

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

**FORM 10-Q**

**(Mark One)**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the quarterly period ended March 28, 2020.

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-7685

**AVERY DENNISON CORPORATION**  
(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**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:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common stock, \$1 par value	AVY	New York Stock Exchange
1.25% Senior Notes due 2025	AVY25	New York Stock Exchange

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 every Interactive Data File required to be submitted 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 such files). Yes  No

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

Large accelerated filer     Accelerated filer     Non-accelerated filer     Smaller reporting company     Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

Number of shares of \$1 par value common stock outstanding as of April 25, 2020: 83,340,035

**AVERY DENNISON CORPORATION**  
**FISCAL FIRST QUARTER 2020 QUARTERLY REPORT ON FORM 10-Q**  
**TABLE OF CONTENTS**

	<b>Page</b>
<b><a href="#">SAFE HARBOR STATEMENT</a></b>	1
<b><a href="#">PART I. FINANCIAL INFORMATION (UNAUDITED)</a></b>	
<a href="#">Item 1.</a>	
<a href="#">Financial Statements:</a>	
<a href="#">Condensed Consolidated Balance Sheets March 28, 2020 and December 28, 2019</a>	2
<a href="#">Condensed Consolidated Statements of Operations Three Months Ended March 28, 2020 and March 30, 2019</a>	3
<a href="#">Condensed Consolidated Statements of Comprehensive Income Three Months Ended March 28, 2020 and March 30, 2019</a>	4
<a href="#">Condensed Consolidated Statements of Cash Flows Three Months Ended March 28, 2020 and March 30, 2019</a>	5
<a href="#">Notes to Unaudited Condensed Consolidated Financial Statements</a>	6
<a href="#">Item 2.</a>	
<a href="#">Management's Discussion and Analysis of Financial Condition and Results of Operations</a>	17
<a href="#">Non-GAAP Financial Measures</a>	17
<a href="#">Overview and Outlook</a>	18
<a href="#">Analysis of Results of Operations for the First Quarter</a>	20
<a href="#">Results of Operations by Reportable Segment for the First Quarter</a>	22
<a href="#">Financial Condition</a>	24
<a href="#">Recent Accounting Requirements</a>	28
<a href="#">Item 3.</a>	
<a href="#">Quantitative and Qualitative Disclosures About Market Risk</a>	28
<a href="#">Item 4.</a>	
<a href="#">Controls and Procedures</a>	29
<b><a href="#">PART II. OTHER INFORMATION</a></b>	
<a href="#">Item 1.</a>	
<a href="#">Legal Proceedings</a>	30
<a href="#">Item 1A.</a>	
<a href="#">Risk Factors</a>	30
<a href="#">Item 2.</a>	
<a href="#">Unregistered Sales of Equity Securities and Use of Proceeds</a>	35
<a href="#">Item 3.</a>	
<a href="#">Defaults Upon Senior Securities</a>	35
<a href="#">Item 4.</a>	
<a href="#">Mine Safety Disclosures</a>	35
<a href="#">Item 5.</a>	
<a href="#">Other Information</a>	35
<a href="#">Item 6.</a>	
<a href="#">Exhibits</a>	36
<a href="#">Signatures</a>	37
<a href="#">Exhibits</a>	

---

## Safe Harbor Statement

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

We believe that the most significant risk factors that could affect our financial performance in the near-term include: (1) the impacts to our business from global economic conditions, political uncertainty, and changes in governmental regulations, including as a result of the coronavirus/COVID-19 pandemic; (2) competitors' actions, including pricing, expansion in key markets, and product offerings; (3) the degree to which higher costs can be offset with productivity measures and/or passed on to customers through price increases, without a significant loss of volume; and (4) the execution and integration of acquisitions.

The more significant risks and uncertainties that may impact us are discussed in more detail under “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the fiscal year ended December 28, 2019. These risks and uncertainties include, but are not limited to the following: the coronavirus/COVID-19 pandemic; fluctuations in demand affecting sales to customers; worldwide and local economic and market conditions; changes in political conditions; fluctuations in foreign currency exchange rates and other risks associated with foreign operations, including in emerging markets; changes in our markets due to competitive conditions, technological developments, laws and regulations, and customer preferences; fluctuations in cost and availability of raw materials and energy; changes in governmental laws and regulations; the impact of competitive products and pricing; the financial condition and inventory strategies of customers; our ability to generate sustained productivity improvement; our ability to achieve and sustain targeted cost reductions; loss of significant contracts or customers; collection of receivables from customers; selling prices; business mix shift; execution and integration of acquisitions; product and service quality; timely development and market acceptance of new products, including sustainable or sustainably-sourced products; investment in development activities and new production facilities; amounts of future dividends and share repurchases; customer and supplier concentrations or consolidations; fluctuations in interest and tax rates; changes in tax laws and regulations, and uncertainties associated with interpretations of such laws and regulations; retention of tax incentives; outcome of tax audits; successful implementation of new manufacturing technologies and installation of manufacturing equipment; disruptions in information technology systems, including cyber-attacks or other intrusions to network security; successful installation of new or upgraded information technology systems; data security breaches; volatility of financial markets; impairment of capitalized assets, including goodwill and other intangibles; credit risks; our ability to obtain adequate financing arrangements and maintain access to capital; the realization of deferred tax assets; fluctuations in interest rates; compliance with our debt covenants; fluctuations in pension, insurance, and employee benefit costs; goodwill impairment; the impact of legal and regulatory proceedings, including with respect to environmental, health and safety, anti-corruption and trade compliance; protection and infringement of intellectual property; the impact of epidemiological events on the economy and our customers and suppliers; acts of war, terrorism, and natural disasters; and other factors.

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

**PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****CONDENSED CONSOLIDATED BALANCE SHEETS**  
**(Unaudited)**

(In millions, except per share amount)	March 28, 2020	December 28, 2019
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 742.0	\$ 253.7
Trade accounts receivable, less allowances of \$46.3 and \$27.1 at March 28, 2020 and December 28, 2019, respectively	1,222.5	1,212.2
Inventories, net	723.3	663.0
Other current assets	225.8	211.7
Total current assets	2,913.6	2,340.6
Property, plant and equipment, net	1,232.0	1,210.7
Goodwill	1,028.1	930.8
Other intangibles resulting from business acquisitions, net	197.6	126.5
Deferred tax assets	224.8	225.4
Other assets	664.8	654.8
	\$ 6,260.9	\$ 5,488.8
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Short-term borrowings and current portion of long-term debt and finance leases	\$ 832.3	\$ 440.2
Accounts payable	1,030.8	1,066.1
Accrued payroll and employee benefits	189.2	220.4
Other current liabilities	507.8	527.1
Total current liabilities	2,560.1	2,253.8
Long-term debt and finance leases	1,988.0	1,499.3
Long-term retirement benefits and other liabilities	416.5	421.4
Deferred tax liabilities and income taxes payable	122.9	110.3
Commitments and contingencies (see Note 12)		
Shareholders' equity:		
Common stock, \$1 par value per share, authorized - 400,000,000 shares at March 28, 2020 and December 28, 2019; issued - 124,126,624 shares at March 28, 2020 and December 28, 2019; outstanding - 83,321,087 shares and 83,366,840 shares at March 28, 2020 and December 28, 2019, respectively	124.1	124.1
Capital in excess of par value	852.5	874.0
Retained earnings	3,064.8	2,979.1
Treasury stock at cost, 40,805,537 shares and 40,759,784 shares at March 28, 2020 and December 28, 2019, respectively	(2,456.0)	(2,425.1)
Accumulated other comprehensive loss	(412.0)	(348.1)
Total shareholders' equity	1,173.4	1,204.0
	\$ 6,260.9	\$ 5,488.8

See Notes to Unaudited Condensed Consolidated Financial Statements

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Unaudited)

(In millions, except per share amounts)	Three Months Ended	
	March 28, 2020	March 30, 2019
Net sales	\$ 1,723.0	\$ 1,740.1
Cost of products sold	1,237.9	1,274.7
Gross profit	485.1	465.4
Marketing, general and administrative expense	281.0	276.3
Other expense, net	4.9	7.5
Interest expense	18.8	19.5
Other non-operating expense, net	(.5)	446.5
Income (loss) before taxes	180.9	(284.4)
Provision for (benefit from) income taxes	46.3	(138.4)
Equity method investment losses	(.4)	(.9)
Net income (loss)	\$ 134.2	\$ (146.9)
Per share amounts:		
Net income (loss) per common share	\$ 1.61	\$ (1.74)
Net income (loss) per common share, assuming dilution	\$ 1.60	\$ (1.74)
Weighted average number of shares outstanding:		
Common shares	83.3	84.3
Common shares, assuming dilution	84.1	84.3

See Notes to Unaudited Condensed Consolidated Financial Statements

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**(Unaudited)**

(In millions)	Three Months Ended	
	March 28, 2020	March 30, 2019
Net income (loss)	\$ 134.2	\$ (146.9)
Other comprehensive (loss) income, net of tax:		
Foreign currency translation	(68.6)	22.1
Pension and other postretirement benefits	.6	300.7
Cash flow hedges	4.1	(.2)
Other comprehensive (loss) income, net of tax	(63.9)	322.6
Total comprehensive income, net of tax	\$ 70.3	\$ 175.7

See Notes to Unaudited Condensed Consolidated Financial Statements

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Unaudited)**

(In millions)	<b>Three Months Ended</b>	
	<b>March 28, 2020</b>	<b>March 30, 2019</b>
<b>Operating Activities</b>		
Net income (loss)	\$ 134.2	\$ (146.9)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	36.8	34.9
Amortization	10.7	9.6
Provision for credit losses and sales returns	31.2	14.8
Stock-based compensation	6.3	7.6
Pension plan settlements and related charges	—	446.9
Deferred taxes and other non-cash taxes	6.4	(172.8)
Other non-cash expense and loss (income and gain), net	4.4	3.3
Changes in assets and liabilities and other adjustments	(225.6)	(162.0)
Net cash provided by operating activities	4.4	35.4
<b>Investing Activities</b>		
Purchases of property, plant and equipment	(33.2)	(41.8)
Purchases of software and other deferred charges	(6.2)	(5.5)
Proceeds from sales of property, plant and equipment	—	7.3
Proceeds from insurance and sales (purchases) of investments, net	(.3)	4.5
Payments for acquisition, net of cash acquired, and investments in businesses	(245.9)	(6.5)
Net cash used in investing activities	(285.6)	(42.0)
<b>Financing Activities</b>		
Net (decrease) increase in borrowings (maturities of three months or less)	(106.0)	155.4
Additional borrowings under revolving credit facility	500.0	—
Additional long-term borrowings	494.4	—
Repayments of long-term debt and finance leases	(1.1)	(1.8)
Dividends paid	(48.4)	(43.9)
Share repurchases	(45.2)	(88.7)
Net (tax withholding) proceeds related to stock-based compensation	(20.0)	(20.1)
Payments of contingent consideration	—	(1.6)
Net cash provided by (used in) financing activities	773.7	(.7)
Effect of foreign currency translation on cash balances	(4.2)	1.0
Increase (decrease) in cash and cash equivalents	488.3	(6.3)
Cash and cash equivalents, beginning of year	253.7	232.0
Cash and cash equivalents, end of period	\$ 742.0	\$ 225.7

See Notes to Unaudited Condensed Consolidated Financial Statements

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**Note 1. General**

The unaudited Condensed Consolidated Financial Statements and notes thereto in this Quarterly Report on Form 10-Q are presented as permitted by Article 10 of Regulation S-X and do not contain certain information included in the audited Consolidated Financial Statements and notes thereto in our 2019 Annual Report on Form 10-K, which should be read in conjunction with this Quarterly Report on Form 10-Q. The accompanying unaudited Condensed Consolidated Financial Statements contain all adjustments of a normal and recurring nature necessary for a fair statement of our interim results. Interim results of operations are not necessarily indicative of future results.

We expect the effects of the coronavirus/COVID-19 pandemic (collectively referred to herein as "COVID-19") to adversely impact our financial position, results of operations, and cash flows in fiscal year 2020. The unaudited Condensed Consolidated Financial Statements presented herein reflect our current estimates and assumptions that affect the reported amounts of assets and liabilities and related disclosures as of the date of the financial statements and reported amounts of sales and expenses during the reporting periods presented.

**Fiscal Periods**

The first quarters of 2020 and 2019 consisted of thirteen-week periods ending March 28, 2020 and March 30, 2019, respectively.

**Accounting Guidance Updates**

*Credit Losses*

In the first quarter of 2020, we adopted, using the modified retrospective approach, amended accounting guidance that required credit losses on financial instruments, including trade receivables, to be measured based on an expected credit loss model instead of the incurred loss model. The expected credit loss model requires us to consider forward-looking information to estimate our allowance for credit losses. Our adoption of this guidance did not have a material impact on our financial position, results of operations or cash flows.

**Note 2. Acquisitions**

On February 28, 2020, we completed the acquisition of Smartrac's Transponder (RFID Inlay) division ("Smartrac"), a manufacturer of radio-frequency identification ("RFID") products, for consideration, subject to customary adjustments, of approximately \$253 million (€230 million), approximately \$7 million of which became payable as of March 28, 2020. We believe this acquisition will enhance our research and development capabilities, expand product lines, and provide added manufacturing capacity. Consistent with the time allowed to complete our assessment, the valuation of certain acquired assets and liabilities, including tangible and intangible assets, environmental liabilities and income taxes, is preliminary. This acquisition was not material to our unaudited Condensed Consolidated Financial Statements.

**Note 3. Goodwill and Other Intangibles Resulting from Business Acquisitions**

Changes in the net carrying amount of goodwill for the three months ended March 28, 2020 by reportable segment are shown below.

(In millions)	Label and Graphic Materials	Retail Branding and Information Solutions	Industrial and Healthcare Materials	Total
Goodwill as of December 28, 2019	\$ 407.8	\$ 349.3	\$ 173.7	\$ 930.8
Acquisition <sup>(1)</sup>	20.1	91.6	—	111.7
Translation adjustments	(9.5)	(3.4)	(1.5)	(14.4)
Goodwill as of March 28, 2020	\$ 418.4	\$ 437.5	\$ 172.2	\$ 1,028.1

<sup>(1)</sup>Goodwill acquired related to the acquisition of Smartrac, which is based on a preliminary allocation to the Label and Graphic Materials and Retail Branding and Information Solutions reportable segments. The amount of goodwill recognized is not expected to be deductible for income tax purposes.

The duration and severity of COVID-19 could result in future impairment charges to our reportable segments' goodwill balances. While we have concluded that a triggering event did not occur during the three months ended March 28, 2020, a prolonged pandemic could impact our results of operations and result in changes to assumptions utilized in the determination of the estimated fair values of goodwill that could be significant enough to trigger an impairment.

**Finite-Lived Intangible Assets**

In connection with the Smartrac acquisition, we acquired approximately \$76 million of identifiable intangible assets, which consisted of customer relationships, trade names and trademarks, and patents and other acquired technology. We utilized the income approach to estimate the fair values of the identifiable intangibles associated with the acquisition, primarily using Level 3 inputs. The discount rate we used to value these assets was 13.5%.

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

	Amount (in millions)	Amortization period (in years)
Patents and other acquired technology	\$ 60.0	11
Customer relationships	14.0	6
Trade names and trademarks	2.0	5

Refer to Note 2, “Acquisitions,” to the unaudited Condensed Consolidated Financial Statements for more information.

**Note 4. Debt**

In March 2020, we issued \$500 million of senior notes, due April 2030. The senior notes bear an interest rate of 2.65% per year, payable semiannually in arrears. Our net proceeds from the offering, after deducting underwriting discounts and offering expenses, were \$494.4 million, which we used to repay existing indebtedness under our commercial paper program, used to fund our Smartrac acquisition, and, subsequent to the end of the first quarter of 2020, the \$250 million aggregate principal amount of senior notes that matured on April 15, 2020.

The estimated fair value of our long-term debt is primarily based on the credit spread above U.S. Treasury securities or euro government bond securities, as applicable, on notes with similar rates, credit ratings, and remaining maturities. The fair value of short-term borrowings, which include commercial paper issuances and short-term lines of credit, approximates their carrying value given the short duration of these obligations. The fair value of our total debt was \$2.84 billion at March 28, 2020 and \$2.05 billion at December 28, 2019. Fair values were determined based primarily on Level 2 inputs, which are inputs other than quoted prices in active markets that are either directly or indirectly observable.

In February 2020, we amended and restated our \$800 million revolving credit facility (the “Revolver”), eliminating one of the financial covenant requirements and extending the maturity date to February 13, 2025. The maturity date may be extended for a one-year period under certain circumstances. The commitments under the Revolver may be increased by up to \$400 million, subject to lender approvals and customary requirements. The outstanding utilized balance under the Revolver was \$500 million as of March 28, 2020. No balance was outstanding under the Revolver as of December 28, 2019. As of both March 28, 2020 and December 28, 2019, we were in compliance with our financial covenants under the Revolver.

**Note 5. Pension and Other Postretirement Benefits**

**Defined Benefit Plans**

We sponsor a number of defined benefit plans, the accrual of benefits under some of which has been frozen, covering eligible employees in the U.S. and certain other countries. Benefits payable to an employee are based primarily on years of service and the employee’s compensation during his or her employment with us. For the three months ended March 28, 2020, the net periodic benefit cost related to our U.S. and international plans was not material. For the three months ended March 30, 2019, the net periodic benefit cost related to our U.S. and international plans was \$447.7 million and \$3.3 million, respectively. Included in the net periodic benefit cost for our U.S. plans for the three months ended March 30, 2019 was a loss on settlement of \$446.9 million related to the termination of the Avery Dennison Pension Plan (the “ADPP”), a U.S. defined benefit plan. This loss was partially offset by related tax benefits of approximately \$179 million. Refer to Note 8, “Taxes Based on Income,” to the unaudited Condensed Consolidated Financial Statements for more information.

In connection with the ADPP termination in 2019, we settled approximately \$753 million of ADPP liabilities by entering into an agreement to purchase annuities primarily from American General Life Insurance Company and through a combination of annuities and direct funding to the Pension Benefit Guaranty Corporation for a small portion of former employees and their beneficiaries.

Service cost and components of net periodic benefit cost (credit) other than service cost were included in “Marketing, general and administrative expense” and “Other non-operating expense” in the unaudited Condensed Consolidated Statements of Operations, respectively.

We are also obligated to pay unfunded termination indemnity benefits to certain employees outside of the U.S., which are subject to applicable agreements, laws and regulations. We have not incurred significant costs related to these benefits.

**Note 6. Cost Reduction Actions**

*2019/2020 Actions*

During the three months ended March 28, 2020, we recorded \$2.6 million in restructuring charges related to our 2019/2020 actions. These charges consisted of severance and related costs for the reduction of approximately 60 positions.

*2018/2019 Actions*

During the three months ended March 28, 2020, we recorded \$.2 million in net restructuring reversals related to our 2018/2019 actions.

During the three months ended March 28, 2020, restructuring charges and payments were as follows:

(In millions)	Accrual at December 28, 2019	Charges, Net of Reversals	Cash Payments	Non-cash Impairment	Foreign Currency Translation	Accrual at March 28, 2020
<b>2019/2020 Actions</b>						
Severance and related costs	\$ 21.9	\$ 2.6	\$ (4.5)	\$ —	\$ —	\$ 20.0
<b>2018/2019 Actions</b>						
Severance and related costs	6.5	(.2)	(6.0)	—	.1	.4
Lease cancellation costs	.3	—	—	—	—	.3
<b>Total</b>	<b>\$ 28.7</b>	<b>\$ 2.4</b>	<b>\$ (10.5)</b>	<b>\$ —</b>	<b>\$ .1</b>	<b>\$ 20.7</b>

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

The table below shows the total amount of restructuring charges, net of reversals, incurred by reportable segment.

(In millions)	Three Months Ended	
	March 28, 2020	March 30, 2019
<b>Restructuring charges, net of reversals, by reportable segment</b>		
Label and Graphic Materials	\$ .4	\$ 8.3
Retail Branding and Information Solutions	1.5	.5
Industrial and Healthcare Materials	.5	1.9
<b>Total</b>	<b>\$ 2.4</b>	<b>\$ 10.7</b>

**Note 7. Financial Instruments**

We enter into foreign exchange hedge contracts to reduce our risk from foreign exchange rate fluctuations associated with receivables, payables, loans and firm commitments denominated in certain foreign currencies that arise primarily as a result of our operations outside the U.S. We also enter into futures contracts to hedge certain price fluctuations for a portion of our anticipated domestic purchases of natural gas. The impacts of these foreign exchange and commodities hedge activities on our unaudited Condensed Consolidated Financial Statements were not significant.

Following our Smartrac acquisition and our issuance of the March 2020 senior notes, we entered into U.S. dollar to euro cross-currency swap contracts with a total notional amount of \$250 million to have an effect of converting fixed-rate U.S. dollar-denominated debt to euro-denominated debt, including semiannual interest payments and the payment of principal at maturity. During the term of the contract, which ends on April 30, 2030, we pay fixed-rate interest in euros and receive fixed-rate interest in U.S. dollars. These contracts have been designated as cash flow hedges. The fair value of these contracts as of March 28, 2020 was \$8.6 million and was included in “Other assets” in the unaudited Condensed Consolidated Balance Sheets. Refer to Note 11, “Fair Value Measurements,” to the unaudited Condensed Consolidated Financial Statements for more information.

#### Note 8. Taxes Based on Income

The following table summarizes our income (loss) before taxes, provision for (benefit from) income taxes, and effective tax rate:

(In millions, except percentages)	Three Months Ended	
	March 28, 2020	March 30, 2019
Income (loss) before taxes	\$ 180.9	\$ (284.4)
Provision for (benefit from) income taxes	46.3	(138.4)
Effective tax rate	25.6 %	48.7 %

Our provision for income taxes for the three months ended March 28, 2020 included \$7.2 million of net tax charge related to the tax on global intangible low-taxed income (“GILTI”) of our foreign subsidiaries and the recognition of foreign withholding taxes on current year earnings, partially offset by the benefit from foreign-derived intangible income (“FDII”). Our provision for income taxes for the three months ended March 28, 2020 also included the following discrete items: (i) \$2.7 million of tax benefit related to excess tax benefits associated with stock-based payments; (ii) \$2.7 million of net tax benefit from decreases in reserves primarily as a result of closing tax years, partially offset by additional interest and penalty accruals; and (iii) \$2.5 million of tax benefit related to a change in a foreign withholding tax rate and the impact of foreign currency movements.

Our provision for income taxes for the three months ended March 28, 2020 was not materially affected by COVID-19. Moreover, our ability to generate sufficient taxable income was not adversely affected in certain jurisdictions where a significant portion of our net deferred tax assets is concentrated. Our provision for income taxes for the three months ended March 28, 2020 was not materially impacted by the stimulus packages enacted to provide economic relief to businesses in the U.S. and other countries in response to COVID-19.

Our benefit from income taxes for the three months ended March 30, 2019 included \$5.4 million of net tax charge related to the tax on GILTI of our foreign subsidiaries and the recognition of foreign withholding taxes on current year earnings, partially offset by the benefit from FDII. Effective in 2019, we implemented certain structural changes to align with operational strategies, one benefit of which was to reduce our base erosion payments below the statutory minimum threshold. As a result, our benefit from income taxes for the three months ended March 30, 2019 did not include tax charges related to Base Erosion Antiabuse Tax. Our benefit from income taxes for the three months ended March 30, 2019 also included the following discrete items: (i) \$6.9 million of tax benefit related to excess tax benefits associated with stock-based payments and (ii) approximately \$179 million of tax benefit related to the effective settlement of the ADPP, \$102 million of which was the related tax effect on the pretax charge of \$446.9 million and \$77 million of which was related to the release of stranded tax effects in “Accumulated other comprehensive loss” through the income statement. The tax effects were stranded primarily as a result of the U.S. federal tax rate change under the U.S. Tax Cuts and Jobs Act. Refer to Note 5, “Pension and Other Postretirement Benefits,” to the unaudited Condensed Consolidated Financial Statements for more information on the termination of the ADPP.

The amount of income taxes we pay is subject to ongoing audits by taxing jurisdictions around the world. Our estimate of the potential outcome of any uncertain tax issue is subject to our assessment of the relevant risks, facts, and circumstances existing at the time. We believe that we have adequately provided for reasonably foreseeable outcomes related to these matters. However, our future results may include favorable or unfavorable adjustments to our estimated tax liabilities in the period the assessments are made or resolved, which may impact our effective tax rate. The final determination of tax audits and any related legal proceedings could materially differ from amounts reflected in our tax provision and the related liabilities. To date, we and our U.S. subsidiaries have completed the IRS’ Compliance Assurance Process Program through 2016. With limited exceptions, we are no longer subject to income tax examinations by tax authorities for years prior to 2009.

It is reasonably possible that, during the next 12 months, we may realize a decrease in our uncertain tax positions, including interest and penalties, of approximately \$15 million, primarily as a result of audit settlements and closing tax years.

### Note 9. Net Income (Loss) Per Common Share

Net income (loss) per common share was computed as follows:

(In millions, except per share amounts)	Three Months Ended	
	March 28, 2020	March 30, 2019
(A) Net income (loss)	\$ 134.2	\$ (146.9)
(B) Weighted average number of common shares outstanding	83.3	84.3
Dilutive shares (additional common shares issuable under stock-based awards)	.8	—
(C) Weighted average number of common shares outstanding, assuming dilution	84.1	84.3
Net income (loss) per common share: (A) ÷ (B)	\$ 1.61	\$ (1.74)
Net income (loss) per common share, assuming dilution: (A) ÷ (C)	\$ 1.60	\$ (1.74)

Certain stock-based compensation awards were not included in the computation of net income (loss) per common share, assuming dilution, because they would not have had a dilutive effect. Stock-based compensation awards excluded from the computation were not significant for the three months ended March 28, 2020.

For the first quarter of 2019, the effect of dilutive shares (additional common shares issuable under stock-based awards) was not included in the computation of net loss per common share, assuming dilution, because we had a net loss. We excluded 1.1 million shares related to stock-based compensation awards from the computation for the three months ended March 30, 2019.

### Note 10. Supplemental Equity and Comprehensive Income Information

#### Consolidated Changes in Shareholders' Equity

(In millions)	Three Months Ended	
	March 28, 2020	March 30, 2019
<b>Common stock issued, \$1 par value per share</b>	\$ 124.1	\$ 124.1
<b>Capital in excess of par value</b>		
Beginning balance	\$ 874.0	\$ 872.0
Issuance of shares under stock-based compensation plans <sup>(1)</sup>	(21.5)	(20.5)
Ending balance	\$ 852.5	\$ 851.5
<b>Retained earnings</b>		
Beginning balance	\$ 2,979.1	\$ 2,864.9
Net income (loss)	134.2	(146.9)
Issuance of shares under stock-based compensation plans <sup>(1)</sup>	(4.2)	(14.3)
Contribution of shares to 401(k) Plan <sup>(1)</sup>	4.1	3.7
Dividends	(48.4)	(43.9)
Ending balance	\$ 3,064.8	\$ 2,663.5
<b>Treasury stock at cost</b>		
Beginning balance	\$ (2,425.1)	\$ (2,223.9)
Repurchase of shares for treasury	(45.2)	(88.7)
Issuance of shares under stock-based compensation plans	12.0	22.3
Contribution of shares to 401(k) Plan <sup>(1)</sup>	2.3	2.5
Ending balance	\$ (2,456.0)	\$ (2,287.8)
<b>Accumulated other comprehensive loss</b>		
Beginning balance	\$ (348.1)	\$ (682.0)
Other comprehensive (loss) income, net of tax <sup>(2)</sup>	(63.9)	322.6
Ending balance	\$ (412.0)	\$ (359.4)

<sup>(1)</sup>We fund a portion of our employee-related expenses using shares of our common stock held in treasury. We reduce capital in excess of par value based on the grant date fair value of the awards vested and record net gains or losses associated with our use of treasury shares to retained earnings.

<sup>(2)</sup>In the first quarter of 2019, we effectively settled our remaining obligations under the ADPP. Refer to Note 5, "Pension and Other Postretirement Benefits," to the unaudited Condensed Consolidated Financial Statements for more information.

Dividends per common share were as follows:

	Three Months Ended	
	March 28, 2020	March 30, 2019
Dividends per common share	\$ .58	\$ .52

**Changes in Accumulated Other Comprehensive Loss**

The changes in “Accumulated other comprehensive loss” (net of tax) for the three-month period ended March 28, 2020 were as follows:

(In millions)	Foreign Currency Translation	Pension and Other Postretirement Benefits	Cash Flow Hedges	Total
Balance as of December 28, 2019	\$ (245.1)	\$ (101.8)	\$ (1.2)	\$ (348.1)
Other comprehensive (loss) income before reclassifications, net of tax	(68.6)	—	4.7	(63.9)
Reclassifications to net income, net of tax	—	.6	(.6)	—
Net current-period other comprehensive (loss) income, net of tax	(68.6)	.6	4.1	(63.9)
Balance as of March 28, 2020	\$ (313.7)	\$ (101.2)	\$ 2.9	\$ (412.0)

The changes in “Accumulated other comprehensive loss” (net of tax) for the three-month period ended March 30, 2019 were as follows:

(In millions)	Foreign Currency Translation	Pension and Other Postretirement Benefits	Cash Flow Hedges	Total
Balance as of December 29, 2018	\$ (247.4)	\$ (434.3)	\$ (.3)	\$ (682.0)
Other comprehensive income before reclassifications, net of tax <sup>(1)</sup>	22.1	36.0	.1	58.2
Reclassifications to net loss, net of tax	—	264.7	(.3)	264.4
Net current-period other comprehensive income (loss), net of tax	22.1	300.7	(.2)	322.6
Balance as of March 30, 2019	\$ (225.3)	\$ (133.6)	\$ (.5)	\$ (359.4)

<sup>(1)</sup>Other comprehensive income before reclassifications, net of tax, for pension and other postretirement benefits related to the remeasurement of the ADPP’s net pension obligations.

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

(In millions)	Amounts Reclassified from Accumulated Other Comprehensive Loss Three Months Ended		Statements of Operations Location
	March 28, 2020	March 30, 2019	
Cash flow hedges:			
Foreign exchange contracts	\$ 1.1	\$ .4	Cost of products sold
Commodity contracts	(.3)	—	Cost of products sold
Total before tax	.8	.4	
Tax	(.2)	(.1)	Provision for (benefit from) income taxes
Net of tax	.6	.3	
Pension and other postretirement benefits	(.8)	(443.8)	Other non-operating expense, net
Tax	.2	179.1	Provision for (benefit from) income taxes
Net of tax	(.6)	(264.7)	
Total reclassifications for the period	\$ —	\$ (264.4)	

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

(In millions)	Three Months Ended	
	March 28, 2020	March 30, 2019
Foreign currency translation	\$ (6.8)	\$ (4.4)
Pension and other postretirement benefits	.2	189.8
Cash flow hedges	1.2	(.1)
Income tax (benefit) expense allocated to components of other comprehensive (loss) income	\$ (5.4)	\$ 185.3

#### Note 11. Fair Value Measurements

##### Recurring Fair Value Measurements

The following table provides the assets and liabilities carried at fair value, measured on a recurring basis, as of March 28, 2020:

(In millions)	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
<b>Assets</b>				
Trading securities	\$ 30.7	\$ 26.0	\$ 4.7	\$ —
Derivative assets	27.8	—	27.8	—
Bank drafts	17.8	17.8	—	—
<b>Liabilities</b>				
Derivative liabilities	\$ 22.0	\$ .3	\$ 21.7	\$ —

The following table provides the assets and liabilities carried at fair value, measured on a recurring basis, as of December 28, 2019:

(In millions)	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
<b>Assets</b>				
Trading securities	\$ 30.6	\$ 26.0	\$ 4.6	\$ —
Derivative assets	5.2	—	5.2	—
Bank drafts	21.3	21.3	—	—
<b>Liabilities</b>				
Derivative liabilities	\$ 6.0	\$ .4	\$ 5.6	\$ —

Trading securities include fixed income securities (primarily U.S. government and corporate debt securities) measured at fair value using quoted prices/bids and a money market fund measured at fair value using net asset value. As of March 28, 2020, trading securities of \$0.8 million and \$29.9 million were included in “Cash and cash equivalents” and “Other current assets,” respectively, in the unaudited Condensed Consolidated Balance Sheets. As of December 28, 2019, trading securities of \$4.4 million and \$30.2 million were included in “Cash and cash equivalents” and “Other current assets,” respectively, in the unaudited Condensed Consolidated Balance Sheets.

Derivatives that are exchange-traded are measured at fair value using quoted market prices and classified within Level 1 of the valuation hierarchy. Derivatives measured based on foreign exchange rate inputs that are readily available in public markets are classified within Level 2 of the valuation hierarchy. Bank drafts (maturities greater than three months) are valued at face value due to their short-term nature and were included in “Other current assets” in the unaudited Condensed Consolidated Balance Sheets.

**Note 12. Commitments and Contingencies**

***Legal Proceedings***

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

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.

***Environmental Expenditures***

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

As of March 28, 2020, we have been designated by the U.S. Environmental Protection Agency (“EPA”) and/or other responsible state agencies as a PRP at eleven waste disposal or waste recycling sites that are the subject of separate investigations or proceedings concerning alleged soil and/or groundwater contamination. No settlement of our liability related to any of these sites has been agreed upon. We are participating with other PRPs at these sites and anticipate that our share of remediation costs will be determined pursuant to agreements that we negotiate with the EPA or other governmental authorities.

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

The activity related to our environmental liabilities for the three months ended March 28, 2020 was as follows:

(In millions)

Balance at December 28, 2019	\$	21.4
Charges, net of reversals		.1
Payments		(1.2)
Balance at March 28, 2020	\$	20.3

Approximately \$9 million and \$10 million, respectively, of the balance was classified as short-term and included in “Other current liabilities” in the unaudited Condensed Consolidated Balance Sheets as of March 28, 2020 and December 28, 2019.

**Note 13. Segment and Disaggregated Revenue Information*****Disaggregated Revenue Information***

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

(In millions)	Three Months Ended	
	March 28, 2020	March 30, 2019
<b>Net sales to unaffiliated customers</b>		
Label and Graphic Materials:		
U.S.	\$ 329.0	\$ 311.7
Europe	447.1	449.9
Asia	245.9	256.2
Latin America	90.2	90.6
Other international	68.6	69.9
Total Label and Graphic Materials	1,180.8	1,178.3
Retail Branding and Information Solutions:		
Apparel	351.3	353.1
Printer Solutions	43.3	45.2
Total Retail Branding and Information Solutions	394.6	398.3
Industrial and Healthcare Materials	147.6	163.5
Net sales to unaffiliated customers	\$ 1,723.0	\$ 1,740.1

**Additional Segment Information**

Additional financial information by reportable segment is shown below.

(In millions)	Three Months Ended	
	March 28, 2020	March 30, 2019
<b>Intersegment sales</b>		
Label and Graphic Materials	\$ 22.4	\$ 21.2
Retail Branding and Information Solutions	6.5	4.2
Industrial and Healthcare Materials	1.6	2.6
Intersegment sales	\$ 30.5	\$ 28.0
<b>Income (loss) before taxes</b>		
Label and Graphic Materials	\$ 171.9	\$ 139.5
Retail Branding and Information Solutions	31.5	51.4
Industrial and Healthcare Materials	14.9	13.6
Corporate expense	(19.1)	(22.9)
Interest expense	(18.8)	(19.5)
Other non-operating expense, net	.5	(446.5)
Income (loss) before taxes	\$ 180.9	\$ (284.4)
<b>Other expense (income), net, by reportable segment</b>		
Label and Graphic Materials	\$ 1.9	\$ 7.6
Retail Branding and Information Solutions	2.5	(2.0)
Industrial and Healthcare Materials	.5	1.9
Other expense, net	\$ 4.9	\$ 7.5
<b>Other expense (income), net, by type</b>		
Restructuring charges:		
Severance and related costs	\$ 2.4	\$ 10.4
Lease cancellation costs	—	.3
Other items:		
Transaction and related costs	2.5	—
Gain on sales of assets	—	(3.2)
Other expense, net	\$ 4.9	\$ 7.5

**Note 14. Supplemental Financial Information**

**Inventories**

Net inventories consisted of the following:

(In millions)	March 28, 2020	December 28, 2019
Raw materials	\$ 280.6	\$ 231.6
Work-in-progress	202.8	201.0
Finished goods	239.9	230.4
Inventories, net	\$ 723.3	\$ 663.0

**Property, Plant and Equipment**

(In millions)	March 28, 2020	December 28, 2019
Property, plant and equipment	\$ 3,193.4	\$ 3,171.6
Accumulated depreciation	(1,961.4)	(1,960.9)
Property, plant and equipment, net	\$ 1,232.0	\$ 1,210.7

**Allowance for Credit Losses**

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

The activity for the three months ended March 28, 2020 related to our allowance for credit losses was as follows:

(In millions)

Balance at December 28, 2019	\$	27.1
Provision for credit losses <sup>(1)</sup>		20.3
Amounts written off		(.5)
Other, including foreign currency translation		(.6)
Balance at March 28, 2020	\$	46.3

<sup>(1)</sup>Primarily reflects impacts on customers as a result of COVID-19.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

### NON-GAAP FINANCIAL MEASURES

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

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

We use these non-GAAP financial measures internally to evaluate trends in our underlying performance, as well as to facilitate comparison to the results of competitors for a single period.

We use the following non-GAAP financial measures in this MD&A:

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

We believe that sales change ex. currency and organic sales change assist investors in evaluating the sales change from the ongoing activities of our businesses and enhance their ability to evaluate our results from period to period.

- *Free cash flow* refers to cash flow provided by operating activities, less payments for property, plant and equipment, software and other deferred charges, plus proceeds from sales of property, plant and equipment, plus (minus) net proceeds from insurance and sales (purchases) of investments. Free cash flow is also adjusted for the cash contributions related to the termination of our U.S. pension plan. We believe that free cash flow assists investors by showing the amount of cash we have available for debt reductions, dividends, share repurchases, and acquisitions.
- *Operational working capital as a percentage of annualized current quarter net sales* refers to trade accounts receivable and inventories, net of accounts payable, and excludes cash and cash equivalents, short-term borrowings, deferred taxes, other current assets and other current liabilities, as well as net current assets or liabilities held-for-sale divided by annualized current quarter net sales. We believe that operational working capital as a percentage of annualized current quarter net sales assists investors in assessing our working capital requirements because it excludes the impact of fluctuations attributable to our financing and other activities (which affect cash and cash equivalents, deferred taxes, other current assets, and other current liabilities) that tend to be disparate in amount, frequency, or timing, and that may increase the volatility of working capital as a percentage of sales from period to period. The items excluded from this measure are not significantly influenced by our day-to-day activities managed at the operating level and do not necessarily reflect underlying trends in our operations.

## **OVERVIEW AND OUTLOOK**

### **COVID-19 Pandemic**

In March 2020, the World Health Organization declared the outbreak of coronavirus/COVID-19 (collectively referred to herein as “COVID-19”) a pandemic, which has continued to spread throughout the U.S. and the world, resulting in governmental authorities implementing numerous containment measures, including travel bans and restrictions, quarantines, shelter-in-place orders, and business limitations and shutdowns.

The safety and well-being of our employees has been and will continue to be our top priority during this global crisis, followed immediately by continuing to deliver high quality products and service to our customers. We created global, regional, and local emergency response teams to manage immediate priorities, recognizing that some of our businesses serve a critical role in supply chains for essential goods such as food, hygiene, and pharmaceutical products, as well as e-commerce. To support the health and well-being of our employees, customers, partners and communities, the vast majority of our office-based employees are working remotely and some of our operations have limited production or ceased operations for short periods of time. We leveraged learnings from our early experience in China to develop safety protocols for our manufacturing facilities to re-open and/or remain operational, and established work-from-home protocols for office workers. To support the well-being of our employees, we ensured that they continued to receive full pay during the initial weeks of facility closures, and, where closures were later extended in jurisdictions with weaker social safety nets, particularly in our Retail Branding and Information Solutions (“RBIS”) reportable segment, provided longer periods of salary continuation.

To meet our customer needs during periods of peak demand for label and packaging materials in North America and Europe, we took a number of steps to reduce backlogs, including leveraging our scale and global footprint to maximize production capacity, providing pay premiums for certain hourly employees, and temporarily allocating a portion of coating assets that normally support our graphics business to manufacture material for labels.

To date, disruptions to our supply chain during this challenging period have not been significant. We believe that our position as the largest customer for many of our suppliers, our global footprint with dual sourcing for most commodities, and our inventory build strategy can mitigate future supply chain risk.

We are unable to predict the full impact that COVID-19 will have on our results from operations, financial condition, liquidity and cash flows due to numerous uncertainties, including the duration and severity of the pandemic and containment measures and the related macro-economic impacts. Overall, the pandemic did not have a material negative impact on our consolidated financial results for the first quarter of 2020. While our label and packaging materials largely serve essential categories and experienced higher demand as a result of the pandemic, sales in our RBIS reportable segment declined modestly due to lower demand in its base business and sales in our IHM reportable segment also declined due to reduced industrial demand, particularly in automotive.

We expect that the pandemic will have a negative impact in our second quarter and full year 2020. We expect disruptions in certain of our businesses and operations, while some of our businesses may continue to be positively impacted. We expect our RBIS reportable segment to be the most negatively impacted, most significantly in the second quarter, as a result of widespread retail store and apparel manufacturing closures. Likewise, we expect reduced demand in our graphics products and Industrial and Healthcare Materials reportable segment’s industrial categories, driven largely by automotive end market weakness. We are actively managing this dynamic environment and have updated our plans to reflect the unique aspects of the pandemic.

We continue to execute various long-term productivity and temporary cost saving actions to manage the downturn. These include deferrals of planned compensation increases, hiring freezes, overtime and temporary labor reductions, shift reductions and furloughs, temporary production shutdowns, and travel and other discretionary spending reductions. While our balance sheet is strong and we have ample liquidity, during the first quarter of 2020, we drew down \$500 million under our \$800 million revolving credit facility because the commercial paper markets were temporarily unavailable as a result of the pandemic. Additionally, we plan to curtail a portion of our planned capital spending for 2020, while protecting our long-term investments in high value categories, and have heightened our focus on working capital management. We temporarily paused our share repurchase activity and maintained our quarterly dividend at the current rate. We expect that our current cash and cash equivalents and cash flows generated from operations will be sufficient to meet our operating requirements through this downturn.

We continue to actively monitor this situation and may take further actions that alter our business operations as may be required by federal, state or local authorities or that we determine are in the best interests of our employees, customers, suppliers and shareholders.

**Net Sales**

The factors impacting reported net sales change, as compared to the prior year period, are shown in the table below.

	<b>Three Months Ended March 28, 2020</b>
Reported sales change	(1)%
Foreign currency translation	2
Sales change ex. currency	1
Acquisitions	(1)
Organic sales change	— %

In the three months ended March 28, 2020, net sales were comparable to the same period in the prior year on an organic basis.

**Net Income (Loss)**

Net income was \$134 million in the first three months of 2020 compared to a net loss of \$147 million in the same period last year. Major factors affecting the change in net income included the following:

- Prior year settlement loss from pension termination
- Net impact of pricing and raw material input costs
- Benefits from productivity initiatives, including savings from restructuring actions, net of transition costs

Offsetting factors:

- Impact of increased allowance for credit losses primarily as a result of COVID-19
- Impact of foreign currency translation

**Acquisition**

On February 28, 2020, we completed the acquisition of Smartrac's Transponder (RFID Inlay) division ("Smartrac"), a manufacturer of radio-frequency identification ("RFID") products, for consideration, subject to customary adjustments, of approximately \$253 million (€230 million), approximately \$7 million of which became payable as of March 28, 2020. We believe this acquisition will enhance our research and development capabilities, expand product lines, and provide added manufacturing capacity. Consistent with the time allowed to complete our assessment, the valuation of certain acquired assets and liabilities, including tangible and intangible assets, environmental liabilities and income taxes, is preliminary. This acquisition was not material to our unaudited Condensed Consolidated Financial Statements.

**Cost Reduction Actions***2019/2020 Actions*

During the three months ended March 28, 2020, we recorded \$2.6 million in restructuring charges related to our 2019/2020 actions. These charges consisted of severance and related costs for the reduction of approximately 60 positions.

*2018/2019 Actions*

During the three months ended March 28, 2020, we recorded \$.2 million in net restructuring reversals related to our 2018/2019 actions.

Restructuring charges were included in "Other expense (income), net" in the unaudited Condensed Consolidated Statements of Income. Refer to Note 6, "Cost Reduction Actions," to the unaudited Condensed Consolidated Financial Statements for more information.

**U.S. Pension Plan Termination**

In connection with its termination in 2019, we settled approximately \$753 million of liabilities of the Avery Dennison Pension Plan (the "ADPP") by entering into an agreement to purchase annuities primarily from American General Life Insurance Company and through a combination of annuities and direct funding to the Pension Benefit Guaranty Corporation for a small portion of former employees and their beneficiaries.

**Accounting Guidance Updates**

Refer to Note 1, “General,” to the unaudited Condensed Consolidated Financial Statements for this information.

**Cash Flow**

(In millions)	<b>Three Months Ended</b>	
	<b>March 28, 2020</b>	<b>March 30, 2019</b>
Net cash provided by operating activities	\$ 4.4	\$ 35.4
Purchases of property, plant and equipment	(33.2)	(41.8)
Purchases of software and other deferred charges	(6.2)	(5.5)
Proceeds from sales of property, plant and equipment	—	7.3
Proceeds from insurance and sales (purchases) of investments, net	(.3)	4.5
Contributions for pension plan termination	—	7.4
Free cash flow	\$ (35.3)	\$ 7.3

During the first three months of 2020, net cash provided by operating activities decreased compared to the same period last year primarily due to changes in operational working capital, partially offset by lower payroll and incentive compensation payments, lower pension plan contributions, and lower restructuring payments. During the first three months of 2020, free cash flow decreased compared to the same period last year due to a decrease in net cash provided by operating activities, lower proceeds from sales of property, plant and equipment and lower proceeds from sales of investments, partially offset by a decrease in purchases of property, plant and equipment.

**Outlook**

Certain factors that we believe may contribute to our 2020 results are described below:

- Though the impact of COVID-19 on global demand for our products cannot be reasonably estimated at this time, we expect sales and earnings to decline in 2020 as a result of the pandemic.
- We anticipate partially offsetting this negative impact with significant temporary cost savings.
- We anticipate incremental savings from restructuring actions, net of transition costs, of \$50 million to \$60 million.
- We expect our full year effective tax rate to be in the mid-twenty percent range.
- Based on recent foreign currency exchange rates, we expect foreign currency translation to reduce our operating income by approximately \$28 million.

**ANALYSIS OF RESULTS OF OPERATIONS FOR THE FIRST QUARTER**
**Income Before Taxes**

(In millions, except percentages)	<b>Three Months Ended</b>	
	<b>March 28, 2020</b>	<b>March 30, 2019</b>
Net sales	\$ 1,723.0	\$ 1,740.1
Cost of products sold	1,237.9	1,274.7
Gross profit	485.1	465.4
Marketing, general and administrative expense	281.0	276.3
Other expense, net	4.9	7.5
Interest expense	18.8	19.5
Other non-operating expense, net	(.5)	446.5
Income (loss) before taxes	\$ 180.9	\$ (284.4)
Gross profit margin	28.2 %	26.7 %

**Gross Profit Margin**

Gross profit margin for the first quarter of 2020 increased compared to the same period last year primarily reflecting the net benefit of pricing and raw material input costs and benefits from productivity initiatives, including material re-engineering and savings from restructuring actions, net of transition costs, partially offset by unfavorable product mix and higher employee-related costs.

*Marketing, General and Administrative Expense*

Marketing, general and administrative expense increased in the first quarter of 2020 compared to the same period last year primarily due to increased allowances for credit losses, partially offset by benefits from productivity initiatives, including savings from restructuring actions, net of transition costs, and lower employee-related costs.

*Other Expense, Net*

(In millions)	<b>Three Months Ended</b>	
	<b>March 28, 2020</b>	<b>March 30, 2019</b>
<b>Other expense (income), net, by type</b>		
Restructuring charges:		
Severance and related costs	\$ 2.4	\$ 10.4
Lease cancellation costs	—	.3
Other items:		
Transaction and related costs	2.5	—
Gain on sales of assets	—	(3.2)
<b>Other expense, net</b>	<b>\$ 4.9</b>	<b>\$ 7.5</b>

Refer to Note 6, “Cost Reduction Actions,” to the unaudited Condensed Consolidated Financial Statements for more information regarding restructuring charges.

*Interest Expense*

Interest expense decreased slightly in the first quarter of 2020 compared to the same period last year reflecting lower borrowing rates on our outstanding indebtedness.

*Other Non-Operating Expense, Net*

Other non-operating expense decreased in the first quarter of 2020 compared to the same period last year primarily due to the prior year impact of the ADPP termination.

**Net Income and Earnings per Share**

(In millions, except per share amounts and percentages)	<b>Three Months Ended</b>	
	<b>March 28, 2020</b>	<b>March 30, 2019</b>
Income (loss) before taxes	\$ 180.9	\$ (284.4)
Provision for (benefit from) income taxes	46.3	(138.4)
Equity method investment losses	(.4)	(.9)
<b>Net income (loss)</b>	<b>\$ 134.2</b>	<b>\$ (146.9)</b>
Per share amounts:		
Net income (loss) per common share	\$ 1.61	\$ (1.74)
Net income (loss) per common share, assuming dilution	1.60	(1.74)
<b>Effective tax rate</b>	<b>25.6 %</b>	<b>48.7 %</b>

*Provision for Income Taxes*

Our effective tax rate for the three months ended March 28, 2020 was 25.6%, compared to 48.7% in the same period last year. The decrease in tax rate was primarily due to the tax effects of the settlement charges associated with the termination of the ADPP in the three months ended March 30, 2019. Refer to Note 8, “Taxes Based on Income,” to the unaudited Condensed Consolidated Financial Statements for more information.

We currently expect our effective tax rate for fiscal year 2020 to be in the mid-twenty percent range. Our effective tax rate can vary from quarter to quarter due to the recognition of discrete events, such as changes in tax reserves, settlements of income tax audits, changes in tax laws and regulations, return-to-provision adjustments, tax impacts related to stock-based payments, as well as recurring factors, such as changes in the mix of earnings in countries with differing statutory tax rates, and the execution of tax planning strategies. Our effective tax rate may be negatively impacted if the duration or severity of COVID-19 is longer or more detrimental than currently estimated.

We continue to pursue planning opportunities in certain foreign jurisdictions primarily to react to the loss of concessionary tax rates. We believe that we are on track to realize these opportunities. We continue to evaluate certain key factors that may significantly influence the amount of benefit to be recognized in fiscal year 2020.

**RESULTS OF OPERATIONS BY REPORTABLE SEGMENT FOR THE FIRST QUARTER**

Operating income refers to income before taxes, interest and other non-operating expenses.

***Label and Graphic Materials***

(In millions)	<b>Three Months Ended</b>	
	<b>March 28, 2020</b>	<b>March 30, 2019</b>
Net sales including intersegment sales	\$ 1,203.2	\$ 1,199.5
Less intersegment sales	(22.4)	(21.2)
Net sales	\$ 1,180.8	\$ 1,178.3
Operating income <sup>(1)</sup>	171.9	139.5
<sup>(1)</sup> Included charges associated with restructuring actions in both years, transaction and related costs in 2020, and gain on sales of assets in 2019	\$ 1.9	\$ 7.6

*Net Sales*

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

	<b>Three Months Ended</b>
	<b>March 28, 2020</b>
Reported sales change	— %
Foreign currency translation	2
Sales change ex. currency	2
Acquisitions	(1)
Organic sales change <sup>(1)</sup>	2 %

<sup>(1)</sup>Total does not sum due to rounding

In the first quarter of 2020, net sales increased on an organic basis compared to the same period in the prior year primarily due to higher volume/mix, which more than offset raw material-related price reductions. On an organic basis, net sales increased by mid-single digit rates in North America and low-single digits in emerging markets and were comparable to prior year in Western Europe.

*Operating Income*

Operating income increased in the first quarter of 2020 compared to the same period last year primarily due to benefits from higher volume and raw material deflation, net of pricing and unfavorable product mix, benefits from productivity initiatives, including material re-engineering and savings from restructuring actions, net of transition costs, and lower restructuring charges. These benefits were partially offset by increased allowance for credit losses.

**Retail Branding and Information Solutions**

(In millions)	<b>Three Months Ended</b>	
	<b>March 28, 2020</b>	<b>March 30, 2019</b>
Net sales including intersegment sales	\$ 401.1	\$ 402.5
Less intersegment sales	(6.5)	(4.2)
Net sales	\$ 394.6	\$ 398.3
Operating income <sup>(1)</sup>	31.5	51.4
<hr/>		
<sup>(1)</sup> Included charges associated with restructuring actions in both years, transaction and related costs in 2020, and gain on sales of assets of 2019	\$ 2.5	\$ (2.0)

**Net Sales**

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

	<b>Three Months Ended March 28, 2020</b>
Reported sales change	(1)%
Foreign currency translation	1
Sales change ex. currency	—
Acquisitions	(1)
Organic sales change	(1)%

In the first quarter of 2020, net sales decreased on an organic basis compared to the same period in the prior year due to a mid-to-high single digit decline in the base business due to manufacturing closures and lower demand in apparel, which more than offset a low double-digit increase in RFID solutions.

**Operating Income**

Operating income decreased in the first quarter of 2020 compared to the same period last year primarily due to higher long-term growth-related investments, an increased allowance for credit losses, and lower volume, partially offset by lower raw material costs and benefits from productivity initiatives, including savings from restructuring actions, net of transition costs.

**Industrial and Healthcare Materials**

(In millions)	<b>Three Months Ended</b>	
	<b>March 28, 2020</b>	<b>March 30, 2019</b>
Net sales including intersegment sales	\$ 149.2	\$ 166.1
Less intersegment sales	(1.6)	(2.6)
Net sales	\$ 147.6	\$ 163.5
Operating income <sup>(1)</sup>	14.9	13.6
<hr/>		
<sup>(1)</sup> Included charges associated with restructuring in both years	\$ .5	\$ 1.9

**Net Sales**

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

	<b>Three Months Ended March 28, 2020</b>
Reported sales change	(10)%
Foreign currency translation	2
Sales change ex. currency	(8)
Acquisitions	—
Organic sales change	(8)%

In the first quarter of 2020, net sales decreased on an organic basis compared to the same period in the prior year due to a mid-single digit decrease in industrial categories and a low-single digit decrease in healthcare categories.

#### *Operating Income*

Operating income increased in the first quarter of 2020 compared to the same period last year primarily due to benefits from productivity initiatives, including savings from restructuring actions, net of transition costs, and lower restructuring charges, partially offset by lower volume.

### **FINANCIAL CONDITION**

#### **Liquidity**

##### **Operating Activities**

(In millions)	<b>Three Months Ended</b>	
	<b>March 28, 2020</b>	<b>March 30, 2019</b>
Net income (loss)	\$ 134.2	\$ (146.9)
Depreciation	36.8	34.9
Amortization	10.7	9.6
Provision for credit losses and sales returns	31.2	14.8
Stock-based compensation	6.3	7.6
Pension plan settlements and related charges	—	446.9
Deferred taxes and other non-cash taxes	6.4	(172.8)
Other non-cash expense and loss (income and gain), net	4.4	3.3
Changes in assets and liabilities and other adjustments	(225.6)	(162.0)
Net cash provided by operating activities	\$ 4.4	\$ 35.4

During the first three months of 2020, net cash provided by operating activities decreased compared to the same period last year primarily due to changes in operational working capital, partially offset by lower payroll and incentive compensation payments, lower pension plan contributions, and lower restructuring payments.

##### **Investing Activities**

(In millions)	<b>Three Months Ended</b>	
	<b>March 28, 2020</b>	<b>March 30, 2019</b>
Purchases of property, plant and equipment	\$ (33.2)	\$ (41.8)
Purchases of software and other deferred charges	(6.2)	(5.5)
Proceeds from sales of property, plant and equipment	—	7.3
Proceeds from insurance and sales (purchases) of investments, net	(.3)	4.5
Payments for acquisition, net of cash acquired, and investments in businesses	(245.9)	(6.5)
Net cash used in investing activities	\$ (285.6)	\$ (42.0)

#### *Purchases of Property, Plant and Equipment*

During the first three months of 2020, we invested in equipment to support growth in North America, Asia and Europe and to improve manufacturing productivity. During the first three months of 2019, we invested in equipment to support growth in Asia and North America and to improve manufacturing productivity.

#### *Purchases of Software and Other Deferred Charges*

During the first three months of 2020 and 2019, we invested in information technology upgrades worldwide. During the first three months of 2019, we also invested in enterprise resource planning system implementations in North America.

#### *Proceeds from Sales of Property, Plant and Equipment*

During the first three months of 2019, the majority of the proceeds from sales of property, plant and equipment was related to the sale of three properties in North America, Asia and Europe.

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

During the first three months of 2020, we had lower proceeds from insurance associated with our corporate-owned life insurance policies and higher net purchases of investments compared to the same period last year.

*Payments for Acquisition, Net of Cash Acquired, and Investments in Businesses*

During the first three months of 2020, we paid consideration, net of cash acquired, of approximately \$246 million to acquire Smartrac, which we funded through commercial paper borrowings at that time. During the first three months of 2019, we paid \$6.5 million for investments in unconsolidated businesses.

**Financing Activities**

(In millions)	<b>Three Months Ended</b>	
	<b>March 28, 2020</b>	<b>March 30, 2019</b>
Net (decrease) increase in borrowings (maturities of three months or less)	\$ (106.0)	\$ 155.4
Additional borrowings under revolving credit facility	500.0	—
Additional long-term borrowings	494.4	—
Repayments of long-term debt and finance leases	(1.1)	(1.8)
Dividends paid	(48.4)	(43.9)
Share repurchases	(45.2)	(88.7)
Net (tax withholding) proceeds related to stock-based compensation	(20.0)	(20.1)
Payments of contingent consideration	—	(1.6)
<b>Net cash provided by (used in) financing activities</b>	<b>\$ 773.7</b>	<b>\$ (.7)</b>

*Borrowings and Repayment of Debt*

Given the seasonality of our cash flow from operating activities, during the first three months of 2020 and 2019, our commercial paper borrowings were used to fund dividend payments, share repurchases, and capital expenditures, and for other general corporate purposes. During the first three months of 2020, commercial paper borrowings were also used to fund the Smartrac acquisition, which we paid down using the net proceeds of \$494.4 million from the \$500 million of senior notes we issued in March 2020. Subsequent to the end of the first quarter of 2020, we used the remaining proceeds from these notes to repay the \$250 million aggregate principal amount of senior notes that matured on April 15, 2020.

In light of recent uncertainty regarding the availability of commercial paper, which we typically rely upon to fund day-to-day operational needs, and the relatively favorable terms under our recently-extended \$800 million revolving credit facility (the "Revolver"), in March 2020, we borrowed \$500 million from the Revolver with a six-month duration.

Refer to Note 4, "Debt" to the unaudited Condensed Consolidated Financial Statements for more information.

*Dividends Paid*

We paid dividends of \$.58 per share in the first three months of 2020 compared to \$.52 per share in the same period last year. In April 2019, we increased our quarterly dividend to \$.58 per share, representing an increase of approximately 12% from our previous dividend rate of \$.52 per share.

*Share Repurchases*

During the first three months of 2020 and 2019, we repurchased approximately .4 million and .9 million shares of our common stock, respectively.

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

During the first three months of 2020, tax withholding for stock-based compensation decreased compared to the same period in 2019 as a result of fewer equity awards vesting, partially offset by lower proceeds from fewer stock option exercises compared to the same period in 2019.

## Analysis of Selected Balance Sheet Accounts

### *Long-lived Assets*

In the three months ended March 28, 2020, goodwill increased by approximately \$97 million to \$1.03 billion, which reflected the preliminary valuation of goodwill associated with the Smartrac acquisition, partially offset by the impact of foreign currency translation.

In the three months ended March 28, 2020, other intangibles resulting from business acquisitions, net, increased by approximately \$71 million to \$197.6 million, which reflected the preliminary valuation of other intangibles from the Smartrac acquisition, partially offset by current year amortization expense and the impact of foreign currency translation.

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

### *Shareholders' Equity Accounts*

As of March 28, 2020, the balance of our shareholders' equity was \$1.17 billion. Refer to Note 10, “Supplemental Equity and Comprehensive Income Information,” to the unaudited Condensed Consolidated Financial Statements for more information.

## Impact of Foreign Currency Translation

(In millions)	<b>Three Months Ended March 28, 2020</b>	
Change in net sales	\$	(34)

International operations generated approximately 75% of our net sales during the three months ended March 28, 2020. Our future results are subject to changes in political and economic conditions in the regions in which we operate and the impact of fluctuations in foreign currency exchange and interest rates.

The unfavorable impact of foreign currency translation on net sales in the first three months of 2020 compared to the same period last year was primarily related to euro-denominated sales and sales in China and Brazil.

## Effect of Foreign Currency Transactions

The impact on net income (loss) from transactions denominated in foreign currencies is largely mitigated because the costs of our products are generally denominated in the same currencies in which they are sold. In addition, to reduce our income and cash flow exposure to transactions in foreign currencies, we enter into foreign exchange forward, option and swap contracts where available and appropriate. Refer to Note 7, “Financial Instruments,” to the unaudited Condensed Consolidated Financial Statements for more information.

## Analysis of Selected Financial Ratios

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

*Operational Working Capital Ratio*

Operational working capital, as a percentage of annualized current-quarter net sales, is reconciled to working capital below. Our objective is to minimize our investment in operational working capital, as a percentage of annualized current-quarter net sales, to maximize cash flow and return on investment. Operational working capital, as a percentage of annualized current-quarter net sales, in the first quarter of 2020, was higher compared to the first quarter of 2019.

(In millions, except percentages)	March 28, 2020	March 30, 2019
(A) Working capital	\$ 353.5	\$ 283.2
Reconciling items:		
Cash and cash equivalents	(742.0)	(225.7)
Other current assets	(225.8)	(211.0)
Short-term borrowings and current portion of long-term debt and finance leases	832.3	350.3
Accrued payroll and employee benefits and other current liabilities	697.0	656.5
(B) Operational working capital	\$ 915.0	\$ 853.3
(C) First-quarter net sales, annualized	\$ 6,892.0	\$ 6,960.4
Operational working capital, as a percentage of annualized current-quarter net sales: (B) ÷ (C)	13.3 %	12.3 %

*Accounts Receivable Ratio*

The average number of days sales outstanding was 65 days in the first three months of 2020 compared to 63 days in the first three months of 2019, calculated using the trade accounts receivable balance at quarter-end divided by the average daily sales for the quarter. The increase in the average number of days sales outstanding primarily reflected delays in collections at the end of the quarter due to the impact of COVID-19 on many of our customers, partially offset by a higher allowance for credit losses.

*Inventory Ratio*

Average inventory turnover was 6.9 in the first three months of 2020 compared to 7.4 in the first three months of 2019, calculated using the annualized cost of sales (year-to-date cost of products sold, multiplied by four) divided by the inventory balance at quarter-end. The decrease in average inventory turnover primarily reflected short-term manufacturing facility closures and planned inventory pre-build as a result of COVID-19.

*Accounts Payable Ratio*

The average number of days payable outstanding was 76 days in the first three months of 2020 compared to 74 days in the first three months of 2019, calculated using the accounts payable balance at quarter-end divided by the average daily cost of products sold for the quarter. The increase in the average number of days payable outstanding from the prior year primarily reflected timing of vendor payments and inventory pre-build.

**Capital Resources**

Capital resources include cash flows from operations, cash and cash equivalents, and debt financing, including access to commercial paper supported by our Revolver. We use these resources to fund operational needs. At March 28, 2020, we had cash and cash equivalents of \$742 million held in accounts at third-party financial institutions.

Our cash balances are held in numerous locations throughout the world. At March 28, 2020, the majority of our cash and cash equivalents was held in the U.S.

To meet U.S. cash requirements, we have several cost-effective liquidity options available. These options include borrowing funds at reasonable rates, including borrowings from foreign subsidiaries, and repatriating foreign earnings and profits. However, if we were to repatriate incremental foreign earnings and profits, we may be subject to withholding taxes imposed by foreign tax authorities and additional U.S. taxes due to the impact of foreign currency movements related to these earnings and profits.

In February 2020, we amended and restated our \$800 million Revolver, extending its maturity date to February 13, 2025. The maturity date may be extended for a one-year period under certain circumstances. The commitments under the Revolver may be increased by up to \$400 million, subject to lender approvals and customary requirements. The Revolver is used as a back-up facility for our commercial paper program and can be used for other corporate purposes. In light of recent uncertainty regarding the availability of commercial paper, which we typically rely upon to fund day-to-day operational needs, and the relatively favorable terms under the Revolver, in March 2020, we drew down \$500 million from the Revolver with a six-month duration. This balance remained outstanding as of March 28, 2020. No balance was outstanding under the Revolver as of December 28, 2019.

The Revolver contains a financial covenant that requires us to maintain a maximum leverage ratio (calculated as a ratio of consolidated debt to consolidated EBITDA as defined in the agreement) of not more than 3.50 to 1.00; provided that, in the event of an acquisition by us that exceeds \$250 million, the maximum leverage ratio increases to 4.00 to 1.00 for the fiscal quarter in which the acquisition occurs and three consecutive fiscal quarters immediately following such fiscal quarter. As of March 28, 2020 and December 28, 2019, we were in compliance with our financial covenants under the Revolver.

In March 2020, we issued \$500 million of senior notes, due April 2030. The senior notes bear an interest rate of 2.65% per year, payable semiannually in arrears. The net proceeds from the offering, after deducting underwriting discounts and offering expenses, were \$494.4 million, which we used to repay existing indebtedness under our commercial paper program, used to fund our Smartrac acquisition and, subsequent to the end of the first quarter of 2020, the \$250 million aggregate principal amount of senior notes that matured on April 15, 2020.

#### *Capital from Debt*

The carrying value of our total debt increased by approximately \$881 million in the first three months of 2020 to \$2.82 billion, primarily reflecting the borrowings under the Revolver and the issuance of senior notes in March 2020, partially offset by a net decrease in commercial paper borrowings.

Credit ratings are a significant factor in our ability to raise short- and long-term financing. The credit ratings assigned to us also impact the interest rates paid and our access to commercial paper, credit facilities, and other borrowings. A downgrade of our short-term credit ratings could impact our ability to access the commercial paper markets. If our access to commercial paper markets were to become limited, as it did in the first quarter of 2020 as a result of COVID-19, we expect that the Revolver and our other credit facilities would be available to meet our short-term funding requirements. When determining a credit rating, we believe that rating agencies primarily consider our competitive position, business outlook, consistency of cash flows, debt level and liquidity, geographic dispersion and management team. We remain committed to maintaining an investment grade rating.

#### **Off-Balance Sheet Arrangements, Contractual Obligations, and Other Matters**

Refer to Note 12, "Commitments and Contingencies," to the unaudited Condensed Consolidated Financial Statements. Except as indicated therein, we have no material off-balance sheet arrangements as described in Item 303 (a)(4) of Regulation S-K.

#### **RECENT ACCOUNTING REQUIREMENTS**

Refer to Note 1, "General," to the unaudited Condensed Consolidated Financial Statements.

#### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

There have been no material changes to the information provided in Part II, Item 7A of our Annual Report on Form 10-K for the fiscal year ended December 28, 2019 that have not been disclosed in our periodic filings with the SEC.

## **ITEM 4. CONTROLS AND PROCEDURES**

### **Evaluation of Disclosure Controls and Procedures**

We maintain disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(f)) that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding the required disclosure.

In designing and evaluating the disclosure controls and procedures, we recognize that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Our disclosure controls system is based upon a global chain of financial and general business reporting lines that converge in our headquarters in Glendale, California. As required by SEC Rule 13a-15(b), we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the quarter covered by this report. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of such time to provide reasonable assurance that information was recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information was accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding the required disclosure.

### **Changes in Internal Control Over Financial Reporting**

During the first quarter of 2020, where appropriate, we added, modified or enhanced controls as a result of COVID-19.

In addition, we upgraded our enterprise resource planning system in our Retail Branding and Information Solutions reportable segment. Processes affected by this implementation included, among other things, financial reporting, order management, manufacturing, supply chain and shipping. Where appropriate, we have made changes to related internal controls over our financial reporting.

There have been no other 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.

## PART II. OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

Refer to “Legal Proceedings” in Note 12, “Commitments and Contingencies,” to the unaudited Condensed Consolidated Financial Statements in Part 1, Item 1 for this information.

### ITEM 1A. RISK FACTORS

The risk factors described in this section modify some of the risk factors described in our [Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 26, 2020](#) and the documents incorporated therein by reference and 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. These risks and uncertainties have been, and will continue to be, impacted by the coronavirus/COVID-19 pandemic (collectively referred to herein as “COVID-19”) and any worsening of the global business and economic environment as a result. This list of risks is not exhaustive. Our ability to attain our goals and objectives is dependent on numerous factors and risks, including, but not limited to, the most significant ones described in our Annual Report on Form 10-K, as further modified by this section.

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

In 2019, approximately 77% 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 impacts from COVID-19, slower growth in the geographic regions in which we operate, the restructuring of European sovereign and other debt obligations, the impact of the United Kingdom's (“UK's”) exit from the European Union on January 31, 2020 (commonly known as “Brexit”), and uncertainty in the global credit or financial markets leading to a 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. Fluctuations in currencies, such as those associated with the euro, Chinese Yuan (renminbi), and Brazilian real in 2019, can result in a variety of negative effects, including lower revenues, increased costs, lower gross margin percentages, increased allowances for credit losses and/or write-offs of accounts receivable, and required recognition of impairments of capitalized assets, including goodwill and other intangibles.

We continue to face uncertainty with respect to trade relations between the U.S. and many of its trading partners. Over the past few years, the U.S. government has imposed additional tariffs on products imported into the U.S. This has resulted in reciprocal tariffs on goods imported from the U.S. into China, the European Union, Mexico, Canada, and certain other countries. The impacts on our operations to date have been insignificant although there was some volatility in the timing of purchases by the retailers served by our Retail Branding and Information Solutions (“RBIS”) reportable segment in light of trade-related uncertainty during 2019. There remains a significant risk that additional tariffs or other restrictions could be imposed on products imported from these or other countries, or that relations with these countries could more broadly deteriorate. These countries may continue to retaliate by imposing similar tariffs or restrictions on products imported from the U.S. Any of these actions or further developments in international 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 civil, political and economic disturbances in places such as Russia, Ukraine, Syria, Iraq, Iran, Turkey, North Korea, Hong Kong, and Chile 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, social, political or market conditions in the U.S. or other countries.

*COVID-19 has had an adverse effect on portions of our business and we could experience further negative consequences and/or materially adverse effects.*

In December 2019, a novel strain of coronavirus emerged in Wuhan, Hubei Province, China, which has and is continuing to spread throughout the world, including the United States. On January 30, 2020, the World Health Organization declared this outbreak a “Public Health Emergency of International Concern,” and, on March 11, 2020, the World Health Organization characterized COVID-19 as a “pandemic.” The governments of many countries, the vast majority of U.S. states and many cities and other jurisdictions have ordered their residents to cease traveling to non-essential jobs and to curtail all unnecessary travel, and to stay in their homes as much as possible as the world continues to confront COVID-19. As visibility in our global markets decreases and demand uncertainty intensifies, we are not able to predict or reasonably estimate the ultimate impact of COVID-19 on our business. However, if the current economic conditions worsen or last for an extended period of time, we could be forced to significantly scale back our business operations or growth plans, which could have a material adverse effect on our business.

Overall, COVID-19 did not materially adversely affect our consolidated financial results in the first fiscal quarter ended March 28, 2020. However, we expect that COVID-19 will have a negative impact on our second quarter and fiscal year 2020. In the short-term, demand in our Label and Graphic Materials (“LGM”) reportable segment has increased, driven by significant order strength for our label materials sold for use in the food, hygiene, pharmaceutical, and variable information market segments. Some of the increase in demand is likely due to consumers being required or encouraged by governmental authorities to stay at home, schools being closed, and employers requiring employees to work remotely and/or implementing furloughs and layoffs. This increased demand may not continue and/or demand may decrease depending on the duration and severity of the pandemic, the length of time it takes for normal economic and operating conditions to resume, the extent to which excess inventory built during the early stages of the pandemic leads to destocking by consumers and/or the supply chain, additional governmental actions that may be taken and/or extensions of time for restrictions that have been imposed to date, and numerous other uncertainties. These events may result in business and manufacturing disruption, inventory shortages, delivery delays, and reduced sales and operations, any of which could materially affect our business.

We expect our RBIS reportable segment to be the most negatively impacted by COVID-19, most significantly in the second quarter, as a result of widespread retail store and apparel manufacturing closures. Likewise, we expect reduced demand in our graphics products and Industrial and Healthcare Materials (“IHM”) reportable segment’s industrial categories, driven largely by automotive end market weakness.

*The ability of our employees to work may be significantly impacted by COVID-19.*

Our employees have been affected by COVID-19. Our office and management personnel have generally been working from home, and some of our employees engaged in manufacturing, production and distribution facilities have been restricted by governmental orders from coming to work. We have experienced, and expect to experience in the future, temporary facility closures in response to government mandates in certain jurisdictions in which we operate. The safety, health and well-being of our workforce are top priorities and we may need to enact further precautionary measures to help minimize the risk of our employees being exposed to the novel coronavirus. COVID-19 could also disrupt our ability to secure supplies for our facilities and to provide personal protective equipment for our employees. Further, our management team is focused on mitigating the adverse economic effects of COVID-19, which has required and will continue to require a large investment of time and resources across our entire company, thereby diverting attention from other priorities that existed prior to the pandemic. If these conditions worsen, or last for an extended period of time, our management team’s ability to manage our business may be impaired, and operational, cybersecurity and other risks facing us prior to the pandemic may be elevated.

*We cannot predict the impact of COVID-19 on our customers, suppliers, vendors, and other business partners.*

COVID-19 is affecting our customers, suppliers, vendors, and other business partners, but we are not able to assess the full extent of the current impact nor predict the ultimate consequences that will result. Delays in production or delivery of components or raw materials in our global supply chain due to restrictions imposed to limit the spread of COVID-19 could delay or inhibit our ability to obtain supply of components and finished goods. While disruptions to our supply chain during the first fiscal quarter ended March 28, 2020 were not significant, if current conditions worsen or last for an extended period of time, our supply chains could be materially adversely affected. If our sales channels are substantially impaired for an extended period of time, our business could be materially adversely affected.

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

A significant amount of our sales is 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. For example, while China and other emerging markets continued to contribute positively to our results in 2019, we believe that local economic conditions negatively impacted our results in China for the year, most notably in our IHM reportable segment with the decline in automotive production. Our business operations may be adversely affected by the current and future political environment in China, including as a result of its response to tariffs instituted by the U.S. government on goods imported from China and any trade agreements entered into between the U.S. and China. Our ability to operate in China or other emerging markets may be adversely affected by changes in the laws and regulations of these jurisdictions or the interpretation thereof, including those relating to taxation, import and export tariffs, raw materials, environmental regulations, land use rights, property, foreign currency conversion, the regulation of private enterprises and other matters.

In early 2020, in response to the initial outbreak of the novel coronavirus in China, many of our manufacturing and other operations in China experienced limited production and/or closure; as the outbreak spread beyond this region, our facilities in other countries were similarly impacted. The majority of our manufacturing and other facilities is currently open, but, many of our employees are still unable to travel within and outside their countries. This outbreak of contagious disease, as well as any other adverse public health developments - particularly in Asia where approximately 60% of our employees are located and a significant portion of our sales are generated - could have a material adverse effect on our business as our sales to customers in China (including Hong Kong) were approximately 20% of our net sales in 2019.

There could be further restrictions on our ability to travel or disruptions in our supply chain or ability to manufacture our products, as well as temporary closures of our facilities or those of our suppliers or customers, any of which could impact our sales and operating results. Although the outbreak originated in China, cases have been confirmed in many other countries as well. The extent to which the pandemic will impact our results is dependent on future developments, which are uncertain and unpredictable. This widespread health crisis has adversely affected the economies and financial markets in impacted countries, and further escalation of the current health crisis could potentially lead to a more significant economic downturn that could adversely affect demand for our products and negatively impact our business. We expect that COVID-19 will adversely impact results for our second quarter and full year 2020; while we will take measures to try to mitigate this impact, there can be no assurance that these actions will be able to partially or fully offset the impact.

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 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 have a material adverse effect on our business by decreasing consumer purchasing power, reducing demand for our products or increasing our costs.

*We have recently acquired companies and are likely to acquire other companies. Acquisitions come with significant risks and uncertainties, including those related to integration, technology and employees.*

To grow existing businesses and expand into new areas, we have made acquisitions and are likely to continue doing so. In recent years, 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 completed the following acquisitions for an aggregate of approximately \$340 million: Yongle Tape Ltd., a China-based manufacturer of specialty tapes and related products used in a variety of industrial markets; Finesse Medical Ltd., an Ireland-based manufacturer of healthcare products used in the management of wound care and skin conditions; and the net assets of Hanita Coatings Rural Cooperative Association Limited, an Israel-based pressure-sensitive manufacturer of specialty films and laminates, and stock of certain of its subsidiaries. Although we did not make any acquisitions in 2019, in February 2020, we completed our acquisition of Smartrac's Transponder (RFID Inlay) Division for approximately \$253 million, subject to customary adjustments. In addition, we continued to evaluate potential targets and ensure we have a robust pipeline of acquisition opportunities.

Various risks, uncertainties, and costs are associated with acquisitions. Effective integration of systems, controls, employees, 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. In addition, we may not be able to retain key employees 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 that of the acquired company may suffer due to uncertainty or diversion of management attention. Future acquisitions could result in debt, dilution, liabilities, increased interest expense, restructuring charges and amortization expenses related to intangible assets. There can be no assurance that acquisitions will be successful and contribute to our profitability. Further, we may not be able to identify value-accretive targets that support our strategy of increasing our exposure to high value product categories or execute additional acquisitions in the future.

*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 offset increases in 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 2018, we implemented targeted price increases in our LGM reportable segment in all regions to address raw material inflation that moderated in 2019. Our performance depends in part on our ability to offset cost increases for raw materials by raising our selling prices and re-engineering our products.

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, like COVID-19, 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.

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

As our business environment changes, including as a result of COVID-19, we may need to adjust our business strategies or restructure our operations or particular businesses. We undertook a multi-year transformation of our RBIS reportable 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, such as the restructuring of the European footprint of our LGM reportable segment, which began in 2018 and continued in 2019, and actions taken in our IHM reportable segment in 2019 to improve speed, reduce complexity and lower costs. 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 could prove unprofitable. 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 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, we undertook a multi-year transformation of our RBIS reportable 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. We intend to continue efforts to reduce costs in all our businesses, 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 restructuring of the European footprint of our LGM reportable segment business, which began in 2018 and continued in 2019, and actions taken in our IHM reportable segment to improve speed, reduce complexity and lower costs are examples of these activities. The success of these efforts is not assured and targeted savings may not be realized. In addition, cost reduction actions could expose us to production risk, loss of sales and employee turnover.

In addition, we are executing significant temporary cost saving actions to manage the economic downturn that has resulted from COVID-19. These include deferrals of planned compensation increases, hiring freezes, overtime and temporary labor reductions, shift reductions and furloughs, temporary production shutdowns, and travel and other discretionary spending reductions. We anticipate that these actions will partially offset the negative impact on our business resulting from COVID-19.

*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 credit losses is adequate, we have experienced - including a greater than 70% increase in our allowance for credit losses from \$27.1 million to \$46.3 million in the first quarter of 2020 as a result of COVID-19 - and in the future may experience, losses as a result of our inability to collect some of our 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 were to 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.

*Our stock price may be volatile, which, among other things, could cause our tax rate to vary significantly.*

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 increased significantly in 2019 after having experienced a decline in 2018, and may experience substantial volatility, is influenced by changes in the overall stock market and demand for equity securities in general, as seen in our first fiscal quarter ended March 28, 2020 (with a stock price low of \$76.96 and high of \$141.09) due to the impact of COVID-19. Other factors, including our financial performance on an absolute basis and relative to our peers and competitors, as well as market expectations of our performance, the level of perceived growth of our industries, and other company-specific factors, can also materially adversely affect our stock price. There can be no assurance that our stock price will not be volatile in the future.

In any period in which our stock price is higher than the grant price of the stock-based compensation vesting or being exercised in that period, we are required to recognize excess tax benefits that would decrease our effective tax rate. Conversely, if our stock price is lower than the grant price of the stock-based compensation vesting or being exercised in that period, we are required to recognize tax charges that would increase our effective tax rate. This tax effect is dependent on our stock price and there can be no assurance that we will recognize similar levels of excess tax benefits in future years.

*We cannot guarantee that we will continue to repurchase shares of our common stock or pay dividends on our common stock or that repurchases will enhance long-term stockholder value. Changes in our levels of stock repurchases or dividends could affect our stock price and increase its volatility.*

In April 2019, our Board authorized the repurchase of shares of our common stock with a fair market value of up to \$650 million, in addition to the amount of shares that were available for repurchase under a previous authorization. As of December 28, 2019, shares of our common stock in the aggregate amount of \$644.7 million remained authorized for repurchase under our outstanding Board authorization. During the first quarter of 2020, we temporarily paused our share repurchase activity in response to COVID-19 after buying approximately \$45 million of our stock in the quarter. Share repurchases under our repurchase program may be made through a variety of methods, which may include open market purchases, privately negotiated transactions, block trades or accelerated share repurchase transactions. Our share repurchase authorizations do not obligate us to acquire any specific number of shares or to repurchase any specific number of shares for any fixed period. The timing and amount of repurchases, if any, are subject to market and economic conditions, applicable legal requirements and other relevant factors. Our repurchase of common stock may be limited, suspended or discontinued at any time at our discretion and without prior notice.

Additionally, any future dividends that may be declared and paid from time to time are subject to market and economic conditions, applicable legal requirements and other relevant factors. We are not obligated to continue a dividend for any fixed period, and the payment of dividends could be suspended or discontinued at any time at our discretion and without prior notice. We will continue to retain future earnings to develop our business, as opportunities arise, and evaluate on a quarterly basis the amount and timing of future dividends based on our operating results, financial condition, capital requirements and general business conditions. The amount and timing of any future dividends may vary, and the payment of any dividend does not assure that we will pay dividends in the future.

In addition, any future repurchases of our common stock or payment of dividends, or any determination to cease repurchasing stock or paying dividends, could affect our stock price and increase its volatility. The existence of a share repurchase program and any future dividends could cause our stock price to be higher than it would otherwise be and could potentially reduce the market liquidity for our stock. Additionally, any future repurchases of our common stock or payment of dividends could impact our ability to finance future growth and to pursue possible future strategic opportunities and acquisitions. Although our share repurchase program is intended to enhance long-term stockholder value, there is no assurance that it will do so because the market price of our common stock may decline below the levels at which we repurchased shares of stock and short-term stock price fluctuations could reduce our program's effectiveness.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

- (a) Not Applicable
- (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 first quarter of 2020 are shown in the table below. Repurchased shares may be reissued under our long-term incentive plan or used for other corporate purposes.

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>
December 29, 2019 - January 25, 2020	40.0	\$ 130.70	40.0	\$ 639.5
January 26, 2020 - February 22, 2020	62.1	135.71	62.1	631.1
February 23, 2020 - March 28, 2020	275.2	114.59	275.2	599.5
<b>Total</b>	<b>377.3</b>	<b>\$ 119.77</b>	<b>377.3</b>	<b>\$ 599.5</b>

<sup>(1)</sup>The periods shown are our fiscal periods during the thirteen-week quarter ended March 28, 2020.

<sup>(2)</sup>Shares in thousands.

<sup>(3)</sup>In April 2019, our Board authorized the repurchase of shares of our common stock with a fair market value of up to \$650 million, exclusive of any fees, commissions or other expenses related to such purchases. This Board authorization will remain in effect until shares in the amount authorized thereunder have been repurchased.

<sup>(4)</sup>Dollars in millions.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

Not Applicable

**ITEM 4. MINE SAFETY DISCLOSURES**

Not Applicable

**ITEM 5. OTHER INFORMATION**

Not Applicable

**ITEM 6. EXHIBITS**

Exhibit 3.1(i)	<a href="#">Amended and Restated Certificate of Incorporation, as filed on April 28, 2011 with the Office of Delaware Secretary of State (incorporated by reference to Exhibit 3.1 on Current Report on Form 8-K, filed April 29, 2011)</a>
Exhibit 3.1(ii)	<a href="#">Amended and Restated Bylaws, effective as of December 7, 2017 (incorporated by reference to Exhibit 3.1(ii) on Current Report on Form 8-K, filed December 8, 2017)</a>
Exhibit 4.1	<a href="#">Sixth Supplemental Indenture between the Registrant and The Bank of New York Mellon Trust Company, N.A., as Trustee, dated as of March 11, 2020 (incorporated by reference to Exhibit 4.2 on Current Report on Form 8-K, filed on March 11, 2020)</a>
Exhibit 4.2	<a href="#">Form of 2.650% Senior Notes Due 2030 (included in Exhibit 4.1)</a>
Exhibit 10.1*†	<a href="#">Amended and Restated Annual Incentive Plan</a>
Exhibit 10.2*†	<a href="#">Amended and Restated Long-Term Incentive Unit Plan</a>
Exhibit 10.3*†	<a href="#">Amended and Restated Executive Severance Plan</a>
Exhibit 10.4*†	<a href="#">Amended and Restated Key Executive Change of Control Plan Severance Plan</a>
Exhibit 10.5	<a href="#">Fifth Amended and Restated Credit Agreement, dated as of February 13, 2020, by and among the Registrant, Bank of America, N.A., Citibank, N.A., JPMorgan Chase Bank, N.A., and the other lenders party thereto (incorporated by reference to Exhibit 10.1 on Current Report on Form 8-K, filed on February 14, 2020)</a>
Exhibit 31.1*	<a href="#">Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
Exhibit 31.2*	<a href="#">Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
Exhibit 32.1**	<a href="#">Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
Exhibit 32.2**	<a href="#">Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
Exhibit 101.INS***	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
Exhibit 101.SCH***	Inline XBRL Extension Schema Document
Exhibit 101.CAL***	Inline XBRL Extension Calculation Linkbase Document
Exhibit 101.LAB***	Inline XBRL Extension Label Linkbase Document
Exhibit 101.PRE***	Inline XBRL Extension Presentation Linkbase Document
Exhibit 101.DEF***	Inline XBRL Extension Definition Linkbase Document
Exhibit 104***	Inline XBRL for the cover page of this Quarterly Report on Form 10-Q, included as part of this Exhibit 101 inline XBRL document set

\* Filed herewith.

\*\* Furnished herewith.

\*\*\* Furnished herewith. Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act, are deemed not filed for purposes of Section 18 of the Exchange Act and otherwise are not subject to liability under those sections.

† Management contract or compensatory plan or arrangement required to be filed as an exhibit to this Form 10-Q pursuant to Part II, Item 6 of Form 10-Q.

**SIGNATURES**

Pursuant to the requirements 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.

EVERY DENNISON CORPORATION  
(Registrant)

/s/ Gregory S. Lovins

Gregory S. Lovins  
Senior Vice President and Chief Financial Officer  
(Principal Financial Officer)

/s/ Lori J. Bondar

Lori J. Bondar  
Vice President, Controller, Treasurer, and Chief Accounting Officer  
(Principal Accounting Officer)

May 1, 2020

**AVERY DENNISON CORPORATION  
AMENDED AND RESTATED ANNUAL INCENTIVE PLAN**

WHEREAS, Avery Dennison Corporation (the “Company”) wishes to amend and restate the Amended and Restated Annual Incentive Plan, effective as of January 1, 2015, by adopting this Amended and Restated Annual Incentive Plan (“AIP” or the “Plan”), effective as of January 1, 2020 (the “Effective Date”); and

WHEREAS, this Plan was approved by the Compensation and Executive Personnel Committee of the Company’s Board of Directors or any successor committee of the Board with similar responsibilities (the “Committee”) pursuant to Section 6(c) of the Plan.

NOW, THEREFORE, this Plan is hereby amended and restated, effective as of the Effective Date, as follows:

**1. PURPOSE**

The purposes of the Plan are as follows:

- a. To attract and retain the best possible employee talent;
- b. To permit employees of the Company to share in its success;
- c. To promote the success of the Company; and
- d. To link employee rewards to individual and Company performance.

**2. DEFINITIONS**

- a. Administrator. “Administrator” means (i) with respect to the “executive officers”<sup>1</sup> of the Company, the Committee and (ii) with respect to all other Participants, the Chief Executive Officer of the Company.
- b. Annual Rate of Pay. “Annual Rate of Pay” means the annual rate of pay as recorded in HR PeopleSoft or such other payroll system determined appropriate by the Administrator (or such other definition as may be appropriate from time to time as a result of or in connection with country-specific requirements).
- c. Base Compensation. “Base Compensation” means Base Salary or Annual Rate of Pay, as appropriate.
- d. Base Salary. “Base Salary” means, with respect to a salaried employee designated as a Participant in any Plan Year, the annual base salary applicable to the Participant as of the end of such Plan Year. For the avoidance of doubt, “Base Salary” shall include amounts earned in the applicable Plan Year the payment of which is deferred to a future year but shall not include amounts earned in prior years the payment of which is deferred to the applicable Plan Year, and “Base Salary” shall also not include any variable bonus, commission, incentive or retention

---

<sup>1</sup> As defined by applicable regulations of the Securities and Exchange Commission.

payments, stock options or other long-term incentive compensation vehicles, or other forms of employee benefits such as vacation, insurance, health or medical benefits, disability benefits, workers' compensation, supplemental unemployment benefits, and post-employment or retirement benefits (including but not limited to compensation, pension, health, medical or life insurance). If a Participant's standard work hours change during a Plan Year (whether increased or decreased), the Base Salary used for his or her AIP calculation will be prorated based on each of the Participant's previous and current standard hours and the number of months associated with each status.

- e. Business Unit. "Business Unit" means a group, division or Subsidiary of the Company.
- f. Code. "Code" means the Internal Revenue Code of 1986, as amended.
- g. Delegate. "Delegate" means any one of the following officers of the Company to which the Company's Chief Executive Officer may delegate his authority as provided in this Plan: (i) the Chief Operating Officer, if applicable; (ii) the Chief Financial Officer; (iii) the Chief Human Resources Officer; or (iv) the Vice President, Total Rewards.
- h. Disability. "Disability" means permanent and total disability as defined in Section 22(e)3 of the Code.
- i. Financial Performance Objective. "Financial Performance Objective" means one of the defined pre-established financial performance objectives as determined, within the first 90 days of the beginning of each Plan Year, by the Administrator. For each Financial Performance Objective, the Administrator will set threshold, target and maximum levels for measuring achievement.
- j. Participant. "Participant" means any employee of the Company or any of its Subsidiaries who has been designated as a participant in the Plan in accordance with Article 3.
- k. Plan Year. "Plan Year" means the fiscal year of the Company.
- l. Person. "Person" means an individual, corporation, partnership, limited liability company, trust, unincorporated association, government or any agency or political subdivision thereof, or any other legal entity.
- m. Retirement. "Retirement" means, unless otherwise determined by the Administrator, a Participant's termination of active employment with the Company or a Subsidiary thereof, on or after age 55 with 10 or more years of service, provided that, in no event shall a Participant's termination of employment with the Company or a Subsidiary be deemed a Retirement if such termination of employment results from (or is in connection with) (i) a termination for Cause (as such term is defined in the 2017 Incentive Award Plan or any successor long-term incentive plan) or otherwise occurs at a time when events or circumstances constituting "Cause" exist (ii) the disaffiliation from the Company or a Subsidiary of all or part of the assets or stock of the Company, a Subsidiary or the Business Unit in which such Participant is employed (including, without limitation, as a result of a public offering, spin-off or sale).
- n. Section 409A. "Section 409A" means Section 409A of the Code and the Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or guidance which may be issued after the Effective Date.

- o. Subsidiary. “Subsidiary” means any corporation in an unbroken chain of corporations beginning with the Company if each of the corporations other than the last corporation in the unbroken chain then owns stock possessing 33% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain, as well as partnerships and limited liability companies in which the Company holds a 33% or more interest.
- p. Target Award. “Target Award” means with respect to a Participant for any Plan Year the AIP opportunity for the Participant in such Plan Year, stated by the Company in writing. The Target Award is expressed as a percentage of the Participant’s Base Compensation in effect at the end of the Plan Year.
- q. Variable Incentive Plan. “Variable Incentive Plan” means any incentive compensation plan, policy or arrangement in which the amount of the payments or benefits thereunder is tied to the attainment of Company, Business Unit and/or individual performance goals, or any other plan, policy or arrangement which is designated as a Variable Incentive Plan by the Administrator in its discretion.

**3. PARTICIPATION**

Participation in the Plan is limited to employees of the Company and its Subsidiaries who have been designated as Participants by the Administrator or, with respect only to non-executive officers of the Company, an authorized Delegate.

**4. ANNUAL AIP OPPORTUNITY**

- a. AIP Award

Subject to achievement (by the Company or any Business Unit thereof) of any minimum benchmark established by the Administrator for the payment of any awards under the Plan for a given Plan Year, Participants will have the opportunity to earn an annual variable AIP award determined in accordance with this Article 4.

- b. AIP Award Payout

- i. Subject to Section 4(b)(iv) below, a Participant’s annual AIP award payout will be equal to the product of (A) the Participant’s Target Award, (B) the Participant’s Base Compensation, (C) the Company’s (and, where appropriate, a Business Unit’s) Financial Modifier (as determined below), and (D) the Participant’s Individual Modifier (as determined below).

- ii. The Financial Modifier will be a percentage determined based on the Company’s results and/or, as applicable, the results of the respective Business Unit(s) for each Participant, and calculated in relation to the Financial Performance Objectives (with the percentages derived from each Financial Performance Objective weighted in such manner as determined by the person or entity which determined the Financial Performance Objective).

The percentage derived from each Financial Performance Objective (prior to weighing) shall be:

- 1. Zero if the Company or Business Unit(s) achieved less than the threshold performance level for such Financial Performance Objective.

2. 50% if the Company or Business Unit(s) achieved the threshold performance level for such Financial Performance Objective.
3. 100% if the Company or Business Unit(s) achieved the target performance level for such Financial Performance Objective.
4. 200% if the Company or Business Unit(s) achieved at least the maximum performance level for such Financial Performance Objective.

Upon the achievement of between the threshold and the target levels or between the target and the maximum levels for a Financial Performance Objective of the Company or Business Unit(s), the Financial Modifier for such Financial Performance Objective will be determined by means of linear interpolation. The maximum Financial Modifier shall be 200%, for each Financial Performance Objective and in total.

iii. A Participant's Individual Modifier shall be a percentage ranging from 0% to 150% as determined by such Participant's manager based on the Participant's individual performance.

iv. The Administrator may, in its discretion, increase or decrease award amounts that would otherwise be payable under the Plan; provided that the maximum award amount payable under the Plan to any Participant shall be 200% of such Participant's Target Award (his or her Financial Modifier and Individual Modifier combined).

c. AIP Award Determination in Cases of Prior or Subsequent Participation in Another Variable Incentive or Similar Plan or Change in Target Award.

Participants who are eligible to receive an award under another Variable Incentive Plan (e.g., sales incentive plan) during part of the Plan Year and are designated as Participants under the Plan during a portion of the Plan Year may receive an award under the Plan on a prorated basis as set forth in Section 4(h). Participants who have a change in their Target Award are eligible to receive an award under the Plan that is prorated based on the timing of the change to the Participant's Target Award.

d. AIP Award Determination in Cases of Leave of Absence

If a Participant is on an approved leave of absence (including, without limitation, leaves caused by short-term disability) for more than one month during the Plan Year, then the Participant will continue to participate for that Plan Year; provided that the Administrator may, in its discretion, decrease the award that would otherwise be payable under the Plan.

e. AIP Award Determination in Cases of Disability, Death or Retirement

- i. A Participant whose employment is terminated prior to the end of the Plan Year as a result of Disability or death will be eligible to receive a portion of his or her award for the Plan Year determined in accordance with Section 4(e)(iii) upon such Termination on the basis of (A) a Financial Modifier of 100% and (B) an Individual Modifier of 100%.
- ii. A Participant whose employment is terminated prior to the end of the Plan Year as a result of Retirement will be eligible to receive a portion of his or her award for the Plan Year determined in accordance with Section 4(e)(iii) after the end of the Plan Year in accordance with Section 5 on the basis of (A) the Financial Modifier based on the Company's or applicable Business Unit(s)' results for such Plan Year and (B) an Individual Modifier of 100%.

iii. To the extent a Participant is eligible for a portion of an award under Section 4(e)(i) or 4(e)(ii), such portion shall be calculated as follows:

- a. If the Participant's employment is terminated during the first fiscal quarter of the Plan Year, he or she will not be eligible for any portion of the award for the Plan Year.
- b. If the Participant's employment is terminated in the fourth fiscal quarter of the Plan Year, he or she will be eligible for the entire award.
- c. If the Participant's employment is terminated in the second or third fiscal quarters of the Plan Year, he or she will be eligible for a prorated award for the Plan Year based on the number of months worked during the Plan Year; provided that Participants must work through the 15<sup>th</sup> calendar day of any month to receive credit for having worked that month.

f. AIP Award Determination in Cases of Termination

Participants whose employment with the Company or a Subsidiary is terminated prior to end of the Plan Year for any reason other than Retirement, Disability or death shall not be eligible to receive awards under this Plan, as may be amended or supplemented for local legal differences for employees of foreign (non-U.S.) Subsidiaries.

g. AIP Award Determination in Cases of New Participants or Participants in Another Variable Incentive Plan

Participants who become eligible to participate in the Plan prior to the end of the first fiscal quarter of the Plan Year and participate in the Plan for the remainder of such Plan Year will be eligible for a full year AIP opportunity for such Plan Year and Participants who become eligible to participate in the Plan during the fourth fiscal quarter of the Plan Year will not be eligible for an award under the Plan, unless approved by the Administrator or, with respect only to non-executive officers of the Company, an authorized Delegate. Participants who become eligible to participate in the Plan during the second or third fiscal quarters of the Plan Year will be eligible for a prorated award of between 25% and 75% of the full year AIP opportunity, based on the number of months of the Plan Year in which they worked and were eligible to participate in the Plan. Participants must (i) become eligible to participate in the Plan on or prior to the 15<sup>th</sup> day of a month, and (ii) participate in the Plan through the end of such month, in order to receive credit for such month toward a prorated award.

Participants who are eligible to participate in the Plan at the beginning of the Plan Year, but who subsequently become ineligible to participate in the Plan prior to the end of the Plan Year may receive an award under the Plan on a prorated basis, in the discretion of the Administrator or, with respect only to non-executive officers of the Company, an authorized Delegate.

h. Other Incentive Programs

No Participant may participate in any other Variable Incentive Plan, except as provided for herein.

## 5. TIMING OF PAYMENT OF AWARDS

AIP awards for each Participant will be paid in the form (cash or Company shares) as determined by the Committee, subject to such vesting as is determined by the Committee, and subject to the terms and conditions of the 2017 Incentive Award Plan, or any successor long-term incentive plan, as soon as conveniently possible after the calculation of the Company's (or the Business Unit's) achievement of the Performance Objectives and the award thereof by the Administrator following the Plan Year to which such awards relate, but in no event later than three months from the last day of the Plan Year to which such award relates; provided that Participants, if applicable under the law governing their employment contract with the Company or Subsidiary as the case may be, may have elected to defer the receipt of all or part of such award, to the extent permitted under Section 409A, in accordance with established deferred compensation plans offered by the Company.

## 6. PLAN ADMINISTRATION

### a. General Administration

This Plan will be administered by the Administrator, which may delegate its administrative responsibilities in connection with the Plan to a Delegate with respect to non-executive officers of the Company. The Administrator (or the authorized Delegate with respect to non-executive officers) or its delegate will have full power and authority to interpret the Plan, to establish, amend and rescind any rules, forms or procedures as it deems necessary for the proper administration of the Plan, to determine the manner and time of payment of the annual incentive compensation payable under the Plan, and to take any other action as it deems necessary or advisable in connection with the Plan. Any decision made, action taken or interpretation made by the Administrator (or its authorized Delegate) that is not inconsistent with the provisions of this Plan will be final, conclusive, and binding on all persons interested in the Plan.

### b. Adjustments for Extraordinary Events

If an event occurs during a Plan Year that materially influences the Financial Performance Objectives of the Company or Business Unit and is deemed by the Committee to be extraordinary and out of the control of management, the Committee may, in its discretion, increase or decrease the Financial Performance Objectives used to determine the annual AIP payout. Events warranting such action may include, but are not limited to, changes in accounting, tax or regulatory rulings, acquisitions, divestitures, mergers, consolidations, spin-offs, reorganizations, significant changes in economic conditions resulting in windfalls or hardships and other such events as the Committee, in its sole discretion, may determine.

### c. Amendment, Suspension, or Termination

The Committee may amend, suspend or terminate the Plan, in whole or in part, at any time, if, in the sole judgment of the Committee, such action is in the best interests of the Company. Notwithstanding the above, any such amendment, suspension or termination must be prospective in that it may not deprive then-current Participants of that which they otherwise would have received under the Plan for the current Plan Year had the Plan not been amended, suspended or terminated.

**7. MISCELLANEOUS PROVISIONS**

a. Titles

Section and Article titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of the Plan.

b. Employment Not Guaranteed

Nothing contained in the Plan nor any action taken in the administration of the Plan will be construed as a contract of employment or as giving a Participant any right to be retained in the service of the Company or any of its Subsidiaries.

c. Validity

In the event that any provision of the Plan is held to be invalid, void or unenforceable, the same will not affect, in any respect whatsoever, the validity of any other provision of the Plan.

d. Withholding Tax

All payments made pursuant to this Plan will be subject to withholding for all applicable taxes and contributions required by law to be withheld therefrom.

e. Clawback Provision

In the case of fraud or other intentional misconduct on the part of a Participant (or any other event or circumstance set forth in any clawback policy implemented by the Company or any Subsidiary, including, without limitation, any clawback policy adopted to comply with the requirements of applicable law, including, without limitation, the Dodd-Frank Wall Street Reform and Consumer Protection Act and any rules or regulations promulgated thereunder (including, without limitation, any listing rules or standards resulting therefrom)) that necessitates a restatement of the Company's or Business Unit's financial results (including, without limitation, any accounting restatement due to the material noncompliance with any financial reporting requirement), such Participant will reimburse the Company for any awards or other incentive compensation paid or issued to such Participant in excess of the amount that would have been paid or issued based on the restated financial results, as determined by the Administrator pursuant to any applicable clawback policy or otherwise.

f. Applicable Law

The Plan will be governed in accordance with the laws of the State of Delaware, without giving effect to any principles of conflicts of law, whether of the State of Delaware or any other jurisdiction, and where applicable, the laws of the United States, that would result in the application of the laws of any other jurisdiction.

g. Section 409A

The annual variable awards granted under the Plan are intended to be exempt from or comply in all respects with Section 409A and, to the extent applicable, the Plan will be interpreted in accordance with Section 409A. Notwithstanding any provision of the Plan to the contrary, in the event that the Committee determines that any payment under the Plan may be subject to penalty for noncompliance with Section

409A, the Committee shall have the right (without any obligation to do so or to indemnify any Participant for failure to do so) to adopt such amendments to the Plan or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions that the Committee determines are necessary or appropriate to (i) exempt the payment from Section 409A and/or preserve the intended tax treatment of the benefits provided with respect to the payment, or (ii) satisfy the requirements of Section 409A and thereby avoid the application of penalty taxes under Section 409A. No provision of this Plan shall be interpreted or construed to transfer any liability for failure to comply with the requirements of Section 409A from a Participant or any other person to the Company or any of its Subsidiaries, employees or agents.

In the case of a Participant who is a “specified employee” and where delayed commencement of any payments under this Plan is required to avoid a prohibited distribution under Section 409A(a)(2)(B)(i) of the Code, any payment under this Plan that constitutes “non-qualified deferred compensation” subject to Section 409A may not be made before the date which is six months after the Participant’s separation from service (or, if earlier, the date of the Participant’s death). For purposes of this Section 7(g), a Participant shall be a “specified employee” if such Participant is a key employee (as defined in Section 416(i) of the Code without regard to paragraph (5) thereof) of a corporation, any stock of which is publicly traded on an established securities market or otherwise, as determined under Section 409A(a)(2)(B)(i) of the Code and the Department of Treasury regulations thereunder.

**AVERY DENNISON CORPORATION  
AMENDED AND RESTATED LONG-TERM INCENTIVE UNIT PLAN**

WHEREAS, Avery Dennison Corporation (the “Company”) wishes to amend and restate the Amended and Restated Long-Term Incentive Unit Plan, effective as of January 1, 2017, (the “Effective Date”) by adopting this Amended and Restated Long-Term Incentive Unit Plan (the “Plan”), effective as of January 1, 2020 (the “Effective Date”); and

WHEREAS, the Plan was adopted and approved by the Compensation and Executive Personnel Committee of the Board.

NOW, THEREFORE, the Plan is hereby adopted and approved, effective as of the Effective Date, as follows:

**1. PURPOSE**

The purposes of the Plan for the Company are as follows:

- a. To attract and retain the best possible employee talent;
- b. To permit employees of the Company and the Subsidiaries to share in increases in share value;
- c. To promote the success of the Company; and
- d. To link employee rewards to Company performance.

**2. DEFINITIONS**

- a. Administrator. “Administrator” means, subject to Section 6(a), the Committee or, if the Committee has delegated authority hereunder, the Delegate.
- b. Award. “Award” means an award of a Unit pursuant to the terms of the Plan.
- c. Board. “Board” means the Board of Directors of the Company.
- d. Business Unit. “Business Unit” means a group or division of the Company or a Subsidiary.
- e. Cause. “Cause” shall mean, with respect to a Participant’s Termination of Service, unless otherwise provided by the Administrator, (i) “Cause” as defined in any Individual Agreement to which such Participant is a party, or (ii) if there is no such Individual Agreement or if it does not define Cause: (A) conviction of the Participant for committing a felony under federal law or the law of the state in which such action occurred, (B) willful and deliberate failure on the part of the Participant to perform his employment duties in any material respect, or (C) prior to a Change in Control, such other serious events as shall be determined by the Administrator. Prior to a Change in Control, the Administrator shall, unless otherwise provided in an Individual Agreement with a particular Participant, have the discretion to determine on a reasonable basis whether “Cause” exists, and its determination shall be final.
- f. CEO. “CEO” shall have the meaning set forth in Section 6(c).

- g. Change in Control. “Change in Control” means “a change in the ownership or effective control,” or in “the ownership of a substantial portion of the assets of” the Company, within the meaning of Section 409A, and shall include any of the following events as such concepts are interpreted under Section 409A:
- i. the date on which a majority of members of the Board is replaced during any twelve-month period by Directors whose appointment or election is not endorsed by a majority of the members of the Board before the date of the appointment or election; or
  - ii. the acquisition, by any one Person, or by Persons acting as a group, or by a corporation owned by a group of Persons that has entered into a merger, acquisition, consolidation, purchase, stock acquisition, asset acquisition, or similar business transaction with the Company, of:
    - (A) ownership of stock of the Company, that, together with any stock previously held by such Person or group, constitutes more than fifty percent (50%) of either (x) the total fair market value or (y) the total voting power of the stock of the Company;
    - (B) ownership of stock of the Company possessing thirty percent (30%) or more of the total voting power of the Company, during the twelve-month period ending on the date of such acquisition; or
    - (C) assets from the Company that have a total gross fair market value equal to or more than forty percent (40%) of the total gross fair market value of all of the assets of the Company during the twelve-month period ending on the date of such acquisition; provided, however, that any transfer of assets to a related person as defined under Section 409A shall not constitute a Change in Control.
- h. Code. “Code” means the Internal Revenue Code of 1986, as amended from time to time, together with the regulations and official guidance promulgated thereunder, whether issued prior or subsequent to the grant of any Award.
- i. Committee. “Committee” shall have the meaning set forth in Section 6(a).
- j. Common Stock. “Common Stock” means the common stock of the Company.
- k. Delegate. “Delegate” shall have the meaning set forth in Section 6(c).
- l. Disability. “Disability” means, with respect to any Participant, unless otherwise provided by the Administrator, (i) “Disability” as defined in any Individual Agreement to which such Participant is a party, or (ii) if there is no such Individual Agreement or it does not define “Disability,” permanent and total disability as defined in Section 22(e)(3) of the Internal Revenue Code of 1986, as amended (or, if necessary or appropriate due to applicable law, such other definition as determined by the Administrator in its sole discretion).
- m. Fair Market Value. “Fair Market Value” of a share of Common Stock as of a given date shall be (i) the mean between the highest and lowest selling price of a share of Common Stock during normal business hours on the principal exchange on which shares of Common Stock are then trading, if any, on such date, or if shares were not traded on such date, then the mean between the highest and lowest selling price on the nearest date before and the nearest date after such valuation date; (ii) if Common Stock is not traded on an exchange, but is regularly quoted by a recognized

security dealer, the mean between the closing representative bid and asked prices for the Common Stock during normal business hours on such date or, if there are no closing representative bid and asked prices for the Common Stock on such date, the closing representative bid and asked prices for the Common Stock on the last preceding date for which such information exists, as reported in *The Wall Street Journal* or such other source as the Committee deems reliable; or (iii) if Common Stock is not publicly traded, the fair market value of a share of Common Stock as established by the Committee acting in good faith.

- n. Individual Agreement. “Individual Agreement” means an employment, severance or similar agreement between a Participant and the Company or one of the Subsidiaries.
- o. Participant. “Participant” means any employee of the Company or any of the Subsidiaries who has been designated as a participant in the Plan in accordance with Article 3.
- p. Person. “Person” means an individual, corporation, partnership, limited liability company, trust, unincorporated association, government or any agency or political subdivision thereof, or any other legal entity.
- q. Performance-Based Compensation. “Performance-Based Compensation” means any compensation that is intended to qualify as “performance-based compensation” as described in Section 162(m)(4)(C) of the Code.
- r. Performance Criteria. “Performance Criteria” mean the criteria (and adjustments) that the Administrator selects for an Award in establishing the Performance Goal or Performance Goals for a Performance Period, determined as follows:

(a) The Performance Criteria used to establish Performance Goals shall be limited to the following: net earnings (either before or after one or more of the following: (i) interest, (ii) taxes, (iii) depreciation, (iv) amortization and (v) non-cash equity-based compensation expense), earnings per share, adjusted earnings per share, price per share of common stock, gross sales, net sales, organic sales growth, return on sales, net income, net income after tax, adjusted net income, gross income, operating income, gross or net profit or operating margin, return on sales, cash flow or free cash flow, expenses, economic profit, unit volume, market share, return on equity, return on assets or return on net assets, working capital, change in working capital, return on capital (or invested capital) and the cost of capital, total stockholder return, productivity, operating efficiency, implementation or completion of critical projects, regulatory body approval for commercialization of product, customer satisfaction, through put (i.e., net sales less the sum of (x) direct material costs and (y) purchase price variances), dividends per share (or appreciation in and/or maintenance of dividends), and economic value added.

(b) The Administrator, in its sole discretion, may provide that one or more objectively determinable adjustments shall be made to one or more of the Performance Goals. Those adjustments may include, without limitation, one or more of the following: (i) items related to a change in applicable accounting standards; (ii) items relating to financing and debt activities and transactions; (iii) expenses for restructuring, integration or productivity initiatives; (iv) other non-operating items; (v) items related or attributable to acquisitions or the business operations of any entity acquired by the Company or any Subsidiary during the Performance Period; (vi) items related to the sale or disposal of a business or segment of a business; (vii) items related to discontinued operations that do not qualify as a segment of a business under applicable accounting standards; (viii) items attributable to any stock dividend, stock split, combination or exchange of stock occurring during the Performance Period; (ix) any other items of significant income or expense

which are determined to be appropriate adjustments; (x) items relating to unusual or infrequent corporate transactions, events or developments; (xi) items related to amortization of acquired intangible assets; (xii) items that are outside the scope of the Company's core, ongoing business activities; (xiii) items related to acquire in-process research and development; (xiv) items relating to major licensing or partnership arrangements; (xv) items relating to asset impairment charges; (xvi) items relating to gains or losses for litigation, arbitration and contractual settlements; (xvii) items attributable to expenses incurred in connection with a reduction in force or early retirement initiative; (xviii) items relating to foreign exchange or currency transactions and/or fluctuations; or (xix) items relating to any other unusual or nonrecurring events (including, without limitation, a force majeure) or changes in tax law or other applicable law or business conditions. For all Awards intended to qualify as Performance-Based Compensation, such determinations shall be made within the time prescribed by, and otherwise in compliance with, Section 162(m) of the Code.

- s. Performance Goals. "Performance Goals" mean, for a Performance Period, one or more goals established in writing by the Administrator for the Performance Period based upon one or more Performance Criteria. Depending on the Performance Criteria used to establish the Performance Goals, the Performance Goals may be expressed in terms of overall Company performance or the performance of a Subsidiary, division, business unit, or an individual. The achievement of each Performance Goal shall be determined, to the extent applicable, with reference to applicable accounting standards.
- t. Performance Period. "Performance Period" means one or more periods of time, that may vary and overlap, as the Administrator may select, over which the attainment of one or more Performance Goals will be measured to determine a Participant's right to, vesting of, and/or payment of an Award.
- u. Retirement. "Retirement" means, unless otherwise determined by the Administrator, (i) with respect to a Participant who is employee, such Participant's termination of active employment with the Company or a Subsidiary thereof, on or after age 55 with 10 or more years of service; provided that in no event shall such Participant's termination of employment with the Company or a Subsidiary be deemed a Retirement if such termination of employment results from (or is in connection with) (i) a termination for Cause (or otherwise occurs at a time when events or circumstances constituting "Cause" exist) or (ii) the disaffiliation from the Company or a Subsidiary of all or part of the assets or stock of the Company, a Subsidiary or the Business Unit in which such Participant is employed (including, without limitation, as a result of a public offering, spin-off or sale).
- v. Section 409A. "Section 409A" means Section 409A of the Code along with the Department of Treasury Regulations and other interpretive guidance issued thereunder, including, without limitation, any related regulations or other guidance that may be issued.
- w. Subsidiary. "Subsidiary" means any corporation in an unbroken chain of corporations beginning with the Company if each of the corporations other than the last corporation in the unbroken chain then owns stock possessing 33% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain, as well as partnerships and limited liability companies in which the Company holds a 33% or more interest.
- x. Termination of Service. "Termination of Service" of (i) a Participant who is an employee shall mean the termination of the employee-employer relationship between such Participant and the Company or a Subsidiary for any reason, including a termination by resignation, discharge, death, Disability or Retirement; but excluding (A) terminations where there is a simultaneous

reemployment or continuing employment by the Company or a Subsidiary and (B) temporary absences from employment because of illness, vacation or leave of absence and transfers among the Company and Subsidiaries; but excluding (A) terminations where there is a simultaneous commencement of or continuing service by the Company or a Subsidiary and (B) temporary absences from service because of illness, vacation or leave of absence. In addition, a Participant employed or engaged by a Subsidiary shall be deemed to incur a Termination of Service upon a disaffiliation of that Subsidiary, unless such Participant immediately thereafter becomes or remains an employee of the Company or one of its continuing Subsidiaries. The Administrator shall determine the effect of all matters and questions relating to Termination of Service.

- y. Unit. “Unit” means a right to receive a cash payment equal to the value of one share of Common Stock, subject to the terms set forth herein.
- z. Unit Payment. “Unit Payment” means, with respect to any Unit(s) that vest, an amount in cash equal to the product of (i) the aggregate number of such vested Unit(s) and (ii) the Fair Market Value of a share of Common Stock as of the date of vesting.

### 3. PARTICIPATION AND UNIT GRANTS

- a. Participation. Participation in the Plan is limited to employees of the Company and the Subsidiaries who have been designated as Participants by the Administrator.
- b. Unit Grants. The Administrator shall, in its discretion, (i) select the employees who will be Participants; (ii) determine the number of Units to be granted to each Participant; and (iii) determine the terms and conditions of the Awards, consistent with the Plan. As a condition to any grant, each Participant shall, as reasonably requested by the Company, enter into any documentation necessary or appropriate to effect the intent of such Award. Following the grant of any Units to a Participant, the Company shall provide such Participant with written notice of his or her Award in such form as determined by the Company.

### 4. TERMS OF UNITS

- a. Vesting. Except as otherwise determined in writing by the Administrator:
  - i. As of the date of grant of Units to a Participant, all such Units shall be unvested.
  - ii. Except as set forth in Section 4(b), at the time of grant, the Administrator shall specify the date or dates on which the Units shall become fully vested and nonforfeitable, and may specify such conditions to vesting as it deems appropriate, including, without limitation, vesting based upon the Participant’s service to the Company or any Subsidiary, one or more Performance Criteria, Company performance, individual performance or other specific criteria, in each case on a specified date or dates or over any period or periods, as determined by the Administrator.
- b. Termination of Service. Except as otherwise determined by the Administrator:
  - i. Other than as set forth in Section 4(b)(ii), all unvested Units shall be automatically forfeited, for no consideration, on the date of a Termination of Service.
  - ii. In the event of Termination of Service by reason of Participant’s death or Disability or Retirement occurring at least one year after the date of grant of Units to such Participant,

all unvested Units shall become vested as of the date of such Termination of Service.

- c. Change in Control. In the event of a Change in Control, all outstanding Units shall continue in effect or an equivalent award shall be substituted therefor by the successor corporation or parent or subsidiary of the successor corporation. In the event that the Units continue in effect or an equivalent award is substituted, and a Participant incurs a Termination of Service without Cause upon or within 24 months following the Change in Control, then all unvested Units held by such Participant shall become vested as of the date of such Termination of Service.

**5. TIMING AND AMOUNT OF UNIT PAYMENT**

- a. Timing of Unit Payment. The Company shall pay the applicable Participant the Unit Payment within two and one-half (2 ½) months following the date of vesting of the applicable Unit(s) as provided in Section 4 (or, if required by applicable law, such earlier date as determined by the Administrator). Notwithstanding the prior sentence, (i) to the extent the Award is subject to Section 409A, no Unit Payment shall be made to the Participant as a result of his or her Termination of Service unless such Termination of Service qualifies as a “separation from service” as defined in Section 409A, and (ii) if the Participant is determined at the time of his or her separation from service to be a “specified employee” for purposes of Section 409A(a)(2)(B)(i) of the Code, to the extent delayed settlement of the Award is required in order to avoid a prohibited distribution under Section 409A, such settlement shall be made on the earlier of (A) the expiration of the six-month period measured from the date of the Participant’s “separation from service” (as defined in Section 409A) or (B) the date of the Participant’s death. The determination of whether the Participant is a “specified employee” shall be made by the Company in accordance with the terms of Section 409A.
- b. Forfeiture of Vested Units. Immediately following payment of the Unit Payment with respect to vested Units, the Participant shall forfeit such vested Units for no consideration and they shall be of no further value whatsoever.

**6. PLAN ADMINISTRATION**

- a. General Administration. This Plan will be administered by the Compensation and Executive Personnel Committee of the Board or any successor committee of the Board with similar responsibilities (the “Committee”).
- b. Powers of the Committee. The Committee shall have the authority to conduct the general administration of this Plan in accordance with its provisions. The Committee, among other things, shall have the power to make Awards and set the terms and conditions for such Awards (including any vesting condition, restriction or limitation (which may be related to the performance of the Participant, the Company or any Subsidiary) and any vesting acceleration or forfeiture waiver regarding any Award), based on such factors as the Committee shall determine; to modify, amend or adjust the terms and conditions of any Award, at any time or from time to time; and to determine to what extent and under what circumstances amounts payable with respect to an Award shall be deferred. The Committee shall have the power to interpret this Plan and the Awards made hereunder, to adopt such rules and procedures for the administration, interpretation, and application of this Plan as are consistent therewith, and to interpret, amend or revoke any such rules and procedures. Awards under this Plan need not be the same with respect to all Participants. Any determination made by the Committee or pursuant to delegated authority pursuant to the provisions of the Plan with respect to any Award shall be made in the sole discretion of the Committee or any Delegate at the time of the grant of the Award or, unless in contravention of any express term of

the Plan, at any time thereafter. All decisions made by the Committee or any Delegate pursuant to the provisions of the Plan shall be final and binding on all persons, including, without limitation, the Company and the Participants.

- c. Delegation. The Committee may delegate to the Chief Executive Officer of the Company (the “CEO”) authority to make decisions pursuant to, and interpretations of, the Plan, and authority to grant Awards and establish terms and conditions related to such Awards to any Participant other than any executive officer of the Company, subject to any limitations the Committee may impose. Following any such delegation of authority from the Committee, the CEO may further delegate authority to (i) Chief Financial Officer or (ii) the Chief Human Resources Officer (the CEO or such delegate, the “Delegate”) to take actions related to the granting of Awards and to other Plan matters. The Delegate shall have full power and authority delegated by the Committee to the CEO, subject to any limitation the CEO may impose.
- d. Any authority granted to the Committee under this Plan may also be exercised by the full Board, except with respect to matters which under applicable law or the rules of any securities exchange or automated quotation system on which the shares of Common Stock are listed, quoted or traded are required to be determined in the sole discretion of the Committee. To the extent that any permitted action taken by the Board conflicts with action taken by the Administrator, the Board action shall control.

## 7. MISCELLANEOUS PROVISIONS

- a. Not Transferable. Except as otherwise permitted by the Administrator, (i) the Awards may not be sold, pledged, assigned, or transferred in any manner, other than by will or the laws of descent and distribution; (ii) no Award or interest or right therein shall be subject to the debts, contracts or engagements of the Participant or his or her successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy); and (iii) any attempted disposition of an Award shall be null and void and of no effect.
- b. Unfunded Status of Plan. It is presently intended that the Plan constitutes an “unfunded” plan for incentive compensation. The Administrator may authorize the creation of trusts or other arrangements to meet the obligations created under the Plan to make payments; provided that, unless the Administrator otherwise determines, the existence of such trusts or other arrangements is consistent with the “unfunded” status of the Plan.
- c. Amendment, Suspension, or Termination. The Committee may amend, suspend or terminate the Plan, in whole or in part, at any time, if, in the sole judgment of the Committee, such action is in the best interests of the Company; provided that, except as set forth in Section 7(f), no amendment, suspension or termination shall impair the rights of a Participant under Awards previously granted without such Participant’s consent. The Administrator may amend the terms of any Award after it is granted, prospectively or retroactively, with or without any Participant’s consent.
- d. Adjustments for Extraordinary Events.
  - i. In the event of any stock dividend, stock split, reverse stock split, combination or exchange of shares, recapitalization, merger, consolidation, acquisition of property or shares, separation, spin-off, reorganization, stock rights offering, liquidation, disaffiliation of a Subsidiary or other distribution (other than cash dividends which are not extraordinary

dividends) of Company assets to stockholders, or any other change affecting the shares of Common Stock or the share price of the Common Stock, the Committee may make adjustments, if any, to reflect such change with respect to: (A) the number and kind of Units subject to outstanding Awards; and (B) the terms and conditions of any outstanding Awards (including, without limitation, any applicable terms and conditions of payment with respect thereto).

- ii. For the avoidance of doubt, (A) the Units are not equity interest in the Company or any Subsidiary and (B) the existence of the Plan and the Awards granted hereunder shall not affect or restrict in any way the right or power of the Company or the stockholders of the Company to make or authorize any adjustment, recapitalization, reorganization or other change in the Company's capital structure or its business, any merger or consolidation of the Company, any issuance of stock or of options, warrants or rights to purchase stock or of bonds, debentures, preferred or prior preference stocks whose rights are superior to or affect the Common Stock or the rights thereof or which are convertible into or exchangeable for Common Stock, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.
- e. Adjustments for Foreign Laws. Notwithstanding any provision of the Plan to the contrary, in order to comply with the laws in countries other than the United States in which the Company and the Subsidiaries operate or have Participants, or in order to comply with the requirements of any foreign securities exchange, the Committee, in its sole discretion, shall have the power and authority to: (i) determine which Subsidiaries shall be covered by the Plan; (ii) determine which employees outside the United States are eligible to participate in the Plan; (iii) modify the terms and conditions of any Award granted to Participants to comply with applicable foreign laws; (iv) establish subplans and modify the terms of, and procedures related to, the Awards, to the extent such actions may be necessary or advisable; and (v) take any action, before or after an Award is made, that it deems advisable to obtain approval or comply with any necessary or appropriate local governmental regulatory exemptions, approvals or similar regulation. For purposes of the Plan, all references to foreign laws, rules, regulations or taxes shall be references to the laws, rules, regulations and taxes of any applicable jurisdiction other than the United States or a political subdivision thereof.
- f. Section 409A. The Plan and the Awards, in form and operation, are intended to be exempt from or comply with Section 409A; provided that, to the extent that the Committee determines that the Plan or any Awards are subject to Section 409A and the terms of the Plan or any such Awards are inconsistent with Section 409A, then the terms of the Plan and such Awards will be automatically deemed to be amended and construed so as to be in compliance. The Committee may make any amendments to the Plan or to any outstanding Awards or adopt policies and procedures (including, without limitation, amendments, policies and procedures with retroactive effect), or take any other actions, that the Committee determines are necessary or appropriate to (i) exempt the Awards from Section 409A and/or preserve the intended tax treatment of the benefits provided with respect to the Awards or (ii) comply with the requirements of Section 409A. No provision of this Plan or any Award shall be interpreted or construed to transfer any liability for failure to comply with the requirements of Section 409A from a Participant or any other Person to the Company, a Subsidiary or any of their respective employees or agents.
- g. Clawback. In the case of fraud or other intentional misconduct on the part of a Participant (or any other event or circumstance set forth in any clawback policy implemented by the Company or any Subsidiary, including, without limitation, any claw-back policy adopted to comply with the requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act and any rules

or regulations promulgated thereunder (including, without limitation, any listing rules or standards resulting therefrom)) that necessitates a restatement of the Company's or any Subsidiary's financial results (including, without limitation, any accounting restatement due to the material noncompliance with any financial reporting requirement), such Participant will be required to reimburse the Company or a Subsidiary for any Unit Payments paid to such Participant in excess of the amount that would have been paid based on the restated financial results, as determined by the Company or any Subsidiary pursuant to any applicable claw-back policy or otherwise.

- h. Relationship to other Benefits. No payment pursuant to the Plan or any Award shall be taken into account in determining any benefits under any pension, retirement, savings, profit sharing, group insurance, welfare or other benefit plan of the Company or any Subsidiary except to the extent otherwise expressly provided in writing in such other plan or an agreement thereunder.
- i. Titles. Section and Article titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of the Plan.
- j. Validity. In the event that any provision of the Plan is held to be invalid, void or unenforceable, the same will not affect, in any respect whatsoever, the validity of any other provision of the Plan.
- k. Withholding Tax. No later than the date as of which an amount first becomes includible in the gross income of a Participant for federal, state, local or foreign income tax purposes with respect to an Award under the Plan, such a Participant shall pay to the Company or the applicable Subsidiary, or make arrangements satisfactory to the Company or such Subsidiary regarding the payment of, any federal, state, local or foreign taxes of any kind required by law to be withheld with respect to such amount. The obligations of the Company under the Plan shall be conditional on such payment or arrangements, and the Company and the Subsidiaries shall, to the extent permitted by law, have the right to deduct any such taxes from any payment otherwise due to such a Participant.
- l. Effect of the Plan. The adoption of this Plan shall not affect any other compensation or incentive plans in effect for the Company or any Subsidiary. Nothing in this Plan shall be construed to limit the right of the Company to establish any other forms of incentives or compensation for employees of the Company or any Subsidiary. Nothing in this Plan or with respect to any Award thereunder shall confer upon any Participant any right to continue in the employ or engagement of the Company or any Subsidiary or interfere with or restrict in any way the rights of the Company and the Subsidiaries, which are hereby expressly reserved, to discharge any Participant at any time for any reason whatsoever, with or without Cause.
- m. Applicable Law. The Plan will be governed in accordance with the laws of the State of Delaware, without giving effect to any principles of conflicts of law, whether of the State of Delaware or any other jurisdiction.

## AVERY DENNISON CORPORATION

## AMENDED AND RESTATED EXECUTIVE SEVERANCE PLAN

Avery Dennison Corporation has adopted this Avery Dennison Corporation Executive Severance Plan to provide certain designated executives of the Company and its affiliates and Subsidiaries with severance protection under covered circumstances.

## ARTICLE I

## DEFINITIONS

Section 1.1 Definitions. Capitalized terms used in this Plan shall have the following meanings, except as otherwise provided or as the context of the Plan otherwise requires:

“*16(b) Officer*” shall mean any employee who is an “officer” within the meaning of Section 16(b) of the Exchange Act.

“*Administrator*” shall mean the Compensation Committee or any delegate of the Compensation Committee acting within the authority delegated to it pursuant to Section 5.3.

“*Annual Salary*” shall mean the highest annualized rate of base salary applicable to the Participant during the six-month period ending on the Termination Date. For the avoidance of doubt, “base salary” shall include amounts earned in the applicable period the payment of which is deferred to a future year but shall not include amounts earned in prior periods the payment of which is deferred to the applicable period, and “base salary” also shall not include any bonus, commission, incentive or retention payments, stock options, restricted stock, restricted stock units, performance units, market-leveraged stock units or other stock related rights, or other forms of employee benefits such as vacation, insurance, health or medical benefits, disability benefits, workers’ compensation, supplemental unemployment benefits, and post-employment or retirement benefits (including but not limited to compensation, pension, health, medical or life insurance).

“*Board*” shall mean the Board of Directors of the Company.

“*Cause*” shall mean: (1) Participant’s commission of a crime or other act that could materially damage the reputation of the Company or its Subsidiaries; (2) Participant’s theft, misappropriation, or embezzlement of property of the Company or its Subsidiaries; (3) Participant’s falsification of records maintained by the Company or its Subsidiaries; (4) Participant’s substantial failure to comply with the written policies and procedures of the Company or its Subsidiaries as they may be published or revised from time to time; (5) Participant’s misconduct; or (6) Participant’s substantial failure to perform the material duties of Participant’s job with the Company or its Subsidiaries, which failure is not cured within 30 days after written notice from the Company specifying the act or acts of non-performance. Determination of Cause shall be made by the Administrator, in its sole and exclusive discretion.

“*Code*” shall mean the Internal Revenue Code of 1986, as amended in the past and the future. Reference in this Plan to any section of the Code shall be deemed to include any amendments or successor provisions to such section and any regulations under such section.

“*Company*” shall mean Avery Dennison Corporation and its Successors and assigns.

“*Comparable Position*” shall mean a job position with the Company or any of its Subsidiaries, or any of their respective Successors and assigns, the principal work location of which is within at least 50 miles of the Participant’s residence (or if further away does not require a materially longer commute than Participant’s commute at Participant’s job position as of the Termination Date) and provides pay and benefits that as a whole are substantially equivalent to, or better than, the Participant’s aggregate pay and benefits with the Company at the time of the Termination of Employment when taking into account the Participant’s base salary, target bonus opportunity, incentive pay and equity opportunities, health and welfare benefits, severance protection, and other benefits.

“*Compensation Committee*” shall mean the Compensation and Executive Personnel Committee of the Board or any successor committee of the Board with similar responsibilities.

“*Disability*” shall mean, when used with reference to any Participant, long term disability as defined by the applicable long term disability plan maintained by the Company or one of its Subsidiaries under which the Participant is covered.

“*Effective Date*” shall mean July 1, 2020.

“*ERISA*” shall mean the Employee Retirement Income Security Act of 1974, as may be amended from time to time.

“*Exchange Act*” shall mean the Securities Exchange Act of 1934, as amended.

“*Participant(s)*” shall mean an employee (or employees) of the Company or any of its Subsidiaries or affiliates who are from time to time designated as Participants in accordance with Section 2.1 of the Plan.

“*Plan*” shall mean this Avery Dennison Corporation Executive Severance Plan, as may be amended, supplemented or modified from time to time in accordance with its terms.

“*Section 409A*” shall mean Section 409A of the Code and the Department of Treasury Regulations and other interpretive guidance issued thereunder, including, without limitation, any such regulations or other guidance that may be issued after the Effective Date.

“*Severance Multiplier*” shall mean the multiplier designated pursuant to Section 2.1 to be applied to a Participant’s Severance Payment under Section 3.2.

“*Severance Payment*” shall mean the amount described in Section 3.2 of the Plan.

“*Specified Employee*” shall mean any Participant who, as of such Participant’s Termination Date, is determined to be a “key employee” of the Company if, at such time, the Company has any stock that is publicly traded on an established securities market or otherwise. For purposes of this definition, a Participant is a “key employee” if the Participant meets the requirements of Sections 416(i)(1)(A)(i), (ii) or (iii) of the Code (applied in accordance with the Treasury Regulations thereunder and disregarding Section 416(i)(5) of the Code) at any time during the 12-month period ending on the last day of the applicable calendar year (referred to as the “identification date” below). If a Participant is a “key employee” as of the identification date, such Participant shall be treated as a “key employee” for the entire 12-month period beginning on the first day of the fourth month following the identification date. For purposes of this definition, a Participant’s compensation for the 12-month period ending on an identification date shall mean such Participant’s compensation, as determined under Treasury Regulation Section 1.415(c)-2(d)(4), from the Company for such period.

“*Subsidiary*” shall mean any corporation in an unbroken chain of corporations beginning with the Company if each of the corporations other than the last corporation in the unbroken chain then owns stock possessing 33% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain, as well as partnerships and limited liability companies, in which the Company holds a 33% or more interest.

“*Successor*” shall mean a successor to all or substantially all of the business, operations or assets of the Company or such other portion of the Company’s business as shall be determined by the Administrator.

“*Termination Date*” shall mean, with respect to any Participant, the actual date of the Participant’s Termination of Employment.

“*Termination of Employment*” shall mean the time when the employee-employer relationship between the Participant and the Company or any Subsidiary is terminated for any reason, with or without Cause, including, but not limited to a termination by resignation, discharge, death, Disability or retirement; provided that such “*Termination of Employment*” constitutes a “separation from service” within the meaning of Treasury Regulation Section 1.409A-1(h).

“*Termination Notice*” shall mean written notice from the Company to any Participant stating that the Participant’s employment has been or is being terminated for Cause or Disability in accordance with Section 5.5(b).

## ARTICLE II

### ELIGIBILITY

Section 2.1 Eligible Employees. Only employees of the Company or any of its Subsidiaries or affiliates who are designated as Participants according to this Section 2.1 shall be eligible for payments and benefits under this Plan.

(a) The Participants shall be Level 1 through Level 4 executives of the Company and any other individual specifically designated as a Participant by the Administrator. The designation of an individual as a Participant (or removal of such designation) shall be made by the Administrator in its discretion. The Administrator also shall designate the Participant's Level for purposes of the Severance Multiplier, which designated Level may be changed by the Administrator in its discretion.

(b) A designation of "Level 1" shall mean the Participant's Severance Multiplier is two (2x). A designation of "Level 2", "Level 3" or "Level 4" shall mean the Participant has a Severance Multiplier of one (1x).

Section 2.2 Individuals Not Eligible. Notwithstanding Section 2.1, no Participant shall be eligible to receive any payments or benefits under this Plan if at the time of Termination of Employment, the Participant is eligible for and receives severance payments and benefits under the Avery Dennison Key Executive Change of Control Severance Plan or under any other agreement or plan that contains a change of control provision for severance pay and benefits. An individual shall not be eligible to be a Participant in the Plan, and shall not be designated as such, if the individual is otherwise designated by the Company as a temporary employee, as an individual working for the Company or any of its affiliates or Subsidiaries on referral from a temporary personnel agency or employee leasing agency, or as an independent contractor or person working for an independent contractor.

## ARTICLE III

### SEVERANCE AND RELATED TERMINATION BENEFITS

Section 3.1 Conditions to Receipt of Severance Pay and Benefits.

(a) Subject to Section 3.1(b), a Participant will only be eligible for payments and benefits under this Plan in the event of an involuntary Termination of Employment initiated by the Company or by any of its affiliates or Subsidiaries, except that a Participant shall not be eligible for severance pay and benefits under any of the following circumstances: (i) a Termination of Employment for Cause, or due to Disability, death, or the Participant's voluntary resignation; (ii) an employment termination where there is a simultaneous reemployment or continuing employment of the Participant by the Company or any Subsidiary or affiliate of the Company in any position; (iii) an employment termination resulting from the Participant declining an offer of simultaneous reemployment or continuing employment in a Comparable Position with the Company or with any Subsidiary or affiliate of the Company; and (iv) an employment termination where a Successor or assign of the Company, or of that portion of the Company that is transferred, sold or outsourced to the Successor or assign, offers to the Participant a Comparable Position.

(b) In the event of any Termination of Employment for which a Participant is eligible for payments or benefits under this Plan, the Participant's right to such payments and benefits will be subject to the timely execution of a Separation and Release Agreement on or prior to the Release Expiration Date (as defined below) and the absence of any revocation of the Separation and Release Agreement during any applicable revocation period (and the lapse of any such revocation period). The Company shall provide the Participant with a Separation and Release Agreement within seven days following the Participant's Termination Date. The Separation and Release Agreement shall be in a form and with content determined solely and exclusively by the Administrator and containing generally the following provisions, unless prohibited by law: No-Hire, Non-Competition, Confidentiality, Non-Disclosure, Claw-Back, Cooperation, Return of Company Property, and Comprehensive Waiver, Release and Covenant Not-To-Sue. For purposes of this Section 3.1(b), "*Release Expiration Date*" shall mean the date that is 21 days following the date upon which the Company timely delivers the Release to the Participant, or, in the event that the Participant's Termination of Employment is "in connection with an exit incentive or other employment termination program" (as such phrase is defined in the Age Discrimination in Employment Act of 1967), the date that is 45 days following such delivery date.

Section 3.2 Severance Benefits. For any Participant who satisfies the conditions of Section 3.1, the Participant shall receive the following:

(a) On the 60th day after the Participant's Termination Date, a severance payment in a lump sum cash payment equal to the sum of the amounts described in Section 3.2(a)(i), (ii), and (iii), multiplied by the Participant's Severance Multiplier (the "Severance Payment"):

(i) The Participant's Annual Salary.

(ii) The Participant's target award under the Company's Annual Incentive Plan (or any successor plan) for the year in which the Termination Date occurs (the "Annual Bonus"). For the avoidance of doubt, the Annual Bonus shall not include any long term incentive compensation, commissions, stock based compensation, or any other incentive or retention compensation, bonuses, or awards of any kind other than payment under the Company's Annual Incentive Plan (or any successor plan); and

(iii) The cash value of twelve months of employee and employer premiums (as previously established by the Company in its sole and exclusive discretion) for qualified medical and dental plans in which the Participant participates, as of the Termination Date, but excluding any supplemental health and welfare benefits.

(b) Outplacement services appropriate for a senior executive of the Company in an amount and nature determined by the Administrator in its sole and exclusive discretion. Such outplacement benefits must be fully used by the Participant within one (1) year of his or her Termination Date. The Company will pay the outplacement firm directly. For purposes of Section 409A, to the extent that payment pursuant to this Section 3.2(b) constitutes a reimbursement that is "deferred compensation" under Section 409A, such payment shall be provided no later than December 31 of the year following the year in which the expense was incurred.

(c) No payments under this Article III shall be paid to a Participant prior to or during the 6-month period following the Participant's Termination Date if the Company determines in its sole discretion that paying such amounts at the time or times indicated in this Article III would be a prohibited payment of deferred compensation to a Specified Employee under Section 409A(a)(2)(B)(i) of the Code. If the payment of any such amounts is not made as a result of the previous sentence, then within 15 business days following the end of such 6-month period (or such earlier date upon which such amount can be paid under Section 409A without resulting in a prohibited distribution, including as a result of the Participant's death), the Company shall pay the Participant a lump-sum amount equal to the cumulative amount that would have otherwise been payable to the Participant during such period, and any remaining amounts due to such Participant shall be paid as otherwise provided in the Plan. For any payment that is delayed under this Article III, the Company shall also pay to the Participant interest on the delayed payment at a rate equal to the rate provided under Section 1274(b)(2)(B) of the Code as of the Termination Date.

(d) The Company shall be entitled to deduct any required tax withholding from any Severance Payments. There shall be no deferrals, contributions or additional accruals to any qualified savings or retirement plan of the Company or to any deferred compensation plan of the Company, from, or based on, any Severance Payment.

Section 3.3 Limitation of Benefits. Notwithstanding anything to the contrary in this Plan, a Participant's Severance Payment shall be reduced by the aggregate amount of any termination, redundancy, severance or similar separation payments or benefits (other than state unemployment benefits) which such Participant is eligible for and receives, due to the Participant's Termination of Employment, under any other agreement or plan (including, without limitation, any severance plans of the Company or any Subsidiary or affiliate or any government-mandated plans) or pursuant to any statutory, legislative, or regulatory requirement. For the avoidance of doubt, this limitation and reduction does not include benefits under plans such as retirement pension and savings plans, supplemental retirement plans, deferred compensation plans, and similar compensation or benefit plans.

Section 3.4 Plan Unfunded; Participant's Rights Unsecured. The Company shall not be required to establish any special or separate fund or make any other segregation of funds or assets to assure the payment of any Severance Payment or benefit under this Plan. The right of any Participant to receive a Severance Payment and benefits provided for under this Plan shall be an unsecured claim against the general assets of the Company. No payment or benefit under this Plan shall be deemed earned, vested or accrued compensation or benefits, except according to the express terms of this Plan.

## ARTICLE IV

### CLAIMS PROCEDURE/ARBITRATION

Section 4.1 Filing and Determination of Claim. A Participant who believes he or she is entitled to receive a benefit under this Plan and desires written confirmation must file a claim in writing with the Administrator. The Administrator shall, within 90 days after receipt of the claim, either allow or deny the claim in writing.

Section 4.2 Denial of Claim. Any initial denial of a claim for benefits shall be from the Administrator in a writing, setting forth, in a manner calculated to be understood by the claimant, the following:

- (a) the specific reason(s) for the denial;
- (b) specific reference(s) to pertinent provision(s) of the Plan on which the denial is based;
- (c) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and
- (d) an explanation of the Plan's review procedure and time limits applicable to such procedure, including a statement of the claimant's right to bring a civil action under Section 502(a) of ERISA following an adverse benefit determination.

Section 4.3 Request for Review of Denial. Within 60 days after a claimant's receipt of written notification of denial of a claim, the claimant (or his/her duly authorized representative) upon written application to the Administrator, delivered in person or by certified mail, postage prepaid, may request a review of such denial. The application shall state the name and address of the claimant; the fact that the claimant is disputing the denial of claim; the date of the notice of denial; and the reason(s), in clear and concise terms, for disputing the denial. In addition, to the extent required by law, claimant shall have the right to (a) be provided with, upon request and free of charge, reasonable access to and copies of all pertinent documents, records and other information relevant to his/her claim and (b) submit in writing to the Administrator any comments, documents, records or other information relating to his/her claim.

Section 4.4 Review of Denial. The Administrator shall make a decision on review of a denied claim within 60 days after receipt of the request for review, taking into account all comments, documents, records, and other information submitted by the claimant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination. The decision on review shall be deemed final. The Administrator's decision on review shall be from the Company's Vice President, Total Rewards in a writing, setting forth, in a manner calculated to be understood by the claimant the following:

- (a) the specific reason(s) for the final decision;
- (b) specific reference(s) to the pertinent provisions of the Plan on which the final decision is based;
- (c) a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records and other information relevant to his/her claim; and
- (d) a statement describing any voluntary appeal procedures offered by the Plan and the claimant's right to bring an action under Section 502(a) of ERISA.

Section 4.5 Extensions of Review Periods. The 90-day period described in Section 4.1 and the 60-day period described in Section 4.4 may be extended at the sole and absolute discretion of the Administrator for a second 90-day or 60-day period, as the case may be, provided that written notice of the extension is furnished to the claimant prior to the termination of the initial period, indicating the special circumstances requiring such extension and the date by which a final decision is expected. Any person submitting a claim may, with the consent of the Administrator, withdraw the claim at any time, or defer the date as of which such claim shall be deemed filed for purposes of this procedure.

Section 4.6 Arbitration.

(a) Before pursuing a legal remedy, a claimant shall first exhaust the claims procedures set forth in Sections 4.1 through 4.5 of this Plan. Any disputes, controversies or claims that arise between any Participant (or any person claiming on behalf of any Participant) and the Company or any of its Subsidiaries and affiliates (including the Administrator) relating to or arising out of this Plan, which are not resolved in accordance with the procedures set forth in Sections 4.1 through 4.5 of the Plan, shall be settled by arbitration in accordance with the JAMS

Employment Arbitration Rules & Procedures or any successor thereto (the “*JAMS Rules*”). The arbitration shall be before a single arbitrator selected in accordance with the JAMS Rules or otherwise by mutual agreement of the parties. The arbitration shall take place in Los Angeles County, California, unless the parties agree to hold the arbitration in another location. The arbitrator shall apply the substantive law (and the law of remedies, if applicable) of the State of Delaware, except to the extent preempted by U.S. Federal law (in which case such law will apply).

(b) In consideration of the benefits provided herein, the anticipated expedition and the minimizing of expense of this arbitration remedy, and other good and valuable consideration, the arbitration provisions of this Plan shall provide the exclusive remedy for disputes following exhaustion of the claims procedures set forth in Sections 4.1 through 4.5 of this Plan, and each party expressly waives any right such party may have to seek redress in any other forum. To the maximum extent permitted by law, the arbitrator’s review of a claimant’s denied claim shall be limited to a determination of whether the denial was an abuse of discretion based on the evidence and theories the claimant presented during the claims procedure. The arbitration and any decision and award or order of the arbitrator shall be final and binding upon the parties and judgment thereon may be entered in the Superior Court of the State of California or any other court having jurisdiction.

(c) The Company and any Participant may bring an action in any court of competent jurisdiction to compel arbitration under this Plan and to enforce an arbitration award. Except as otherwise provided in this Plan, both the Company and the Participant agree that neither of them shall initiate or prosecute any lawsuit or administrative action in any way related to any claim covered by this Plan.

(d) Any claim which either party has against the other party that could be submitted for resolution pursuant to this Section 4.6, must be presented in writing by the claiming party to the other party within one (1) year after the receipt of the Administrator’s decision under Section 4.4. Unless the party against whom any claim is asserted waives the time limits set forth above, any claim not brought within the time period specified shall be waived and forever barred, even if there is a federal or state statute of limitations which would have given more time to pursue the claim.

(e) The Company shall advance the costs and expenses of the arbitrator. In any arbitration to enforce any of the provisions or rights under this Plan, the unsuccessful party in such arbitration, as determined by the arbitrator, shall pay to the successful party or parties all costs, expenses and reasonable attorneys’ fees incurred therein by such party or parties (including without limitation such costs, expenses and fees related to any appeals), and if such successful party or parties shall recover an award in any such arbitration proceeding, such costs, expenses and attorneys’ fees shall be included as part of such award. Notwithstanding the foregoing provision, in no event shall the successful party or parties be entitled to recover an amount from the unsuccessful party for costs, expenses and attorneys’ fees that exceeds the unsuccessful party’s costs, expenses and attorneys’ fees in connection with the action or proceeding. Any reimbursement of attorneys’ fees to the Participant pursuant to this Section 4.6(e) shall be provided no later than the last day of the Participant’s taxable year following the later of (i) the year in which such attorneys’ fees were incurred and (ii) the year in which the arbitrator determined that the Participant was the successful party.

(f) Each of the terms and conditions contained in this Section 4.6 shall have separate validity, and the invalidity of any part thereof shall not affect the remaining parts.

## ARTICLE V

### MISCELLANEOUS PROVISIONS

Section 5.1 Cumulative Benefits. Except as provided in Section 3.3 or as otherwise agreed to in a writing signed between the Company and the Participant, the rights and benefits provided to any Participant under this Plan are cumulative of, and are in addition to, all of the other rights and benefits provided to such Participant under any Benefit Plan or any agreement between such Participant and the Company or any of its Subsidiaries; provided, that, in no event shall a Participant (a) be entitled to participate in the Severance Pay Plan of Avery Dennison Corporation, as amended and re-stated effective March 6, 2013, and any amendments or successors to that plan or (b) to the extent he or she receives severance or any other benefits under this Plan, be eligible to receive severance or any other benefits under the Avery Dennison Corporation Key Executive Change of Control Severance Plan, as amended and restated effective July 1, 2020, and any amendments or successors to that plan.

Section 5.2 No Mitigation. No Participant shall be required to mitigate the amount of any payment provided for in this Plan by seeking or accepting other employment following a Termination of Employment with the Company.

The amount of any payment or benefit provided for in this Plan shall not be reduced by any compensation or benefit earned by a Participant as the result of employment by another employer or by retirement or other benefits, except as described in Section 3.3.

### Section 5.3 Amendment, Modification or Termination.

(a) The Administrator may amend, modify, or terminate the Plan at any time in its sole and exclusive discretion; provided, however, that: (i) no such amendment, modification or termination may materially and adversely affect any rights of any Participant who has incurred a Termination of Employment on or prior to the effective date of such amendment, modification, or termination; and (ii) any termination of the Plan or modification that is a material diminishment of the severance benefit shall not be effective until twelve (12) months after written notice of such action has been provided to the Participants, except that any modification or amendment shall be immediately applicable to any employee designated as a Participant after the date that the Administrator adopts the modification or amendment.

(b) Notwithstanding Section 5.3(a) or any other provision of this Plan, and to the fullest extent applicable, this Plan shall be interpreted and the terms shall be applied in accordance with Section 409A. In the event that the Administrator, in its sole and exclusive discretion, determines that any payments, disbursements, or benefits provided, or to be provided, under this Plan may be subject to, and not in compliance with, Section 409A, the Administrator may adopt at any time (without any obligation to do so or to indemnify any Participant for failure to do so) such limited amendments to this Plan, including amendments with retroactive effect, that it reasonably determines are necessary or appropriate to (i) exempt the compensation and benefits payable under this Plan from Section 409A and/or preserve the intended tax treatment of the compensation and benefits provided with respect to this Agreement or (ii) comply with the requirements of Section 409A; and all such amendments shall be immediately effective as to all Participants. No provision of this Plan shall be interpreted or construed to transfer any liability for failure to comply with the requirements of Section 409A from any Participant or any other individual to the Company or any of its affiliates, employees or agents.

### Section 5.4 Administration.

(a) Subject to the limitations of the Plan, the Administrator shall have full and final authority, in its sole and exclusive discretion, to administer the Plan, to construe and interpret its provisions, to decide matters arising under the Plan, and to take all other actions deemed necessary or advisable for the proper administration of this Plan. This authority and discretion includes, but is not limited to, determining whether objective (or subjective) criteria under the Plan have been satisfied, resolving any possible inconsistencies or ambiguities, determining eligibility, determining the amount of any payments or benefits, and ensuring compliance with legal and tax matters.

(b) Subject to its charter and applicable law, the Compensation Committee may, in its discretion, delegate to one or more appropriate executives of the Company any duty or authority of the Compensation Committee hereunder (including, without limitation, the authority to designate Participants and to designate a Participant's Level for purposes of the Severance Multiplier); provided that the Compensation Committee shall retain (and shall not delegate) (i) authority with respect to any Participant who is a 16(b) Officer (including, without limitation, any authority with respect to whether or not a 16(b) Officer is designated as a Participant and any 16(b) Officer's eligibility to receive a payment or benefit or the amount of the payment or benefit (such as determinations of Cause, Disability, eligibility, or Level)) and (ii) authority to terminate the Plan or materially diminish or increase the formula for determining a Severance Payment.

Section 5.5 Successors and Assigns. This Plan shall be binding upon and inure to the benefit of the Company and its Successors and assigns. This Plan and all rights of each Participant shall inure to the benefit of and be enforceable by such Participant and his or her personal or legal representatives, executors, administrators, heirs and permitted assigns. If any Participant should die while any amounts are due and payable to such Participant hereunder, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Plan to such Participant's devisees, legatees or other designees or, if there be no such devisees, legatees or other designees, to such Participant's estate. No payments, benefits or rights arising under this Plan may be assigned or pledged by any Participant, except under the laws of descent and distribution.

### Section 5.6 Notices.

(a) All notices and other communications provided for in this Plan shall be in writing and shall be delivered as follows: (i) if to the Company, at the Company's principal office address or such other address as the Company may

have designated by written notice to all Participants for purposes hereof, directed to the attention of the General Counsel, and (ii) if to any Participant, at his or her residence address on the records of the Company or to such other address as he or she may have designated to the Company in writing for purposes hereof. Each such notice or other communication according to this Plan shall be deemed to have been duly delivered upon being deposited in the United States Mail via certified or registered mail, return receipt requested, postage prepaid, or by overnight delivery using a service capable of tracking and confirmation of receipt (with postage fees prepaid) such as FedEx or UPS, except that any change of notice address shall be effective only upon receipt.

(b) The Company shall deliver to each Participant, within 30 days of such Participant's designation as eligible for this Plan, a letter notifying such Participant that he or she has been designated as a Participant in the Plan and his or her Severance Multiplier, as well as a copy of this Plan. Within 30 days following any material amendment to the Plan or any change to the Participant's multiplier, the Company shall deliver such amendment, amended Plan, or other confirming document to each affected Participant.

(c) For purposes of this Plan, in order for the Company to terminate any Participant's employment for Cause, the Company must deliver a Termination Notice to such Participant, which notice shall be dated the date it is transmitted for delivery to such Participant, shall specify the Termination Date and shall state that the termination is for Cause and shall set forth in reasonable detail the particulars thereof. For purposes of this Plan, in order for the Company to terminate any Participant's employment for Disability, the Company must give a Termination Notice to such Participant, which notice shall be dated the date it is transmitted for delivery to such Participant, shall specify the Termination Date and shall state that the termination is for Disability and shall set forth in reasonable detail the particulars thereof. Any Termination Notice delivered by the Company that does not comply, in all material respects, with the foregoing requirements shall be invalid and ineffective for purposes of this Plan.

Section 5.7 No Employment Rights Conferred. This Plan shall not be deemed to create a right, promise, contract or guarantee of employment, continued employment, or of any particular job position, between any Participant and the Company and/or any of its affiliates or Subsidiaries.

Section 5.8 Severability. If any provision of the Plan is, becomes or is deemed to be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions of this Plan shall not be affected thereby.

Section 5.9 Governing Law. Except to the extent preempted by U.S. Federal law, this Plan shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to its conflict of laws rules, and applicable federal law.

## AVERY DENNISON CORPORATION

## AMENDED AND RESTATED KEY EXECUTIVE CHANGE OF CONTROL SEVERANCE PLAN

Avery Dennison Corporation has adopted this Avery Dennison Corporation Key Executive Change of Control Severance Plan to provide certain designated executives of the Company and its affiliates and Subsidiaries with severance protection under covered circumstances.

## ARTICLE I

## DEFINITIONS AND INTERPRETATIONS

Section 1.01 Definitions. Capitalized terms used in this Plan shall have the following meanings, except as otherwise provided or as the context of the Plan otherwise requires:

“*16(b) Officer*” shall mean any employee who is an “officer” within the meaning of Section 16(b) of the Exchange Act.

“*Administrator*” shall mean the Compensation Committee or any delegate of the Compensation Committee acting within the authority delegated to it pursuant to Section 5.04.

“*Annual Bonus*” shall have the meaning set forth in Section 3.01(a)(ii).

“*Annual Salary*” shall mean the highest annualized rate of base salary applicable to the Participant during the six-month period ending on the Termination Date. For the avoidance of doubt, “base salary” shall include amounts earned in the applicable period the payment of which is deferred to a future year but shall not include amounts earned in prior periods the payment of which is deferred to the applicable period, and “base salary” also shall not include any bonus, commission, incentive or retention payments, stock options, restricted stock, restricted stock units, performance units, market-leveraged stock units or other stock related rights, or other forms of employee benefits such as vacation, insurance, health or medical benefits, disability benefits, workers’ compensation, supplemental unemployment benefits, and post-employment or retirement benefits (including but not limited to compensation, pension, health, medical or life insurance).

“*Benefit Plan*” shall mean any “employee benefit plan” (including any “employee benefit plan” within the meaning of Section 3(3) of ERISA), program, arrangement or practice maintained, sponsored or provided by the Company or any of its Subsidiaries, including those relating to compensation, bonuses, profit-sharing, stock option, or other stock related rights or other forms of incentive or deferred compensation, vacation benefits, insurance coverage (including any self-insured arrangements), health or medical benefits, disability benefits, workers’ compensation, supplemental unemployment benefits, severance benefits and post-employment or retirement benefits (including compensation, pension, health, medical or life insurance or other benefits).

“*Board*” shall mean the Board of Directors of the Company.

“*Cause*” shall mean: (a) Participant’s commission of a crime or other act that could materially damage the reputation of the Company or its Subsidiaries; (b) Participant’s theft, misappropriation, or embezzlement of property of the Company or its Subsidiaries; (c) Participant’s falsification of records maintained by the Company or its Subsidiaries; (d) Participant’s substantial failure to comply with the written policies and procedures of the Company or its Subsidiaries as they may be published or revised from time to time; (e) Participant’s misconduct; or (f) Participant’s substantial failure to perform the material duties of Participant’s job with the Company or its Subsidiaries, which failure is not cured within 30 days after written notice from the Company specifying the act or acts of non-performance. Determination of Cause shall be made by the Administrator, in its sole and exclusive discretion.

“*Change of Control*” shall mean “a change in the ownership or effective control,” or in “the ownership of a substantial portion of the assets of” the Company, within the meaning of Section 409A, and shall include any of the following events as such concepts are interpreted under Section 409A:

(a) the date on which a majority of members of the Board is replaced during any twelve-month period by directors whose appointment or election is not endorsed by a majority of the members of the Board before the date of the appointment or election; or

(b) the acquisition, by any one Person, or by Persons acting as a group, or by a corporation owned by a group of Persons that has entered into a merger, acquisition, consolidation, purchase, stock acquisition, asset acquisition, or similar business transaction with the Company, of:

(i) ownership of stock of the Company, that, together with any stock previously held by such Person or group, constitutes more than fifty percent (50%) of either (i) the total fair market value or (ii) the total voting power of the stock of the Company;

(ii) ownership of stock of the Company possessing thirty percent (30%) or more of the total voting power of the Company, during the twelve-month period ending on the date of such acquisition; or

(iii) assets from the Company that have a total gross fair market value equal to or more than forty percent (40%) of the total gross fair market value of all of the assets of the Company during the twelve-month period ending on the date of such acquisition; provided, however, that any transfer of assets to a related person as defined under Section 409A shall not constitute a Change of Control.

“*Change of Control Period*” shall mean the period beginning on the date of a Change of Control and ending on the date twenty-four (24) months following such Change of Control.

“*Change of Control Severance Payment*” shall have the meaning set forth in Article III.

“*Code*” shall mean the Internal Revenue Code of 1986, as amended in the past and the future. Reference in this Plan to any section of the Code shall be deemed to include any amendments or successor provisions to such section and any regulations under such section.

“*Company*” shall mean Avery Dennison Corporation and its Successors and assigns.

“*Comparable Position*” shall mean a job position with the Company or any of its Subsidiaries, or any of their respective Successors and assigns, the principal work location of which does not satisfy the conditions of subsection (d) of the definition of “Good Reason” and which position provides pay and benefits that as a whole are substantially equivalent to, or better than, the Participant’s aggregate pay and benefits with the Company at the time of the Termination of Employment when taking into account the Participant’s base salary, target bonus opportunity, incentive pay and equity opportunities, health and welfare benefits, severance protection, and other benefits.

“*Compensation Committee*” shall mean the Compensation and Executive Personnel Committee of the Board or any successor committee of the Board with similar responsibilities.

“*Disability*” shall mean, when used with reference to any Participant, long term disability as defined by the applicable long term disability plan maintained by the Company or one of its Subsidiaries under which the Participant is covered.

“*Effective Date*” shall mean July 1, 2020.

“*ERISA*” shall mean the Employee Retirement Income Security Act of 1974, as may be amended from time to time.

“*Exchange Act*” shall mean the Securities Exchange Act of 1934, as amended.

“*Excise Tax*” shall have the meaning set forth in Section 3.03.

“*Good Reason*” shall mean “a separation from service for good reason” as set forth in Section 409A, which shall mean that, without the express written consent of the Participant, one or more of the following shall have occurred without being timely remedied in the manner set forth below: (a) a material diminution in the Participant’s base compensation; (b) a material diminution in the Participant’s authority, duties, or responsibilities; (c) a material diminution in the authority, duties, or responsibilities of the supervisor to whom the Participant is required to report; (d) a material change in the geographic location at which the Participant must perform the services; or (e) any other action or inaction that constitutes a material breach by the Company of the agreement under which the Participant

provides services. The Participant shall have “Good Reason” in connection with any or all of the above solely if (i) the Participant provides notice to the Company of the existence of the particular condition, action or inaction which the Participant considers to give the Participant “Good Reason” within 90 days of the initial existence of such condition, action or inaction, and (ii) the Company shall not have remedied the condition, action or inaction within 30 days of its receipt of the Participant’s notice. The effective date of any termination for “Good Reason” shall be no later than 12 months after the initial existence of such condition, action or inaction constituting “Good Reason.”

“*Parachute Value*” of a Payment shall mean the present value as of the date of the Change of Control for purposes of Section 280G of the Code of the portion of such Payment that constitutes a “parachute payment” under Section 280G(b)(2) of the Code, as determined by an accounting firm or tax consultant selected by the Company for purposes of determining whether and to what extent the Excise Tax will apply to such Payment.

“*Participant(s)*” shall mean an employee (or employees) of the Company or any of its Subsidiaries or affiliates who are from time-to-time designated as Participants in accordance with Section 2.01 of the Plan.

“*Payments*” shall mean any payment or distribution in the nature of compensation (within the meaning of Section 280G(b)(2) of the Code) to or for the benefit of the Participant, whether paid or payable pursuant to this Plan or otherwise.

“*Person*” shall have the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d) of the Exchange Act, except that such term shall not include (a) the Company or any of its Subsidiaries, (b) a trustee or other fiduciary holding securities under a Benefit Plan of the Company or any of its affiliates, (c) an underwriter temporarily holding securities pursuant to an offering of such securities, or (d) a corporation owned, directly or indirectly, by substantially all of the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company.

“*Plan*” shall mean this Avery Dennison Corporation Key Executive Change of Control Severance Plan, as may be amended, supplemented or modified from time to time in accordance with its terms.

“*Safe Harbor Amount*” shall mean three times the Participant’s “base amount,” (within the meaning of Section 280G(b)(3) of the Code, as may be amended from time to time) less \$1.

“*Section 409A*” shall mean Section 409A of the Code and the Department of Treasury Regulations and other interpretive guidance issued thereunder, including, without limitation, any such regulations or other guidance that may be issued after the Effective Date.

“*Severance Multiplier*” shall mean the multiplier, designated pursuant to Section 2.01(b) in accordance with a Participant’s Tier, to be applied to a Participant’s Change of Control Severance Payment under Section 3.01.

“*Specified Employee*” shall mean any Participant who, as of such Participant’s Termination Date, is determined to be a “key employee” of the Company if, at such time, the Company has any stock that is publicly traded on an established securities market or otherwise. For purposes of this definition, a Participant is a “key employee” if the Participant meets the requirements of Sections 416(i)(1)(A)(i), (ii) or (iii) of the Code (applied in accordance with the Treasury Regulations thereunder and disregarding Section 416(i)(5) of the Code) at any time during the twelve (12) month period ending on the last day of the applicable calendar year (referred to as the “identification date” below). If a Participant is a “key employee” as of the identification date, such Participant shall be treated as a “key employee” for the entire twelve (12) month period beginning on the first day of the fourth month following the identification date. For purposes of this definition, a Participant’s compensation for the twelve (12) month period ending on an identification date shall mean such Participant’s compensation, as determined under Treasury Regulation Section 1.415(c)-2(d)(4), from the Company for such period.

“*Subsidiary*” shall mean any corporation in an unbroken chain of corporations beginning with the Company if each of the corporations other than the last corporation in the unbroken chain then owns stock possessing 33% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain, as well as partnerships and limited liability companies, in which the Company holds a 33% or more interest.

“*Successor*” shall mean a successor to all or substantially all of the business, operations or assets of the Company or such other portion of the Company’s business as shall be determined by the Administrator.

“*Termination Date*” shall mean, with respect to any Participant, the actual date of the Participant’s Termination of Employment.

“*Termination of Employment*” shall mean the time when the employee-employer relationship between the Participant and the Company or any Subsidiary is terminated for any reason, with or without Cause, including, but not limited to, a termination by resignation, discharge, death, Disability or retirement; provided that such “*Termination of Employment*” constitutes a “separation from service” within the meaning of Treasury Regulation Section 1.409A-1(h).

“*Termination Notice*” shall mean written notice from the Company to any Participant stating that the Participant’s employment has been or is being terminated for Cause or Disability in accordance with Section 5.07(b).

“*Tier*” shall mean the tier designated for each Participant by the Administrator in accordance with Section 2.01.

Section 1.02 Interpretation. In this Plan, unless a clear contrary intention appears, (a) the words “herein,” “hereof” and “hereunder” refer to this Plan as a whole and not to any particular Article, Section or other subdivision, (b) reference to any Article or Section, means such Article or Section hereof and (c) the words “including” (and with correlative meaning “include”) means including, without limiting the generality of any description preceding such term. The Article and Section headings herein are for convenience only and shall not affect the construction hereof.

## ARTICLE II

### ELIGIBILITY

Section 2.01 Eligible Employees. Only employees of the Company or any of its Subsidiaries or affiliates who are designated as Participants according to this Section 2.01 shall be eligible for payments and benefits under this Plan.

(a) The Participants shall be Level 1 and Level 2 executives of the Company and any other individual specifically designated as a Participant by the Administrator. The designation of an individual as a Participant (or removal of such designation) shall be made by the Administrator in its discretion. The Administrator also shall designate the Participant’s Tier for purposes of the Severance Multiplier, which designated Tier may be changed by the Administrator in its discretion.

(b) A designation of “Tier A” shall mean the Participant’s Severance Multiplier is three (3x). A designation of “Tier B” shall mean the Participant’s Severance Multiplier is two (2x).

Section 2.02 Individuals Not Eligible. An individual shall not be eligible to be a Participant in the Plan, and shall not be designated as such, if the individual is otherwise designated by the Company as a temporary employee, as an individual working for the Company or any of its affiliates or Subsidiaries on referral from a temporary personnel agency or employee leasing agency, or as an independent contractor or person working for an independent contractor.

## ARTICLE III

### SEVERANCE AND RELATED TERMINATION BENEFITS

Section 3.01 Termination of Employment during Change of Control Period. In the event that, during a Change in Control Period, a Participant incurs a Termination of Employment initiated by the Company or any Subsidiary or affiliate without Cause or initiated by the Participant for Good Reason (for the avoidance of doubt, the Terminations of Employment covered by the preceding clause do not include a Termination of Employment (w) due to Disability or death, (x) where there is a simultaneous reemployment or continuing employment of the Participant by the Company or any Subsidiary or affiliate of the Company in any position; (y) resulting from the Participant declining an offer of simultaneous reemployment or continuing employment in a Comparable Position with the Company or with any Subsidiary or affiliate of the Company; and (z) where a Successor or assign of the Company, or of that portion of the assets of the Company that is transferred, sold or outsourced to the Successor or assign, offers to the Participant a Comparable Position), the Participant shall receive the following Change of Control Severance Payment and benefits, subject to Section 3.02 and any other conditions set forth in this Plan:

(a) Subject to the limitations set forth in Section 3.05, the “*Change of Control Severance Payment*” shall be a lump sum cash payment equal to the sum of (x) the sum of the amounts described in Sections 3.01(a)(i), (ii), and (iii) multiplied by the Participant’s Severance Multiplier and (y) the amount described in Section 3.01(a)(iv):

(i) The Participant’s Annual Salary.

(ii) The Participant’s target award under the Company’s Annual Incentive Plan (or any successor plan) for the year in which the Termination Date occurs (the “*Annual Bonus*”). For the avoidance of doubt, the Annual Bonus shall not include any long term incentive compensation, commissions, stock based compensation, or any other incentive or retention compensation, bonuses, or awards of any kind other than payment under the Company’s Annual Incentive Plan (or any successor plan).

(iii) The cash value of twelve months of employee and employer premiums (as previously established by the Company in its sole and exclusive discretion) for qualified medical and dental plans in which the Participant participates, as of the Termination Date, but excluding any supplemental health and welfare benefits.

(iv) The product of (A) the Participant’s Annual Bonus and (B) a fraction, the numerator of which is the number of days which have elapsed in the Company’s current fiscal year through the Termination Date, and the denominator of which is 365.

(b) Outplacement services appropriate for a senior executive of the Company, to be provided by a nationally recognized outplacement firm capable of providing such services, selected by the Participant with the Company’s approval, in an amount not to exceed twenty-five thousand dollars and 00/100 cents (\$25,000.00) to the extent such services are used by the Participant within one year of his or her Termination Date. The Company will pay the outplacement firm directly. For purposes of Section 409A, to the extent that payment pursuant to this Section 3.01(b) constitutes a reimbursement that is “deferred compensation” under Section 409A, such payment shall be provided no later than December 31 of the year following the year in which the expense was incurred.

(c) Subject to Section 3.04, any Change of Control Severance Payment shall be paid to the Participant on or before the 60th day after the Termination Date.

(d) The Company shall be entitled to deduct any required tax withholding from any Change of Control Severance Payments. There shall be no deferrals, contributions or additional accruals to any qualified savings or retirement plan of the Company or to any deferred compensation plan of the Company from, or based on, any Change of Control Severance Payment.

Section 3.02 Condition to Receipt of Severance Benefits. In order to receive any Change of Control Severance Payment or benefit under this Plan, the Participant must (a) timely execute a Separation and Release Agreement with the Company (provided by the Company to the Participant within seven days following the Participant’s Termination Date) (the “*Release*”) on or prior to the Release Expiration Date in a form and with content determined solely and exclusively by the Administrator and containing generally the following provisions, unless prohibited by law: No-Hire, Non-Competition, Confidentiality, Non-Disclosure, Claw-Back, Cooperation, Return of Company Property, and Comprehensive Waiver, Release and Covenant Not-To-Sue, and (b) not revoke his or her acceptance of the Release within the seven (7) day period following such acceptance. For purposes of this Section 3.02, “*Release Expiration Date*” shall mean the date that is 21 days following the date upon which the Company timely delivers the Release to the Participant, or, in the event that the Participant’s Termination of Employment is “in connection with an exit incentive or other employment termination program” (as such phrase is defined in the Age Discrimination in Employment Act of 1967), the date that is 45 days following such delivery date.

Section 3.03 Parachute Payments. In the event that it shall be determined that any payment or distribution to or for the benefit of any Participant under this Plan or under any other Company plan, contract or agreement would, but for the effect of this Section, be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties with respect to such excise tax (collectively, such excise tax, together with any such interest or penalties, the “*Excise Tax*”), then, in the event that the after-tax value of all Payments to a Participant (such after-tax value to reflect the deduction of the Excise Tax and all income or other taxes on such Payments) would, in the aggregate, be less than the after-tax value (so calculated) to the Participant of the Safe Harbor Amount, (i) the cash portions of the Payments payable to the Participant under this Plan shall be reduced, in the order in which they are due to be paid, until the Parachute Value of all Payments paid to the Participant, in the aggregate, equals the Safe Harbor Amount, and (ii) if the reduction of the cash portions of the Payments, payable under this Plan, to zero would not be sufficient to reduce the Parachute Payments to the Safe Harbor Amount, then any cash portions of the Payments payable to the

Participant under any other plans shall be reduced, in the order in which they are due to be paid, until the Parachute Value of all Payments paid to the Participant, in the aggregate, equals the Safe Harbor Amount, and (iii) if the reduction of all cash portions of the Payments, payable pursuant to this Plan and otherwise, to zero would not be sufficient to reduce the Parachute Payments to the Safe Harbor Amount, then non-cash portions of the Payments shall be reduced, in the order in which they are due to be paid, until the Parachute Value of all Payments paid to the Participant, in the aggregate, equals the Safe Harbor Amount.

Section 3.04 Section 409A Compliance. No payments under this Article III shall be paid to a Participant prior to or during the 6-month period following the Participant's Termination Date if the Company determines in its sole discretion that paying such amounts at the time or times indicated in this Article III would be a prohibited payment of deferred compensation to a Specified Employee under Section 409A(a)(2)(B)(i) of the Code. If the payment of any such amounts is not made as a result of the previous sentence, then within 15 business days following the end of such 6-month period (or such earlier date upon which such amount can be paid under Section 409A without resulting in a prohibited distribution, including as a result of the Participant's death), the Company shall pay the Participant a lump-sum amount equal to the cumulative amount that would have otherwise been payable to the Participant during such period, and any remaining amounts due to such Participant shall be paid as otherwise provided in the Plan. For any payment that is delayed under this Article III, the Company shall also pay to the Participant interest on the delayed payment at a rate equal to the rate provided under Section 1274(b)(2)(B) of the Code as of the Termination Date.

Section 3.05 Limitation of Benefits. Notwithstanding anything to the contrary in this Plan, a Participant's Change of Control Severance Payment shall be reduced by the aggregate amount of any termination, redundancy, severance or similar separation payments or benefits (other than state unemployment benefits) which such Participant is eligible for and receives, due to the Participant's Termination of Employment, under any other agreement or plan (including, without limitation, any severance plans of the Company or any Subsidiary or affiliate or any government-mandated plans) or pursuant to any statutory, legislative, or regulatory requirement.

Section 3.06 Plan Unfunded; Participant's Rights Unsecured. The Company shall not be required to establish any special or separate fund or make any other segregation of funds or assets to assure the payment of any Change of Control Severance Payment or benefit under this Plan. The right of any Participant to receive the Change of Control Severance Payment and benefits provided for herein shall be an unsecured claim against the general assets of the Company. No payment or benefit under this Plan shall be deemed earned, vested or accrued compensation or benefits, except according to the express terms of this Plan.

## ARTICLE IV

### CLAIMS PROCEDURE/ARBITRATION

Section 4.01 Filing and Determination of Claim. A Participant who believes he or she is entitled to receive a benefit under this Plan and desires written confirmation must file a claim in writing with the Administrator. The Administrator shall, within 90 days after receipt of the claim, either allow or deny the claim in writing.

Section 4.02 Denial of Claim. Any initial denial of a claim for benefits shall be from the Administrator in writing, setting forth, in a manner calculated to be understood by the claimant, the following:

- (a) the specific reason(s) for the denial;
- (b) specific reference(s) to pertinent provision(s) of the Plan on which the denial is based;
- (c) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and
- (d) an explanation of the Plan's review procedure and time limits applicable to such procedure, including a statement of the claimant's right to bring a civil action under Section 502(a) of ERISA following an adverse benefit determination.

Section 4.03 Request for Review of Denial. Within 60 days after a claimant's receipt of written notification of denial of a claim, the claimant (or his/her duly authorized representative) upon written application to the Administrator, delivered in person or by certified mail, postage prepaid, may request a review of such denial. The application shall state the name and address of the claimant; the fact that the claimant is disputing the denial of claim; the date of the notice of denial; and the reason(s), in clear and concise terms, for disputing the denial. In

addition, to the extent required by law, claimant shall have the right to (a) be provided with, upon request and free of charge, reasonable access to and copies of all pertinent documents, records and other information relevant to his/her claim and (b) submit in writing to the Administrator any comments, documents, records or other information relating to his/her claim.

Section 4.04 Review of Denial. The Administrator shall make a decision on review of a denied claim within 60 days after receipt of the request for review, taking into account all comments, documents, records, and other information submitted by the claimant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination. The decision on review shall be deemed final. The Administrator's decision on review shall be from the Company's Vice President, Total Rewards in writing, setting forth, in a manner calculated to be understood by the claimant the following:

- (a) the specific reason(s) for the final decision;
- (b) specific reference(s) to the pertinent provisions of the Plan on which the final decision is based;
- (c) a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records and other information relevant to his/her claim; and
- (d) a statement describing any voluntary appeal procedures offered by the Plan and the claimant's right to bring an action under Section 502(a) of ERISA.

Section 4.05 Extensions of Review Periods. The 90-day period described in Section 4.01 and the 60-day period described in Section 4.04 may be extended at the sole and absolute discretion of the Administrator for a second 90-day or 60-day period, as the case may be, provided that written notice of the extension is furnished to the claimant prior to the termination of the initial period, indicating the special circumstances requiring such extension and the date by which a final decision is expected. Any person submitting a claim may, with the consent of the Administrator, withdraw the claim at any time, or defer the date as of which such claim shall be deemed filed for purposes of this procedure.

Section 4.06 Arbitration.

(a) Before pursuing a legal remedy, a claimant shall first exhaust the claims procedures set forth in Sections 4.01 through 4.05 of this Plan. Any disputes, controversies or claims that arise between any Participant (or any person claiming on behalf of any Participant) and the Company or any of its Subsidiaries and affiliates (including the Administrator) relating to or arising out of this Plan, which are not resolved in accordance with the procedures set forth in Sections 4.01 through 4.05 of the Plan, shall be settled by arbitration in accordance with the JAMS Employment Arbitration Rules & Procedures or any successor thereto (the "*JAMS Rules*"). The arbitration shall be before a single arbitrator selected in accordance with the JAMS Rules or otherwise by mutual agreement of the parties. The arbitration shall take place in Los Angeles County, California, unless the parties agree to hold the arbitration in another location. The arbitrator shall apply the substantive law (and the law of remedies, if applicable) of the State of Delaware, except to the extent preempted by U.S. Federal law (in which case such law will apply).

(b) In consideration of the benefits provided herein, the anticipated expedition and the minimizing of expense of this arbitration remedy, and other good and valuable consideration, the arbitration provisions of this Plan shall provide the exclusive remedy for disputes following exhaustion of the claims procedures set forth in Sections 4.01 through 4.05 of this Plan, and each party expressly waives any right such party may have to seek redress in any other forum. To the maximum extent permitted by law, the arbitrator's review of a claimant's denied claim shall be limited to a determination of whether the denial was an abuse of discretion based on the evidence and theories the claimant presented during the claims procedure. The arbitration and any decision and award or order of the arbitrator shall be final and binding upon the parties and judgment thereon may be entered in the Superior Court of the State of California or any other court having jurisdiction.

(c) The Company and any Participant may bring an action in any court of competent jurisdiction to compel arbitration under this Plan and to enforce an arbitration award. Except as otherwise provided in this Plan, both the Company and the Participant agree that neither of them shall initiate or prosecute any lawsuit or administrative action in any way related to any claim covered by this Plan.

(d) Any claim which either party has against the other party that could be submitted for resolution pursuant to this Section 4.06, must be presented in writing by the claiming party to the other party within one year after the receipt of the Administrator's decision under Section 4.04. Unless the party against whom any claim is asserted

waives the time limits set forth above, any claim not brought within the time period specified shall be waived and forever barred, even if there is a federal or state statute of limitations which would have given more time to pursue the claim.

(e) The Company shall advance the costs and expenses of the arbitrator. In any arbitration to enforce any of the provisions or rights under this Plan, the unsuccessful party in such arbitration, as determined by the arbitrator, shall pay to the successful party or parties all costs, expenses and reasonable attorneys' fees incurred therein by such party or parties (including without limitation such costs, expenses and fees on any appeals), and if such successful party or parties shall recover an award in any such arbitration proceeding, such costs, expenses and attorneys' fees shall be included as part of such award. Notwithstanding the foregoing provision, in no event shall the successful party or parties be entitled to recover an amount from the unsuccessful party for costs, expenses and attorneys' fees that exceeds the unsuccessful party's costs, expenses and attorneys' fees in connection with the action or proceeding. Any reimbursement of attorneys' fees to the Participant pursuant to this Section 4.06(e) shall be provided no later than the last day of the Participant's taxable year following the later of (i) the year in which such attorneys' fees were incurred and (ii) the year in which the arbitrator determined that the Participant was the successful party.

(f) Each of the terms and conditions contained in this Section 4.06 shall have separate validity, and the invalidity of any part thereof shall not affect the remaining parts.

## ARTICLE V

### MISCELLANEOUS PROVISIONS

Section 5.01 Cumulative Benefits. Except as provided in Section 3.05 or as otherwise agreed to in a writing signed between the Company and the Participant, the rights and benefits provided to any Participant under this Plan are cumulative of, and are in addition to, all of the other rights and benefits provided to such Participant under any Benefit Plan or any agreement between such Participant and the Company or any of its Subsidiaries; provided, that, in no event shall a Participant (a) be entitled to participate in the Severance Pay Plan of Avery Dennison Corporation, as amended and re-stated effective March 6, 2013, and any amendments or successors to that plan or (b) to the extent he or she receives severance or any other benefits under this Plan, be eligible to receive severance or any other benefits under the Avery Dennison Corporation Executive Severance Plan, as amended and restated effective July 1, 2020, and any amendments or successors to that plan.

Section 5.02 No Mitigation. No Participant shall be required to mitigate the amount of any payment provided for in this Plan by seeking or accepting other employment following a Termination of Employment with the Company. The amount of any payment or benefit provided for in this Plan shall not be reduced by any compensation or benefit earned by a Participant as the result of employment by another employer or by retirement or other benefits, except as described in Section 3.05.

Section 5.03 Amendment, Modification or Termination.

(a) The Administrator may amend, modify, or terminate the Plan at any time in its sole and exclusive discretion; provided, however, that: (i) no such amendment, modification or termination may materially and adversely affect any rights of any Participant who has incurred a Termination of Employment on or prior to the effective date of such amendment, modification or termination; (ii) any termination of the Plan or modification that is a material diminishment of the severance benefit shall not be effective until twelve (12) months after written notice of such action has been provided to the Participants, except that any modification or amendment shall be immediately applicable to any employee designated as a Participant after the date that the Administrator adopts the modification or amendment; and (iii) the Plan shall not be terminated or materially amended during any Change of Control Period. Notwithstanding the foregoing, the Plan shall terminate when all of the obligations to Participants hereunder have been satisfied in full.

(b) Notwithstanding Section 5.03(a) or any other provision of this Plan, and to the fullest extent applicable, this Plan shall be interpreted and the terms shall be applied in accordance with Section 409A. In the event that the Administrator in its sole and exclusive discretion determines that any payments, disbursements, or benefits provided, or to be provided, under this Plan may be subject to, and not in compliance with, Section 409A, the Administrator may adopt at any time (without any obligation to do so or to indemnify any Participant for failure to do so) such limited amendments to this Plan, including amendments with retroactive effect, that it reasonably determines are necessary or appropriate to (i) exempt the compensation and benefits payable under this Plan from Section 409A

and/or preserve the intended tax treatment of the compensation and benefits provided with respect to this Agreement or (ii) comply with the requirements of Section 409A; and all such amendments shall be immediately effective as to all Participants. No provision of this Plan shall be interpreted or construed to transfer any liability for failure to comply with the requirements of Section 409A from any Participant or any other individual to the Company or any of its affiliates, employees or agents.

Section 5.04 Administration.

(a) Subject to the limitations of the Plan, the Administrator shall have full and final authority, in its sole and exclusive discretion, to administer the Plan, to construe and interpret its provisions, to decide matters arising under the Plan, and to take all other actions deemed necessary or advisable for the proper administration of this Plan. This authority and discretion includes, but is not limited to, determining whether objective (or subjective) criteria under the Plan have been satisfied, resolving any possible inconsistencies or ambiguities, determining eligibility, determining the amount of any payments or benefits, and ensuring compliance with legal and tax matters.

(b) Subject to its charter and applicable law, the Compensation Committee may, in its discretion, delegate to one or more appropriate executives of the Company any duty or authority of the Compensation Committee hereunder (including, without limitation, the authority to designate Participants and to designate a Participant's Level for purposes of the Severance Multiplier); provided that the Compensation Committee shall retain (and shall not delegate) (i) authority with respect to any Participant who is a 16(b) Officer (including, without limitation, any authority with respect to whether or not a 16(b) Officer is designated as a Participant and any 16(b) Officer's eligibility to receive a payment or benefit or the amount of the payment or benefit (such as determinations of Cause, Disability, eligibility, or Level)) and (ii) authority to terminate the Plan or materially diminish or increase the formula for determining a Change of Control Severance Payment.

Section 5.05 Consolidations, Mergers, Etc. In the event of a merger, consolidation or other transaction, nothing herein shall relieve the Company from any of the obligations set forth in the Plan; provided, however, that nothing in this Section 5.05 shall prevent an acquirer or Successor to the Company from assuming the obligations, or any portion thereof, of the Company hereunder pursuant to the terms of the Plan provided that such acquirer or Successor provides adequate assurances of its ability to meet this obligation. In the event that an acquirer of or Successor to the Company agrees to perform the Company's obligations, or any portion thereof, hereunder, the Company shall require any person, firm or entity which becomes its Successor to expressly assume and agree to perform such obligations in writing, in the same manner and to the same extent that the Company would be required to perform hereunder if no such succession had taken place.

Section 5.06 Successors and Assigns. This Plan shall be binding upon and inure to the benefit of the Company and its Successors and assigns. This Plan and all rights of each Participant shall inure to the benefit of and be enforceable by such Participant and his or her personal or legal representatives, executors, administrators, heirs and permitted assigns. If any Participant should die while any amounts are due and payable to such Participant hereunder, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Plan to such Participant's devisees, legatees or other designees or, if there be no such devisees, legatees or other designees, to such Participant's estate. No payments, benefits or rights arising under this Plan may be assigned or pledged by any Participant, except under the laws of descent and distribution.

Section 5.07 Notices.

(a) All notices and other communications provided for in this Plan shall be in writing and shall be delivered as follows: (i) if to the Company, at the Company's principal office address or such other address as the Company may have designated by written notice to all Participants for purposes hereof, directed to the attention of the General Counsel, and (ii) if to any Participant, at his or her residence address on the records of the Company or to such other address as he or she may have designated to the Company in writing for purposes hereof. Each such notice or other communication according to this Plan shall be deemed to have been duly delivered upon being deposited in the United States Mail via certified or registered mail, return receipt requested, postage prepaid, or by overnight delivery using a service capable of tracking and confirmation of receipt (with postage fees prepaid) such as FedEx or UPS, except that any change of notice address shall be effective only upon receipt.

(b) The Company shall deliver to each Participant, within 30 days of such Participant's designation as eligible for this Plan, a letter notifying such Participant that he or she has been designated as a Participant in the Plan and his or her Severance Multiplier and Tier, and a copy of the Plan. Within 30 days following any material amendment to the

Plan or any change to the Participant's Severance Multiplier, the Company shall deliver such amendment, amended Plan, or other confirming document to each affected Participant.

(c) For purposes of this Plan, in order for the Company to terminate any Participant's employment for Cause, the Company must deliver a Termination Notice to such Participant, which notice shall be dated the date it is transmitted for delivery to such Participant, shall specify the Termination Date and shall state that the termination is for Cause and shall set forth in reasonable detail the particulars thereof. For purposes of this Plan, in order for the Company to terminate any Participant's employment for Disability, the Company must give a Termination Notice to such Participant, which notice shall be dated the date it is transmitted for delivery to such Participant, shall specify the Termination Date and shall state that the termination is for Disability and shall set forth in reasonable detail the particulars thereof. Any Termination Notice delivered by the Company that does not comply, in all material respects, with the foregoing requirements shall be invalid and ineffective for purposes of this Plan.

Section 5.08 No Employment Rights Conferred. This Plan shall not be deemed to create a right, promise, contract or guarantee of employment, continued employment, or of any particular job position, between any Participant and the Company and/or any of its affiliates or Subsidiaries.

Section 5.09 Severability. If any provision of the Plan is, becomes or is deemed to be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions of this Plan shall not be affected thereby.

Section 5.10 Governing Law. Except to the extent preempted by U.S. Federal law, this Plan shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to its conflict of laws rules, and applicable federal law.

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

**CERTIFICATION**

I, Mitchell R. Butier, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Avery Dennison Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Mitchell R. Butier

\_\_\_\_\_  
Mitchell R. Butier

Chairman, President and Chief Executive Officer

May 1, 2020

---

**CERTIFICATION OF CHIEF FINANCIAL OFFICER  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

**CERTIFICATION**

I, Gregory S. Lovins, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Avery Dennison Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Gregory S. Lovins

\_\_\_\_\_  
Gregory S. Lovins

Senior Vice President and Chief Financial Officer

May 1, 2020

---

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER\*****PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to 18 U.S.C. Section 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Avery Dennison Corporation (the "Company") hereby certifies, to the best of his knowledge, that:

- (i) the Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended March 28, 2020 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 1, 2020

/s/ Mitchell R. Butier

\_\_\_\_\_  
Mitchell R. Butier

Chairman, President and Chief Executive Officer

\* The above certification accompanies the Company's Quarterly Report on Form 10-Q and is furnished, not filed, as provided in SEC Release 33-8238, dated June 5, 2003.

---

**CERTIFICATION OF CHIEF FINANCIAL OFFICER\*****PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to 18 U.S.C. Section 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Avery Dennison Corporation (the "Company") hereby certifies, to the best of his knowledge, that:

- (i) the Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended March 28, 2020 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 1, 2020

/s/ Gregory S. Lovins

Gregory S. Lovins

Senior Vice President and Chief Financial Officer

\* The above certification accompanies the Company's Quarterly Report on Form 10-Q and is furnished, not filed, as provided in SEC Release 33-8238, dated June 5, 2003.

---