Avery Dennison Corp
Form PRE 14A
March 02, 2015

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

Filed by the Registrant ý
Filed by a Party other than the Registrant o

Check the appropriate box:
ý Preliminary Proxy Statement
o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
o Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Pursuant to § 240.14a-12

AVERY DENNISON CORPORATION
(Name of Registrant as Specified In Its Charter)

N/A
(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

ý No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

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Notice of 2015 Annual Meeting of Stockholders

To Our Stockholders:

You are cordially invited to attend our 2015 Annual Meeting of Stockholders to be held at the Hilton Hotel, 100 West Glenoaks Boulevard, Glendale, California 91202 on Thursday, April 23, 2015, at 1:30 p.m. Pacific Time. At the meeting, stockholders will vote on the following items of business:

1. Election of the nine directors nominated by our Board to serve a one-year term;

2. Approval, on an advisory basis, of our executive compensation;

3. Approval of our Amended and Restated Bylaws to, among other things, designate the Delaware Court of Chancery as the exclusive forum for adjudicating certain stockholder disputes;

4. Ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the 2015 fiscal year; and

5. Transaction of any other business properly brought before the meeting or any adjournment or postponement thereof.

Our Board recommends that stockholders vote FOR each of the director nominees nominated by our Board, and FOR Items 2, 3 and 4. After considering these items of business at the meeting, Dean Scarborough, our Chairman and Chief Executive Officer, will review our 2014 performance and answer your questions.

Stockholders of record as of February 23, 2015 are entitled to notice of, and to vote at, the meeting and any adjournment or postponement thereof.

We will be mailing our Notice of Internet Availability of Proxy Materials, which includes instructions on how to access these materials on the Internet, on or before March 13, 2015. Stockholders who previously elected to receive a paper copy of our proxy materials will be mailed our 2015 proxy statement, annual report, Chairman's letter to stockholders and a proxy card on approximately March 16, 2015.

Even if you cannot attend the Annual Meeting, it is important that your shares be represented and voted. You may vote as follows:

On behalf of the Board of Directors, management and employees of Avery Dennison, thank you for your continued support.

By Order of the Board of Directors

Susan C. Miller
Corporate Secretary

March 2, 2015

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Our Values

At Avery Dennison, we have an ethical, values-driven culture where bold ideas turn into action. The following core values guide our decisions and support our vision to make brands more inspiring and the world more intelligent. We strive to live these values each and every day because, as a company, they represent who we are.

Integrity

We act honestly, ethically and honorably.

Service

We satisfy our customers every time.

Teamwork

We build relationships based on trust, respect and caring.

Innovation

We foster creativity and the development of new ideas, products and processes.

Excellence

We strive to be the best in everything we do.

Community

We act responsibly as members of the communities in which we operate.

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PROXY STATEMENT FOR 2015 ANNUAL MEETING OF STOCKHOLDERS

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PROXY SUMMARY

This section contains summary information described in greater detail in other parts of this proxy statement and does not contain all the information you should consider before voting. Stockholders are urged to read the entire proxy statement before voting.

ANNUAL MEETING INFORMATION

TIME AND DATE	1:30 p.m. Pacific Time on Thursday, April 23, 2015
PLACE	Hilton Hotel, 100 West Glenoaks Boulevard, Glendale, California 91202
RECORD DATE	Stockholders as of the close of business on February 23, 2015 are entitled to vote at the meeting
ATTENDING THE MEETING	Please follow the instructions described under "Annual Meeting Procedures" in the *Meeting and Voting Information* section of this proxy statement

ITEMS BEING VOTED ON AT ANNUAL MEETING

Stockholders are being asked to vote on the following items of business at the Annual Meeting. As shown below, our Board of Directors (our "Board") recommends that stockholders vote for all nine director nominees nominated by our Board and in favor of the three other items being brought for stockholder vote.

	ITEM	BOARD RECOMMENDATION	VOTE REQUIRED	DISCRETIONARY BROKER VOTING
1.	Election of directors	FOR each nominee	Majority of votes cast	No
2.	Advisory vote to approve executive compensation	FOR	Majority of shares represented and entitled to vote	No
3.	Approval of Amended and Restated Bylaws to, among other things, designate the Delaware Court of Chancery as the exclusive forum for adjudicating certain stockholder disputes	FOR	Majority of shares represented and entitled to vote	No
4.	Ratification of appointment of PricewaterhouseCoopers LLP as independent registered public accounting firm for fiscal year 2015	FOR	Majority of shares represented and entitled to vote	Yes

2014 PERFORMANCE HIGHLIGHTS

Fiscal year 2014 was another year of solid progress for our company. On net sales of approximately $6.3 billion, we delivered 3% organic sales growth and 16% growth in adjusted earnings per share (EPS). While we delivered solid annual free cash flow of over $300 million during 2012 and 2013, 2014 free cash flow came in below our expectations, due primarily to the impact of currency fluctuations and actions we took to reduce the volatility associated with year-end changes to our levels of working capital.

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Organic sales growth, adjusted EPS and free cash flow are defined in the *Compensation Discussion and Analysis* section of this proxy statement. These financial measures, which are not in accordance with generally accepted accounting principles in the United States of America (GAAP), are reconciled to GAAP in Appendix A to this proxy statement.

Progress Toward Long-Term Financial Targets. In May 2012, we communicated to our stockholders the long-term financial targets we planned to realize through the end of 2015. As shown below, we delivered strong financial performance during the first three years of this four-year period, meeting or exceeding our organic sales growth and adjusted EPS growth targets. Although our free cash flow fell short of our annual target in 2014 and negatively impacted our three-year average for this measure, as of February 2, 2015, we expected substantially to deliver on our commitments to investors by the end of 2015.

	2012-2015 TARGET	2012-2014 RESULTS
Organic Sales Growth	3% - 5%	**3.9%**
Adjusted EPS Growth	15%-20% +	**24.8%**
Annual Free Cash Flow	$300 mil.+	**Avg. ~$279 mil.**

Capital Discipline. We are committed to maintaining capital discipline, as demonstrated through our significant return of cash to stockholders. We have paid quarterly dividends for decades and increased our annual dividends nearly 68% since 2010. We also have been disciplined in executing our share repurchase program, more than offsetting the dilutive effect of the stock-based incentive compensation we granted in recent years. In December 2014, we announced an authorization from our Board to repurchase an additional $500 million of our common stock. As shown below, over the last three years, we have delivered on our commitment to increase the amount of cash returned to our stockholders.

Strong Total Stockholder Return. As shown below, our total stockholder return (TSR) for the 2012-2014 three-year period outperformed the S&P 500® and the median of the S&P 500 Industrials subset of which we are a member. TSR measures the return that we have provided our stockholders, including stock price appreciation and dividends paid (assuming reinvestment thereof).

TOTAL STOCKHOLDER RETURN

2012	2013	2014

AVY	26.2%	47.5%	6.2%
S&P 500	16.0%	32.4%	13.7%
S&P Industrials (median)	17.3%	38.0%	11.3%

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CORPORATE GOVERNANCE HIGHLIGHTS

Our corporate governance policies and practices reflect our values, and allow our Board to effectively oversee our company in the interest of creating long-term value. The key elements of our program and the related benefits to our stockholders are set forth below.

OUR POLICY OR PRACTICE	DESCRIPTION AND BENEFIT TO OUR STOCKHOLDERS
	STOCKHOLDER RIGHTS
Annual Election of Directors	Our directors are elected annually, reinforcing their accountability to our stockholders.
Single Class of Outstanding Voting Stock	We have no class of preferred stock outstanding, meaning our common stockholders together control our company, with equal voting rights.
Majority Voting for Director Elections	We have a majority vote standard for uncontested director elections, which increases Board accountability to our stockholders.
Mandatory Director Resignation Policy	Incumbent directors who are not elected by the majority of our stockholders must tender their resignation.
No Supermajority Voting Requirements	We eliminated the supermajority provisions in our charter and bylaws. Stockholders may amend these documents or approve mergers and similar transactions by simple majority vote.
No Poison Pill	We do not have a stockholder rights plan (commonly referred to as a "poison pill").
	BOARD STRUCTURE
Governance Guidelines	Our Corporate Governance Guidelines provide stockholders with information regarding the best practice principles of our corporate governance program and Board framework.
90% Independent	All of our current directors, except our Chairman/CEO, are independent, ensuring that our directors oversee our company without undue influence from management.
Robust Lead Independent Director Role	Our Lead Independent Director is selected annually by our independent directors to perform clearly delineated duties, such as presiding at executive sessions and approving Board agendas.
Committee Governance	Our Board Committees have written charters and are comprised exclusively of independent directors. Committee composition and charters are reviewed annually by our Board.
Mandatory Retirement Policy	We have adopted a mandatory director retirement age of 72, which helps ensure regular refreshment of our Board.
Director Tenure	Our Board's Governance and Social Responsibility Committee annually reviews our Board composition, which helps ensure we have the right balance between continuity and fresh perspectives. We have added three new directors in the past five years who remain on our Board today.
Annual Performance Evaluations	Our Board's Governance and Social Responsibility Committee oversees an annual performance evaluation of our Board and its Committees and leadership to ensure they continue to serve the best interests of stockholders.
Access to Management and Experts	Our Board and Committes have complete access to all levels of management and can engage advisors at our expense, giving them access to employees with direct responsibility for managing our company and experts to help them fulfill their oversight responsiblities on behalf of our stockholders.

Succession Planning	Our Board's Compensation and Executive Personnel Committee and/or our full Board reviews potential CEO and other senior executive successors at least annually to develop our future leaders and ensure we can sustain business continuity if any of these key employees were to leave our company.

EXECUTIVE COMPENSATION

Stringent Stock Ownership Guidelines	All of our directors and executive officers meet our stringent stock ownership guidelines, helping ensure the alignment of their interests with those of our stockholders.
Annual Say-on-Pay Vote	Stockholders have the opportunity annually to cast an advisory vote on our executive compensation.
Best Practices	Our executive compensation program reflects a number of best practices, which are summarized on the last page of this proxy summary and in the executive summary of the *Compensation Discussion and Analysis* section of our proxy statement.

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2015 DIRECTOR NOMINEES

Since 2011, our Board has overseen a significant transformation of our company, including the execution of our business strategies to deliver strong three- and five-year TSR of 98% and 68%, respectively; the divestiture of two of our businesses in 2013 to focus primarily on our industry-leading Pressure-sensitive Materials and Retail Branding and Information Solutions segments; a restructuring program that delivered over $100 million in annualized savings by mid-2013 and substantially improved our productivity; and the implementation of our Board's succession planning with the recent appointment of Mitchell Butier as our President and Chief Operating Officer. Our Board members have demonstrated commitment to diligently and effectively executing their fiduciary duties on behalf of our stockholders, and we recommend that each of the following currently serving directors be re-elected at the Annual Meeting.

NAME	AGE	DIRECTOR SINCE	PRINCIPAL OCCUPATION	INDEPENDENT	AC	CC	GC
Bradley A. Alford	58	2010	Retired Chairman & CEO, Nestlé USA	Yes		M	M
Anthony K. Anderson	59	2012	Retired Vice Chair & Managing Partner, Ernst & Young LLP	Yes	M		
Peter K. Barker	66	2003	Retired Chairman of California, JPMorgan Chase & Co.	Yes	C		
Ken C. Hicks	62	2007	Executive Chairman, Foot Locker, Inc.	Yes	M		M
David E. I. Pyott (LID)	61	1999	Chairman & CEO, Allergan, Inc.	Yes		C	M
Dean A. Scarborough	59	2000	Chairman & CEO, Avery Dennison Corporation	No			
Patrick T. Siewert	59	2005	Managing Director and Partner, The Carlyle Group	Yes	M		
Julia A. Stewart	59	2003	Chairman & CEO, DineEquity, Inc.	Yes		M	C
Martha N. Sullivan	58	2013	President & CEO, Sensata Technologies Holding N.V.	Yes		M	

AC = Audit & Finance Committee CC = Compensation & Executive Personnel Committee GC = Governance & Social Responsibility Committee

M = Member C = Chairman LID = Lead Independent Director

Director Rolf L. Börjesson, Retired Chairman of Rexam PLC and member of our Board since 2005, is not being nominated for re-election since he has reached the age of 72 and will be retiring on the date of the Annual Meeting as required by our mandatory director retirement policy. Mr. Börjesson is an independent director and member of the Governance and Social Responsibility Committee.

EXECUTIVE COMPENSATION HIGHLIGHTS

Our Board's Compensation and Executive Personnel Committee designs our executive compensation program to motivate our executives to execute our business strategies and deliver long-term stockholder value. The program delivers pay for performance, with compensation dependent on our achieving annual and long-term financial and business performance objectives that advance the interests of our stockholders.

We value our stockholders' opinions about our governance and compensation practices, and we actively solicit input through our stockholder engagement program. In advance of the 2014 Annual Meeting, we engaged in telephonic discussions with stockholders representing approximately 20% of our then-outstanding shares. We also met in person with four of our largest stockholders and the two leading proxy advisory firms in the fall of 2014.

Total target direct compensation to our executives is comprised of the following three components:

- Base salary;

- Performance-based cash incentive under our Annual Incentive Plan (AIP award); and

- Long-term performance-based incentives delivered in equity, consisting 50% of performance units (PUs) and 50% of market-leveraged stock units (MSUs).

We target our Named Executive Officers' (NEOs') total direct compensation at the market median, and for 2014, each of our NEOs' target total direct compensation fell at or around the median of the market data utilized by the Compensation and Executive Personnel Committee. The majority of this compensation is at risk, meaning that if we fail to deliver on our financial objectives and create stockholder value, our executives may ultimately not realize some or all of these performance-based components of compensation. In 2014, 85% and 71% of our Chief Executive Officer's (CEO's) and average of other current NEOs' target direct compensation, respectively, was performance-based.

Over the past five years, there has been strong alignment between our CEO's pay and our TSR, as shown in the graph below. The substantial year-over-year increase in our CEO's compensation in 2014 was primarily due to a $4.6 million increase in the value of his accumulated pension benefit, which was driven by the one-time impact of using the recently released mortality assumptions and the impact of calculating benefits using the current discount rate. Notably, the value of his AIP award decreased by approximately 53% compared to 2013, with the other components of his compensation substantially similar to the prior year. See the *Summary Compensation Table* in this proxy statement for more information.

History of Strong CEO Pay and TSR Alignment

As summarized on the following page and described in further detail in the *Compensation Discussion and Analysis* section of this proxy statement, our executive compensation program is aligned with our goals and strategies and reflects best practices.

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What We Do

- Pay for performance   85% of our CEO's target total direct compensation is tied to company performance
- Emphasize long-term performance   66% of our CEO's target total direct compensation is equity-based and tied to creating stockholder value
- Use double-trigger change of control vesting provisions   Vesting of equity following a change of control requires termination of employment within 24 months
- Manage share usage conservatively   We reduced our burn rate by over 75% since the end of fiscal year 2012
- Maintain rigorous stock ownership guidelines   5x base salary for our CEO and 3-4x base salary for our other NEOs
- Review tally sheets   Compensation and Executive Personnel Committee performs a detailed review of executive compensation components, including potential severance and change of control payments
- Maintain clawback policy
- Use an independent compensation consultant retained directly by the Compensation and Executive Personnel Committee, in its sole discretion
- Regularly assess potential risks relating to our compensation policies and practices

What We Don't Do

- Have employment agreements with our NEOs
- Gross up change of control severance benefits for excise taxes
- Provide above-market interest rates in our only deferred compensation plan currently open for deferrals
- Provide gross-ups to cover tax liabilities associated with executive perquisites
- Permit directors or officers to hedge or pledge company stock
- Grant stock options with an exercise price less than the fair market value on the date of grant
- Re-price or exchange stock options without stockholder approval

RATIFICATION OF APPOINTMENT OF PWC

Our Board's Audit and Finance Committee has appointed PricewaterhouseCoopers LLP (PwC) as our independent registered public accounting firm for the 2015 fiscal year, and our Board is seeking stockholder ratification of the appointment. PwC is knowledgeable about our operations and accounting practices, and is well qualified to act as our independent registered public accounting firm. The Audit and Finance Committee considered the qualifications, performance, and independence of PwC, the quality of its discussions with PwC, and the fees charged by PwC for the level and quality of services provided during 2014, and has determined that the reappointment of PwC is in the best interest of our company and its stockholders.

APPROVAL OF AMENDED AND RESTATED BYLAWS

We are proposing Amended and Restated Bylaws to, among other things, add a new section designating the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain stockholder disputes. Based on the recommendation of its Governance and Social Responsibility Committee, our Board has determined that the exclusive forum provision would be in the best interest of our company and stockholders because, among other things, it would avoid subjecting our company to lawsuits in multiple jurisdictions on matters relating to the corporate law of Delaware, which is our state of incorporation.

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CORPORATE GOVERNANCE AND ETHICS

CORPORATE GOVERNANCE

Under the oversight of our Board of Directors (our "Board"), we have designed our corporate governance program to ensure continued compliance with applicable laws and regulations, the rules of the Securities and Exchange Commission (SEC) and the listing standards of the New York Stock Exchange (NYSE), and to reflect best practices as informed by the policies of other public companies, recommendations of our outside advisors, the voting guidelines of our stockholders and the policies of proxy advisory firms. The key features of our program and the related benefits to our stockholders are described in the Corporate Governance Highlights table of our Proxy Summary.

We encourage stockholders to visit the Corporate Governance section of our website, which includes the following corporate governance documents:

- Code of Ethics for the Chief Executive Officer and Senior Financial Officers;
- Code of Conduct;
- Audit Committee Complaint Procedures for Accounting and Auditing Matters;
- Corporate Governance Guidelines (our "Governance Guidelines"); and
- Charters for our Board's Audit and Finance Committee (the "Audit Committee"), Compensation and Executive Personnel Committee (the "Compensation Committee"), and Governance and Social Responsibility Committee (the "Governance Committee").

Our website also includes copies of our Amended and Restated Certificate of Incorporation (our "Certificate of Incorporation") and our Amended and Restated Bylaws ("Bylaws"). You can access these documents by going to our website at www.averydennison.com/content/corporate/na/en/home/our-company/corporate-governance.html, but should note that information on our website is not and should not be considered part of, nor is it incorporated by reference into, this proxy statement. You can also receive copies of these documents, without charge, by written request mailed to our Corporate Secretary at Avery Dennison Corporation, 207 Goode Avenue, Glendale, California 91203.

ETHICS

CODE OF ETHICS FOR CEO AND SENIOR FINANCIAL OFFICERS

We have adopted a Code of Ethics that requires our Chief Executive Officer (CEO), Chief Financial Officer (CFO) and Controller/Chief Accounting Officer to act professionally and ethically in fulfilling their responsibilities. These individuals are expected to avoid actual or apparent conflicts between their personal and professional relationships and disclose any material transaction or relationship that could reasonably be expected to give rise to a conflict of interest to the Governance Committee. In addition, they are expected to ensure that the reports and documents we file with the SEC contain full, fair, accurate and understandable information; respect the confidentiality of information acquired in the course of the performance of their responsibilities; employ corporate assets and resources in a responsible manner; and report violations of our Code of Ethics to the Chair of either the Audit Committee or the Governance Committee. Supporting the principles of our Code of Ethics, our controllership and internal audit functions ensure a robust internal control environment, and regularly report to the Audit Committee.

Our Code of Ethics is available on our website at www.averydennison.com/content/dam/averydennison/corporate/global/English/Documents/Our%20Company/CSHT-Corporate-Governance-Code-Of-Ethi Only the Audit Committee or Governance Committee can amend or waive the provisions of the Code of Ethics, and any amendments or waivers must be posted promptly on our website and timely filed with the SEC on a Current Report on Form 8-K. Since we adopted our Code of Ethics in February 2004, no amendments have been made and no waivers have been granted.

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CODE OF CONDUCT

Our Code of Conduct which is built on our core values of Integrity, Service, Teamwork, Innovation, Excellence and Community applies to all of our directors, officers and employees and is available on our website at www.averydennison.com/content/dam/averydennison/corporate/global/ English/Documents/Our%20Company/ CSHT-Code%20of%20Conduct-052113.pdf. Our Code of Conduct has been translated into 30 languages and our employees are trained on it and affirm their commitment to comply with it when they first join our company and periodically thereafter. The core ethical matters discussed in our Code of Conduct, and the related guidance we provide to our team members throughout the world, are summarized below. Our global supplier standards extend our commitment to many of these principles to our third party service providers, establishing our expectations that they also do business in an ethical manner.

OUR CODE OF CONDUCT

ETHICAL MATTER	OUR BELIEF
Equal Employment Opportunity	We prohibit unlawful discrimination and make employment decisions based on individual qualifications, skills and other factors relevant to the job.
Harassment-Free Workplace	We do not tolerate verbal or physical harassment, bullying or any behavior that creates an intimidating, offensive, abusive or hostile work environment.
Safe and Drug-Free Work Environment	We place a priority on health and safety; we believe that behavior that threatens safety or damages property is unacceptable.
Accurate Business and Financial Records	We reflect business and financial transactions fully, fairly and accurately.
Compliance with Laws and Internal Controls	We know that falsification of business documents, financial accounts, reports and claim forms is not acceptable.
Protection of Company Assets and Intellectual Property	We use company resources for business purposes and share confidential and proprietary information only when and to the extent necessary.
Records Retention and Insider Trading	We maintain records as required by law and our retention policies, and we comply with securities laws regarding the disclosure of material, non-public information.
Respecting Privacy and Protecting Personal Data	We do not share employee or customer information absent legitimate business reasons and with procedural safeguards.
Avoidance of Conflicts of Interest	We put the company's interest ahead of personal interests when acting or making decisions on behalf of our company.
Appropriate Gifts, Meals and Entertainment	We avoid exchanges that may influence or appear to influence business transactions.
Corporate Opportunities	We do not misappropriate corporate opportunities.
Supplier Standards	We do not tolerate the use of child labor or forced labor by our business partners and our global supplier standards require them to provide their employees with a safe and healthy workplace and to comply with environmental, health and safety laws.
Honest Sales and Marketing	We do not engage in misleading or deceptive practices, or make false statements about our competitors or their products.
Fair Dealing and Antitrust Compliance	We do not give or take payments or other consideration to influence the awarding of a contract or business transaction and we comply with all applicable antitrust laws to promote fair competition.
Trade Compliance	We abide by trade controls that apply to our businesses in the countries in which we operate.
Anti-Corruption and Anti-Bribery	We do not allow bribes, kickbacks or any other form of personal payoff tied to our business engagements or with government officials in order to influence a decision or official act.
Governmental Cooperation	We provide truthful, complete and accurate responses to government inquiries and investigations.

Sustainability and Environmental Consideration	We strive to mitigate our environmental impact by improving our energy efficiency, reducing the greenhouse gas emissions and waste we generate, producing more sustainable products and conserving natural resources.
Community and Social Responsibility	We meet or exceed local labor standards and strive to be a positive force in the communities in which we operate by contributing time and financial or business resources to community service.

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Our Business Conduct GuideLine is a hotline available at all hours for employees or third parties to report potential violations of our Code of Conduct, anonymously if they so choose, by (i) calling 888.567.4387 toll-free in the United States or 704.731.0166 collect from outside the United States, or (ii) visiting www.integrity-helpline.com/AveryDennison.jsp (www.financial-integrity.com/AveryDennison.jsp in Europe). The hotline is operated by an independent third party and accepts reports in any language to accommodate the needs of our global workforce and customer/supplier base. All reports are investigated under the direction of our Chief Compliance Officer, in consultation with the law department and senior management and with oversight from the Governance Committee. Our policies prohibit retaliation for good-faith reporting.

COMPLAINT PROCEDURES FOR ACCOUNTING AND AUDITING MATTERS

The Audit Committee is responsible for ensuring that complaints related to accounting, accounting standards, internal accounting controls and audit practices are handled appropriately and has adopted procedures for the confidential, anonymous submission of complaints regarding these matters. These procedures relate to complaints for fraud or deliberate error in the preparation, evaluation, review or audit of our financial statements or other financial reports; fraud or deliberate error in the recording or maintenance of our financial records; deficiencies in or noncompliance with our internal accounting controls; misrepresentation or false statement to or by a senior officer or accountant regarding a matter contained in our financial records, statements, or other reports; or deviation from full and fair reporting of our financial condition. Any person, including third parties, may submit a good faith complaint regarding accounting and auditing matters; employees may do so without fear of dismissal or other retaliation. The Audit Committee oversees these procedures, which are available on our website at www.averydennison.com/content/dam/averydennison/corporate/global/English/Documents/Our%20Company/CSHT-Corporate-Governance-Audit-Proced Investigations are conducted under the direction of our internal audit department in consultation with the law department and members of senior management to the extent appropriate under the circumstances.

Stockholders and other interested parties interested in communicating regarding these matters may make an anonymous, confidential report by (i) calling 888.567.4387 toll-free in the United States or at 704.731.0166 collect from outside the United States, (ii) visiting www.integrity-helpline.com/AveryDennison.jsp (www.financial-integrity.com/AveryDennison.jsp in Europe), or (iii) writing to the Audit and Finance Committee Chair, c/o Corporate Secretary, Avery Dennison Corporation, 207 Goode Avenue, Glendale, California 91203.

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OUR BOARD OF DIRECTORS

OVERVIEW

Our Board of Directors is responsible for overseeing, counseling and directing management in serving the long-term interests of our company and stockholders, with the goal of building long-term stockholder value and ensuring the vitality of our company for our customers, employees and other stakeholders. In this capacity, the Board's primary responsibilities include establishing an effective corporate governance program, with a Board and Committee structure that ensures independent oversight; overseeing our business, strategies and risks; maintaining the integrity of our financial statements; evaluating the performance of our senior executives and determining their compensation; undertaking succession planning for our CEO and other senior executives; and reviewing our annual operating plan and significant strategic and operational objectives and actions.

BOARD COMPOSITION

Our Bylaws currently provide that our Board consist of between eight and 13 directors, with the exact number fixed from time to time by Board resolution. If Item 3 is approved by our stockholders, this provision will require that our Board consist of between eight and 12 directors, consistent with our Governance Guidelines. Our Board currently has fixed the number of directors at 10, nine of whom are nominated for election at the Annual Meeting and one of whom is scheduled to retire on the date of the Annual Meeting. Our Board currently intends to reduce the size of the Board from 10 to nine upon Mr. Börjesson's retirement.

NAME	DIRECTOR SINCE	PRINCIPAL OCCUPATION	INDEPENDENT	AC	CC	GC
Bradley A. Alford	2010	Retired Chairman & CEO, Nestlé USA	Yes		M	M
Anthony K. Anderson	2012	Retired Vice Chair & Managing Partner, Ernst & Young LLP	Yes	M		
Peter K. Barker	2003	Retired Chairman of California, JPMorgan Chase & Co.	Yes	C		
Rolf L. Börjesson	2005	Retired Chairman of Rexam PLC	Yes			M
Ken C. Hicks	2007	Executive Chairman, Foot Locker, Inc.	Yes	M		M
David E. I. Pyott (LID)	1999	Chairman & CEO, Allergan, Inc.	Yes		C	M
Dean A. Scarborough	2000	Chairman & CEO, Avery Dennison Corporation	No			
Patrick T. Siewert	2005	Managing Director and Partner, The Carlyle Group	Yes	M		
Julia A. Stewart	2003	Chairman & CEO, DineEquity, Inc.	Yes		M	C
Martha N. Sullivan	2013	President & CEO, Sensata Technologies Holding N.V.	Yes		M	

AC = Audit & Finance Committee CC = Compensation & Executive Personnel Committee GC = Governance & Social Responsibility Committee
M = Member C = Chair LID = Lead Independent Director

Excluding Mr. Börjesson, the age of our directors ranges from 58 to 66, with an average age of 60. Their length of service ranges from two to 15 years, with an average tenure on our Board of approximately nine years. None of our directors serves on more than two other boards of SEC-reporting companies, except for Mr. Anderson, who is retired and serves on three other such boards.

BOARD MEETINGS AND ATTENDANCE

Our Board met five times and acted once by unanimous written consent during 2014. There were 17 meetings and one action by written consent of the Committees of our Board during the year. Each of our directors attended at least 92% of the aggregate number of meetings of our Board and Committees of which he or she was a member held during 2014; the average attendance of all directors was 98%. Directors are strongly encouraged to attend our annual stockholder meetings and all of them attended the 2014 Annual Meeting.

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CORPORATE GOVERNANCE GUIDELINES

Our Governance Guidelines, which were last updated in December 2013, provide the corporate governance framework for our company and reflect the beliefs of our Board with respect to the matters described below.

MATTER	DESCRIPTION
Board Composition	**Reasonable Size.** Our Board should consist of between eight and 12 directors. **No Over-Boarded Directors**. Our directors should sit on five or fewer other public company boards. **Mandatory Retirement.** Directors should retire on the date of our annual stockholder meeting occurring after they reach age 72, with no established term limits on service.
Director Independence	**Majority Independent**. A majority of our directors should satisfy NYSE independence standards. **Regular Executive Sessions**. Our independent directors should regularly meet in executive session.
Board Leadership Structure	**Frequent Review.** Our Governance Committee should periodically consider the appropriateness of our Board leadership structure, with the independent directors on our Board retaining the authority to separate or combine the positions of Chairman and CEO. **Robust Lead Independent Director Role**. Since our CEO is also Chairman, our independent directors should annually select one of themselves to serve as Lead Independent Director.
Board Committees	**Independence.** Board Committees should be comprised only of independent directors. **Governance.** Board Committees should act under charters setting forth their purposes and responsibilities.
Board Duties	**Attendance.** Directors should attend all meetings of our Board and its Committees on which they serve, and are strongly encouraged to attend all annual stockholder meetings. **Management and Expert Access**. Directors should exercise their reasonable business judgment and are entitled to rely on our senior executives, to whom they have full and free access, and any independent legal, financial or other advisors they deem necessary or appropriate, which they may engage at our expense. **Strategic and Risk Oversight**. Our Board should regularly review our long-term strategic plans, including the major risks facing our company. **Succession Planning**. Our Board should periodically conduct succession planning through the Compensation Committee.
Continuous Board Improvement	**New Director Orientation**. All new directors should participate in an orientation program after joining our Board to familiarize themselves with our company. **Continuing Education**. Directors should continue their education through meetings with management, visits to our facilities and attendance at accredited director education programs and

institutes.

Annual Performance Evaluations. The Governance Committee should oversee an annual evaluation process to ensure our Board, Committees, Chairman and Lead Independent Director are functioning effectively.

Director Qualifications

Diverse and Relevant Experience. The Governance Committee should review the skills and characteristics of Board members, as well as the composition of the Board as a whole, and recommend director nominees.

DIRECTOR INDEPENDENCE

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

Each year, our directors complete a questionnaire designed to solicit disclosures that may have a bearing on the annual independence determination, including all relevant relationships they have with our company, directly or indirectly through our company's sale or purchase of products or services to or from the companies or firms with which they are affiliated. The Governance Committee reviews with our Senior Vice President, General Counsel and Corporate Secretary any relevant disclosures made in the questionnaires, as well as any transactions our company has with director-affiliated entities. In February 2015, the Governance Committee noted the following director relationships:

Mr. Hicks. Our Retail Branding and Information Solutions segment sells products to Foot Locker, Inc., for which Mr. Hicks currently serves as executive chairman. The payments we received from Foot Locker were on competitive terms, in the

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ordinary course of business, and under $1 million in each of the last three fiscal years, which is below the threshold set forth in the NYSE's independence standards. Mr. Hicks is expected to retire from Foot Locker in May 2015.

Mr. Scarborough. Mr. Scarborough serves as our Chairman and Chief Executive Officer.

After review and discussion of the relevant facts and circumstances, including the amounts involved and the director's interest therein, the Governance Committee concluded that only Mr. Scarborough had a relationship that was disqualifying under NYSE listing standards, otherwise material or impairing of director independence. As a result, upon recommendation of the Governance Committee, our Board affirmatively determined all directors other than Mr. Scarborough, or 90% of our current 10-member Board, to be independent. After Mr. Börjesson retires in April 2015, assuming all of the individuals nominated for election are elected at the Annual Meeting, eight directors of our nine-member Board, or 89%, will be independent.

BOARD LEADERSHIP STRUCTURE

We currently have a combined Chairman/CEO role and a Lead Independent Director. We believe that the combined Chairman/CEO role is appropriate because it allows for one individual to lead our company with a cohesive vision, the ability to execute that vision, and the understanding of the significant enterprise risks that need to be mitigated or overcome to achieve that vision. Combined leadership at the top provides the necessary flexibility for us to address the rapidly changing needs of our businesses in today's globally interdependent economic environment. Mr. Scarborough currently serves in this capacity and does so at the pleasure of our independent directors because he does not have an employment agreement, is elected as Chairman annually (without the ability to vote on such election), and his chairmanship could be immediately terminated by our Board with the election of a successor.

Balancing our combined Chairman/CEO is our Lead Independent Director, who has critical duties in the boardroom to ensure effective and independent oversight of Board decision-making. Mr. Pyott currently serves as our Lead Independent Director. Our Governance Guidelines describe these duties, which delineate clear responsibilities to ensure independent stewardship of our Board, as summarized below.

Lead Independent Director

Current Selectee: David E. I. Pyott **Executive Sessions Led in 2014:** 4/5	Presides over executive sessions and meetings of our Board at which the Chairman is not present
	Serves as liaison between the Chairman and our independent directors
	Approves meeting agendas and schedules and other information sent to our Board to ensure that appropriate items are discussed and there is sufficient time

Lead Independent Director is selected annually by vote of independent directors only.	for discussion of all items Calls meetings of our independent directors when necessary or appropriate If requested by major stockholders, consults and directly communicates with our stockholders

Supplementing the Lead Independent Director are our Committee Chairs and members, all of whom are independent. With the Compensation Committee conducting a rigorous annual evaluation of the CEO's performance that is discussed by all independent directors during executive sessions and the Governance Committee overseeing an annual performance evaluation of our Chairman and Lead Independent Director, we believe our Board leadership structure provides independent oversight of our company.

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Our Board annually assesses the appropriateness of its leadership structure through the Governance Committee. The Governance Committee performed this evaluation in February 2015, recommending to our Board that Mr. Scarborough continue serving as Chairman, noting that (i) his leadership generated strong financial performance over the past three years, (ii) his service as an independent director on the board and compensation, executive and finance committees of Mattel, Inc. has provided him with valuable insights into board processes and decision-making, and (iii) he received positive feedback on his performance from our independent directors during the 2014 Board evaluation process. The Governance Committee also recommended (with Mr. Pyott abstaining) that Mr. Pyott remain as Lead Independent Director, noting his strong independent leadership of our Board and that his chairmanship of the Compensation Committee and membership on the Governance Committee facilitate independent focus on executive compensation and corporate governance matters.

Our independent directors determined to continue Mr. Scarborough's service as Chairman in February 2015 based on their belief that the combined leadership structure continues to optimize our ability to execute our strategic priorities, with his election expected to occur in April 2015 in connection with his anticipated re-election as our CEO at that time. In February 2015, Mr. Pyott was again selected by our independent directors as Lead Independent Director to serve, subject to his election by our stockholders, a one-year term beginning immediately after the Annual Meeting.

BOARD COMMITTEES

Each of our Board committees has a written charter that describes its purposes, membership and meeting structure, and authority and responsibilities. These charters, which may be found in the "Corporate Governance" section of our investor website at www.investors.averydennison.com, are reviewed by the respective committee on an annual basis, with any recommended changes adopted upon approval by our Board. Updated charters are promptly posted on our website. The Charters for the Audit, Compensation and Governance Committees were last amended in July 2014, December 2013 and December 2013, respectively.

In February 2014, our Board, on the recommendation of the Governance Committee, determined to combine the Board's former standalone finance committee with the audit committee, effective immediately after the 2014 Annual Meeting. The finance committee, which met once during 2014, had been appointed by our Board to oversee matters relating to our financial affairs and capital requirements, including our financial planning policies and practices and our capital structure strategies, including stockholder distributions, financing requirements and pension contributions. The primary responsibilities, membership and meeting information for the three currently standing committees of our Board are summarized below and on the following page.

Audit & Finance Committee

Members:
Peter K. Barker (Chair)
Anthony K. Anderson
Ken C. Hicks
Patrick T. Siewert

Meetings in 2014: 8

Average Attendance in 2014: 100%

All members satisfy the audit committee experience and enhanced independence standards required by the NYSE and have been

Oversees financial statement and disclosure matters, including our quarterly and annual financial results, earnings release documentation and SEC reports, internal controls and major financial risk exposures

Appoints and oversees our independent registered public accounting firm, including its qualifications, performance and independence and the scope, staffing and fees for its annual audit

Oversees our internal audit function, including the senior internal auditor's appointment or dismissal, significant issues reported to management and management's response, and the internal audit plan, budget and staffing

Performs compliance oversight responsibilities, including reviewing complaints regarding accounting, internal accounting controls or auditing matters, significant correspondence with governmental agencies, and legal matters that may have a material impact on our financial statements

determined by our Board to be financially literate. Each of Messrs. Anderson and Barker has been determined by our Board to be an "audit committee financial expert" under applicable SEC regulations.	Performs finance oversight responsibilities, including reviewing our capital structure and financing plans, capital allocation strategy, the funding status of our pension plans and significant tax matters

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Compensation & Executive Personnel Committee	
	Reviews and approves corporate goals and individual objectives for our CEO's compensation and evaluates our and his performance to determine his annual compensation
Members: David E. I. Pyott (Chair) Bradley A. Alford Julia A. Stewart Martha N. Sullivan	Reviews and approves the base salaries and incentive compensation of other senior executives
Meetings in 2014: 5 **Average Attendance in 2014:** 95%	Makes recommendations on our compensation strategy, incentive plans and benefit programs
All members satisfy the compensation committee enhanced independence standards required by the NYSE.	Discusses with management our Compensation Discussion and Analysis (the CD&A) and recommends that the CD&A as well as the Compensation and Executive Personnel Committee Report be included in our proxy statement
All members qualify as "non-employee directors" under Rule 16b-3 of the Securities Exchange Act of 1934, as amended, and "outside directors" under Section 162(m) of the Internal Revenue Code.	Oversees our stockholders' approval of executive compensation matters, including advisory votes on executive compensation and the frequency of such votes
	Periodically evaluates the extent to which our compensation policies and programs creates incentives that encourage excessive risk-taking
	Recommends the compensation of our non-employee directors
	Conducts succession planning for our CEO and other senior executives
Governance & Social Responsibility Committee	
	Identifies potential Board members and recommends director nominees

Members: Julia A. Stewart (Chair) Bradley A. Alford Rolf L. Börjesson Ken C. Hicks David E. I. Pyott **Meetings in 2014:** 3 **Average Attendance in 2014:** 100%	Recommends the structure, chairmanship and membership of our Board committees Recommends the directors who satisfy the independence requirements of the NYSE Reviews any of our related person transactions Oversees and conducts an annual performance evaluation of our Board and its Committees Reviews our Governance Guidelines and recommends any changes to our Board Discusses our social responsibility initiatives and considers the impact of our business operations and practices on matters of sustainability and corporate citizenship Oversees the effectiveness of our values and ethics program and Code of Conduct and evaluates significant conflicts of interest or questions related to our legal and ethical conduct policy

EXECUTIVE SESSIONS

Our Board believes it is important to have executive sessions without our CEO present, which are scheduled during every meeting of the Board. Our independent directors have robust and candid discussions at these executive sessions during which they can critically evaluate the performance of our company, CEO and management. During 2014, Mr. Pyott presided as Lead Independent Director at four executive sessions of independent directors and Ms. Stewart presided at the one such executive session from which Mr. Pyott was absent.

In addition, during 2014, executive sessions were scheduled for each regular meeting of the Audit, Compensation and Governance Committees. All of these executive sessions excluded Mr. Scarborough and other members of management.

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RISK OVERSIGHT

ENTERPRISE RISK MANAGEMENT & STRATEGIC RISKS

Management is responsible for managing the day-to-day risks confronting our businesses, but our Board has responsibility for overseeing enterprise risk management (ERM). We have a Chief Compliance Officer who, with assistance from our Vice President of Internal Audit and members of their respective teams, drives ERM accountability into our businesses, ensures that they semiannually complete a risk profile, and semiannually prepares a corporate risk profile based on identified business-specific risks as well as enterprise-wide risks. In addition, we have robust global processes that together support a strong internal control environment to promote the early identification and continued management of risks by our company's leadership. Our legal and compliance functions report into our General Counsel to provide independent evaluation of the challenges facing our businesses.

Our Board as a whole oversees risks related to our corporate and business strategies and operations, exercising this responsibility by considering the relevant risks related to its decisions. In performing this oversight role, our Board is responsible for ensuring that the risk management processes designed and implemented by management are functioning, and that necessary steps are taken to foster a culture of risk-adjusted decision-making within our company. Each year, our Board receives reports on the strategic plans and risks facing our company as a whole from our CEO and CFO, as well as our business segments from their leaders and management teams. These risks may include financial risks, political and regulatory risks, legal risks, supply chain risks, competitive risks, information technology risks, and other risks related to the ways in which we do business. Employees who supervise various day-to-day risks, such as environmental, tax and sustainability matters, provide reports periodically to Board Committees, as well as occasionally to our full Board.

Our Board has delegated to its Committees certain elements of its risk oversight function to better coordinate with management and serve the long-term interests of our stockholders. Our Board receives reports from Committee Chairs regarding topics discussed at every Committee meeting, which includes the areas of risk overseen primarily by the Committees.

OVERSIGHT OF RISK

BOARD OR COMMITTEE	MAJOR AREAS OF RESPONSIBILITY
Board of Directors	Corporate and business strategies and operations Annual operating plan and significant capital expenditures Corporate governance
Audit Committee	Financial reporting processes, statements and internal controls Capital structure Financing, including borrowing, liquidity, capital allocation and pension plan funding Stockholder distributions (dividends and stock repurchases) Information technology and cybersecurity Legal, compliance, regulatory and tax matters
Compensation Committee	Compensation plans and benefit programs Executive compensation Performance objectives for our incentive plans Director compensation Succession planning
Governance Committee	Board and committee membership and structure Values and ethics Conflicts of interest and related person transactions Corporate citizenship and sustainability Legal, compliance and regulatory matters

Supplementing these processes, the Audit Committee annually discusses our risk assessment and mitigation processes to ensure that our risk management programs are effective. The Audit Committee also periodically meets in executive session with each of our CFO, General Counsel, Vice President of Internal Audit, and representatives of our independent registered public accounting firm. In addition, the Audit Committee oversees our internal control environment and evaluates the effectiveness of our internal controls at least annually.

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RISKS ASSOCIATED WITH COMPENSATION POLICIES AND PRACTICES

As described in the *Compensation Discussion and Analysis* section of this proxy statement, we maintain best practices in compensation and corporate governance that collectively encourage ongoing risk assessment and mitigation. The Compensation Committee periodically reviews our executive compensation program to ensure that it does not provide incentives that encourage our employees to take excessive risks in managing their respective businesses or functional areas.

At the Compensation Committee's request, its independent compensation consultant, Towers Watson, conducted a risk assessment of our executive compensation program in 2013, considering the substantial changes implemented for our annual and long-term incentive programs in that year. Towers Watson evaluated our executive compensation program as a whole, noting the following:

- the program appropriately balances executive retention with rewarding stockholder value creation;
- the substantial majority of executive compensation is variable, with a mix that is consistent with market practices and primarily equity-based to promote long-term performance and sustainable growth;
- the incentive mix is well-balanced, with short- and long-term performance metrics that do not overlap, cover different time periods and are balanced among annual financial objectives and long-term economic and stockholder value creation, as well as between growth and efficient capital deployment;
- our Annual Incentive Plan (AIP) and long-term incentives (LTIs) appropriately balance profitable growth in the near term with sustainable long-term financial success, use multiple performance metrics, measure performance at multiple levels (corporate, business unit and individual), and provide realized compensation based primarily on our performance;
- the Compensation Committee may exercise downward discretion to adjust AIP and LTI awards based on individual performance;
- AIP awards are not guaranteed, with below-threshold performance yielding zero payout, and payments subject to caps;
- our equity award vehicles are performance-based, use multiple performance metrics, are subject to threshold and maximum payout opportunities to encourage appropriate performance focus and limit potential risk-taking, and cliff vest at the end of three years or vest over one-, two-, three- and four-year performance periods;
- our clawback policy is consistent with market practices;
- our change of control and general severance plans are reasonable and appropriate, with change of control benefits provided on a double-trigger basis and not grossed up for excise taxes; and
- our stock ownership guidelines are rigorous and consistent with market practices.

No changes to our compensation programs and policies were made in 2014 that would alter the conclusions reached in the 2013 risk assessment described above. Based on these and other factors, as well as the advice of Towers Watson, the Compensation Committee has concluded that our compensation policies and practices strike an appropriate compensation-risk balance, do not encourage excessive risk-taking and do not as a whole create risks that are reasonably likely to have a material adverse effect on our company.

SUCCESSION PLANNING

SUPPORTING PROCESSES

Our Board is actively involved in talent management to identify and cultivate our future leaders. We maintain a robust mid-year and annual performance review process and leadership development program for our employees. Management develops leadership at lower levels of our organization by identifying core talent, cultivating the skills and capabilities that will allow identified individuals to become our future leaders, assessing their development and identifying gaps and developmental needs in skills and experience. Through regular reports from management, our Board has the opportunity to meet with leaders of our company, including business group leaders and functional leaders in law, finance, information technology, risk, and human resources. In addition, Board members have freedom of access to all employees, and are encouraged to make site visits to meet local management and attend company events.

The Compensation Committee conducts executive succession planning at least annually. In February 2014, the Compensation Committee reviewed individuals identified as possible CEO succession candidates, including progress in current job position and career development in terms of strategy, leadership and execution. In July 2014, the full Board discussed

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leadership below the executive officer level, identifying the talent that is currently ready or, with continued development on their current trajectory with mentorship and coaching from our current leaders, will be ready to fill executive officer positions in the event of a vacancy.

2014 APPOINTMENT OF PRESIDENT AND COO

Based on these meetings and further one-on-one discussions between our Chairman/CEO and each director, the Compensation Committee discussed the potential appointment of Mitchell R. Butier, former Senior Vice President and Chief Financial Officer, as President and Chief Operating Officer during meetings held in September and October 2014. In October 2014, Mr. Scarborough and Donald A. Nolan resigned from the offices of President and President, Materials Group, respectively, and Mr. Butier was elected by our Board to the additional offices of President and Chief Operating Officer, in each case effective as of November 1, 2014. Mr. Butier continues to serve as Chief Financial Officer until his recently named successor commences employment with our company.

DIRECTOR EDUCATION

NEW DIRECTOR ORIENTATION

Our new director orientation generally covers our corporate vision, strategy and leadership team; investor messaging; the strategies and risks of our businesses; finance matters, including our financial reporting policies and practices, internal control environment, internal audit deployment, tax planning and compliance and capital structure; legal matters, including corporate governance policies and procedures, values and ethics, compliance, and ERM; human resources matters, including executive compensation, succession planning and non-employee director compensation; and our information technology strategy.

CONTINUING EDUCATION

Our continuing director education program consists of periodic visits to our facilities and management presentations regarding our business operations, strategies, risks and values and ethics. We provide updates on relevant topics of interest to our Board at meetings throughout the year. We also reimburse directors who attend accredited director education programs and institutes for program fees and related expenses.

BOARD AND COMMITTEE EVALUATIONS

The Governance Committee oversees and conducts an annual performance evaluation of our Board, Chairman and Lead Independent Director, and Board Committees, including the Committee Chairs. Many of the improvements in our corporate governance practices and Board processes have resulted from the annual evaluation process. Our Board views the annual evaluation process as an integral part of its commitment to cultivating excellence and best practices in its performance.

STOCKHOLDER ENGAGEMENT AND COMMUNICATIONS

GOVERNANCE ENGAGEMENT

We value our stockholders' opinions about our governance policies and practices, and we actively solicit input through our stockholder engagement program. Our Board and management continued their long-standing practice of open dialogue with stockholders in 2014. In advance of the 2014 Annual Meeting, we proactively contacted our thirty largest institutional stockholders, representing nearly 60% of our then-outstanding shares, to solicit their views on our corporate governance and executive compensation programs and made certain Board members and management available to answer questions or address concerns. As a result of this effort, we engaged in telephonic discussions with stockholders representing approximately 20% of our then-outstanding shares. We also met in person with four of our largest stockholders and the two leading proxy advisory firms in the fall of 2014.

We continually review correspondence submitted by institutional stockholders, discussing matters raised with our senior management and/or Board to the extent appropriate under the circumstances. We welcome the feedback on our corporate governance program that this active and ongoing engagement with stockholders provides.

CONTACTING OUR BOARD

Stockholders may contact our Board, Chairman, Lead Independent Director, any Committee or Committee Chair, or any other individual director concerning business-related matters by writing to: Board of Directors (or a particular subgroup or individual director), c/o Corporate Secretary, Avery Dennison Corporation, 207 Goode Avenue, Glendale, California 91203.

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ITEM 1 ELECTION OF DIRECTORS

Our Bylaws currently provide for a Board of between eight and 13 directors, with the exact number fixed from time to time by a resolution of our Board. If Item 3 is approved by our stockholders, this provision will require that our Board consist of between eight and 12 directors, consistent with our Governance Guidelines. There are currently 10 directors on our Board, nine of whom are nominated for election at the Annual Meeting due to Mr. Börjesson's retirement. All directors are being nominated for a one-year term. Our Board currently plans to fix the number of directors at nine upon Mr. Börjesson's retirement.

Each of the nine nominees is presently serving as director on our Board and has consented to being named in this proxy statement and continue serving if elected.

MAJORITY VOTING STANDARD

Our Bylaws provide for the majority voting of directors in uncontested elections like this one and require that an incumbent director who is not re-elected tender his or her resignation from the Board. Our Board, excluding the tendering director, is required to determine whether to accept the resignation taking into account the recommendation of the Governance Committee and any other relevant factors it considers appropriate and publicly disclose its decision regarding the tendered resignation, including its rationale for the decision, within 90 days from the date election results are certified. In a contested election, plurality voting is the standard for election of directors.

In voting for the election of directors, each share has one vote for each position to be filled and there is no cumulative voting.

RECOMMENDATION OF BOARD OF DIRECTORS

Your Board of Directors recommends that you vote FOR each of the director nominees. The persons named as proxies will vote for the election of each of the nine nominees, unless you specify otherwise. If any director nominee were to become unavailable prior to the Annual Meeting, your proxy would be voted for a substitute nominee designated by our Board or we would reduce the size of our Board.

SELECTION OF DIRECTOR NOMINEES

Director nominees are generally recommended by the Governance Committee for nomination by our Board and election by our stockholders. Director nominees may also be recommended by the Governance Committee for appointment to our Board, with election by stockholders to follow at the next Annual Meeting. Our Board believes that the backgrounds and qualifications of our directors, considered as a group, provide a mix of complementary experience, knowledge and abilities that allows our directors effectively to fulfill their oversight responsibilities.

In considering whether to recommend a candidate as a director nominee, the Governance Committee applies the criteria described in our Governance Guidelines, including the potential nominee's ability to qualify as independent, to ensure that a majority of our Board remains independent; relevant business experience, considering factors such as size, industry, scope, complexity and global operations; time commitments, including other boards on which the nominee serves; potential conflicts of interest; ability to contribute to the oversight and governance of our company; and ability to represent the balanced interests of stockholders as a whole, rather than those of any special interest group. For incumbent directors, these criteria also include contributions to our Board and Committees; attendance record at Board and Committee meetings; compliance with our stock ownership guidelines; and mandatory retirement date to assist with Board succession planning. The Governance Committee does not assign specific weights to the criteria and no particular criterion is necessarily applicable to all nominees.

The Governance Committee reviews the qualifications of any candidate with those of current directors to determine coverage and gaps in experience in relevant industries and functional areas, such as finance, manufacturing, and technology. Sources for identifying potential nominees include existing Board members, our executive officers, third-party search firms, and our stockholders.

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STOCKHOLDER SUBMISSION OF DIRECTOR NOMINEES

Stockholders may recommend director candidates by submitting the candidate's name, together with his or her biographical information, professional experience and written consent to nomination, to Governance and Social Responsibility Committee Chair, c/o Corporate Secretary, Avery Dennison Corporation, 207 Goode Avenue, Glendale, California 91203.

To be considered at the 2016 Annual Meeting, stockholder nominations must comply with the requirements described in the last section of this proxy statement under *Submission of Stockholder Items for 2016 Annual Meeting*. The Governance Committee considers stockholder nominees on the same basis as it considers all other nominees.

DIRECTOR QUALIFICATIONS

The qualifications that are particularly desirable for our directors to possess to provide oversight and stewardship of our company include the following:

QUALIFICATION	DESCRIPTION	VALUE TO OUR BOARD AND STOCKHOLDERS	# (%) OF NOMINEES
Senior Leadership Experience	Service as president, chief executive officer or in similar senior executive positions	Provides us valuable external perspectives with which to assess our operations, execute our strategies, mitigate related risks, and improve our policies and procedures	8 (89%)
Global Experience	Seniority in a global enterprise or significant experience in international markets	Gives us insight into the geographic markets in which we operate, helping us navigate mature markets, as well as seize opportunities in higher-growth emerging markets	9 (100%)
Relevant Industry Knowledge	Experience in the retail, packaging or consumer goods industries	Allows us to better understand the needs of our customers in developing our business strategies, as well as evaluate acquisition and divestiture opportunities	6 (67%)
Financial Sophistication	Understanding of accounting, auditing, tax, banking, insurance, or investments	Helps us manage our capital structure, optimize stockholder distributions, undertake significant transactions, and oversee our accounting, financial reporting and internal control processes	4 (45%)
Board Experience	Prior or concurrent service on other SEC-reporting company boards	Demonstrates understanding of the extensive and complex oversight responsibilities of directors and helps reinforce management accountability for maximizing long-term stockholder value	9 (100%)

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BOARD REFRESHMENT AND DIRECTOR SUCCESSION PLANNING

Our Governance Guidelines reflect our belief that directors should not be subject to term limits. While term limits could help bring fresh ideas and viewpoints to the Board, we believe they are outweighed by the disadvantage of causing the loss of a director who over a period of time has developed insight into our strategies, operations and risks and continues to provide valuable contributions to Board deliberations. We believe that our decision not to establish term limits is consistent with the majority of companies in the S&P 500. We recognize that certain governance stakeholders have suggested that longer-serving directors may have decreased independence and objectivity, and we have adopted the policies shown on the following chart that together facilitate regular refreshment of our Board and ensure that it continues to appropriately challenge our management.

POLICIES SUPPORTING BOARD REFRESHMENT

POLICY	DESCRIPTION	EVENTS OCCURRING AT OR SINCE 2014 ANNUAL MEETING
Mandatory Resignation Policy	Incumbent directors who are not elected by our stockholders must tender their resignation.	All incumbent directors were elected at the 2014 Annual Meeting.
Mandatory Retirement Policy	Directors must retire on the date of the annual meeting of stockholders that follows their reaching the age of 72. Since inception, this policy has never been waived.	Mr. Cardis retired on the date of the 2014 Annual Meeting. Mr. Börjesson is scheduled to retire on the date of the 2015 Annual Meeting.
Resignation Tendered Upon Change in Principal Employment	Directors who change the principal occupation, position or responsibility they held when they were elected to our Board must volunteer to resign from the Board.	Mr. Hicks ceased being President and Chief Executive Officer of Foot Locker, Inc. on November 30, 2014 and is expected to leave that company in May 2015. Mr. Hicks volunteered to resign from our Board. After excusing him from the meeting, the Governance Committee determined that Mr. Hicks should remain on our Board.
Prior Notice Requirement to Prevent Over-Boarding	Directors must give prior notice before accepting another public company directorship so that the director's ability to fulfill Board responsibilities may be appropriately evaluated if he or she serves on more than five other public company boards.	Mr. Alford joined the board of Unified Grocers, Inc. in July 2014. Although he does not serve on more than five other public company boards, after excusing him from the meeting, the Governance Committee determined that Mr. Alford should continue to serve on our Board.

In part as a result of these policies, a new independent director was appointed to our Board during each year in the 2009-2013 period. While two of these directors subsequently resigned from our Board (not due to any disagreement with our company), this recent experience demonstrates our commitment to Board refreshment.

The average tenure of our Board is approximately nine years, which we believe is consistent with the average tenure for companies in the S&P 500. The graph below shows the tenure of our director nominees.

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DIRECTOR DIVERSITY

Although we do not have a formal policy regarding the consideration of diversity in selecting director nominees, the Governance Committee seeks to recommend individuals with a broad diversity of experience, profession, skill, geographic representation and background, which may include consideration of personal characteristics such as race, color, gender and national origin. While diversity is a consideration, nominees are not chosen or excluded solely or primarily based on such basis; rather, the Governance Committee focuses on skills, expertise and background to complement the existing Board in light of the diverse and global nature of our businesses and operations.

Our Board recognizes the benefits of racial and gender diversity in the boardroom, including better reflecting our diverse, global customer base and the healthy debate that stems from different viewpoints that may result from diverse backgrounds. Of the five new independent directors appointed to our Board from 2009 to 2013, two were women and one was an African-American man. The racial and gender diversity of our 2015 director nominees is reflected on the following chart.

2015 DIRECTOR NOMINEES

The following pages provide information on each nominee for election at the Annual Meeting, including his or her age, board leadership roles held, and business experience during at least the past five years. We also indicate the name of any other public company for which each nominee currently serves as a director, or has served during the past five years; for these purposes, "public company" means one that is required to file reports with the SEC.

In addition to the information presented below regarding each nominee's experience and qualifications that led our Board to the conclusion that he or she should serve as a director which includes senior leadership experience, global experience, relevant industry knowledge, financial sophistication, and public company board experience we believe that each of these nominees has integrity and adheres to our high ethical standards. In addition, each of them has demonstrated the ability to exercise sound judgment, as well as the commitment to serving the long-term interests of our stockholders.

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SELECT BUSINESS EXPERIENCE

Nestlé USA, a nutrition, health and wellness company

Chairman & Chief Executive Officer from January 2006 to October 2012

Nestlé Brands Company, an operating unit of Nestlé USA

President & Chief Executive Officer from 2003 to December 2005

SKILLS AND QUALIFICATIONS

Substantial leadership experience

Led a company with $12+ billion in annual revenues and 26,000+ employees

Industry knowledge

30+ years in the consumer goods industry

Knowledge of the food and beverage segments into which we sell our pressure-sensitive materials

Global experience

International management assignments

Significant mergers and acquisitions and integration experience

CURRENT BOARD LEADERSHIP ROLES

Age 58

Director since April 2010

Independent

Other Public Company Boards

Current:

Unified Grocers, Inc.

Past Five Years:

None

Compensation Committee Member Governance Committee Member

SELECT BUSINESS EXPERIENCE

Ernst & Young LLP, an assurance, tax, transaction and advisory services firm

Vice Chair, Managing Partner and Member of the Executive Board from 2000 to March 2012

SELECT SKILLS AND QUALIFICATIONS

Substantial leadership experience

Age 59

Director since December 2012

Independent

Other Public Company Boards

Current:

AAR Corporation

Exelon Corporation

First American Financial Corporation

Past Five Years:

None

Served on the executive board of Ernst & Young for 12 years, and as the managing partner of the Midwest and Pacific Southwest regions

Director of The Chicago Council on Global Affairs, World Business Chicago and the Chicago Urban League (Former Chairman)

Financial expertise

35 years of financial and risk management expertise acquired through auditing global public companies

Substantial experience advising several audit committees of large multinational corporations

Certified public accountant (now inactive)

Public board experience

Concurrent service on three other public boards

CURRENT BOARD LEADERSHIP ROLE

Audit Committee Member

SELECT BUSINESS EXPERIENCE

JPMorgan Chase & Co., a global financial services firm

Chairman of California and Executive Committee Member from September 2009 to January 2013

Goldman Sachs & Co., an investment banking, securities and investment management firm

Partner/Managing Director from 1982 to 1998

SELECT SKILLS AND QUALIFICATIONS

Substantial leadership experience

Led a division with over 21,000 employees

Member of the executive committee overseeing a global enterprise with $100+ billion in annual revenues

Financial expertise

37 years of investment banking experience, advising companies on capital structure, strategic planning, financing, recapitalization, acquisitions and divestitures

Public board experience

Concurrent service on two other public boards; prior service on other public boards

CURRENT BOARD LEADERSHIP ROLE

Audit Committee Chair

Age 66

Director since January 2003

Independent

Other Public Company Boards

Current:

Fluor Corporation

Franklin Resources, Inc.

Past Five Years:

None

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SELECT BUSINESS EXPERIENCE

Foot Locker, Inc., a specialty athletic retailer

Executive Chairman from December 2014 to Present

Chairman, President & Chief Executive Officer from February 2010 to November 2014

President, Chief Executive Officer & Director from August 2009 to February 2010

J.C. Penney Company, Inc., a retail company

President & Chief Merchandising Officer from January 2005 to July 2009

President & Chief Operating Officer from July 2002 to December 2004

SELECT SKILLS AND QUALIFICATIONS

Substantial leadership experience

Oversees a company with over $6 billion in 2013 revenues and over 43,000 employees

Industry knowledge

29 years of senior marketing and operational experience in the retail industry into which we sell our retail branding and information solutions

Public board experience

Age 62

Director since July 2007

Independent

Other Public Company Boards

Current:

Foot Locker, Inc.

Past Five Years:

None

Concurrent service on one other public board

CURRENT BOARD LEADERSHIP ROLES

Audit Committee Member Governance Committee Member

SELECT BUSINESS EXPERIENCE

Allergan, Inc., a global health care company

Chairman & Chief Executive Officer from June 2013 to Present and February 2006 to April 2011

Chairman, President & Chief Executive Officer from April 2011 to June 2013 and April 2001 to January 2006

President & Chief Executive Officer from January 1998 to March 2001

SELECT SKILLS AND QUALIFICATIONS

Substantial leadership experience

Age 61

Director since November 1999

Independent

Other Public Company Boards

Current:

Allergan, Inc.

Past Five Years:

Leads a company with over $7 billion in 2014 revenues and over 11,000 employees

Global experience

30+ years of strategic, operational, research and development and marketing experience in the health care industry into which we sell our pressure-sensitive materials and medical solutions

Public board experience

Concurrent service on one other public board; prior service on other public boards

CURRENT BOARD LEADERSHIP ROLES

Edwards Lifesciences Corporation

Lead Independent Director Compensation Committee Chair Governance Committee Member

SELECT BUSINESS EXPERIENCE

Avery Dennison Corporation

Chairman & Chief Executive Officer from November 2014 to Present

Chairman, President & Chief Executive Officer from April 2010 to October 2014

President & Chief Executive Officer from May 2005 to April 2010

President & Chief Operating Officer from May 2000 to April 2005

Group Vice President, Roll Materials from November 1999 to April 2000

SELECT SKILLS AND QUALIFICATIONS

Substantial leadership experience

Age 59

Five years leading our company as Chairman, ten years as Chief Executive Officer and 14 years as President

Director since May 2000

Global experience

Other Public Company Boards

Current:

30+ years managing or overseeing our global pressure-sensitive materials operations

Mattel, Inc.

Public board experience

Past Five Years:

None	Concurrent service on one other board

CURRENT BOARD LEADERSHIP ROLE

Chairman

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SELECT BUSINESS EXPERIENCE

The Carlyle Group, a global alternative investment firm

Managing Director and Partner from April 2007 to Present

The Coca-Cola Company, the world's largest beverage company

Senior Advisor from February 2006 to March 2007

Group President, Asia from August 2001 to February 2006

SELECT SKILLS AND QUALIFICATIONS

Industry knowledge

Age 59

Director since April 2005

Independent

Other Public Company Boards

Current:

Mondelēz International, Inc.

Past Five Years:

None

Advised and led a division of a global company in the beverage segment of consumer goods industry into which we sell our pressure-sensitive materials

Global experience

Work experience in Asia, a region in which we manufacture many of our products and a geographic market that is driving our sales growth in emerging markets

Public board experience

Concurrent service on one other public board

CURRENT BOARD LEADERSHIP ROLE

Audit Committee Member

SELECT BUSINESS EXPERIENCE

DineEquity, Inc., owner, operator and franchisor of IHOP and Applebee's restaurants

Chairman & Chief Executive Officer from June 2008 to Present

IHOP Corporation, DineEquity's predecessor entity

Chairman & Chief Executive Officer from May 2006 to May 2008

President, Chief Executive Officer & Chief Operating Officer from May 2002 to April 2006

President & Chief Operating Officer from December 2001 to May 2002

SELECT SKILLS AND QUALIFICATIONS

Substantial leadership experience

Leads the world's largest full-service restaurant company

Global experience

Substantial operational and marketing experience in the dining industry

Expertise in brand positioning, risk assessment, financial reporting and corporate governance

Public board experience

Concurrent service on one other public board; prior service on one public board

CURRENT BOARD LEADERSHIP ROLES

Age 59

Director since January 2003

Independent

Other Public Company Boards

Current:

DineEquity, Inc.

Past Five Years:

None

Governance Committee Chair Compensation Committee Member

SELECT BUSINESS EXPERIENCE

Sensata Technologies Holding N.V., a leading supplier of sensors and controls

President & Chief Executive Officer from January 2013 to Present

President from September 2010 to December 2012

Chief Operating Officer from April 2006 to August 2010

Texas Instruments, Inc., Sensata's predecessor entity

Vice President of Sensor Products from 1997 to 2006

SELECT SKILLS AND QUALIFICATIONS

Substantial leadership experience

Leads a business-to-business enterprise with over $2 billion in 2014 revenues

Global experience

Oversees all business segments, global operations and strategic planning

Strong technology background, including experience overseeing a radio-frequency identification business

Public board experience

Age 58

Director since February 2013

Independent

Other Public Company Boards

Current:

Sensata Technologies Holding N.V.

Past Five Years:

None	Concurrent service on one other public board

CURRENT BOARD LEADERSHIP ROLE

Compensation Committee Member

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DIRECTOR COMPENSATION

The Compensation Committee targets director compensation at the median of companies similar in size, global scope and complexity with which we compete for director talent to support the recruitment and retention of our non-employee directors. In addition, the Compensation Committee provides the majority of director compensation in equity, to align director interests with those of our stockholders.

Non-employee director compensation was last changed in February 2013 when based on advice from its independent compensation consultant that our director compensation was below the median the Compensation Committee increased the target total compensation from $195,000 to $225,000 to approximate the projected market median in 2015. The table on the following page provides information regarding the compensation earned by or awarded to our non-employee directors during 2014. The primary components of this compensation are shown in the chart below.

ANNUAL NON-EMPLOYEE DIRECTOR COMPENSATION

Equity Grant of Restricted Stock Units	$	125,000
Cash Retainer	$	90,000
Match of Charitable/Educational Contributions	$	10,000
Additional Cash Retainer for Lead Independent Director	$	20,000
Additional Cash Retainer for Audit Committee Chair	$	20,000
Additional Cash Retainer for Compensation Committee Chair	$	15,000
Additional Cash Retainer for Governance Committee Chair	$	15,000

EQUITY COMPENSATION

The annual equity grant of approximately $125,000 is denominated in restricted stock units (RSUs) that vest ratably over three years, except that all unvested RSUs fully vest upon a director's death, disability, retirement from our Board after reaching age 72 or termination of service within 24 months after a change of control. Unvested RSUs are cancelled in the event a director voluntarily resigns, is not re-elected by our stockholders or is otherwise asked to leave our Board. On May 1, 2014, each of our then-serving directors was granted 2,577 RSUs based on the fair market value of our common stock on that date.

DEFERRABLE CASH COMPENSATION

Cash retainers are paid semi-annually in arrears and prorated for any director's partial service during the year. The retainers of the former Chair of the Audit Committee and the Chair of the former standalone finance committee of $20,000 and $15,000, respectively, were prorated for their respective term of service through April 2014, when the former Audit Committee Chair retired and the former standalone finance committee was combined to form the Audit Committee. Directors are also reimbursed for travel expenses incurred to attend Board meetings and continuing education events.

Non-employee directors may choose to receive their compensation in (i) cash, either paid directly or deferred into an account under our Directors Variable Deferred Compensation Plan (DVDCP), which accrues earnings at the rate of return of certain bond and equity investment funds managed by an insurance company; (ii) deferred stock units (DSUs) credited to an individual account under the Directors Deferred Equity Compensation Plan (DDECP); or (iii) a combination of cash and DSUs. None of our directors currently participate in the DVDCP. When a director participating in the DDECP retires or otherwise ceases serving as a director, the dollar value of the DSUs in his or her account is divided by the closing price of our common stock on the last date of the director's service, with the resulting number of shares of our common stock issued to the director. Dividend equivalents, representing the value of dividends per share paid on shares of our common stock calculated with reference to the number of DSUs held as of a dividend record date, are reinvested on the applicable payable date in the form of additional DSUs credited to the accounts of directors who participate in the DDECP.

MATCHING GIFT PROGRAM

We match up to $10,000 per year of each non-employee director's contributions to charitable organizations or educational institutions.

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DIRECTOR COMPENSATION TABLE

NAME	FEES EARNED OR PAID IN CASH[1]	STOCK AWARDS[2]	CHANGE IN PENSION VALUE AND NONQUALIFIED DEFERRED COMPENSATION EARNINGS[3]	ALL OTHER COMPENSATION[4]	TOTAL
Bradley A. Alford	$ 90,000	$ 117,802		$ 10,000	$ 217,802
Anthony A. Anderson	$ 90,000	$ 117,802			$ 207,802
Peter K. Barker	$ 105,000	$ 117,802		$ 10,000	$ 232,802
Rolf L. Börjesson	$ 90,000	$ 117,802			$ 207,802
John T. Cardis(5)	$ 36,667			$ 10,000	$ 46,667
Ken C. Hicks	$ 90,000	$ 117,802		$ 10,000	$ 217,802
Charles H. Noski(5)	$ 52,500	$ 117,802			$ 170,302
David E.I. Pyott	$ 125,000	$ 117,802	$ 18,227		$ 261,029
Patrick T. Siewert	$ 90,000	$ 117,802		$ 3,000	$ 210,802
Julia A. Stewart	$ 105,000	$ 117,802		$ 10,000	$ 232,802
Martha N. Sullivan	$ 90,000	$ 117,802		$ 10,000	$ 217,802

(1)

Mr. Scarborough does not appear in the table because he receives compensation as our CEO and does not receive any additional compensation as director. Amounts represent retainers earned as set forth in the following table. At their election, the following directors deferred their cash compensation through the DDECP, with the following balance of DSUs in their accounts as of January 3, 2015, the last day of our 2014 fiscal year: Mr. Alford 11,395; Mr. Anderson 3,817; Mr. Barker 21,076; Mr. Hicks 9,855; Mr. Pyott 39,686; Ms. Stewart 28,914; and Ms. Sullivan 3,720.

NAME	BOARD LEADERSHIP ROLES DURING 2014	BOARD RETAINER	COMMITTEE CHAIR RETAINER
Mr. Alford		$ 90,000	
Mr. Anderson		$ 90,000	
Mr. Barker	Current Audit Committee Chair; Former Finance Committee Chair	$ 90,000	$ 15,000
Mr. Börjesson		$ 90,000	
Mr. Cardis	Former Audit Committee Chair	$ 30,000	$ 6,667
Mr. Hicks		$ 90,000	
Mr. Noski		$ 52,500	
Mr. Pyott	Lead Independent Director; Compensation Committee Chair	$ 110,000	$ 15,000
Mr. Siewert		$ 90,000	
Ms. Stewart	Governance Committee Chair	$ 90,000	$ 15,000
Ms. Sullivan		$ 90,000	

(2)

Amounts reflect the grant date fair value, without adjustment for forfeitures, of 2,577 RSUs granted on May 1, 2014. The fair value of RSUs was determined based on the fair market value of our common stock on the grant date, adjusted for foregone dividends. Each non-employee director serving as of January 3, 2015 held a total of 5,131 unvested RSUs, except that Mr. Anderson and Ms. Sullivan had a total of 4,837 and 4,746 unvested RSUs, respectively. Due to their retirement and resignation, respectively, during 2014, Messrs. Cardis and Noski had no unvested RSUs outstanding as of January 3, 2015.

(3)

We do not currently have a retirement benefit program for non-employee directors. Amount for Mr. Pyott reflects the change in present value of his accumulated benefits under a director retirement plan the accrual of benefits under which was frozen in 2002, based on an interest rate of 4.00% as of January 3, 2015. The value of Mr. Pyott's retirement benefit is higher than in 2013 primarily because the discount rate decreased from 4.85% in 2013 to 4.00% in 2014; because the plan is frozen, none of the year-over-year increase was due to the increased accrual of benefits.

(4)

Amounts reflect our matching gifts for contributions made to charitable organizations or educational institutions.

(5)

Mr. Cardis retired from our Board on the date of the 2014 Annual Meeting and received only cash compensation, prorated for his period of service through April 2014. Mr. Noski resigned from our Board on July 31, 2014 and received equity compensation and cash compensation, the former of which was forfeited upon his resignation and the latter of which was prorated for his service during the year through the date of his resignation.

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ITEM 2 ADVISORY VOTE TO APPROVE EXECUTIVE COMPENSATION

Our Board has determined to hold annual say-on-pay votes, at least until the next advisory vote on the frequency of our say-on-pay vote (which will occur no later than our 2017 Annual Meeting). Our stockholders are being asked to vote on the following resolution:

> RESOLVED, that our stockholders approve, on an advisory basis, the compensation of our Named Executive Officers, as described in the *Compensation Discussion and Analysis* and *Executive Compensation Tables* sections of our 2015 proxy statement.

RECOMMENDATION OF BOARD OF DIRECTORS

The Compensation Committee considered feedback from stockholders regarding our executive compensation program and made significant changes to our program for 2014 and 2015 both to address stockholder concerns and more closely align our compensation program with our current financial position and business strategies. Your Board of Directors recommends that you vote FOR approval, on an advisory basis, of our executive compensation. Properly dated and signed proxies will be so voted unless stockholders specify otherwise.

MEANING OF ADVISORY VOTE

The advisory vote is a vote to approve the compensation of our Named Executive Officers (NEOs), as described in *Compensation Discussion and Analysis* (the CD&A) and *Executive Compensation Tables* sections of this proxy statement. It is not a vote on our general compensation policies or any specific element thereof, the compensation of our non-employee directors, or our program features designed to prevent excessive risk-taking as described in *Risks Associated with Compensation Policies and Practices*.

The results of the advisory vote are not binding on our Board. However, in accordance with SEC regulations, the Compensation Committee will disclose the extent to which it takes into account the results of the vote in the CD&A of our 2016 proxy statement. We remain committed to continued engagement with our stockholders to solicit their viewpoints and discuss why we believe our executive compensation program properly aligns with our strategies and incents our executives to achieve strong long-term operating and financial performance for our stockholders.

COMPENSATION AND EXECUTIVE PERSONNEL COMMITTEE REPORT

The Compensation and Executive Personnel Committee (referred to in this report as the "Committee") of the Board of Directors has reviewed and discussed the Compensation Discussion and Analysis (CD&A) required by Item 402(b) of Regulation S-K with management and, based on its review and these discussions, has recommended to the Board of Directors that the CD&A be included or incorporated by reference in our 2014 Annual Report on Form 10-K and 2015 proxy statement.

The Committee welcomes feedback regarding our executive compensation program. Stockholders may communicate with the Committee by writing to the Compensation and Executive Personnel Committee Chair, c/o Corporate Secretary, Avery Dennison Corporation, 207 Goode Avenue, Glendale, California 91203.

David E. I. Pyott, Chair
Bradley A. Alford
Julia A. Stewart
Martha N. Sullivan

This Compensation and Executive Personnel Committee Report does not constitute soliciting material and should not be deemed filed or incorporated by reference into any of our filings under the Securities Act of 1933, as amended (the "Securities Act"), or the Securities Exchange Act of 1934, as amended (the "Exchange Act"), whether made before or after the date hereof, unless specifically incorporated by reference therein.

COMPENSATION DISCUSSION AND ANALYSIS*

This CD&A provides an overview and analysis of the principles and practices underlying our executive compensation program and the decisions made by the Compensation Committee (referred to in this CD&A as the "Committee") related to 2014 compensation. This CD&A is organized into the following sections:

- Executive Summary
  - 2014 Performance Highlights
  - 2014 Say-on-Pay Vote and Stockholder Engagement
  - Recent Compensation Program Changes
  - Overview of Pay Philosophy and Executive Compensation Components
  - Strong Compensation Governance Practices
- Summary of Compensation Decisions for 2014
- Discussion of Compensation Components and Decisions Impacting 2014 Compensation
  - Base Salary
  - 2014 AIP Awards
  - 2014 Grants of LTI Awards
  - 2014 Vesting of Previously Granted LTI Awards
  - Perquisites
  - Benefits
  - Severance Benefits
- Compensation-Setting Tools
- Independent Oversight and Expertise
- Other Considerations

In this CD&A and the *Executive Compensation Tables* section of this proxy statement, we provide compensation information for our NEOs for 2014, who are identified below.

2014 NAMED EXECUTIVE OFFICERS

NAME	TITLE	EMPLOYMENT HISTORY AT OUR COMPANY
Dean A. Scarborough	Chairman & Chief Executive Officer	Served in a number of capacities since joining in 1983, including President from May 2000 to October 2014, Chief Executive Officer since May 2005 and Chairman since April 2010.
Mitchell R. Butier	President, Chief Operating Officer & Chief Financial Officer	Appointed as President and Chief Operating Officer in November 2014, after serving as Senior Vice President and Chief Financial Officer (CFO). He currently retains the CFO position until his recently named successor commences employment with our company. Served in several other capacities since joining our company in August 2000.
Anne Hill	Senior Vice President, Chief Human Resources & Communications Officer	Appointed to her current role in January 2012, after serving as Senior Vice President and Chief Human Resources Officer since starting in March 2007.
Susan C. Miller	Senior Vice President, General Counsel & Secretary	Joined in September 1991. Served in a number of capacities before being appointed as Senior Vice President and General Counsel in March 2008 and the additional office of Secretary in December 2008.
R. Shawn Neville	President, Retail Branding and Information Solutions	Began in June 2009 as Group Vice President of the business group he continues to lead as President.
Donald A. Nolan	Former President, Materials Group	Started in March 2008 as Group Vice President of the business group he led as President through October 2014. He ceased serving in such capacity effective November 1, 2014 and left our company before the end of our 2014 fiscal year.

The NEOs who served at the end of our 2014 fiscal year (which excludes Mr. Nolan) are collectively referred to in this CD&A as our "Current NEOs."

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* This CD&A contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are subject to certain risks and uncertainties, which could cause actual results to differ materially from the results, performance or achievements expressed or implied thereby. For a detailed discussion of these risks, see Part I, Item 1a. "Risk Factors" and Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2014 Annual Report on Form 10-K, filed on February 25, 2015 with the SEC (our "2014 Annual Report"). Stockholders should note that statements contained in this CD&A regarding our company and business group performance targets and goals should not be interpreted as management's expectations, estimates of results or other guidance.

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EXECUTIVE SUMMARY

2014 PERFORMANCE HIGHLIGHTS

We initiated a major transformation of our business in response to our relatively weak performance in 2011, establishing and committing to the achievement of aggressive long-term financial targets that we communicated to our stockholders in May 2012 and aimed to achieve by the end of 2015. In the first three years of this four-year period, we delivered well against these goals by executing our strategies to grow through innovation and differentiated quality and service; expand margins through productivity and leveraging scale; and effectively deploy capital. As shown below, we are meeting or exceeding our organic sales growth and adjusted earnings per share (EPS) growth targets. Although our free cash flow fell short of our annual target in 2014 and negatively impacted our three-year average, we still expect substantially to deliver on our commitments to investors by the end of 2015.

(1) *Organic sales change* refers to the increase or decrease in sales excluding the estimated impact of currency translation, product line exits, acquisitions and divestitures, and, where applicable, the extra week in the fiscal year. Percentages represent compound annual growth rates.

(2) *Adjusted EPS* refers to reported income from continuing operations per common share, assuming dilution, adjusted for tax-effected restructuring costs and other items.

(3) *Free cash flow* refers to cash flow from operations, 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 sales (purchases) of investments, plus discretionary contributions to pension plans and a charitable contribution to Avery Dennison Foundation utilizing proceeds from divestitures. Free cash flow excludes uses of cash that do not directly or immediately support the underlying business, such as

discretionary debt reductions, dividends, share repurchases, and certain effects of acquisitions and divestitures (e.g., cash flow from discontinued operations, taxes, and transaction costs).

In 2014, we delivered strong consolidated financial results, including net sales of $6.3 billion, reported EPS of $2.60 (includes discontinued operations), adjusted EPS from continuing operations of $3.11 and free cash flow of approximately $204 million. Adjusted EPS for the year was above the midpoint of the guidance range we provided to investors in January 2014.

We achieved these results while maintaining a healthy balance sheet and delivering on our commitment to return cash to stockholders through dividend payments and share repurchases. In 2014, we returned approximately $481 million to our stockholders by (i) repurchasing 7.4 million, or approximately 8%, of our outstanding shares at an aggregate cost of

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For complete information regarding our 2014 performance, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" in particular the information contained under the heading "Non-GAAP Financial Measures" and our audited consolidated financial statements and notes thereto contained in our 2014 Annual Report.

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approximately $356 million and (ii) paying an annual dividend of $1.34 per share for an aggregate amount of approximately $125 million. Notably, we raised our quarterly dividend rate by 21% in April 2014.

As shown below, our total stockholder return (TSR) for the 2012-2014 three-year period outperformed the S&P 500 and the median of the S&P 500 Industrials subset of which we are a member.

TOTAL STOCKHOLDER RETURN

	2012	2013	2014
AVY	**26.2%**	**47.5%**	**6.2%**
S&P 500	**16.0%**	**32.4%**	**13.7%**
S&P Industrials (median)	**17.3%**	**38.0%**	**11.3%**

2014 SAY-ON-PAY VOTE AND STOCKHOLDER ENGAGEMENT

Our Board and management continued their long-standing practice of open dialogue with stockholders in 2014. We made significant changes to our executive compensation program in response to direct feedback from our stockholders and to more closely align our long-term incentives with our current strategic and financial profile. These changes demonstrate the Committee's commitment to paying for performance and following best practices.

Results and Analysis of 2014 Vote

At the 2014 Annual Meeting, approximately 70% of our stockholders approved our 2013 executive compensation. This level of support was significantly lower than the 91% support we received in 2013 and below what we and the Committee deem acceptable. During dialogue with our stockholders in connection with the 2014 Annual Meeting, we determined that there was a need to highlight the significant impact on our long-term pay-and-performance alignment of our relatively poor performance in 2011, which represented an inflection point in our turnaround and was largely an anomalous year. We also determined that we needed to better explain market-leveraged stock units (MSUs), the new equity award vehicle adopted by the Committee based on the expert advice and recommendation of its independent compensation consultant, Towers Watson.

To address the feedback we received and provide additional disclosure on certain aspects of our compensation, we filed supplemental proxy materials in April 2014. These materials described the transformation of our businesses since 2011 and the resulting strong TSR outperformance in 2012 and 2013 compared to the S&P 500. We also provided additional disclosure about MSUs and clarified how recent changes to our executive compensation program including the replacement of stock options and restricted stock units (RSUs) with MSUs to reduce our burn rate and make our long-term incentive program fully performance based were designed to support our business transformation and address stockholder concerns.

Proxy- and Off-Season Stockholder Engagement

Consistent with prior years, we embarked on a substantial stockholder outreach effort in connection with the 2014 Annual Meeting. We contacted our thirty largest institutional stockholders, representing over 60% of our then-outstanding shares, to make our Committee Chair and management available to discuss our executive compensation program, answer questions and solicit feedback. As a result of this effort, we engaged in telephonic discussions with stockholders representing approximately 20% of our then-outstanding shares. These teleconferences were attended by a combination of the Committee Chair and members of management below the executive officer level in our law, finance and executive compensation functions.

In addition, in the fall of 2014, one of the members of the Committee led in-person meetings with four of our largest institutional investors and the two leading proxy advisory firms. We increased our normal outreach with these additional

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meetings in response to the 2014 say-on-pay vote to have a broad discussion about our program and seek feedback on our practices.

RECENT COMPENSATION PROGRAM CHANGES

The Committee evaluated the 2014 vote results and discussed the feedback received from our stockholders with management and Towers Watson, taking several actions to address stockholder concerns. These changes, which are described in the chart below, demonstrate the Committee's ongoing evaluation of our executive compensation program and willingness to make adjustments to reflect feedback received from stockholders and improvements in our company's financial profile.

Committee's Rationale for MSUs

The Committee determined that it was appropriate to use an equity vehicle that has one-, two-, three- and four-year performance periods because MSUs replaced stock options and RSUs, both of which vested ratably over four years. The transition from stock options and RSUs to MSUs was made to address burn rate concerns raised by our stockholders and to improve the performance linkage of our LTI program. Although the grant of stock options had been negatively impacting our burn rate, they were easily understandable to executives and viewed as performance based given that they required stock price appreciation to deliver value. RSUs, which were generally granted in smaller amounts than stock options as a result of their respective valuation methodologies, delivered guaranteed value if executives remained employed through the applicable vesting dates. MSUs were designed to achieve the combined objectives of these previously-used equity vehicles, including retention (similar to RSUs) and the provision of meaningful upside opportunity tied to stock price appreciation (similar to options, but more limited due to fewer shares earned for target performance and a cap on the number of shares that can be earned above target), while making the LTI program fully performance based. The Committee believes that retention is an important objective of our executive compensation program.

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ISSUE	STOCKHOLDER CONCERN	ACTIONS TAKEN BY COMMITTEE	EFFECTIVE
CHANGES MADE IN 2013			
Share Utilization	Burn rate at end of 2012 was relatively high at 2.8% Dilution at end of 2012 was relatively high at 13.4%	**Suspended regular grant of stock options** given inefficiency in terms of share usage relative to full-value awards	2013
		Began granting cash-based incentives to lower-level management to more conservatively manage share usage and reduce dilutive impact to stockholders	2013
		As a result of these changes, our burn rate and dilution at the end of 2014 had significantly decreased to 0.6% and 7.3%, respectively. Our burn rate was less than one-third of the industry benchmark of approximately 2% for companies in the S&P 500 Industrials subset	
Performance-Based Nature of LTI Awards	Program included stock options, which some stockholders and proxy advisory firms did not view as performance based	Concern supported decision to reduce burn rate by suspending regular grant of stock options	N/A
		Suspended regular grant of time-vesting RSUs to executives	2013
		Increased allocation of three-year cliff-vesting performance units (PUs) from 40% of long-term incentive (LTI) to 50%	2013
	Program included time-vesting restricted stock units (RSUs), which are not performance based	**Replaced stock options and RSUs with performance-based market-leveraged stock units (MSUs),** which vest over one-, two-, three- and four-year performance periods (with an average vesting period of 2.5 years) based on our absolute TSR	2013
		These changes made our long-term incentive program fully performance based	
Single Performance Objective for PUs	Single performance objective could unduly focus management on that measure to the exclusion of other measures of performance	**Reintroduced cumulative economic value added (EVA) as a second performance objective for PUs** (in	2013

addition to relative TSR vs. peers), weighted 50% for our corporate NEOs (based on our company as a whole) and 75% for our business group NEOs (based on their respective business group), to incent our NEOs to achieve profitable growth as well as create stockholder value

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ISSUE	STOCKHOLDER CONCERN	ACTIONS TAKEN BY COMMITTEE	EFFECTIVE
		CHANGES MADE IN 2014	
PU Performance Criteria	Potential for above-target payouts in periods of negative absolute TSR	**Capped the payout for the TSR-tied component of PUs at 100% of target for any three-year performance period in which absolute TSR is negative** to prevent management from being unduly enriched when stockholders experience loss, while still incenting relatively strong performance during challenging economic periods	2015
MSU Performance Criteria	Vesting of MSUs at threshold where TSR declines up to 30% and vesting of MSUs at target where TSR is flat	**Increased threshold performance level for absolute TSR from -30% to -15% and target performance level from flat TSR to requiring an absolute TSR increase of 10%.** Previous levels appropriately reflected business transformation underway when MSU program began; more stringent threshold and target payout levels reflect our improved business and financial profile	2015
MSU Vesting Schedule	Long-term incentives vesting ratably, including one-year performance periods	**Clarified disclosure to reflect that MSUs vest based on one-, two-, three- and four-year performance periods, with an average vesting period of 2.5 years.** Emphasized MSUs were designed to advance retention objective because they replaced stock options and RSUs (both of which had annual vesting opportunities) and balance PUs (which cliff-vest after three years)	N/A
Maximum Potential AIP Award	Combination of maximum financial modifier of 200% and maximum individual modifier of 150% could result in outsize AIP award of 300%	**Capped AIP awards at 200% of target** (financial modifier and individual modifier combined) for all NEOs, consistent with our historical practice for our CEO. For 2015, this cap has been extended to all AIP participants.	2014
AIP Individual Modifier	Committee's evaluation of NEO performance could increase AIP awards in seemingly discretionary manner	**Committed to providing greater transparency of individual modifier**	2014

		components for CEO, consistent with disclosure for 2013 included in supplemental proxy materials filed in 2014
Above-Median Benchmarking	Base salaries targeted at the lower end of the third quartile and closer to the market median	