do not believe that the cost of complying with applicable laws regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment, will have a material effect upon our capital expenditures, consolidated financial position or results of operations.

For information regarding our potential responsibility for cleanup costs at certain hazardous waste sites, see "Legal Proceedings" (Part I, Item 3) and "Management's Discussion and Analysis of Financial Condition and Results of Operations" (Part II, Item 7).



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**Available Information**

Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed with, or furnished to, the Securities and Exchange Commission ("SEC") pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), are available free of charge on our investor website at [www.investors.averydennison.com](http://www.investors.averydennison.com) as soon as reasonably practicable after electronic filing with or furnishing to the SEC. We also make available on our website our (i) Amended and Restated Certificate of Incorporation, (ii) Amended and Restated Bylaws, (iii) Corporate Governance Guidelines, (iv) Code of Conduct, which applies to our directors, officers and employees, (v) Code of Ethics for the Chief Executive Officer and Senior Financial Officers, (vi) charters of the Audit and Finance, Compensation and Executive Personnel, and Governance and Social Responsibility Committees of our Board of Directors, and (vii) Audit Committee Complaint Procedures for Accounting and Auditing Matters. These documents are also available free of charge by written request to Corporate Secretary, Avery Dennison Corporation, 207 Goode Avenue, Glendale, California 91203.

Reports filed with the SEC may be viewed at [www.sec.gov](http://www.sec.gov) or obtained at the SEC Public Reference Room in Washington, D.C. Information about the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330.

**Item 1A. RISK FACTORS**

The factors and risks discussed below, as well as the matters generally described in this Annual Report on Form 10-K and the documents incorporated herein by reference, could materially adversely affect our business, including our results of operations, cash flows and financial condition, and cause the value of our securities to decline. The risks described below are not exhaustive. Our ability to attain our goals and objectives is dependent on numerous factors and risks, including but not limited to, the ones described below:

*The demand for our products is impacted by the effects of, and changes in, worldwide economic, political and market conditions, which could have a material adverse effect on our business.*

In 2016, approximately 75% of our sales were from international operations. We have operations in over 50 countries and our domestic and international operations are strongly influenced by matters beyond our control, including changes in political, social, economic and labor conditions, tax laws (including U.S. taxes on foreign earnings), and international trade regulations (including tariffs), as well as the impact of these changes on the underlying demand for our products.

Macroeconomic developments such as continued slower growth in China and parts of South America, the ongoing restructuring efforts relating to European sovereign and other debt obligations, the weakening of local economies in which we operate and uncertainty in the global credit or financial markets leading to the loss of consumer confidence could result in a material adverse effect on our business as a result of, among other things, reduced consumer spending, declines in asset valuations, diminished liquidity and credit availability, volatility in securities prices, credit rating downgrades, and fluctuations in foreign currency exchange rates, such as the decline in 2016 in the value of the British pound and declines in the value of the euro and Chinese Yuan (renminbi) seen in recent years. These declines could result in a variety of negative effects, including lower revenues, increased costs, lower gross margin percentages, increased allowances for doubtful accounts and/or write-offs of accounts receivable, and required recognition of impairments of capitalized assets, including goodwill and other intangibles.

Due to recent changes in the U.S. government, we face uncertainty with respect to trade relations between the U.S. and many of its trading partners. There is significant risk that tariffs or other restrictions could be imposed on products imported from China, Mexico or other countries, or that relations with these

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countries and U.S. trading parties could more broadly deteriorate. These countries could retaliate by imposing similar tariffs or restrictions on products exported from the U.S. Any of these actions or further developments in U.S. trade relations could have a material adverse effect on our business.

In addition, business and operational disruptions or delays caused by political, social or economic instability and unrest such as the ongoing significant civil, political and economic disturbances in places like Russia, Ukraine, Syria, Iraq, Iran, Turkey and the related impact on global stability, terrorist attacks and the potential for other hostilities, public health crises or natural disasters in various parts of the world could contribute to a climate of economic and political uncertainty that in turn could have material adverse effects on our business. We are not able to predict the duration and severity of adverse economic, political or market conditions in the U.S. or other countries.

*We are affected by competitive conditions and customer preferences. If we do not compete effectively, we could lose market share or reduce selling prices to maintain market share, which could materially adversely affect our business.*

We are at risk that our competitors, which include certain of our customers and distributors, will expand in our key market segments and implement new technologies, enhancing their competitive position relative to ours. Competitors also may be able to offer additional products, services, lower prices, or other incentives that we cannot or would not offer or that would make our products less profitable. There can be no assurance that we will be able to compete successfully against current or future competitors.

We also are at risk to changes in customer order patterns, such as changes in the levels of inventory maintained by customers and the timing of customer purchases, which may be affected by announced price changes, changes in our incentive programs, or changes in the customer's ability to achieve incentive targets. Changes in customers' preferences for our products can also affect the demand for our products. Decline in demand for our products could have a material adverse effect on our business. For example, in 2016, we announced the loss of a specific customer personal care program that had a negative impact on our business during the year.

*As a manufacturer, our sales and profitability are dependent upon the cost and availability of raw materials and energy, which are subject to price fluctuations, and our ability to control or pass on raw material and labor costs. Raw material cost increases could materially adversely affect our business.*

The environment for raw materials used in our businesses could become challenging and volatile, impacting availability and pricing. Additionally, energy costs can be volatile and unpredictable. Shortages and inflationary or other increases in the costs of raw materials, labor and energy have occurred in the past, and could recur. In addition, to verify our products as "conflict-free" as required by SEC rules requiring disclosure concerning the use of certain minerals that are mined from the Democratic Republic of Congo and adjoining countries ("Conflict Mineral Rules"), we could make alternative sourcing and supply decisions for materials used in certain of our products, which could materially adversely affect our pricing terms. Our performance depends in part on our ability to pass on cost increases for raw materials to customers by raising the selling prices for our products and our ability to improve productivity. Depending on market dynamics and the terms of customer contracts, our ability to recover any increased costs of obtaining raw materials from third party suppliers due to the Conflict Mineral Rules or otherwise may be limited.

Also, it is important for us to obtain timely delivery of materials, equipment, and other resources from suppliers, and to make timely delivery to customers. We may experience supply chain interruptions due to natural and other disasters or other events, or our existing relationships with suppliers could be terminated in the future. Any such disruption to our supply chain could have a material adverse effect on our sales and profitability, and any sustained interruption in our receipt of adequate supplies could have a material adverse effect on our business.

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*Because our products are sold by third parties, our business depends in part on the financial health of these parties.*

Our products are sold not only by us, but also by third-party distributors as well. Some of our distributors also market products that compete with our products. Changes in the financial or business conditions, including economic weakness, market trends or industry consolidation, or the purchasing decisions of these third parties or their customers could materially adversely affect our business.

*We outsource some of our manufacturing. If there are significant changes in the quality control or financial or business condition of these outsourced manufacturers, our business could be negatively impacted.*

We manufacture most of our products, but we also occasionally use third-party manufacturers for specialty jobs or capacity overflow. Outsourcing manufacturing reduces our ability to prevent product quality issues, late deliveries, customer dissatisfaction and noncompliance with customer requirements for labor standards. Because of possible quality issues and customer dissatisfaction, deficiencies in the performance of outsourced manufacturers could have a material adverse effect on our business.

*Our operations and activities outside of the U.S. may subject us to risks different from and potentially greater than those associated with our domestic operations.*

A substantial portion of our employees and assets are located outside of the U.S. and, for the year ended December 31, 2016, approximately 75% of our sales were generated from customers located outside of the U.S. International operations and activities involve risks that are different from and potentially greater than the risks we face with respect to our domestic operations, including our less extensive knowledge of and relationships with contractors, suppliers, distributors and customers in certain of these markets; changes in foreign political, regulatory and economic conditions, including nationally, regionally and locally; materially adverse effects of changes in exchange rates for foreign currencies; challenges with respect to the repatriation of foreign earnings; challenges of complying with a wide variety of foreign laws and regulations, including those relating to sales, corporate governance, operations, taxes, employment and legal proceedings; establishing effective controls and procedures to regulate our international operations and monitor compliance with U.S. laws and regulations such as the Foreign Corrupt Practices Act and similar foreign laws and regulations, including the United Kingdom's Bribery Act of 2010; differences in lending practices; challenges of complying with applicable export and import control laws and regulations; and differences in languages, cultures and time zones.

The realization of any of these risks or the failure to comply with any of these laws or regulations could expose us to liabilities and have a material adverse effect on our business.

In June 2016, the United Kingdom ("UK") held a referendum in which voters approved the UK's exit from the European Union (commonly known as "Brexit"). The immediate impact of Brexit was a significant decline in the value of the British pound compared to the U.S. dollar. There may be further volatility in the value of the British pound and the economic stability of the UK, which may affect our ability to sell products in the UK. There is also uncertainty as to how Brexit will affect the legal and regulatory environment in the UK and European Union, as well as whether it may lead other countries in the European Union to approve similar measures and cause further uncertainty in the region. While our operations in the UK are relatively small, legal and regulatory changes in this region could have a material adverse effect on our business.

*Our reputation, sales, and earnings could be materially adversely affected if the quality of our products and services does not meet customer expectations. In addition, product liability claims or regulatory actions could materially adversely affect our financial results or reputation.*

There are occasions when we experience product quality issues resulting from defective materials, manufacturing, packaging or design. Many of these issues are discovered before shipping, causing delays in

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shipping, delays in the manufacturing process, and occasionally cancelled orders. When issues are discovered after shipment, they may result in additional shipping costs, discounts, refunds, or loss of future sales. Both pre-shipment and post-shipment quality issues could have material adverse effects on our business and negatively impact our reputation.

Claims for losses or injuries purportedly caused by some of our products arise in the ordinary course of our business. In addition to the risk of substantial monetary judgments and penalties that could have a material adverse effect on our business, product liability claims or regulatory actions could result in negative publicity that could harm our reputation in the marketplace and the value of our brands. We also could be required to recall and possibly discontinue the sale of potentially defective or unsafe products, which could result in adverse publicity and significant expenses. Although we maintain product liability insurance coverage, potential product liability claims are subject to a deductible or could be excluded under the terms of the policy.

*Changes in our business strategies may increase our costs and could affect the profitability of our businesses.*

As our business environment changes, we may need to adjust our business strategies or restructure our operations or particular businesses. In 2015, we announced a multi-year transformation plan for our former RBIS segment focused on accelerating growth through a more regionally driven business model intended to simplify our go-to-market strategy, optimize management efficiencies and consolidate our manufacturing footprint. In addition, we have initiated restructuring and investment actions across our businesses designed to increase profitability. As we continue to develop and adjust our growth strategies, we may invest in new businesses that have short-term returns that are negative or low and whose ultimate business prospects are uncertain or unprofitable. For example, in the fourth quarter of 2015, we made the decision to exit one of our anticipated growth platforms in our former Vancive segment in order to refocus our efforts on more profitable strategic alternatives. We cannot provide assurance that we will achieve the intended results of any of our business strategies, which involve operational complexities, consume management attention and require substantial resources and effort. If we fail to achieve the intended results of such actions, our costs could increase, our assets could be impaired, and our returns on investments could be lower.

*Our growth strategy includes increased concentration in emerging markets, which could create greater exposure to unstable political conditions, civil unrest, economic volatility and other risks applicable to international operations.*

An increasing amount of our sales are derived from emerging markets, including countries in Asia, Latin America and Eastern Europe. The profitable growth of our business in emerging markets is a significant focus of our long-term growth strategy and our regional results can fluctuate significantly based on economic conditions in these regions, which occurred with our results in China in 2016. If we are unable to successfully expand our business in emerging markets or achieve the return on capital we expect as a result of our investments in these countries, our financial performance could be materially adversely affected. In addition to the risks applicable to our international operations, factors that could have a material adverse effect on our operations in these developing and emerging markets include the lack of well-established or reliable legal systems and possible disruptions due to unstable political conditions, civil unrest or economic volatility. These factors could result in decreased consumer purchasing power, reduced demand for our products or an impaired ability to achieve our long-term growth strategy, thereby having a material adverse effect on our business.

*If we are unable to develop and successfully market new products and applications, we could compromise our competitive position.*

The timely introduction of new products and improvements in current products helps determine our success. Many of our current products are the result of our research and development efforts. Our research

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efforts are directed primarily toward developing new products and operating techniques and improving product performance, often in close association with our customers or end users. These efforts include patent and product development work relating to printing and coating technologies, as well as adhesive, release and ink chemistries. Additionally, we focus on research projects related to RFID in our RBIS segment and medical technologies in our IHM segment, for both of which we hold and license a number of patents. However, research and development is complex and uncertain, requiring innovation and anticipation of market trends. We could focus on products that ultimately are not accepted by customers or end users or we could suffer delays in the production or launch of new products that may not lead to the recovery of our research and development expenditures and, as a result, could compromise our competitive position.

*Miscalculation of our infrastructure needs could have a material adverse effect on our business.*

We may not be able to recoup the costs of our infrastructure investments if actual demand is not as we anticipate. For example, in September 2015, we completed an expansion of our manufacturing facility located in Kunshan, China and added a new coater to meet our projected demand for pressure-sensitive tapes in China. In 2016, we announced additional investments in capacity to support growth in our U.S. graphics business, in Asia and Luxembourg, and in RFID and heat transfer technology. These infrastructure investments are long-term in nature, and it is possible that these investments may not generate the expected return due to changes in the marketplace, failures to complete implementation, and other factors. Significant changes from our expected need for and/or returns on our infrastructure investments could materially adversely affect our business.

*Our future profitability may be materially adversely affected if we generate less productivity improvement than projected.*

We engage in restructuring actions intended to reduce our costs and increase efficiencies across our business segments. For example, in 2015, we announced a multi-year transformation plan for our former RBIS segment focused on accelerating growth through a more regionally driven business model intended to simplify our go-to-market strategy, optimize management efficiencies and consolidate our manufacturing footprint. In addition, we intend to continue efforts to reduce costs in our operations, which have in the past included, and may continue to include, facility closures and square footage reductions, headcount reductions, organizational restructuring, process standardization, and manufacturing relocation. The success of these efforts is not assured and lower levels of productivity could reduce profitability. In addition, cost reduction actions could expose us to production risk, loss of sales and employee turnover.

*Foreign currency exchange rates, and fluctuations in those rates, may materially adversely affect our business.*

With approximately 75% of our sales for the fiscal year ending December 31, 2016 arising from foreign sales, we are subject to fluctuations in foreign currencies, such as the euro, the Chinese yuan (renminbi), and the British pound which can cause transaction, translation and other losses, and could negatively impact our sales and profitability. Margins on sales of our products in foreign countries could be materially adversely affected by foreign currency exchange rate fluctuations.

We monitor our foreign currency exposures and may, from time to time, use hedging instruments to mitigate transactional exposure to changes in foreign currencies. The effectiveness of our hedges in part depends on our ability to accurately forecast future cash flows, which is particularly difficult during periods of uncertain demand for our products and services and highly volatile exchange rates. Further, hedging activities may only offset a portion, or none at all, of the material adverse financial effects of unfavorable movements in foreign exchange rates over the limited time the hedges are in place and we may incur significant losses from hedging activities due to factors such as demand volatility and currency fluctuations.

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Additionally, concerns regarding the short- and long-term stability of the euro and its ability to serve as a single currency for countries in the Eurozone could lead individual countries to revert, or threaten to revert, to their former local currencies, potentially dislocating the euro. If this were to occur, the assets we hold in a country that re-introduces its local currency could be significantly devalued, the cost of raw materials or our manufacturing operations could substantially increase, and the demand and pricing for our products could be materially adversely affected. Furthermore, if it were to become necessary for us to conduct business in additional currencies, we could be subject to additional earnings volatility as amounts in these currencies are translated into U.S. dollars.

*We have acquired companies and may continue to acquire other companies. Acquisitions come with significant risks and uncertainties, including those related to integration, technology and personnel.*

To grow our product lines and expand into new markets, we have made acquisitions in the past and may do so in the future. In 2016, we completed the acquisition of the European business of Mactac, a leading manufacturer of high-quality pressure-sensitive materials serving several graphics, specialty labels and industrial tapes segments, for \$220 million. We also announced our agreement to acquire Hanita Coatings, a pressure-sensitive materials manufacturer of specialty films and laminates, for \$75 million, subject to customary adjustments. In February 2017, we announced our agreement to acquire Yongle Tape Company Ltd., a manufacturer of specialty tapes and related products used in a variety of industrial markets, for \$190 million, which is subject to customary adjustments, with an additional earn-out opportunity of up to \$55 million to be paid based on the acquired business' achievement of certain performance targets over the next two years. Various risks, uncertainties, and costs are associated with acquisitions. Effective integration of systems, controls, objectives, personnel, product lines, market segments, customers, suppliers, and production facilities and cost savings can be difficult to achieve, and the results of integration actions are uncertain, particularly given our geographically dispersed organization. In addition, we may not be able to retain key personnel of an acquired company or successfully execute integration strategies and achieve projected performance targets for the business segment into which an acquired company is integrated. Both before and after the closing of an acquisition, our business and those of the acquired company or companies may suffer due to uncertainty or diversion of management attention. There can be no assurance that any acquisitions will be successful and contribute to our profitability and we may not be able to identify or execute new acquisition opportunities in the future.

*Divestures of any of our businesses or product lines could have a material adverse effect on our business.*

We continually evaluate the performance of our businesses and may determine to sell a business or product line. While we believe these divestures are in the best interests of our long-term strategy, they may result in significant write-offs or impairments of assets, including goodwill and other intangible assets. For example, we completed the sale of certain of our assets and liabilities associated with a product line in our former RBIS segment in May 2015 at a loss and incurred impairment charges as well as exit costs, including costs associated with severance payments. Any future divestitures we undertake may also involve additional risks, including separation of operations, products and personnel, diversion of management attention, disruption to our other businesses and loss of key employees. We may not successfully manage these or other risks we may confront in divesting a business or product line, which could have a material adverse effect on our business.

*Difficulty in the collection of receivables as a result of economic conditions or other market factors could have a material adverse effect on our business.*

Although we have processes to administer credit granted to customers and believe our allowance for doubtful accounts is adequate, we have experienced, and in the future may experience, losses as a result of our inability to collect certain accounts receivable. The financial difficulties of a customer could result in reduced business with that customer. We may also assume higher credit risk relating to receivables of a customer experiencing financial difficulty. If these developments occur, our inability to collect on our accounts receivable from major customers could substantially reduce our cash flows and income and have a material adverse effect on our business.

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*Changes in our tax rates could affect our future results.*

Our future effective tax rate could be affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, or changes in tax laws and regulations or their interpretation. There can be no assurance that these changes will not have a material adverse effect on our business.

*The amount of various taxes we pay is subject to ongoing compliance requirements and audits by federal, state and foreign tax authorities.*

We are subject to regular examinations of our income tax returns by various tax authorities. We regularly assess the likelihood of material adverse outcomes resulting from these examinations to determine the adequacy of our provision for taxes. In addition, tax enforcement has become increasingly aggressive in recent years, including recent actions by the European Commission related to disallowed state aid, with increased focus on transfer pricing and intercompany documentation. Our estimate of the potential outcome of uncertain tax issues is subject to our assessment of relevant risks, facts, and circumstances existing at the time. We use these assessments to determine the adequacy of our provision for income taxes and other tax-related accounts. 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 materially adversely impact our effective tax rate and have a material adverse effect on our business.

*We have deferred tax assets that we may not be able to realize under certain circumstances.*

If we are unable to generate sufficient future taxable income in certain jurisdictions, or if there is a significant change in the time period within which the underlying temporary differences become taxable or deductible, we could be required to increase our valuation allowances against our deferred tax assets. This would result in an increase in our effective tax rate and could have a material adverse effect on our future results. In addition, changes in statutory tax rates may change our deferred tax asset or liability balances, with either a favorable or unfavorable impact on our effective tax rate. The computation and assessment of realizability of our deferred tax assets may also be materially impacted by new legislation or regulations.

*Potential tax liabilities and proposed changes in U.S. tax legislation could materially impact our business.*

In 2016, approximately 75% of our sales were generated from customers located outside of the U.S., and a substantial portion of our assets and employees were located outside of the U.S. While we are taxed by local authorities on earnings from these sales, we have not accrued U.S. income taxes or foreign withholding taxes on most of our unrepatriated earnings for non-U.S. subsidiaries because we intend to indefinitely reinvest in the operations of those subsidiaries. Our results of operations and cash flows from operating activities may be materially adversely affected if tax rules regarding unrepatriated earnings change, if changes in our domestic cash needs require us to repatriate foreign earnings for which no tax provisions have been made, or if the U.S. international tax rules change as part of comprehensive tax reform or other tax legislation. Due to recent changes in the U.S. government, the impact of future changes in tax laws and regulations and their application by regulators are uncertain.

*Significant disruption to the information technology infrastructure that stores our information could materially adversely affect our business.*

We rely on the efficient and uninterrupted operation of a large and complex information technology infrastructure to link our global business. Like other information technology systems, ours is susceptible to a number of risks including, but not limited to, damage or interruptions resulting from a variety of causes such as obsolescence, natural disasters, power failures, human error, viruses, social engineering, phishing, or other malicious attacks and data security breaches. We upgrade and install new systems, which, if installed or programmed incorrectly or on a delayed timeframe, could cause delays or cancellations of

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customer orders, impede the manufacture or shipment of products, or disrupt the processing of transactions. For example, in 2016, we announced investment in information technology to upgrade the systems in our North American Label and Graphic Materials business and drive supply chain productivity. We have implemented measures to mitigate our risk related to system and network disruptions, but if a disruption were to occur, we could incur significant losses and remediation costs that could have a material adverse effect on our business. Additionally, we rely on services provided by third-party vendors for a significant portion of our information technology support, development and implementation, which makes our operations vulnerable to a failure by any one of these vendors to perform adequately or maintain effective internal controls.

*Security breaches could compromise our information and expose us to liability, which could cause our business and reputation to suffer.*

We maintain information necessary to conduct our business in digital form, which is stored in data centers and on our networks and third-party cloud services, including confidential and proprietary information as well as personal information regarding our customers and employees. The secure maintenance of this information is critical to our operations. Data maintained in digital form is subject to the risk of intrusion, tampering and theft. We develop and maintain systems to prevent this from occurring, but the development and maintenance of these systems is costly and requires ongoing monitoring and updating as technologies change and efforts to overcome security measures become more sophisticated. Moreover, despite our efforts, the possibility of intrusion, tampering and theft cannot be eliminated entirely. Our information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. Additionally, we provide confidential, proprietary and personal information to third parties when it is necessary to pursue business objectives. While we obtain assurances that these third parties will protect this information and, where appropriate, assess the protections employed by these third parties, there is a risk the confidentiality of data held by third parties may be compromised.

Any such breach or attack could compromise our network, the network of a third party to whom we have disclosed confidential, proprietary or personal information, a data center where we have stored such information or a third-party cloud service provider, and the information stored there could be accessed, publicly disclosed, lost or stolen. Any such access, disclosure or other loss of information could result in legal claims or proceedings, disrupt our operations, damage our reputation, impair our ability to conduct business, or result in the loss or diminished value of profitable opportunities and the loss of revenue as a result of unlicensed use of our intellectual property. Contractual provisions with third parties, including cloud service providers, may limit our ability to recover these losses. If personal information of our customers or employees were misappropriated, our reputation with our customers and employees could be injured, resulting in loss of business or morale, and we could incur costs to compensate our customers or employees or pay damages or fines as a result of litigation or regulatory actions arising out of any such incident.

From time to time, we have experienced unauthorized intrusions into our network, and although these intrusions did not have a material adverse effect on our business, this may not be the case going forward. Following these attacks, we have taken additional steps designed to improve the security of our networks and computer systems. Despite these defensive measures, there can be no assurance that we are adequately protecting our information, that third parties to whom we have disclosed such information or with whom we have stored such information (in data centers and on the cloud) are taking similar precautions, or that we will not continue to experience future intrusions.



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*For us to remain competitive, it is important to recruit and retain our key management and highly-skilled employees. We also utilize various outsourcing arrangements for certain services, and related delays, resource availability, or errors by these service providers may lead to increased costs or disruption in our business.*

There is significant competition to recruit and retain key management and highly-skilled employees. In particular, due to expansion to additional geographies and our ongoing productivity efforts and recent employee restructuring actions, it may be difficult for us to recruit and retain sufficient numbers of highly-skilled employees. We may also be unable to recruit and retain key management and highly-skilled employees if we do not offer market-competitive employment and compensation terms. If we fail to recruit or retain our key management or sufficient numbers of highly-skilled employees, we could experience disruption in our businesses and difficulties managing our operations and implementing our business strategy.

Executive succession planning is also important to our long-term success. For example, we experienced several recent key management changes, including the appointments of a new Chief Financial Officer in 2015 and a new Chief Executive Officer in 2016. While we believe we have appropriate succession procedures in place, any failure to ensure effective transfer of knowledge and smooth transitions involving any of our key management or other highly-skilled employees could hinder our strategic planning and execution.

In addition, we have outsourced certain services to third-party service providers, and may outsource other services in the future to achieve cost savings and operating efficiencies. Service provider delays, resource availability, business issues or errors may disrupt our businesses and/or increase costs. If we do not effectively develop, implement and manage outsourcing relationships, if third-party providers do not perform effectively or in a timely manner, or if we experience problems with transitioning work to a third party, we may not be able to achieve our expected cost savings, and may experience delays or incur additional costs to correct errors made by these service providers.

*We have one U.S. collective bargaining unit and various non-U.S. collective labor arrangements, which make us subject to potential work stoppages, union and works council campaigns and other labor disputes, any of which could adversely impact our business.*

Work interruptions or stoppages could significantly impact the volume of products we have available for sale. In addition, collective bargaining agreements, union contracts and labor laws may impair our ability to reduce labor costs by closing or downsizing manufacturing facilities to restructure our business because of limitations on personnel and salary changes and similar restrictions. A work stoppage at one or more of our facilities could have a material adverse effect on our business. In addition, if any of our customers were to experience a work stoppage, that customer may halt or limit purchases of our products, which could have a material adverse effect on our business.

*Our share price may be volatile.*

Changes in our stock price may affect our access to, or cost of financing from, capital markets and may affect our stock-based compensation arrangements, among other things. Our stock price, which has at times experienced, and may in the future experience, substantial volatility, is influenced by changes in the overall stock market and demand for equity securities in general. Other factors, including our financial performance on a standalone basis and relative to our peers and competitors, as well as market expectations of our future performance, the level of perceived growth of our industries, and other company-specific factors, can also materially adversely affect our share price. There can be no assurance that our stock price will not be volatile in the future.

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*If our indebtedness increases significantly or our credit ratings are downgraded, we may have difficulty obtaining acceptable short- and long-term financing.*

Our overall level of indebtedness and credit ratings are significant factors in our ability to obtain short- and long-term financing. Higher debt levels could negatively impact our ability to meet other business needs and could result in higher financing costs. The credit ratings assigned to us also impact the interest rates paid. A downgrade of our short-term credit ratings could impact our ability to access the commercial paper markets and increase our borrowing costs. If our access to commercial paper markets were to become limited and we were required to obtain short-term funding under our revolving credit facility or our other credit facilities, we would face increased exposure to variable interest rates.

*An increase in interest rates could have a material adverse effect on our business.*

In 2016, our average variable-rate borrowings were approximately \$281 million. Increases in short-term interest rates would directly impact the amount of interest we pay. An assumed 20 basis point move in interest rates affecting our variable-rate borrowings (10% of our weighted-average interest rate on floating rate debt) would have increased interest expense by approximately \$.5 million on variable-rate borrowings in 2016. Fluctuations in interest rates can increase borrowing costs and have a material adverse effect on our business.

In response to the last global economic recession, extraordinary monetary policy actions of the U.S. Federal Reserve and other central banking institutions, including the utilization of quantitative easing, were taken to create and maintain a low interest rate environment. However, in December 2015, the U.S. Federal Reserve raised its benchmark interest rate by a quarter of a percentage point for the first time since 2006. The U.S. Federal Reserve raised this rate by an additional quarter of a percentage point in December 2016 and indicated that additional increases would likely be forthcoming in 2017. While it is unclear whether these actions suggest a change in previous monetary policy positions, including but not limited to an elimination of quantitative easing over time, any such change or market expectation of such change may result in significantly higher long-term interest rates. Such a transition may be abrupt and may, among other things, reduce the availability and/or increase the costs of obtaining new debt and refinancing existing indebtedness, and negatively impact the market price of our common stock.

*Our current and future debt covenants may limit our flexibility.*

Our credit facilities and the indentures governing our notes contain, and any of our future indebtedness likely would contain, restrictive covenants that impose operating and financial restrictions on us. Among other things, these covenants restrict our ability to incur additional indebtedness, incur certain liens on our assets, make certain investments, sell our assets or merge with third parties, and enter into certain transactions. We are also required to maintain specified financial ratios under certain conditions. These restrictive covenants and ratios in our existing debt agreements and any future financing agreements may limit or prohibit us from engaging in certain activities and transactions that may be in our long-term best interests and could place us at a competitive disadvantage relative to our competitors, which could materially adversely affect our business.

*Additional financings may dilute the holdings of our current shareholders.*

In order to provide capital for the operation of our business, we may enter into additional financing arrangements. These arrangements may involve the issuance of new shares of preferred or common stock, convertible debt securities and/or warrants. Any of these issuances could result in a material increase in the number of shares of common stock outstanding, which would dilute the ownership interests of our existing common shareholders. In addition, any new securities could contain provisions, such as priorities on distributions and voting rights, that could materially adversely affect the value of our existing common stock.

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*The level of returns on our pension and postretirement plan assets and the actuarial assumptions used for valuation purposes could affect our earnings and cash flows in future periods. Changes in accounting standards and government regulations could also affect our pension and postretirement plan expense and funding requirements.*

We evaluate the assumptions used in determining projected benefit obligations and the fair value of plan assets for our pension plan and other postretirement benefit plans in consultation with outside actuaries. In the event that we were to determine that changes were warranted in the assumptions used, such as the discount rate, expected long-term rate of return, or health care costs, our future pension and projected postretirement benefit expenses and funding requirements could increase or decrease. Because of changing market conditions or changes in the participant population, the actuarial assumptions that we use may differ from actual results, which could have a significant impact on our pension and postretirement liability and related costs. Funding obligations for each plan are determined based on the value of assets and liabilities on a specific date as required under applicable government regulations. Future pension funding requirements, and the timing of funding payments, could also be affected by future legislation or regulation.

*Our pension assets are significant and subject to market, interest and credit risk that may reduce their value.*

Changes in the value of our pension assets could materially adversely affect our earnings and cash flows. In particular, the value of our investments may decline due to increases in interest rates or volatility in the financial markets. In addition, we may take actions to reduce the financial volatility associated with our pension liabilities, which could result in charges in the nearer term. In 2016, we incurred approximately \$41 million in non-cash charges in connection with the lump-sum settlement of certain pension obligations to terminated vested employees in our U.S. pension plan, which reduced our pension liability by approximately \$70 million. Although we mitigate these risks by investing in high quality securities, ensuring adequate diversification of our investment portfolio and monitoring our portfolio's overall risk profile, the value of our investments may nevertheless decline.

*An impairment in the carrying value of goodwill could negatively impact our results of operations and net worth.*

Goodwill is initially recorded at fair value and not amortized, but is reviewed for impairment annually (or more frequently if impairment indicators are present). We review goodwill for impairment by comparing the fair value of a reporting unit to its carrying value. In assessing fair value, we make estimates and assumptions about sales, operating margins, growth rates, and discount rates based on our business plans, economic projections, anticipated future cash flows and marketplace data. There are inherent uncertainties related to these factors and management's judgment in applying these factors. Goodwill valuations have been calculated primarily using an income approach based on the present value of projected future cash flows of each reporting unit. We could be required to evaluate the carrying value of goodwill prior to the annual assessment if we experience disruptions to our business, unexpected significant declines in operating results, divestiture of a significant component of our business or sustained market capitalization declines. These types of events could result in goodwill impairment charges in the future. Impairment charges could substantially affect our business in the periods in which they are made.

*Unfavorable developments in legal proceedings, investigations and other legal, environmental, compliance and regulatory matters, could impact us in a materially adverse manner.*

Our financial results could be materially adversely affected by an unfavorable outcome to pending or future litigation and investigations, and other legal, environmental, compliance and regulatory matters. See "Legal Proceedings" (Part I, Item 3).

In addition, the requirements set forth in the Conflict Mineral Rules required us to undertake due diligence efforts that are expected to continue into the future. We expect to continue incurring costs

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associated with complying with these disclosure requirements, including for conducting diligence procedures to determine the sources of conflict minerals that may be used or necessary to the production of our products and, if applicable, potential changes to products, processes or sources of supply as a consequence of these verification activities. Our reputation may be harmed if we are not able to sufficiently verify the origins for the minerals and metals used in our products.

There can be no assurance that any outcome of any litigation, investigation or other legal, environmental, compliance and regulatory matter will be favorable.

*We are required to comply with anti-corruption laws and regulations of the U.S. government and various international jurisdictions, and our failure to comply with these laws and regulations could have a material adverse effect on our business.*

We are required to comply with the anti-corruption laws and regulations of the U.S. government and various international jurisdictions, such as the U.S. Foreign Corrupt Practices Act and the UK's Bribery Act of 2010. If we fail to comply with anti-corruption laws, we could be subject to substantial civil and criminal penalties, including regulatory fines, monetary damages and incarceration for responsible employees and managers. In addition, if our distributors or agents fail to comply with these laws, we may also be materially adversely affected through reputational harm and penalties.

*We are required to comply with global environmental, health, and safety laws. The costs of complying with these laws could materially adversely affect our business.*

We are subject to national, state, provincial and/or local environmental, health, and safety laws and regulations in the U.S. and abroad, including those related to the disposal of hazardous waste from our manufacturing processes. Compliance with existing and future environmental, health and safety laws could subject us to future costs or liabilities, impact our production capabilities, limit our ability to sell, expand or acquire facilities, and have a material adverse effect on our business. Environmental and product content and product safety laws and regulations can be complex and change often. We have accrued liabilities for the environmental clean-up of certain sites, including sites for which U.S. governmental agencies have designated us as a potentially responsible party, where it is probable that a loss will be incurred and the cost or amount of loss can be reasonably estimated. See "Legal Proceedings" (Part I, Item 3). However, because of the uncertainties associated with environmental assessment and remediation activities, future expense to remediate currently identified sites and other sites that could be identified for cleanup in the future could be higher than the liabilities accrued.

*We are subject to governmental export and import control laws and regulations in certain jurisdictions where we do business that could subject us to liability or impair our ability to compete in these markets.*

Certain of our products are subject to export control laws and regulations and may be exported only with an export license or through an applicable export license exception. If we fail to comply with export licensing, customs regulations, economic sanctions or other laws, we could be subject to substantial civil or criminal penalties, including economic sanctions against us, incarceration for responsible employees and managers, and the possible loss of export or import privileges. In addition, if our distributors fail to obtain appropriate import, export or re-export licenses or permits, we may also be materially adversely affected through reputational harm and penalties. Obtaining the necessary export license for a particular sale may be time consuming and expensive and could result in the delay or loss of sales opportunities.

Furthermore, export control laws and economic sanctions prohibit the shipment of certain products to embargoed or sanctioned countries, governments and persons. While we train our employees to comply with these regulations, we cannot guarantee that a violation will not occur. A prohibited shipment could have negative consequences, including government investigations, penalties, fines, civil and criminal sanctions and reputational harm. Any change in export or import regulations, economic sanctions or

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related legislation, shift in the enforcement or scope of existing regulations, or change in the countries, governments, persons or technologies targeted by such regulations, could decrease our ability to export or sell our products internationally. Any limitation on our ability to export or sell our products could materially adversely affect our business.

*Infringing intellectual property rights of third parties or inadequately acquiring or protecting our intellectual property could harm our ability to compete or grow.*

Because our products involve complex technology and chemistry, we are involved from time to time in litigation involving patents and other intellectual property. Parties have filed, and in the future may file, claims against us alleging that we have infringed their intellectual property rights. If we were held liable for infringement, we could be required to pay damages, obtain licenses or cease making or selling certain products. There can be no assurance that licenses would be available on commercially reasonable terms or at all. The defense of these claims, whether or not meritorious, or the development of new technologies could cause us to incur significant costs and divert the attention of management.

We also have valuable intellectual property upon which third parties may infringe. We attempt to protect and restrict access to our intellectual property and proprietary information by relying on the patent, trademark, copyright and trade secret laws of the U.S. and other countries, as well as non-disclosure agreements. However, it may be possible for a third party to obtain our information without our authorization, independently develop similar technologies, or breach a non-disclosure agreement entered into with us. In addition, many of the countries in which we operate do not have intellectual property laws that protect proprietary rights as fully as do laws in the U.S. The use of our intellectual property by someone else without our authorization could reduce or eliminate certain competitive advantages we have, cause us to lose sales or otherwise harm our business. Further, the costs associated with protecting our intellectual property rights could materially adversely impact our business.

We have obtained and applied for U.S. and foreign trademark registrations and patents, and will continue to evaluate whether to register additional trademarks and apply for additional patents. We cannot guarantee that any of the pending applications will be approved by the applicable government authorities. Further, we cannot assure that the validity of our patents or our trademarks will not be challenged. In addition, third parties may be able to develop competing products using technology that avoids our patents.

*We are subject to risks associated with the availability and coverage of various types of insurance.*

We have various types of insurance, including property, workers' compensation, general liability, and environmental liability. Insurance costs can be unpredictable and may materially adversely impact our business. We retain some portion of our insurable risks, and therefore, unforeseen or catastrophic losses in excess of insured limits could have a material adverse effect on our business.

*Healthcare reform legislation could have a material adverse effect on our business.*

During 2010, the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (together, the "ACA") were signed into law in the U.S. The complexities and ramifications of the ACA are significant and continue to be implemented through a phased approach that is expected to continue over the next several years. Recent changes in the U.S. government could lead to repeal of or changes in some or all of the ACA; complying with any new legislation and/or reversing changes implemented under the ACA could be time-intensive and expensive, resulting in a material adverse effect on our business.

As a result of political, economic and regulatory influences, scrutiny of the healthcare delivery system in the United States can be expected to continue at both the state and federal levels. For example, there have been several changes to the ACA since its enactment and the law is likely to continue to evolve to the

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extent it continues to be implemented in accordance with its current terms. In addition, the impact on our business of complying with the ACA or any replacement law and responding to the effects of health care reform more broadly are not fully known. Any changes to our healthcare cost structure could have a material adverse effect on our business.

**Item 1B. UNRESOLVED STAFF COMMENTS**

None.

**Item 2. PROPERTIES**

As of December 31, 2016, we operated manufacturing facilities in excess of 100,000 square feet in the locations listed below.

**Label and Graphic Materials Segment**

|          |   |
|----------|---|
| Domestic | Peachtree City, Georgia; Fort Wayne, Greenfield, and Lowell, Indiana; Fairport Harbor, Mentor, and Painesville, Ohio; Mill Hall and Quakertown, Pennsylvania                  |
| Foreign  | Soignies, Belgium; Vinhedo, Brazil; Kunshan, China; Champ-sur-Drac, France; Gotha and Schwelm, Germany; Rodange, Luxembourg; Bangi, Malaysia; and Cramlington, United Kingdom |

**Retail Branding and Information Solutions Segment**

|          |  |
|----------|--|
| Domestic | Miamisburg, Ohio   |
| Foreign  | Nansha, Panyu, and Suzhou, China; Ancarano, Italy; and Long An Province, Vietnam |

**Industrial and Healthcare Materials Segment**

|          |                                      |
|----------|--------------------------------------|
| Domestic | Painesville, Ohio                    |
| Foreign  | Turnhout, Belgium and Kunshan, China |

In addition to the manufacturing facilities described above, our other principal facilities include our corporate headquarters in Glendale, California and our divisional offices located in Westborough, Massachusetts; Mentor, Ohio; Kunshan, China; and Oegstgeest, the Netherlands.

We own all of the principal properties identified above, except for facilities in the following locations, which are leased: Glendale, California; Nansha and Panyu, China; Westborough, Massachusetts; Mentor, Ohio; and Oegstgeest, the Netherlands.

We consider all our properties, whether owned or leased, suitable and adequate for our present needs. We generally expand production capacity as needed to meet increased demand. Owned buildings and plant equipment are insured against major losses from fire and other usual business risks, subject to deductibles.

We are not aware of any material defects in title to, or significant encumbrances on, our properties, except for certain mortgage liens.

**Item 3. LEGAL PROCEEDINGS**

As of December 31, 2016, we have been designated by the U.S. Environmental Protection Agency ("EPA") and/or other responsible state agencies as a potentially responsible party ("PRP") at thirteen 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

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the 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.

We have accrued liabilities for sites where it is probable that a loss or cost will be incurred and the amount of loss or cost can be reasonably estimated. 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, 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 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.

As of December 31, 2016, our accrued liability associated with environmental remediation was \$21.3 million.

In addition, 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. We have accrued liabilities for matters where it is probable that a loss will be incurred and the amount of loss can be reasonably estimated. 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 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.

See also Note 8, "Contingencies," in the Notes to Consolidated Financial Statements contained in our 2016 Annual Report, which is incorporated herein by reference.

**Item 4. MINE SAFETY DISCLOSURES**

Not applicable.

Table of Contents**PART II****Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

- (a) The information called for by Item 201 of Regulation S-K appears under "Corporate Information – Stock and Dividend Data" in our 2016 Annual Report and is incorporated herein by reference. We did not sell any unregistered securities during the fourth quarter of 2016.
- (b) Not applicable.
- (c) Repurchases of Equity Securities by Issuer

Repurchases by us or our "affiliated purchasers" (as defined in Rule 10b-18(a)(3) of the Exchange Act) of registered equity securities in the three fiscal months of the fourth quarter of 2016 are listed in the following table.

| Period <sup>(1)</sup>                 | Total number of shares purchased <sup>(2)</sup> | Average price paid per share | Total number of shares purchased as part of publicly announced plans <sup>(2)(3)</sup> | Approximate dollar value of shares that may yet be purchased under the plans <sup>(4)</sup> |
|---------------------------------------|---|------------------------------|--|---|
| October 2, 2016 – October 29, 2016    | 227.2   | \$76.57                      | 227.2  |   |
| October 30, 2016 – November 26, 2016  | 547.5   | 70.28                        | 547.5  |   |
| November 27, 2016 – December 31, 2016 | 347.2   | 72.04                        | 347.2  |   |
| Total                                 | 1,121.9   | \$72.10                      | 1,121.9  | \$104.9   |

(1) The periods shown are our fiscal periods during the thirteen-week quarter ended December 31, 2016.

(2) Shares in thousands.

(3) On December 4, 2014, our Board of Directors authorized the repurchase of shares of our common stock in the aggregate amount of up to \$500 million (exclusive of any fees, commissions or other expenses related to such purchases), in addition to any outstanding shares authorized under any previous Board authorization. This is the only authorization currently in effect and it will remain in effect until shares in the amount authorized have been repurchased.

(4) Dollars in millions.

Repurchased shares may be reissued under our stock option and incentive plan or used for other corporate purposes.

**Item 6. SELECTED FINANCIAL DATA**

Selected financial data for each of our last five fiscal years appears under "Five-year Summary" in our 2016 Annual Report and is incorporated herein by reference.

**Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The information called for by this Item appears under "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2016 Annual Report and incorporated herein by reference.



**Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

The information called for by this Item is contained under "Market-Sensitive Instruments and Risk Management" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2016 Annual Report and incorporated herein by reference.

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**Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

The information called for by this Item is contained in our 2016 Annual Report (including the Consolidated Financial Statements and the Notes thereto, Statement of Management Responsibility for Financial Statements and Management's Report on Internal Control Over Financial Reporting, and the Report of Independent Registered Public Accounting Firm) and incorporated herein by reference.

**Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

**Item 9A. CONTROLS AND PROCEDURES**

*Disclosure Controls and Procedures.* As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) or 15d-15(e) of the Exchange Act). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective in providing reasonable assurance that information is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and the Chief Financial Officer as appropriate, to allow timely decisions regarding required disclosure.

*Management's Report on Internal Control Over Financial Reporting.* We are responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) or 15d-15(f) of the Exchange Act). Under the supervision and with the participation of our management, including our Chief Executive Officer and the Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based upon the framework in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2016. (See Management's Report on Internal Control Over Financial Reporting contained in our 2016 Annual Report, which is incorporated herein by reference.)

Management's assessment of the effectiveness of our internal control over financial reporting as of December 31, 2016 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in the Report of Independent Registered Public Accounting Firm contained in our 2016 Annual Report, which is also incorporated herein by reference.

*Changes in Internal Control over Financial Reporting.* We periodically assess our internal control environment. During 2014, we began a phased implementation of a new transactional system in our RBIS segment that is expected to continue through 2018. Processes affected by this implementation include, among other things, order management, pricing, shipping, purchasing, general accounting and planning. Where appropriate, we are reviewing related internal controls and making changes. Other than this implementation, there have been no changes in our internal control over financial reporting during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Item 9B. OTHER INFORMATION**

None.

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**PART III**

**Item 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE**

The information concerning directors and corporate governance called for by this Item is incorporated herein by reference from the definitive proxy statement for our Annual Meeting of Stockholders to be held on April 27, 2017 (our "2017 Proxy Statement"), which will be filed with the SEC pursuant to Regulation 14A within 120 days of the end of the fiscal year covered by this report. The information concerning executive officers called for by this Item appears, in part, on the next page of this report, and is also incorporated by reference from our 2017 Proxy Statement. The information concerning any late filings under Section 16(a) of the Exchange Act is incorporated by reference from our 2017 Proxy Statement.

We have adopted a Code of Ethics for the Chief Executive Officer and Senior Financial Officers (the "Code"), which applies to our Chief Executive Officer, Chief Financial Officer, and Controller/Chief Accounting Officer. The Code is available on our investor website at [www.investors.averydennison.com](http://www.investors.averydennison.com). We will satisfy the disclosure requirements of Item 5.05 of Form 8-K regarding any amendment to, or waiver of, any provision of the Code that applies to these officers by disclosing the nature of any such amendment or waiver on our website or in a Current Report on Form 8-K. Our Code of Conduct, which applies to our directors, officers and employees, is also available on our investor website. Our website address is not intended to function as a hyperlink, and the contents of the website are not a part of this Form 10-K, nor are they incorporated herein by reference.

The information called for by this Item concerning our Audit and Finance Committee is incorporated by reference from our 2017 Proxy Statement.

Table of Contents**EXECUTIVE OFFICERS OF AVERY DENNISON<sup>(1)</sup>**

| <b>Name and Position</b>   | <b>Age</b> | <b>Served as Executive Officer since</b> | <b>Former Positions within Past Five Years/<br/>Prior Positions with Avery Dennison</b>  |
|--|------------|--|--|
| Mitchell R. Butier<br>President and<br>Chief Executive Officer   | 45         | March 2007                               | 2015-2016<br>2014-2015<br>2010-2014<br>2007-2010<br>2004-2006<br>President and Chief Operating Officer<br>President, Chief Operating Officer and<br>Chief Financial Officer<br>Senior Vice President and<br>Chief Financial Officer<br>Vice President, Global Finance and<br>Chief Accounting Officer<br>Vice President, Finance, Retail Branding<br>and Information Solutions |
| Dean A. Scarborough<br>Executive Chairman  | 61         | August 1997                              | 2014-2016<br>2010-2014<br>2005-2010<br>2000-2005<br>Chairman and Chief Executive Officer<br>Chairman, President and Chief Executive<br>Officer<br>President and Chief Executive Officer<br>President and Chief Operating Officer   |
| Anne L. Bramman<br>Senior Vice President and<br>Chief Financial Officer  | 49         | March 2015                               | 2011-2015<br>Senior Vice President and<br>Chief Financial Officer,<br>Carnival Cruise Line   |
| Lori J. Bondar<br>Vice President, Controller and<br>Chief Accounting Officer                                       | 56         | June 2010                                | 2008-2010<br>Vice President and Controller   |
| Georges Gravanis<br>President,<br>Label and Graphic Materials  | 59         | May 2015                                 | 2015-2016<br>2010-2015<br>2006-2010<br>2004-2006<br>President, Materials Group<br>Vice President and General Manager,<br>Materials Group Asia Pacific<br>Vice President of Sales,<br>Roll Materials Europe<br>Vice President and General Manager,<br>Roll Materials Europe Southern Region   |
| Anne Hill<br>Senior Vice President and<br>Chief Human Resources Officer  | 57         | May 2007                                 |  |
| Susan C. Miller<br>Senior Vice President,<br>General Counsel and Secretary   | 57         | March 2008                               | 2008-2009<br>2007-2008<br>1998-2006<br>Senior Vice President and<br>General Counsel<br>Vice President and General Counsel<br>Assistant General Counsel   |
| Deon Stander<br>Vice President and<br>General Manager,<br>Retail Branding<br>and Information<br>Solutions ("RBIS") | 48         | August 2016                              | 2013-2015<br>2010-2012<br>Vice President and General Manager,<br>Global Commercial and Innovation,<br>RBIS<br>Vice President and<br>General Manager,<br>Global Commercial RBIS   |
| Michael Johansen<br>Vice President and<br>General Manager,<br>Industrial and Health Care<br>Materials              | 51         | December<br>2016                         | 2015-2016<br>2010-2015<br>Vice President and General Manager,<br>Performance Tapes<br>Vice President & General Manager,<br>RBIS Sourcing Regions & Supply Chain  |

(1)

Officers are generally elected on the date of our annual stockholder meeting to serve a one-year term and until their successors are duly elected and qualified.



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**Item 11. EXECUTIVE COMPENSATION**

The information called for by this Item is incorporated by reference from our 2017 Proxy Statement.

**Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The information called for by this Item is incorporated by reference from our 2017 Proxy Statement.

**Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

The information called for by this Item is incorporated by reference from our 2017 Proxy Statement.

**Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**

The information called for by this Item is incorporated by reference from our 2017 Proxy Statement.

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**PART IV**

**Item 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES**

(a) Financial Statements, Financial Statement Schedule and Exhibits

- (1) Financial statements filed as part of this report are listed on the accompanying Index to Financial Statements.
- (2) All financial statement schedules are omitted since the required information is not present or is not present in amounts sufficient to require submission of the schedule, or because the information required is included in the consolidated financial statements and notes thereto.
- (3) Exhibits filed as a part of this report are listed on the accompanying Exhibit Index. Each management contract or compensatory plan or arrangement required to be filed as an exhibit to this Form 10-K is identified as such on the Exhibit Index and incorporated herein by reference.

(b) The exhibits required to be filed by Item 601 of Regulation S-K are set forth on the accompanying Exhibit Index and incorporated herein by reference.

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**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AVERY DENNISON CORPORATION

By: /s/ Anne L. Bramman

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Anne L. Bramman  
Senior Vice President and Chief Financial Officer

Dated: February 23, 2017



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KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below does hereby constitute and appoint Anne L. Bramman and Susan C. Miller, and each of them, with full power of substitution, his or her true and lawful attorney-in-fact to act for him or her in any and all capacities, to sign this Annual Report on Form 10-K and any or all amendments or supplements thereto, and to file each of the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in order to effectuate the same as fully, to all intents and purposes, as he or she could do in person, hereby ratifying and confirming all that said attorneys-in-fact or substitutes, or any of them, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and as of the dates indicated.

| Signature   | Title   | Date              |
|---|---|-------------------|
| <u>/s/ Mitchell R. Butier</u><br>Mitchell R. Butier   | President, Chief Executive Officer,<br>and Director   | February 23, 2017 |
| <u>/s/ Anne L. Bramman</u><br>Anne L. Bramman         | Senior Vice President<br>and Chief Financial Officer<br>(Principal Financial Officer)         | February 23, 2017 |
| <u>/s/ Lori J. Bondar</u><br>Lori J. Bondar           | Vice President, Controller,<br>and Chief Accounting Officer<br>(Principal Accounting Officer) | February 23, 2017 |
| <u>/s/ Dean A. Scarborough</u><br>Dean A. Scarborough | Executive Chairman  | February 23, 2017 |
| <u>/s/ Bradley A. Alford</u><br>Bradley A. Alford     | Director  | February 23, 2017 |
| <u>/s/ Anthony K. Anderson</u><br>Anthony K. Anderson | Director  | February 23, 2017 |
| <u>/s/ Peter K. Barker</u><br>Peter K. Barker         | Director  | February 23, 2017 |

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| <b>Signature</b>  | <b>Title</b> | <b>Date</b>       |
|---|--------------|-------------------|
| <hr/> <i>/s/ Ken C. Hicks</i><br>Ken C. Hicks             | Director     | February 23, 2017 |
| <hr/> <i>/s/ Andres A. Lopez</i><br>Andres A. Lopez       | Director     | February 23, 2017 |
| <hr/> <i>/s/ David E. I. Pyott</i><br>David E. I. Pyott   | Director     | February 23, 2017 |
| <hr/> <i>/s/ Patrick T. Siewert</i><br>Patrick T. Siewert | Director     | February 23, 2017 |
| <hr/> <i>/s/ Julia A. Stewart</i><br>Julia A. Stewart     | Director     | February 23, 2017 |
| <hr/> <i>/s/ Martha N. Sullivan</i><br>Martha N. Sullivan | Director     | February 23, 2017 |

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**AVERY DENNISON CORPORATION**

**INDEX TO FINANCIAL STATEMENTS**

Data incorporated by reference from the attached portions of the 2016 Annual Report to Shareholders of Avery Dennison Corporation:

Consolidated Financial Statements:

Consolidated Balance Sheets as of December 31, 2016 and January 2, 2016

Consolidated Statements of Income for 2016, 2015 and 2014

Consolidated Statements of Comprehensive Income for 2016, 2015 and 2014

Consolidated Statements of Shareholders' Equity for 2016, 2015 and 2014

Consolidated Statements of Cash Flows for 2016, 2015 and 2014

Notes to Consolidated Financial Statements

Statement of Management Responsibility for Financial Statements and Management's Report on Internal Control Over Financial Reporting

Report of Independent Registered Public Accounting Firm

Except for the Consolidated Financial Statements, Statement of Management Responsibility for Financial Statements, Management's Report on Internal Control Over Financial Reporting and Report of Independent Registered Public Accounting Firm listed above, and certain information referred to in Items 1, 5, 6, 7, and 7A of this report that is expressly incorporated herein by reference, our 2016 Annual Report to Shareholders is not to be deemed "filed" as part of this report.

Table of Contents**AVERY DENNISON CORPORATION****EXHIBIT INDEX****For the Year Ended December 31, 2016**

| <b>Exhibit No.</b> | <b>Exhibit Name</b>  | <b>Originally<br/>Filed as<br/>Exhibit No.</b> | <b>Filing<sup>(1)</sup></b>  |
|--------------------|--|--|--|
| 3.1(i)             | Amended and Restated Certificate of Incorporation, as filed on April 28, 2011 with the Office of Delaware Secretary of State   | 3.1  | Current Report on Form 8-K, filed April 29, 2011                             |
| 3.1(ii)            | Amended and Restated Bylaws, effective as of October 22, 2015  | 3.1(ii)  | Current Report on Form 10-Q, filed November 3, 2015                          |
| 4.1                | Indenture, dated as of March 15, 1991, between Registrant and Security Pacific National Bank, as Trustee (the "1991 Indenture")  | 4.1  | Registration Statement on Form S-3 (File No. 33-39491), filed March 19, 1991 |
| 4.2                | First Supplemental Indenture, dated as of March 16, 1993, between Registrant and BankAmerica National Trust Company, as successor Trustee (the "Supplemental Indenture") | 4.4  | Registration Statement on Form S-3 (File No. 33-59642), filed March 17, 1993 |
| 4.3                | Officers' Certificate establishing a series of Securities entitled "Medium-Term Notes, Series C" under the 1991 Indenture, as amended by the Supplemental Indenture      | 4.1  | Current Report on Form 8-K, filed May 12, 1995                               |
| 4.4                | Officers' Certificate establishing a series of Securities entitled "Medium-Term Notes, Series D" under the 1991 Indenture, as amended by the Supplemental Indenture      | 4.1  | Current Report on Form 8-K, filed December 16, 1996                          |
| 4.5                | Indenture, dated as of July 3, 2001, between Registrant and Chase Manhattan Bank and Trust Company, National Association, as trustee ("2001 Indenture")                  | 4.1  | Registration Statement on Form S-3 (File No. 333-64558), filed July 3, 2001  |
| 4.6                | Officers' Certificate establishing two series of Securities entitled "4.875% Notes due 2013" and "6.000% Notes due 2033" under the 2001 Indenture                        | 4.2  | Current Report on Form 8-K, filed January 16, 2003                           |
| 4.7                | 6.000% Notes Due 2033  | 4.4  | Current Report on Form 8-K, filed January 16, 2003                           |

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| Exhibit No. | Exhibit Name  | Originally Filed as Exhibit No. | Filing <sup>(1)</sup>                                    |
|-------------|---|---------------------------------|--|
| 4.8         | Indenture, dated as of September 25, 2007, among Avery Dennison Office Products Company ("ADOPC"), Registrant and The Bank of New York Trust Company, N.A., as Trustee ("Bank of NY")                           | 99.1                            | Current Report on Form 8-K, filed October 1, 2007        |
| 4.9         | Form of 6.625% Guaranteed Notes due 2017  | 99.1                            | Current Report on Form 8-K, filed October 1, 2007        |
| 4.10        | Indenture, dated as of November 20, 2007, between Registrant and Bank of NY   | 4.2                             | Current Report on Form 8-K, filed November 20, 2007      |
| 4.11        | First Supplemental Indenture, dated as of November 20, 2007, between Registrant and Bank of NY  | 4.3                             | Current Report on Form 8-K, filed November 20, 2007      |
| 4.12        | Second Supplemental Indenture, dated as of April 13, 2010, between Registrant and Bank of NY  | 4.2                             | Current Report on Form 8-K, filed April 13, 2010         |
| 4.13        | Form of 5.375% Senior Notes due 2020  | 4.3                             | Current Report on Form 8-K, filed April 13, 2010         |
| 4.14        | Third Supplemental Indenture, dated as of April 8, 2013, between Registrant and Bank of NY  | 4.2                             | Current Report on Form 8-K, filed April 8, 2013          |
| 4.15        | Form of 3.35% Senior Notes due 2023   | 4.3                             | Current Report on Form 8-K, filed April 8, 2013          |
| 10.1        | Amended and Restated Credit Agreement, dated as of February 8, 2008, among ADOPC, Registrant, Bank of America, N.A. and Banc of America Securities LLC and JP Morgan Securities Inc. ("ADOPC Credit Agreement") | 10.1                            | Quarterly Report on Form 10-Q, filed August 7, 2008      |
| 10.2        | Second Amendment to ADOPC Credit Agreement, dated as of January 23, 2009  | 99.4                            | Current Report on Form 8-K, filed January 27, 2009       |
| 10.3        | Third Amended and Restated Credit Agreement, dated as of October 3, 2014, by and among Registrant, Bank of America, N.A., Citibank, N.A. and JPMorgan Chase Bank, N.A. and the other lenders party thereto      | 10.1                            | Current Report on Form 8-K, filed October 3, 2014        |
| 10.4*       | Deferred Compensation Plan for Directors  | 10.3                            | 1981 Annual Report on Form 10-K, filed February 29, 1982 |

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| Exhibit No. | Exhibit Name  | Originally Filed as Exhibit No. | Filing <sup>(1)</sup>                                     |
|-------------|---|---------------------------------|---|
| 10.5*       | Amended and Restated Supplemental Executive Retirement Plan ("SERP")                          | 10.11.1                         | Quarterly Report on Form 10-Q, filed August 12, 2009      |
| 10.6*       | Letter of Grant to D.A. Scarborough under SERP  | 10.11.2.1                       | Quarterly Report on Form 10-Q, filed August 12, 2009      |
| 10.7*       | Letter Agreement with D.A. Scarborough regarding SERP benefits                                | 10.11.2.1                       | Current Report on Form 8-K, filed December 15, 2010       |
| 10.8*       | Complete Restatement and Amendment of Executive Deferred Compensation Plan                    | 10.12                           | 1994 Annual Report on Form 10-K, filed March 30, 1995     |
| 10.9*       | Amended and Restated Retirement Plan for Directors  | 10.13.1                         | 2002 Annual Report on Form 10-K, filed March 28, 2003     |
| 10.10*      | Amended and Restated Director Equity Plan ("Director Plan")                                   | 10.15.1                         | Current Report on Form 8-K, filed December 11, 2008       |
| 10.11*      | Form of Non-Employee Director Stock Option Agreement under Director Plan                      | 10.15.1                         | 2003 Annual Report on Form 10-K, filed March 11, 2004     |
| 10.12*      | Complete Restatement and Amendment of Executive Variable Deferred Compensation Plan ("EVDCP") | 10.16                           | 1994 Annual Report on Form 10-K, filed March 30, 1995     |
| 10.13*      | Amendment No. 1 to EVDCP  | 10.16.1                         | 1999 Annual Report on Form 10-K, filed March 30, 2000     |
| 10.14*      | Complete Restatement and Amendment of Directors Deferred Compensation Plan                    | 10.17                           | 1994 Annual Report on Form 10-K, filed March 30, 1995     |
| 10.15*      | Amended and Restated 2005 Directors Variable Deferred Compensation Plan                       | 10.18.2                         | Quarterly Report on Form 10-Q, filed May 10, 2011         |
| 10.16*      | Amended and Restated Stock Option and Incentive Plan ("Equity Plan")                          | A                               | 2012 Proxy Statement on Schedule 14A, filed March 9, 2012 |
| 10.17*      | First Amendment to Equity Plan  | 10.20                           | 2014 Annual Report on Form 10-K, filed February 25, 2015  |
| 10.18*      | Forms of NQSO Agreement under Equity Plan   | 10.19.5                         | 2007 Annual Report on Form 10-K, filed February 27, 2008  |
| 10.19*      | Forms of Equity Agreements under Equity Plan  | 10.19.6                         | Current Report on Form 8-K, filed April 30, 2008          |
| 10.20*      | Forms of Equity Agreements under Equity Plan  | 10.10.19.9                      | Current Report on Form 8-K, filed December 11, 2008       |

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| Exhibit No. | Exhibit Name  | Originally Filed as Exhibit No. | Filing <sup>(1)</sup>                                     |
|-------------|---|---------------------------------|---|
| 10.21*      | Additional Forms of Equity Agreements under Equity Plan                           | 10.19.10                        | Current Report on Form 8-K/A, filed December 11, 2008     |
| 10.22*      | Senior Executive Annual Incentive Plan  | A                               | 2014 Proxy Statement on Schedule 14A, filed March 7, 2014 |
| 10.23*      | Annual Incentive Plan   | 10.26                           | 2014 Annual Report on Form 10-K, filed February 25, 2015  |
| 10.24*      | Complete Restatement and Amendment of Executive Deferred Retirement Plan ("EDRP") | 10.28                           | 1994 Annual Report on Form 10-K, filed March 30, 1995     |
| 10.25*      | Amendment No. 1 to EDRP   | 10.28.1                         | 1999 Annual Report on Form 10-K, filed March 30, 2000     |
| 10.26*      | Amendment No. 2 to EDRP   | 10.28.2                         | 2001 Annual Report on Form 10-K, filed March 4, 2002      |
| 10.27*      | 2005 Executive Variable Deferred Retirement Plan, amended and restated            | 10.1                            | Quarterly Report on Form 10-Q, filed May 7, 2013          |
| 10.28*      | Benefit Restoration Plan, amended and restated ("BRP")                            | 10.32.1                         | Current Report on Form 8-K/A, filed December 11, 2008     |
| 10.29*      | First Amendment to BRP  | 10.32.1                         | 2010 Annual Report on Form 10-K, filed February 28, 2011  |
| 10.30*      | Amended and Restated Capital Accumulation Plan ("CAP")                            | 10.34                           | 1999 Annual Report on Form 10-K, filed March 30, 2000     |
| 10.31*      | Amendment No. 1 to CAP  | 10.34.2                         | 1999 Annual Report on Form 10-K, filed March 30, 2000     |
| 10.32*      | Key Executive Change of Control Severance Plan                                    | 10.35                           | Quarterly Report on Form 10-Q, filed May 10, 2011         |
| 10.33*      | Executive Severance Plan  | 10.36                           | Quarterly Report on Form 10-Q, filed May 10, 2011         |
| 10.34*      | Long-Term Incentive Unit Plan   | 10.43                           | 2012 Annual Report on Form 10-K, filed February 27, 2013  |
| 10.35*      | Form of Restricted Stock Unit Agreement   | 10.38                           | 2013 Annual Report on Form 10-K, filed February 26, 2014  |
| 10.36*      | Form of Performance Unit Agreement  | 10.39                           | 2013 Annual Report on Form 10-K, filed February 26, 2014  |
| 10.37*      | Form of Market-Leveraged Stock Unit Agreement                                     | 10.40                           | 2013 Annual Report on Form 10-K, filed February 26, 2014  |
| 10.38*      | Form of Long-Term Incentive Unit Agreement  | 10.41                           | 2013 Annual Report on Form 10-K, filed February 26, 2014  |





## Edgar Filing: Avery Dennison Corp - Form 10-K

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| Exhibit No. | Exhibit Name   | Originally Filed as Exhibit No. | Filing <sup>(1)</sup>                                    |
|-------------|--|---------------------------------|--|
| 10.39*      | Form of Performance Long-Term Incentive Unit Agreement   | 10.42                           | 2013 Annual Report on Form 10-K, filed February 26, 2014 |
| 10.40*      | Form of Director Restricted Stock Unit Agreement   | 10.43                           | 2013 Annual Report on Form 10-K, filed February 26, 2014 |
| 10.41*      | Offer Letter to Anne Bramman   | 10.46                           | 2014 Annual Report on Form 10-K, filed February 25, 2015 |
| 10.42*      | Offer Letter to Georges Gravanis   | 10.1                            | Quarterly Report on Form 10-Q, filed May 5, 2015         |
| 10.43*      | Offer Letter to Dean A. Scarborough  | 10.1                            | Quarterly Report on Form 10-Q, filed May 3, 2016         |
| 10.44*      | Offer Letter to Mitchell R. Butier   | 10.2                            | Quarterly Report on Form 10-Q, filed May 3, 2016         |
| 10.45*      | Localization Letter to Georges Gravanis  | 10.1                            | Quarterly Report on Form 10-Q, filed August 2, 2016      |
| 12          | Computation of Ratio of Earnings to Fixed Charges  | N/A                             | N/A  |
| 13          | Portions of Annual Report to Shareholders for fiscal year ended December 31, 2016                  | N/A                             | N/A  |
| 21          | List of Subsidiaries   | N/A                             | N/A  |
| 23          | Consent of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm               | N/A                             | N/A  |
| 24          | Power of Attorney (see Signatures Power of Attorney)   | N/A                             | N/A  |
| 31.1        | Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | N/A                             | N/A  |
| 31.2        | Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | N/A                             | N/A  |
| 32.1        | Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 | N/A                             | N/A  |
| 32.2        | Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 | N/A                             | N/A  |
| 101INS      | XBRL Instance Filing   | N/A                             | N/A  |
| 101SCH      | XBRL Extension Schema Filing   | N/A                             | N/A  |

## Edgar Filing: Avery Dennison Corp - Form 10-K

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| <b>Exhibit No.</b> | <b>Exhibit Name</b>                         | <b>Originally<br/>Filed as<br/>Exhibit No.</b> | <b>Filing<sup>(1)</sup></b> |
|--------------------|---|--|-----------------------------|
| 101CAL             | XBRL Extension Calculation Linkbase Filing  | N/A  | N/A                         |
| 101LAB             | XBRL Extension Label Linkbase Filing        | N/A  | N/A                         |
| 101PRE             | XBRL Extension Presentation Linkbase Filing | N/A  | N/A                         |
| 101DEF             | XBRL Extension Definition Linkbase Filing   | N/A  | N/A                         |

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(1) Unless otherwise noted, the File Number for all filings is File No. 1-7685.

\* Management contract or compensatory plan or arrangement required to be filed as an exhibit to this Form 10-K pursuant to Item 15(b) of Form 10-K.  
Filed herewith.