UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended January 1, 2022 or

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

Commission file number 1-7685

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

Delaware *(State of Incorporation)*	**95-1492269** *(I.R.S. Employer Identification No.)*
207 Goode Avenue **Glendale, California** *(Address of Principal Executive Offices)*	**91203** *(Zip Code)*

Registrant's telephone number, including area code:
(626) 304-2000
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, $1 par value	AVY	New York Stock Exchange
1.25% Senior Notes due 2025	AVY25	Nasdaq Stock Market

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

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

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

Indicate by check mark whether the registrant has filed a report on and attestation its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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

The aggregate market value of voting and non-voting common equity held by non-affiliates as of July 3, 2021, the last business day of the registrant's most recently completed second fiscal quarter, was approximately $17.3 billion.

Number of shares of common stock, $1 par value, outstanding as of January 29, 2022, the end of the registrant's most recent fiscal month: 82,461,259.

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

Document	Incorporated by reference into:
Portions of Annual Report to Shareholders for fiscal year ended January 1, 2022 (filed as Exhibit 13 hereto)	**Parts I, II**
Portions of Definitive Proxy Statement for Annual Meeting of Stockholders to be held on April 28, 2022	**Parts III, IV**

AVERY DENNISON CORPORATION

FISCAL YEAR 2021 ANNUAL REPORT ON FORM 10-K

TABLE OF CONTENTS

PART I

Item 1. BUSINESS

Company Background

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

Business Overview and Reportable Segments

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

Our reportable segments for fiscal year 2021 were:

- Label and Graphic Materials ("LGM");
- Retail Branding and Information Solutions ("RBIS"); and
- Industrial and Healthcare Materials ("IHM").

In 2021, our LGM, RBIS and IHM reportable segments made up approximately 65%, 26% and 9%, respectively, of our total net sales.

In 2021, international operations constituted a substantial majority of our business, representing approximately 75% of our net sales. As of January 1, 2022, we operated nearly 200 manufacturing and distribution facilities in over 50 countries.

For information regarding the impacts of the COVID-19 pandemic on our business, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" (Part II, Item 7).

LGM

LGM manufactures and sells Fasson®-, JAC®-, and Avery Dennison®-brand pressure-sensitive label and packaging materials, Avery Dennison®- and Mactac®-brand graphics, and Avery Dennison®-brand reflective products. LGM's business tends not to be seasonal, except for certain outdoor graphics and reflective products.

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

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

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

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

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

RBIS

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

The branding solutions of RBIS include creative services, brand embellishments, graphic tickets, tags, and labels, and sustainable packaging. RBIS' information solutions include item-level RFID solutions; visibility and loss prevention solutions; price ticketing and marking; care, content, and country of origin compliance solutions; brand protection and security solutions; and Vestcom®-brand shelf-edge solutions. More broadly, our Intelligent Labels platform, a high-value product category that includes our item-level RFID solutions, offers solutions that enable our customers to gain greater visibility into their supply chains, improve inventory accuracy, increase automation and labor efficiency, reduce waste and enhance the consumer experience.

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

IHM

IHM manufactures and sells Fasson®-brand and Avery Dennison®-brand tapes and other pressure-sensitive adhesive-based materials and converted products, mechanical fasteners and performance polymers. Our pressure-sensitive adhesive-based materials are available in roll form and in a wide range of face materials, sizes, thicknesses and adhesive properties. These materials and converted products are used in non-mechanical fastening, bonding and sealing systems for various automotive, electronics, building and construction, general industrial, personal care, and medical applications. IHM also manufactures and sells Yongle®-brand tapes for wire harnessing and cable wrapping in automotive, electrical and general industrial applications. The mechanical fasteners are primarily precision-extruded and injection-molded plastic devices used in various automotive, general industrial and retail applications.

For industrial and healthcare materials and converted products, IHM's primary competitors include 3M; Tesa-SE, a subsidiary of Beiersdorf AG; Nitto Denko Corporation; and numerous regional and specialty suppliers. For IHM's fastener products, there are a variety of competitors supplying extruded and injection molded fasteners and fastener attaching equipment. We believe that entry of competitors is limited by technical knowledge and capital requirements, and that our technical expertise, size and scale of operations, broad line of high-quality, cost-effective solutions and product innovation are the most significant advantages in maintaining and further developing our competitive position.

Research, Development and Innovation

As a global leader in materials science, we seek out opportunities in the markets we serve and innovate to develop and introduce new products and solutions. Our years of experience creating solutions for customers and our core capabilities in materials science, engineering and process technology enable us to drive continuous innovation throughout our industries. Our innovation efforts focus on anticipating market and customer needs, and applying technology to address them. Our investment in innovation goes beyond our research and development efforts, with initiatives that aim to accelerate growth, expand margins and ensure customer success by leveraging scalable innovation platforms and delivering sustainability initiatives and cutting-edge technologies.

Many of our new products result from our research and development efforts. These efforts are directed primarily toward developing products and operating techniques and improving productivity, sustainability and product performance, often in close association with our customers or end users. These efforts provide intellectual property that leverages our research and development relating to adhesives, as well as printing and coating technologies, films, release and ink chemistries in LGM and IHM. We focus on research projects related to RFID, external embellishments, and data and digital solutions in RBIS and medical technologies in IHM, in each case for which we have and license a number of patents. Additionally, our research and development efforts include sustainable innovation and design of products that advance the circular economy, reduce materials and waste, use recycled content, and extend product end-of-life or enable product recycling.

Acquisitions and Venture Investments

In addition to our investments to support organic growth, we have pursued complementary and synergistic acquisitions. During 2021, we acquired CB Velocity Holdings, LLC ("Vestcom"), an Arkansas-based provider of shelf-edge pricing, productivity and consumer engagement solutions for retailers and consumer packaged goods companies, for $1.47 billion, as well as ZippyYum, LLC ("ZippyYum"), a California-based developer of software products used in the food service and food preparation industries, and JDC Solutions, Inc. ("JDC"), a Tennessee-based manufacturer of pressure-sensitive specialty tapes, for an aggregate of approximately $43 million. During 2021, we also made three venture investments in companies developing innovative technological solutions that we believe have the potential to advance our businesses. For information regarding our acquisitions, see Note 2, "Acquisitions," in the Notes to Consolidated Financial Statements contained in our 2021 Annual Report, which is incorporated herein by reference.

Patents, Trademarks and Licenses

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

Human Capital Resources

Our Global Workforce

With approximately 75% of our 2021 net sales originating outside the U.S. and approximately half of our net sales originating in emerging markets (Asia Pacific, Latin America, Eastern Europe and Middle East/Northern Africa), our employees are located in over 50 countries to best serve our customers. Approximately 84% of our employees at year-end 2021 were located outside the U.S. and approximately 68% were located in emerging markets.

The charts below show our global employee population by region and operational function. Over 21,000 of our approximately 36,000 employees at year-end 2021, representing approximately 58% of our global workforce, were in Asia Pacific, serving our customers in that region. By function, approximately 67% of our global workforce worked in the operations of our manufacturing facilities worldwide or in positions directly supporting them from other locations.

Workforce by Region:	
Asia Pacific	58%
North America	20
Europe	17
Latin America	5

Workforce by Function:	
Operations	67%
Non-Operations	33

Talent & Development

Attracting, developing and retaining a pool of diverse and highly-skilled talent is critical to our ability to continue achieving sustainable growth. We provide ongoing support and resources to our teams worldwide to ensure that our employees' skills evolve with our business needs, industry trends and human capital management best practices and enable increased productivity, peak performance and career growth. We have robust talent review and succession planning processes, which define and provide individually targeted development opportunities for our team members. We emphasize on-the-job development and coaching, and also provide facilitator-led and direct-access on-line training, special projects and, in some cases, cross-functional or cross-regional work assignments.

Diversity, Equity & Inclusion (DE&I)

Continuously advancing an inclusive culture and equitable practices that enable and empower a diverse workforce is essential to our remaining at the forefront of materials science and manufacturing. In 2021, we leveraged our Regional DE&I Councils, Employee Resource Groups (ERGs) and broader organization, to better understand where we were, our strengths and our opportunities, and from there define where we aspired to be. These efforts included both qualitative and quantitative inputs from across the enterprise, including a formal inclusion assessment survey conducted by an independent third party through which we heard from approximately 15,000 of our employees worldwide, a three-year rolling pipeline analysis focused globally on women and in the US also on Black/African American, Asian and Hispanic/Latinx employees.

After a great deal of organizational exploration, reflection and dialogue, we crafted and deployed our go-forward DE&I strategy. In 2021, females in manager and above roles increased from 34% in 2020 to 35% in 2021. We also introduced a formal, global DE&I infrastructure under the leadership of a global DE&I Director. This team is dedicated to helping advance our efforts around DE&I and guide and support the efforts of our ERGs and Regional DE&I Councils.

ERGs continue to be an integral part of our DE&I strategy. ERGs create opportunities for employees to learn and experience greater belonging. ERGs bring together employees who have shared interests and a common desire to make our company a more open and inclusive workplace. ERGs serve as a sounding board and valuable way for employees to collectively amplify their voices. Our ERGs currently include 24 groups focused on driving inclusion and advancement for women, employees of color, LGBTQ+ employees, veterans and others.

Pay & Benefits

Our compensation philosophy is to offer market-based, competitive wages and benefits in all markets where we compete for talent – all of our employees were paid at least the applicable legal minimum wage, and 96% of our employees were paid above the applicable legal minimum wage at year-end 2021. Pay is positioned around the market median, with variances based on knowledge, skills, years of experience and performance. In addition to base wages, our compensation and benefit programs — which vary by region, country and business unit — include short-term incentives, long-term incentives (e.g., cash- or stock-based awards), employee savings plans, healthcare and insurance benefits, health savings and flexible spending accounts, paid time off, family leave, flexible work arrangements, and employee assistance programs. We regularly evaluate pay equity, making adjustments where needed. In 2020, we expanded our review to include race/ethnicity in addition to gender, and in 2021, increased the scope to include non-managerial professional employees as well as shop floor employees in the U.S.

Workforce Health & Safety

Safety is one of our highest priorities and we work hard to ensure our manufacturing facilities, distribution centers and administrative offices focus on safety, so that anyone working in or visiting one of our locations feels and remains safe from injury. Our global Recordable Incident Rate of 0.21 in 2021 was significantly lower than the Occupational Safety and Health Administration manufacturing industry average of 3.1 in 2020 (the most recent available industry average).

Employee Engagement

Because we believe that an engaged workforce is a more innovative, productive and satisfied workforce, promoting retention and minimizing employee turnover, we annually conduct a global employee engagement survey. Our business and functional teams use the results of our survey to identify and implement actions to address potential opportunities for improvement. While employee engagement is the result of many factors, we believe strong, encouraging and open leadership, as well as a continued effort to foster a collaborative, supportive culture, leads to strong workforce engagement. We want all our employees to strive to be their best and to feel that they have the support necessary to deliver exceptional results for themselves and our company.

Manufacturing and Environmental Matters

We use various raw materials – primarily paper, plastic films and resins, as well as specialty chemicals purchased from various commercial and industrial sources – that are subject to price fluctuations. Although shortages can occur from time to time, these raw materials are generally available. In 2021, while our supply chains were tight, we worked to actively manage through a dynamic supply and demand environment in which demand across the majority of our businesses and regions was strong while raw material, freight and labor availability was constrained.

We produce a majority of our self-adhesive materials using water-based emulsion and hot-melt adhesive technologies. A portion of our manufacturing process for self-adhesive materials utilizes organic solvents, which, unless controlled, could be emitted into the atmosphere or contaminate soil or groundwater. Emissions from these operations contain small amounts of volatile organic compounds, which are regulated by federal, state, local and foreign governments. We continue to evaluate the use of alternative materials and technologies to minimize these emissions. In connection with the maintenance and acquisition of certain manufacturing equipment, we invest in solvent capture and control units to assist in regulating these emissions.

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

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

For information regarding our potential responsibility for cleanup costs at certain hazardous waste sites, see Note 8, “Contingencies,” in the Notes to Consolidated Financial Statements contained in our 2021 Annual Report, which is incorporated herein by reference.

Available Information

Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed with, or furnished to, the Securities and Exchange Commission (“SEC”) pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), are available free of charge on our investor website at www.investors.averydennison.com as soon as reasonably practicable after they are electronically filed with or furnished to the SEC. This website address is not intended to function as a hyperlink and the information located there is not, nor should it be considered, part of this report or incorporated by reference into this report. We also make available on the investors section of our website under Corporate Governance – the following documents as currently in effect: (i) Amended and Restated Certificate of Incorporation; (ii) Amended and Restated Bylaws; (iii) Corporate Governance Guidelines; (iv) Code of Conduct, which applies to our directors, officers and employees; (v) Code of Ethics for our Chief Executive Officer and Senior Financial Officers; (vi) charters of the Audit and Finance, Talent and Compensation, and Governance Committees of our Board of Directors; and (vii) Audit Committee Complaint Procedures for Accounting and Auditing Matters. These documents are also available free of charge upon written request to our Corporate Secretary, Avery Dennison Corporation, 207 Goode Avenue, Glendale, California 91203.

Reports filed with or furnished to the SEC may be viewed at www.sec.gov.

Item 1A. RISK FACTORS

The risk factors described in this section could materially adversely affect our business, including our results of operations, cash flows and financial condition, and cause the value of our securities to decline. This list of risks is not exhaustive. Our ability to attain our goals and objectives is dependent on numerous factors and risks, including, but not limited to, the most significant ones described in this section.

Risks Related to COVID-19

COVID-19 had an adverse effect on portions of our business and we could experience further negative consequences as a result of COVID-19 that could have a material adverse effect on our business.

Our operations largely recovered in 2021 from the prior-year impact of the COVID-19 pandemic, with higher volume across our businesses. Uncertainty surrounding the global health crisis remained elevated in 2021 as many parts of the world experienced an increased number of COVID-19 cases at some point during the year. The greatest impact to our company was in Southeast Asia, particularly in our RBIS reportable segment.

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

We are unable to predict the full impact that COVID-19 will have on our business in 2022 due to numerous uncertainties, including the duration and severity of the pandemic, the impact of the spread of new and existing variants of the virus, the availability, adoption and effectiveness of vaccines and treatments, and containment measures and the related macroeconomic impacts. We continue to manage this dynamic environment and regularly update our scenario planning to reflect the continuously evolving aspects of the pandemic.

We cannot predict the impact of COVID-19 on our customers, suppliers, vendors, and other business partners, including our financing sources, and how these impacts will affect our business.

COVID-19 has affected and is likely to continue affecting our customers, suppliers, vendors, and other business partners, but we are not able to predict the ultimate consequences that will result. Delays in production or delivery of components or raw materials in our global supply chain, or the cost and ability to transport those components or materials or our finished goods, due to restrictions imposed to limit the spread of COVID-19 have delayed and could further delay or inhibit our ability to obtain supply of components and materials to deliver finished goods to customers, with these impacts and the higher cost of freight also increasing our costs. While we have mitigated some of this impact by raising prices, continued increases in pricing to combat inflation could result in loss of customers to other suppliers, reduction of our market share and material and adverse impact to our business. While supply chain constraints and raw material availability had a significant impact on our teams and industries during fiscal year 2021, they did not have a significant adverse impact on our financial results due to our implementation of mitigation strategies. If conditions continue to worsen or last for an extended period of time, or if inflation remains persistent, our supply chains could be materially adversely affected. If our sales channels were to become substantially impacted for an extended period of time, our business could be materially adversely affected. In the first quarter of 2020, our ability to access the commercial paper market was disrupted as a result of the pandemic and we drew down $500 million from our revolving credit facility, which we repaid in the second quarter of 2020. If commercial paper markets or our ability to draw under our $800 million revolving credit facility were to become disrupted in the future due to the impact of COVID-19 on our customers, suppliers, vendors, and other business partners, our liquidity could be impacted which could materially adversely affect our business.

The ability of our employees to work has been and may continue to be significantly impacted by COVID-19.

Our employees have been significantly impacted by COVID-19. Our office and management personnel in certain countries have generally worked from home since March 2020, and some of our employees engaged in manufacturing, production and distribution facilities have been at times restricted by governmental orders from coming to work. We have experienced, and may experience in the future, temporary facility closures in response to government mandates in certain jurisdictions in which we operate. The safety and well-being of our employees has been and continues to be our top priority. We have taken steps to ensure employee safety, quickly implementing world-class safety protocols and continuing to adapt our guidelines as the pandemic continues to evolve and we may need to implement further precautionary measures to help minimize the risk of our workforce being exposed to COVID-19, including securing supplies for our facilities and providing personal protective equipment for our employees. Where appropriate, we may take further actions required by international, federal, state or local authorities or that we determine are in the best interests of our employees, customers, shareholders and communities. The pandemic has already constrained the labor market, with certain individuals electing to leave their current positions or the workforce entirely (commonly referred to as the “great resignation”) and both prospective and current employees more actively seeking higher compensation and benefits in what has become known as the “war for talent.” Further, our management team is focused on mitigating the economic effects of COVID-19, which required and will continue to require a large investment of time and resources across our entire company, diverting attention from other priorities. If these conditions worsen, or last for an extended period of time, or there is a disruption in the technology we use to operate remotely, our ability to manage our business may be impaired and operational, cybersecurity and other risks may be elevated.

Risk Related to Our International Operations

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

We have operations in over 50 countries and our domestic and international operations are strongly influenced by matters beyond our control, including changes in political, social, economic and labor conditions, tax laws (including U.S. taxes on foreign earnings), and international trade regulations (including tariffs), as well as the impact of these changes on the underlying demand for our products. In 2021, approximately 75% of our net sales were from international operations.

Macroeconomic developments such as impacts from COVID-19, inflation, raw material, freight and labor availability, slower growth in the geographic regions in which we operate and uncertainty in the global credit or financial markets leading to a loss of consumer confidence could result in a material adverse effect on our business as a result of, among other things, reduced consumer spending, declines in asset valuations, diminished liquidity and credit availability, volatility in securities prices, credit rating downgrades and fluctuations in foreign currency exchange rates.

While we saw the ease of trade tensions between the U.S. and some of its trading partners such as the EU and Japan, we continue to face uncertainty from trade relations between the U.S. and China. Over the past few years, the U.S. government has imposed additional tariffs on products imported into the U.S. from China. This has resulted in reciprocal tariffs on goods imported from the U.S. into China. The impacts on our operations to date have not been significant. There remains risk that our business could be significantly impacted if additional tariffs or other restrictions are imposed on products. Any of these actions or further developments in international trade relations could have a material adverse effect on our business.

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

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

The substantial majority of our net sales in 2021 was in foreign currencies. Fluctuations in currencies, such as those associated with the euro and Chinese yuan in 2021, which had a favorable impact for this year, can be unfavorable and result in a variety of negative effects, including lower net sales, increased costs, lower gross margin percentages, increased allowance for credit losses and/or write-offs of accounts receivable, and required recognition of impairments of capitalized assets, including goodwill and other intangible assets. Foreign currency translation increased our net sales in 2021 by approximately $201 million. Margins on sales of our products in foreign countries could be materially adversely affected by foreign currency exchange rate fluctuations.

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

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

A significant amount of our net sales – approximately half of our net sales in 2021 – originated in emerging markets, including countries in Asia Pacific, Latin America and Eastern Europe. The profitable growth of our business in emerging markets is a significant focus of our long-term growth strategy and our regional results have and can fluctuate significantly based on economic conditions in these regions. Our business operations have been and may be adversely affected by the current and future political environment in China, including as a result of its response to tariffs instituted by the U.S. government on goods imported from China, tariffs imposed by China on U.S. goods, more active use of economic sanctions and export control restrictions, any trade agreements entered into between the U.S. and China, and increasing tensions as a result of the two countries' relationships with Hong Kong and Taiwan. Our ability to operate in China or other emerging markets may be adversely affected by changes in the laws and regulations of these jurisdictions or the interpretation thereof, including those relating to taxation, import and export tariffs, raw materials, environmental regulations, land use rights, property, foreign currency conversion, the regulation of private enterprises and other matters.

In early 2020, in response to the initial outbreak of COVID-19, many of our manufacturing and other operations in China experienced limited production and/or closure; as the outbreak spread beyond this region, our facilities in other countries were similarly impacted, most significantly in South Asia in late 2020. In 2021, with the spread of the Delta variant mid-year, we experienced intermittent closures in Southeast Asia, particularly in our RBIS reportable segment. All of our manufacturing facilities are currently open, but, many of our employees are still unable to travel easily within and outside their countries. The pandemic and any other adverse development in emerging markets could have a material adverse effect on our business.

There have been and could be further disruptions in our supply chain or ability to manufacture our products, as well as temporary closures of our facilities or those of our suppliers or customers, any of which could impact our sales and operating results. Overall, COVID-19 had a negative impact on our consolidated financial results in 2020, most significantly in our RBIS and IHM reportable segments; its direct impact on our operations in 2021 was more modest. The extent to which the pandemic will continue to impact our financial results is dependent on future developments, which are uncertain and unpredictable. COVID-19 has adversely affected the economies and financial markets in virtually all countries, and further escalation of the pandemic could lead to a more significant economic downturn that could adversely affect demand for our products and negatively impact our business.

If we are unable to successfully expand our business in emerging markets or achieve the return on capital we expect as a result of our investments in these countries, our financial performance could be materially adversely affected. In addition to the risks applicable to our international operations, factors that could have a material adverse effect on our operations in these emerging markets include the less established or reliable legal systems and possible disruptions due to unstable political conditions, civil unrest or economic volatility. These factors could have a material adverse effect on our business by decreasing consumer purchasing power, reducing demand for our products or increasing our costs.

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

A substantial portion of our employees and assets are located outside of the U.S. and, in 2021, approximately 75% of our sales was generated outside of the U.S. International operations and activities involve risks that are different from and potentially greater than the risks we face with respect to our domestic operations; changes in foreign political, regulatory and economic conditions, including nationally, regionally and locally; material adverse effects of changes in exchange rates for foreign currencies; inflation; reduced protection of intellectual property rights; laws and regulations impacting the ability to repatriate foreign earnings; challenges of complying with a wide variety of foreign laws and regulations, including those relating to sales, operations, taxes, employment and legal proceedings; establishing effective controls and procedures to regulate our international operations and monitor compliance with U.S. laws and regulations such as the Foreign Corrupt Practices Act and similar foreign laws and regulations, such as the UK's Bribery Act of 2010; differences in lending practices; challenges with complying with applicable export and import control laws and regulations; and differences in language, culture and time zone.

Uncertainty remains as to how the exit of the United Kingdom ("UK") from the European Union ("EU") (commonly known as "Brexit") will affect the legal and regulatory environment in the European Union and the UK, as well as whether other countries in the European Union may approve similar measures and cause further uncertainty in the region. The post-Brexit UK-EU relationship is under strain, with differences in terms of Northern Ireland and the border and immigration arrangements between the two. A prolonged, acrimonious process, compounded by the pandemic and its economic fallout, could weaken the continent as a whole as other powers, notably China and Russia, become increasingly assertive. While our operations in the UK are relatively small, we have operations in many countries in the European Union; as a result, the realization of any of these risks or the failure to comply with any laws or regulations in the European Union or the UK could expose us to liabilities and have a material adverse effect on our business.

Risks Related to Our Business

As a manufacturer, our sales and profitability depend upon the cost and availability of raw materials and energy, which are subject to price fluctuations, and our ability to control or offset increases in raw material and labor costs. Raw material and freight cost increases have impacted our business and could materially adversely affect our business.

The availability of raw materials used in our businesses became constrained in 2021, which could continue to present challenges and lead to volatility, impacting availability and pricing. Additionally, energy costs increased in 2021 and can also be volatile and unpredictable. Shortages and inflationary or other increases in the costs of raw materials, labor, freight and energy were significant in 2021. During the year, we implemented targeted price increases across our businesses and regions to address raw material and freight inflation. If inflation remains persistent in 2022, we may have to implement similar pricing measures. Our performance depends in part on our ability to offset cost increases for raw materials by raising our sales prices or re-engineering our products.

It is important for us to obtain timely delivery of materials, equipment, and other resources from suppliers, and to make timely delivery to customers. In 2021, we experienced supply chain interruptions due to natural and other disasters, which are becoming more frequent due to the impacts from climate change, or other events, such as COVID-19. Any such continued or prolonged disruption to our supply chain could have a material adverse effect on our sales and profitability, and any sustained interruption in our receipt of adequate supplies could have a material adverse effect on our business.

We are affected by changes in our markets due to competitive conditions, technological developments, laws and regulations, and customer preferences. If we do not compete effectively or respond appropriately to these changes, it could reduce market demand, or we could lose market share or be forced to reduce selling prices to maintain market share, any of which could materially adversely affect our business.

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

We also are at risk to changes in customer order patterns, such as changes in the levels of inventory maintained by customers and the timing of customer purchases, which may be affected by announced price increases, changes in our customer incentive programs, or changes in the customer's ability to achieve incentive targets. Changes in customers' preferences for our products can also affect demand for our products and a decline in demand for our products could have a material adverse effect on our business.

We are affected by changes in our markets due to environmental standards. If we do not respond appropriately to these changes, it could negatively impact market demand, market share and pricing, any of which could materially adversely affect our business.

A substantial amount of our label materials are sold for use in plastic packaging in the food, beverage, and home and personal care market segments. In recent years, there has been an accelerated focus on sustainability and transparency in reporting, with greater concern regarding climate change and single-use plastics, corporate commitments and increasing stakeholder expectations regarding the reuse and recyclability of plastic packaging and recycled content, and increased regulation across multiple geographies regarding the collection, recycling and use of recycled content. We are at risk that changes in consumer preferences or laws and regulations related to the use of plastics could reduce demand for our products. We have established strategic innovation platforms focused on material circularity and waste elimination/reduction to develop products and solutions that advance the circular economy and address the need for increased recyclability of plastic packaging, in collaboration with our customers and the businesses in our supply chain. These efforts may result in additional costs and there can be no assurance that they will be successful, and a significant reduction in the use of plastic packaging could materially adversely affect demand for our products.

The scientific consensus is that the emission of greenhouse gases ("GHG") is altering the composition of our atmosphere in ways that are adversely affecting global climate. Concern regarding climate change has led and is likely to continue to lead to increasing demands by legislators and regulators, customers, consumers, investors and non-governmental organizations for companies to reduce their GHG emissions. In 2015, we set a goal to achieve at least a 3% absolute reduction in our GHG emissions year-over-year and at least a 26% absolute reduction, compared to our 2015 baseline, by 2025; we have already exceeded this overall goal. As part of our more ambitious 2030 sustainability goals announced in the first quarter of 2021, we are aiming to reduce our Scope 1 and 2 GHG emissions by 70% compared to our 2015 baseline and work with our supply chain to reduce Scope 3 GHG emissions by 30% against our 2018 baseline, in each case by 2030, with an ambition to be net zero by 2050. We could face risks to our reputation, investor confidence and market share if we are unable to continue reducing our GHG emissions. Increased raw material costs, such as fuel and electricity, and compliance-related costs could also impact customer demand for our products. The potential impact of climate change on our business is uncertain, as it will depend on the limits imposed by, and timing of, new or stricter laws and regulations, more stringent environmental standards and expectations, and evolving customer and consumer preferences, but it could increase our costs and have a material adverse effect on our business.

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

To grow existing businesses and expand into new areas, we have made acquisitions and are likely to continue doing so. In 2021, we acquired Vestcom, an Arkansas-based provider of shelf-edge pricing, productivity and consumer engagement solutions for retailers and consumer packaged goods companies, for $1.47 billion, as well as ZippyYum, a California-based developer of software products used in the food service and food preparation industries, and JDC, a Tennessee-based manufacturer of pressure-sensitive specialty tapes, for an aggregate of approximately $43 million. In 2020, we completed our acquisitions of Smartrac's Transponder (RFID Inlay) Division, a manufacturer of RFID products, for approximately $255 million; ACPO, Ltd. ("ACPO"), an Ohio-based manufacturer of self-wound (linerless) pressure-sensitive overlaminate products, for approximately $88 million. The success of any acquisition depends, in part, on the ability of the combined company to realize the anticipated benefits from combining our businesses. Realizing these benefits depends, in part, on maintaining adequate focus on executing the business strategies of the combined company as well as the successful integration of assets, operations, functions and personnel. We continue to evaluate potential acquisition targets and ensure we have a robust pipeline of potential opportunities.

Various risks, uncertainties and costs are associated with acquisitions. Effective integration of systems, controls, employees, product lines, market segments, customers, suppliers and production facilities and cost savings can be difficult to achieve and the results of integration activities can be uncertain. While we have not experienced issues with our acquisitions to date, including our recent acquisition of Vestcom, if management of our combined company is unable to continue minimizing the potential disruption of the combined company's ongoing business during the integration process, the anticipated benefits of any acquisition may not be fully realized. In addition, the inability to successfully manage the implementation of appropriate systems, policies, benefits and compliance programs for the combined company could have a material adverse effect on our business. We may not be able to retain key employees of an acquired company or successfully execute integration strategies and achieve projected performance targets for the business segment into which an acquired company is integrated. Both before and after the closing of an acquisition, our business and that of the acquired company may suffer due to uncertainty or diversion of management attention. Future acquisitions could result in increased debt, dilution, liabilities, interest expense, restructuring charges and amortization expenses related to intangible assets. There can be no assurance that acquisitions will be successful and contribute to our profitability. Further, we may not be able to identify value-accretive acquisition targets that support our strategy of expanding our position in high value product categories or execute additional acquisitions in the future.

A significant consolidation of our customer base could negatively impact our business.

A significant consolidation of our customer base could negatively impact our business. Some converter customers served by our LGM reportable segment have consolidated and integrated vertically and some of our largest customers have acquired companies with similar or complementary product lines. This broad industry consolidation has accelerated, and could continue to increase the concentration of our business with our largest customers. Further consolidation may be accompanied by pressure from customers for lower prices. While we have been generally successful at managing customer consolidations in the past, increased pricing pressures from our customers could have a material adverse effect on our business.

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

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

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

There are occasions when we experience product quality issues resulting from defective materials, manufacturing, packaging or design. These issues are often discovered before shipping, causing delays in shipping, delays in the manufacturing process, and occasionally cancelled orders. When issues are discovered after shipment, they may result in additional shipping costs, discounts, refunds or loss of future sales. Both pre-shipping and post-shipping quality issues could have material adverse effects on our business and negatively impact our reputation.

Claims for losses or injuries purportedly caused by some of our products arise in the ordinary course of our business. In addition to the risk of substantial monetary judgments and penalties that could have a material adverse effect on our business, product liability claims or regulatory actions could result in negative publicity that could harm our reputation in the marketplace and the value of our brands. We also could be required to recall and possibly discontinue the sale of potentially defective or unsafe products, which could result in adverse publicity and significant expenses. Although we maintain product liability insurance coverage, product liability claims are subject to a deductible or may not be covered under the terms of the policy.

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

As our business environment changes, we have adjusted and may need to further adjust our business strategies or restructure our operations or particular businesses. In 2021, we expended approximately $14 million for restructuring actions, significantly lower than in 2020 when we accelerated our restructuring activities. In 2020, we implemented restructuring and investment actions across our businesses designed to increase profitability, with the reduction of positions and assets at numerous locations across our company, which primarily included actions in LGM and RBIS. The actions in LGM were primarily associated with the consolidations of operations in North America and its graphics business in Europe, in part in response to COVID-19. The actions in RBIS primarily related to global headcount and footprint reduction, with some actions accelerated and expanded in response to COVID-19. In 2020, we also reduced costs across our company in response to COVID-19, approximately $135 million of which were temporary and largely returned in 2021 as markets recovered. As we continue to develop and adjust our growth strategies, we may invest in new businesses that have short-term returns that are negative or low and whose ultimate business prospects are uncertain or could prove unprofitable. We cannot provide assurance that we will achieve the intended results of any of our business strategies, which involve operational complexities, consume management attention and require substantial resources and effort. If we fail to achieve the intended results of such actions, our costs could increase, our assets could be impaired, and our returns on investments could be lower.

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

The timely introduction of new products and improvements to current products helps determine our success. Many of our current products are the result of our research and development efforts, for which we expensed $137 million in 2021. These efforts are directed primarily toward developing new products and operating techniques and improving product performance, often in close association with our customers or end users. These efforts include patent and product development work relating to printing and coating technologies, as well as adhesive, release and ink chemistries in LGM and IHM. We focus on research projects related to RFID and external embellishments in RBIS and medical technologies in IHM, for which we have and license a number of patents. Additionally, our research and development efforts include sustainable innovation and design of products that increase the use of recycled content, reduce waste, extend life or enable recycling. Research and development is complex and uncertain, requiring innovation and anticipation of market trends. We could focus on products that ultimately are not accepted by customers or end users or we could suffer delays in the production or launch of new products that may not lead to the recovery of our research and development expenditures and, as a result, could compromise our competitive position.

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

We recently increased our pace of capital investment to support our long-term growth and margin expansion plans, with $272.1 million in capital expenditures, including fixed assets and information technology, in 2021. We may not be able to recoup the costs of our infrastructure investments if actual demand is not as we anticipate. In recent years, we expanded LGM's manufacturing facilities located in emerging markets and a location in Indiana; moved our RBIS Vietnam business into a new, expanded facility; closed an LGM facility in Germany and consolidated those operations with operations in Luxembourg and Belgium; and made additional investments in capacity to support growth in our U.S. graphics business, our label and packaging materials businesses in Luxembourg and Ohio, and in both capacity and business development globally for our Intelligent Labels RFID platform. We also transferred IHM's European medical capacity from Belgium to Ireland. In addition, we added capacity through our acquisitions of Smartrac, ACPO, JDC, ZippyYum and Vestcom. Infrastructure investments, which are long-term in nature, may not generate the expected return due to changes in the marketplace, failures in execution, and other factors. Significant changes from our expected need for and/or returns on our infrastructure investments could materially adversely affect our business.

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

We engage in restructuring actions intended to reduce our costs and increase efficiencies across our business segments. We intend to continue efforts to reduce costs in all our businesses, which have in the past included, and may continue to include, facility closures and square footage reductions, headcount reductions, organizational restructuring, process standardization, and manufacturing relocation. The consolidation LGM's operations in North America and its graphics business in Europe, the global headcount and footprint reduction in RBIS and the temporary cost saving actions we implemented in 2020 to mitigate the impact of the downturn caused by COVID-19 are examples of these activities. We had incremental savings from restructuring actions, net of transition costs, of approximately $65 million in fiscal year 2021. The success of these efforts is not assured and targeted savings may not be realized. In addition, cost reduction actions can result in restructuring charges and could expose us to production risk, loss of sales and employee turnover.

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

Although we have processes to administer credit granted to customers and believe our allowance for credit losses is adequate, we have increased our allowance when determined to be appropriate due to, for example, the continued impact of COVID-19 and related supply chain challenges, issues with raw material, freight and labor availability, and persistent inflation, and in the future may experience losses as a result of our inability to collect some of our accounts receivable. The financial difficulties of a customer could result in reduced business with that customer. We may also assume higher credit risk relating to receivables of a customer experiencing financial difficulty. If these developments were to occur, our inability to collect on our accounts receivable from customers could substantially reduce our cash flows and income and have a material adverse effect on our business.

Risks Related to Income Taxes

Changes in our tax rates could affect our earnings.

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

Potential new U.S. tax legislation could materially adversely affect our effective tax rate.

The U.S. government has proposed significant changes to the taxation of corporations, which may include an increase in the corporate income tax rate, the imposition of minimum taxes or surtaxes on certain types of income, significant changes to the taxation of income derived from international business activities, and the addition of further limitations on interest deductions. While various proposals are under consideration it is unclear at this time, what, if any changes will be enacted. The impact and timing of these potential changes are uncertain and may materially adversely impact our effective tax rate.

The enactment of legislation implementing changes in taxation of international business activities, adoption of other corporate tax reform policies, or other changes in tax legislation or policies could materially adversely impact our business.

Corporate tax reform, prevention of base-erosion and tax transparency continue to be high priorities for many tax jurisdictions worldwide. As a result, policies regarding corporate income and other taxes are under heightened scrutiny globally, while tax reform legislation has been proposed or enacted in a number of jurisdictions.

In addition, many countries have enacted, or plan to enact, legislation and other guidance to align their international tax rules with the Organisation for Economic Co-operation and Development's ("OECD") Base Erosion and Profit Shifting ("BEPS") recommendations and action plans, which aim to standardize and modernize global corporate tax policy, with changes to cross-border tax, transfer-pricing documentation rules, and nexus-based tax incentive practices. Moreover, the OECD Inclusive Framework ("IF") on BEPS recently released a series of statements indicating that agreement was reached by nearly all IF members on a two-pillar solution to address the tax challenges arising from the digitalization of the economy and providing an aggressive timeline for implementation. As a result of heightened scrutiny of corporate taxation policies, prior decisions by tax authorities regarding treatments and positions of corporate income taxes could be subject to enforcement activities or legislative investigation and inquiry, which could also result in changes in tax policies or prior tax rulings. Any such changes in policies or rulings may also result in the taxes we previously paid being subject to change.

Due to the large scale of our international business activities, any substantial change in international corporate tax policies, enforcement activities or legislative initiatives could have a material adverse effect on the amount of taxes we pay and our business generally.

Our inability to retain or renew certain tax incentives in foreign jurisdictions could materially adversely affect our effective tax rate.

Our effective tax rate reflects benefits from concessionary tax rates in certain foreign jurisdictions based on the geographic location of our manufacturing activities, the industries that we serve, or the business model under which we operate. If we do not meet the criteria required to retain or renew these tax incentives, our effective tax rate could materially increase.

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

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

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

If we are unable to generate sufficient taxable income in certain jurisdictions, or if there is a significant change in the time period within which the underlying temporary differences become taxable or deductible, we could be required to increase our valuation allowances against our deferred tax assets. This would result in an increase in our effective tax rate and could have a material adverse effect on our financial results. In addition, changes in statutory tax rates may change our deferred tax asset or liability balances, with either a favorable or unfavorable impact on our effective tax rate. A significant portion of our indefinite-lived net operating loss carryforwards is concentrated in Luxembourg and may require decades to be fully utilized under our current business model. Decreases in the statutory tax rate or changes in our ability to generate sufficient future taxable income in Luxembourg could materially adversely affect our effective tax rate. The computation and assessment of the realizability of our deferred tax assets may also be materially impacted by new legislation or regulations.

Risks Related to Information Technology

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

We rely on the efficient and uninterrupted operation of a large and complex information technology infrastructure to link our global business. Like other information technology systems, ours is susceptible to a number of risks including, but not limited to, damage or interruptions resulting from obsolescence, natural disasters, power failures, human error, viruses, social engineering, phishing, ransomware or other malicious attacks and data security breaches. We upgrade and install new systems, which, if installed or programmed incorrectly or on a delayed timeframe, could cause delays or cancellations of customer orders, impede the manufacture or shipment of products, or disrupt the processing of transactions. For example, we have invested in information technology to upgrade the systems in both our LGM North America business and RBIS reportable segment to drive efficiency and supply chain productivity. Processes affected by these implementations included, among other things, order management, pricing, shipping, purchasing, supply chain and financial reporting. We have implemented measures to mitigate our risk related to system and network disruptions, but if a disruption were to occur, we could incur significant losses and remediation costs that could have a material adverse effect on our business. Additionally, we rely on services provided by third-party vendors for certain information technology processes, including system infrastructure management, application management, and software as service. While we have further matured our cybersecurity due diligence process in 2021, this reliance on third parties makes our operations vulnerable to a failure by any one of these vendors to perform adequately or maintain effective internal controls.

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

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

We perform cybersecurity due diligence and mitigate identified risks during our M&A diligence process. While we have a defined process, which we believe has substantially mitigated the risks related to acquired companies, there is still a risk that one of our recent acquisitions or a future acquisition target may experience an incident that could lead to a breach before risks are able to be mitigated.

Any such breach or attack could compromise our network, the network of a third party to whom we have disclosed confidential, proprietary or personal information, a data center where we have stored such information or a third-party cloud service provider, and the information stored there could be accessed, publicly disclosed, lost or stolen. Any access, disclosure or loss of information could result in legal claims or proceedings, disrupt our operations, damage our reputation, impair our ability to conduct business, or result in the loss or diminished value of profitable opportunities and the loss of revenue as a result of unlicensed use of our intellectual property. Contractual provisions with third parties, including cloud service providers, may limit our ability to fully recover these losses. If personal information of our customers or employees were to be misappropriated, we could incur costs to compensate our customers or employees or pay damages or fines as a result of litigation or regulatory actions and our reputation with our customers and employees could be injured, resulting in loss of business or decline in morale. Data privacy legislation and regulation have been increasing in recent years – including, for example, the General Data Protection Regulation in the EU, the Cyber Security Law in China, the General Data Protection Law in Brazil and the state of California's Consumer Privacy Act of 2018 – and although we have made reasonable efforts to comply with all applicable laws and regulations, there can be no assurance that we will not be subject to regulatory action in the event of an incident.

Although we have experienced some security incidents that did not have a significant or material adverse effect on our business, this may not be the case in the future. We have taken many steps to further improve the security of our networks and computer systems, including conducting employee security awareness training and phishing exercises to protect against social engineering and inadvertent or intentional disclosure of data; implementing multi-factor authentication, adopting a zero trust architecture and strategy, accessing our backups for ransomware resiliency, and advanced malware detection measures; upgrading legacy information technology systems to simplify and standardize business processes and applications; continuously improving information technology project and portfolio management discipline, using metrics and reviews and implementing appropriate mitigation measures; establishing a data loss prevention framework to better identify and protect our critical data; conducting third party penetration testing to assess the effectiveness of our cybersecurity, network and site access controls; removing USB drive access across our company; and improving our capabilities based on threat intelligence and the publicized incidents experienced by other companies, as well as ones that we have experienced despite their minimal operational or financial impact to date. We regularly review the effectiveness of our cybersecurity preparedness program using an industry standard cybersecurity framework and best practices (e.g., ISO27000, NIST 800). Despite these and other mitigation efforts, cyber risk and ransomware attacks on companies continue to significantly increase and there can be no assurance that we have fully protected our information, that third parties to whom we have disclosed such information or with whom we have stored such information (in data centers and on the cloud) are taking similar precautions, or that we will not experience future hacking or intrusion attempts that could have a material adverse effect on our business.

Risks Related to Human Capital

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

There is significant competition to recruit and retain key management and highly-skilled employees. In particular, due to our expansion to additional geographies and ongoing productivity efforts and recent employee restructuring actions, it may be difficult for us to recruit and retain sufficient numbers of highly-skilled employees. We may also be unable to recruit and retain key management and highly-skilled employees if we do not offer market-competitive employment and compensation terms. If we fail to recruit or retain our key management or sufficient numbers of highly-skilled employees, we could experience disruption in our businesses and difficulties managing our operations and implementing our business strategy. Further, if we are unable to timely and effectively advance our DE&I strategy, it could impact our ability to recruit and retain talent, resulting in a material adverse effect on our business.

Executive succession planning is also important to our long-term success. We experienced several recent key management changes, including promotions of long-serving and experienced leaders to the positions of RBIS Apparel Solutions Vice President/General Manager and IHM Vice President/General Manager in early 2022 and

Chief Human Resources Officer and Chief Legal Officer in 2020. While we believe we have appropriate leadership development programs and succession plans in place, any failure to ensure effective transfer of knowledge and smooth transitions involving our key management or other highly-skilled employees could hinder our strategic planning and execution.

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

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

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

Risks Related to Our Indebtedness

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

At January 1, 2022, we had approximately $3.10 billion of debt. Our overall level of indebtedness and credit ratings are significant factors in our ability to obtain short- and long-term financing. Higher debt levels could negatively impact our ability to meet other business needs and could result in higher financing costs. The credit ratings assigned to us also impact the interest rates we pay. A downgrade of our short-term credit ratings could impact our ability to access the commercial paper markets and increase our borrowing costs. If our access to commercial paper markets were to become limited, as they were in March 2020 as a result of COVID-19, and we were required to obtain short-term funding under our revolving credit facility or our other credit facilities, we would face increased exposure to variable interest rates.

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

In 2021, our average variable-rate borrowings were approximately $177 million. Increases in short-term interest rates would directly impact the amount of interest we pay. Fluctuations in interest rates can increase borrowing costs and have a material adverse effect on our business.

In response to the last global economic recession, extraordinary monetary policy actions of the U.S. Federal Reserve and other central banking institutions, including the utilization of quantitative easing, were taken to create and maintain a low interest rate environment. As of January 1, 2022 the U.S. Federal Reserve's benchmark interest rate was between 0% and 0.25%. The Federal Reserve has indicated that it will begin raising interest rates as early as March 2022, with additional increases possible later in the year. If this occurs, long-term interest rates will rise and our borrowing costs will increase. Such a transition may, among other things, reduce the availability and/or increase the costs of obtaining new debt and refinancing existing indebtedness, and negatively impact our stock price.

The discontinuation of the London Interbank Offered Rate ("LIBOR") may adversely affect our borrowing costs.

As of January 1, 2022, approximately $313 million of our outstanding indebtedness bears interest at variable interest rates, none of which is based on LIBOR; however, our revolving credit facility is based on LIBOR. In March 2021, the U.K. Financial Conduct Authority announced that it will no longer require panel banks to submit quotes for

LIBOR settings other than overnight and 12-month U.S. dollar LIBOR after December 31, 2021, and will no longer require panel banks to submit quotes for any U.S. dollar LIBOR settings after June 30, 2023. Although we do not believe the risk to be significant for us, the replacement rate for LIBOR in our revolving credit facility could cause our borrowing costs to increase.

Our current and future debt covenants may limit our flexibility.

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

Risk Related to Ownership of Our Stock

Our stock price may be subject to significant variability.

Changes in our stock price may, among other things, affect our access to, or cost of financing from, capital markets and may affect our stock-based compensation arrangements and our effective tax rate. Our stock price, which increased significantly in 2019, 2020 and 2021 but declined in early 2022, is influenced by changes in the overall stock market and demand for equity securities in general, as seen in both 2020 and 2021, due in part to the impact of COVID-19. Other factors, including our financial performance on an absolute basis and relative to our peers and competitors, as well as market expectations of our performance, the level of perceived growth of our industries, and other company-specific factors, can also materially adversely affect our stock price. There can be no assurance that our stock price will not experience significant variability in the future.

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

In April 2019, our Board authorized the repurchase of shares of our common stock with a fair market value of up to $650 million, in addition to the amount of shares that were available for repurchase under a previous authorization. As of January 1, 2022, shares of our common stock in the aggregate amount of $359.6 million remained authorized for repurchase under this Board authorization. In 2021, we repurchased .9 million shares of our common stock at an aggregate cost of $180.9 million. Share repurchases under our repurchase program may be made through a variety of methods, which may include open market purchases, privately negotiated transactions, block trades or accelerated share repurchase transactions. Our share repurchase authorizations do not obligate us to acquire any specific number of shares or to repurchase any specific number of shares for any fixed period. The timing and amount of repurchases, if any, are subject to market and economic conditions, applicable legal requirements and other relevant factors. Our repurchase of common stock may be limited, suspended or discontinued at any time at our discretion and without prior notice.

Although we increased our quarterly dividend rate by approximately 10% in April 2021, there can be no assurance that we will maintain this increased rate. Future dividends are subject to market and economic conditions, applicable legal requirements and other relevant factors. We are not obligated to continue a dividend for any fixed period, and the payment of dividends could be suspended or discontinued at any time at our discretion and without prior notice. We will continue to retain future earnings to develop our business, as opportunities arise, and evaluate the amount and timing of future dividends based on our operating results, financial condition, capital requirements and general business conditions. The amount and timing of any future dividends may vary, and the payment of any dividend does not assure that we will pay dividends in the future.

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

Risks Related to Legal and Regulatory Matters

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

Because our products involve complex technology and chemistry, we are involved from time to time in litigation involving patents and other intellectual property. Parties have filed, and in the future may file, claims against us alleging that we have infringed their intellectual property rights. We are currently party to a litigation in which ADASA Inc. ("Adasa"), an unrelated third party, alleged that certain of our RFID products infringed on its patent. We recorded a contingent liability related to this matter in the second quarter of 2021 in the amount of $26.6 million based on a jury verdict issued on May 14, 2021. For more information on this litigation, see Note 8, "Contingencies," in the Notes to Consolidated Financial Statements contained in our 2021 Annual Report. If we are ultimately held liable in the Adasa matter or are held liable for infringement in other matters, we could be required to pay damages, obtain licenses or cease making or selling certain products. There can be no assurance that licenses would be available on commercially reasonable terms or at all. The defense of these claims, whether or not meritorious, or the development of new technologies could cause us to incur significant costs and divert the attention of management.

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

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

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

There can be no assurance that any outcome of any litigation, investigation or other legal, environmental, compliance and regulatory matter will be favorable. Our financial results could be materially adversely affected by an unfavorable outcome to pending or future litigation and investigations, and other legal, regulatory, environmental and compliance matters. See Note 8, "Contingencies," in the Notes to Consolidated Financial Statements contained in our 2021 Annual Report for more information.

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

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

We are required to comply with environmental, health, and safety laws at our operations around the world. The costs of complying with these laws could materially adversely affect our business.

We are subject to national, state, provincial and/or local environmental, health, and safety laws and regulations in the U.S. and other countries in which we operate, including those related to the disposal of hazardous waste and GHG emissions from our manufacturing processes. These laws impose liability for the costs of, and damages resulting from, cleaning up current sites, past spills, disposals and other releases of hazardous substances. These laws are often unclear and subject to the discretion of the enforcing authorities. Any failure to comply with existing and future environmental, health and safety laws could subject us to fees, penalties, costs or liabilities, impact our production capabilities, limit our ability to sell, expand or acquire facilities, and have a material adverse effect on our business. Laws and regulations related to the environment, product content and product safety are complex, change often, and can be open to different interpretations. In addition, we could be materially and adversely impacted by any environmental or product safety enforcement action affecting our suppliers, particularly in emerging markets.

We have accrued liabilities for the environmental clean-up of certain sites, including the twelve sites for which U.S. governmental agencies have designated us as a potentially responsible party as of our 2021 fiscal year-end, where it is probable that a loss will be incurred and the cost or amount of loss can be reasonably estimated. See Note 8, "Contingencies," in the Notes to Consolidated Financial Statements contained in our 2021 Annual Report for more information. However, because of the uncertainties associated with environmental assessment and remediation activities, the actual expense to remediate currently identified sites and other sites that could be identified for cleanup in the future could be higher than the liabilities accrued.

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

Export control laws and economic sanctions prohibit the shipment of some of our products to embargoed or sanctioned countries, governments and persons. While we train our employees to comply with these regulations, use third party screening software, and take other measures, we cannot guarantee that a violation will not occur. A prohibited shipment could have negative consequences, including government investigations, penalties, fines, civil and criminal sanctions and reputational harm. Any change in export or import regulations, economic sanctions or related legislation, shift in the enforcement or scope of existing regulations, or change in the countries, governments, persons or technologies targeted by such regulations, could decrease our ability to export or sell our products internationally. Any limitation on our ability to export or sell our products could materially adversely affect our business.

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

Risks Related to Other Financial Matters

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

Changes in the value of our pension assets, which was approximately $875 million as of January 1, 2022, could materially adversely affect our earnings and cash flows. In particular, the value of our investments may decline due to increases in interest rates or volatility in the financial markets. In addition, we may take actions to reduce the financial volatility associated with our pension liabilities, which could result in charges in the nearer term. As such, we continuously evaluate options to better manage the volatility associated with our pension liabilities. Although we mitigate these risks by investing in high quality securities, ensuring adequate diversification of our investment portfolio and monitoring our portfolio's overall risk profile, the value of our investments may nevertheless decline. In September 2018, we terminated the Avery Dennison Pension Plan, a U.S. pension plan, and completed the settlement of the plan's obligations in 2019. This settlement resulted in approximately $444 million of pretax charges in 2019, partially offset by related tax benefits of approximately $179 million. See Note 6, "Pension and Other Postretirement Benefits," in the Notes to the Consolidated Financial Statements contained in our 2021 Annual Report for more information.

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

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

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

Goodwill is initially recorded at fair value and not amortized, but is reviewed for impairment annually (or more frequently if impairment indicators are present). As of January 1, 2022, the carrying value of our goodwill was $1.88 billion. In 2021, we determined that the goodwill of our reporting units was not impaired. We review goodwill for impairment by comparing the fair value of a reporting unit to its carrying value. In assessing fair value, we make estimates and assumptions about sales, operating margins, growth rates, and discount rates based on our business plans, economic projections, anticipated future cash flows and marketplace data. There are inherent uncertainties related to these factors and management's judgment in applying these factors. Goodwill valuations have been calculated primarily using an income approach based on the present value of projected future cash flows of each reporting unit. We could be required to evaluate the carrying value of goodwill prior to the annual assessment if we experience disruptions to our business, unexpected significant declines in operating results, divestiture of a significant component of our business or sustained market capitalization declines. These types of events could result in goodwill impairment charges in the future. Impairment charges could substantially affect our business in the periods in which they are made.

Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 2. PROPERTIES

As of January 1, 2022, we operated manufacturing facilities in excess of 100,000 square feet in the reportable segments and locations listed below.

LGM

Domestic	Peachtree City, Georgia; Fort Wayne, Greenfield, and Lowell, Indiana; Fairport Harbor, Mentor, Oak Harbor, and Painesville, Ohio; Mill Hall and Quakertown, Pennsylvania
Foreign	Soignies, Belgium; Vinhedo, Brazil; Guangzhou and Kunshan, China; Champ-sur-Drac, France; Gotha, Germany; Pune, India; Kibbutz Hanita, Israel; Rodange, Luxembourg; Bangi, Malaysia; Queretaro, Mexico; Rayong, Thailand; and Cramlington, United Kingdom

RBIS

Domestic	New Century, Kansas and Miamisburg, Ohio
Foreign	Dhaka, Bangladesh; Nansha, Panyu, and Suzhou, China; Bufalo, Honduras; Ancarano, Italy; Kulim, Malaysia; and Long An Province, Vietnam

IHM

Domestic	Painesville, Ohio
Foreign	Turnhout, Belgium; Longford, Ireland; and Kunshan, Shanghai, and Zhuozhou, China

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

We own all of the principal properties identified above, except for the facilities in the following locations, which are leased: Glendale, California; Hong Kong, Panyu and Zhuozhou, China; Bufalo, Honduras; Kibbutz Hanita, Israel; New Century, Kansas; Mentor, Ohio; and Oegstgeest, the Netherlands.

We consider all our properties, whether owned or leased, suitable and adequate for our current needs. We generally expand production capacity as needed to meet increased demand. Owned buildings and plant equipment are insured against major losses from fire and other usual business risks, subject to applicable deductibles. We are not aware of any material defects in title to, or significant encumbrances on, our properties, except for certain mortgage liens.

Item 3. LEGAL PROCEEDINGS

See Note 8, “Contingencies,” in the Notes to Consolidated Financial Statements contained in our 2021 Annual Report for more information, which is incorporated herein by reference.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

(a) Our common stock is listed under the ticker symbol "AVY" on the New York Stock Exchange. We did not sell securities in any unregistered transactions during the fourth quarter of 2021.

We had 3,952 shareholders of record as of January 1, 2022, the last day of our fiscal year 2021.

The disclosure in our 2021 Annual Report under "Stockholder Return Performance" is incorporated herein by reference.

(b) Not applicable.

(c) Repurchases of Equity Securities by Issuer

Repurchases by us or our "affiliated purchasers" (as defined in Rule 10b-18(a)(3) of the Exchange Act) of registered equity securities in the fourth quarter of 2021 are shown in the table below. Repurchased shares may be reissued under our long-term incentive plan or used for other corporate purposes.

Period(1)	Total number of shares purchased(2)	Average price paid per share	Total number of shares purchased as part of publicly announced plans(2)(3)	Approximate dollar value of shares that may yet be purchased under the plans(4)
October 3, 2021 – October 30, 2021	44.3	$ 208.62	44.3	$ 405.3
October 31, 2021 – November 27, 2021	25.6	218.77	25.6	399.7
November 28, 2021 – January 1, 2022	192.0	208.76	192.0	359.6
Total	261.9	$ 209.71	261.9	$ 359.6

(1) The periods shown are our fiscal periods during the thirteen-week quarter ended January 1, 2022.
(2) Shares in thousands.
(3) In April 2019, our Board authorized the repurchase of shares of our common stock with a fair market value of up to $650 million, excluding any fees, commissions or other expenses related to such purchases. This Board authorization will remain in effect until shares in the amount authorized thereunder have been repurchased.
(4) Dollars in millions.

Item 6. RESERVED

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

The information required by this Item appears under "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2021 Annual Report and is incorporated herein by reference.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information required by this Item is contained under "Market-Sensitive Instruments and Risk Management" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2021 Annual Report and incorporated herein by reference.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this Item, including the Consolidated Financial Statements and Notes thereto, Statement of Management Responsibility for Financial Statements, Management's Report on Internal Control Over Financial Reporting and the Report of Independent Registered Public Accounting Firm, is contained in our 2021 Annual Report and incorporated herein by reference.

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

None.

Item 9A. CONTROLS AND PROCEDURES

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

Management's Report on Internal Control Over Financial Reporting. We are responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) of the Exchange Act). Under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based upon the framework in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, our management concluded that our internal control over financial reporting was effective as of January 1, 2022.

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

The effectiveness of our internal control over financial reporting as of January 1, 2022 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in the Report of Independent Registered Public Accounting Firm contained in our 2021 Annual Report, which is also incorporated herein by reference.

Changes in Internal Control over Financial Reporting. There have been no changes in our internal control over financial reporting during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. OTHER INFORMATION

None.

Item 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

The information concerning directors and corporate governance required by this Item is incorporated herein by reference from the definitive proxy statement for our Annual Meeting of Stockholders to be held on April 28, 2022 (our “2022 Proxy Statement”), which will be filed with the SEC pursuant to Regulation 14A within 120 days of the end of the fiscal year covered by this report. The information concerning executive officers required by this Item appears, in part, on the next page of this report, and is also incorporated by reference from our 2022 Proxy Statement. If applicable, information concerning any late filings under Section 16(a) of the Exchange Act is incorporated by reference from our annual proxy statement; no such information was applicable for the 2022 Proxy Statement.

The information required by this Item concerning our Audit and Finance Committee is incorporated by reference from our 2022 Proxy Statement.

INFORMATION ABOUT OUR EXECUTIVE OFFICERS[1]

Name and Position	Age	Executive Officer Since	Former Positions within Past Five Years/ Officer Positions with Avery Dennison	
Mitchell R. Butier Chairman, President and Chief Executive Officer	50	March 2007	2016-2019	President and Chief Executive Officer
			2015-2016	President and Chief Operating Officer
			2014-2015	President, Chief Operating Officer and Chief Financial Officer
			2010-2014	Senior Vice President and Chief Financial Officer
			2007-2010	Vice President, Global Finance and Chief Accounting Officer
Gregory S. Lovins Senior Vice President and Chief Financial Officer	49	March 2017	2017	Vice President and Interim Chief Financial Officer
			2016-2017	Vice President and Treasurer
			2011-2016	Vice President, Global Finance, Materials Group
Deena Baker-Nel Vice President and Chief Human Resources Officer	51	September 2020	2018-2020	Vice President, Human Resources, LGM
			2015-2018	Vice President, Human Resources, RBIS
Lori J. Bondar Vice President, Controller, Treasurer and Chief Accounting Officer	61	June 2010	2010-2020	Vice President, Controller and Chief Accounting Officer
			2008-2010	Vice President and Controller
Nicholas Colisto Vice President and Chief Information Officer	55	September 2020	2012-2018	Senior Vice President and Chief Information Officer, Xylem Inc.
Deon Stander Vice President and General Manager, RBIS	53	August 2016	2013-2015	Vice President and General Manager, Global Commercial and Innovation, RBIS
			2010-2012	Vice President and General Manager, Global Commercial, RBIS
Ignacio Walker Vice President and Chief Legal Officer	45	September 2020	2020	Vice President and Assistant General Counsel, Americas
			2018-2019	Vice President and Assistant General Counsel
			2013-2017	Vice President and Assistant General Counsel, RBIS

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

Item 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated by reference from our 2022 Proxy Statement.

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

The information required by this Item is incorporated by reference from our 2022 Proxy Statement.

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

The information required by this Item is incorporated by reference from our 2022 Proxy Statement.

Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this Item is incorporated by reference from our 2022 Proxy Statement.

PART IV

Item 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) Financial Statements, Financial Statement Schedule and Exhibits

(1) Financial statements filed as part of this report are listed on the accompanying Index to Financial Statements.

(2) All financial statement schedules are omitted since the required information is not present or is not present in amounts sufficient to require submission of the schedule, or because the information required is included in the consolidated financial statements and notes thereto.

(3) Exhibits filed as a part of this report are listed on the accompanying Exhibit Index. Each management contract or compensatory plan or arrangement required to be filed as an exhibit to this Form 10-K is identified as such on the Exhibit Index.

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

Table of Contents

AVERY DENNISON CORPORATION

INDEX TO FINANCIAL STATEMENTS

Data incorporated by reference from the attached portions of the 2021 Annual Report to Shareholders of Avery Dennison Corporation:

Consolidated Financial Statements:

Except for the Consolidated Financial Statements and Notes thereto, Statement of Management Responsibility for Financial Statements, Management's Report on Internal Control Over Financial Reporting, and Report of Independent Registered Public Accounting Firm listed above, and certain information referred to in Items 1, 5, 6, 7, and 7A of this report that is expressly incorporated herein by reference, our 2021 Annual Report to Shareholders is not to be deemed "filed" as part of this report.

Table of Contents

AVERY DENNISON CORPORATION

EXHIBIT INDEX

For the Year Ended January 1, 2022

Exhibit No.	Exhibit Name	Originally Filed as Exhibit No.	Filing[(1)]
2.1	Agreement and Plan of Merger, dated as of July 27, 2021, by and among Registrant, CB Velocity Holdings, LLC, Lobo Merger Sub, LLC and Charlesbank Equity Fund VIII, Limited Partnership, as unitholder representative	2.1	Current Report on Form 8-K, filed July 30, 2021
3.1(i)	Amended and Restated Certificate of Incorporation, as filed on April 28, 2011 with the Office of Delaware Secretary of State	3.1	Current Report on Form 8-K, filed April 29, 2011
3.1(ii)	Amended and Restated Bylaws, effective as of December 7, 2017	3.1(ii)	Current Report on Form 8-K, filed December 8, 2017
4.1	Indenture, dated as of March 15, 1991, between Registrant and Security Pacific National Bank, as Trustee (the “1991 Indenture”)	4.1	Registration Statement on Form S-3 (File No. 33-39491), filed March 19, 1991
4.2	First Supplemental Indenture, dated as of March 16, 1993, between Registrant and BankAmerica National Trust Company, as successor Trustee (the “Supplemental Indenture”)	4.4	Registration Statement on Form S-3 (File No. 33-59642), filed March 17, 1993
4.3	Officers’ Certificate establishing a series of Securities entitled “Medium-Term Notes, Series C” under the 1991 Indenture, as amended by the Supplemental Indenture	4.1	Current Report on Form 8-K, filed May 12, 1995
4.4	Indenture, dated as of July 3, 2001, between Registrant and Chase Manhattan Bank and Trust Company, National Association, as trustee (the “2001 Indenture”)	4.1	Registration Statement on Form S-3 (File No. 333-64558), filed July 3, 2001
4.5	Officers’ Certificate establishing Securities entitled “6.000% Notes due 2033” under the 2001 Indenture	4.2	Current Report on Form 8-K, filed January 16, 2003
4.6	6.000% Notes Due 2033	4.4	Current Report on Form 8-K, filed January 16, 2003
4.7	Indenture, dated as of November 20, 2007, between Registrant and Bank of New York	4.2	Current Report on Form 8-K, filed November 20, 2007
4.8	Third Supplemental Indenture, dated as of April 8, 2013, between Registrant and Bank of NY	4.2	Current Report on Form 8-K, filed April 8, 2013
4.9	Form of 3.35% Senior Notes due 2023	4.2	Current Report on Form 8-K, filed April 8, 2013
4.10	Fourth Supplemental Indenture, dated as of March 3, 2017, between Registrant and The Bank of New York Mellon Trust Company, N.A. (“BNY Mellon”) as Trustee (including Form of 1.250% Senior Notes due 2025 on Exhibit A thereto)	4.2	Current Report on Form 8-K, filed March 3, 2017

Exhibit No.	Exhibit Name	Originally Filed as Exhibit No.	Filing(1)
4.11	Fifth Supplemental Indenture, dated as of December 6, 2018, between Registrant and BNY Mellon, as Trustee (including Form of 4.875% Senior Notes due 2028 on Exhibit A thereto)	4.2	Current Report on Form 8-K, filed December 6, 2018
4.12	Sixth Supplemental Indenture, dated as of March 11, 2020, between Registrant and BNY Mellon, as Trustee (including Form of 2.650% Senior Notes due 2030 on Exhibit A thereto)	4.2	Current Report on Form 8-K, filed March 11, 2020
4.13	Seventh Supplemental Indenture, dated as of August 18, 2021, between Registrant and BNY Mellon, as Trustee (including Form of 0.850% Senior Notes due 2024 on Exhibit A thereto)	4.2	Current Report on Form 8-K filed on August 18, 2021
4.14	Eighth Supplemental Indenture, dated as of August 18, 2021, between Registrant and BNY Mellon, as Trustee (including Form of 2.250% Senior Notes due 2032 on Exhibit A thereto)	4.3	Current Report on Form 8-K filed on August 18, 2021
4.15	Description of Securities	4.15	2020 Annual Report on Form 10-K, filed February 25, 2021
10.1	Fifth Amended and Restated Credit Agreement, dated as of February 13, 2020, by and among Registrant, Bank of America, N.A., as administrative agent and the lenders party thereto	10.1	Current Report on Form 8-K, filed February 14, 2020
10.2	First Amendment, dated August 9, 2021, to the Fifth Amended and Restated Credit Agreement, dated as of February 13,2020, by and among Registrant, the lenders party thereto, the agents party thereto and Bank of America, N.A., as administrative agent	10.1	Current Report on Form 8-K, filed August 12, 2021
10.3*	Amended and Restated Supplemental Executive Retirement Plan (“SERP”)	10.11.1	Quarterly Report on Form 10-Q, filed August 12, 2009
10.4*	Complete Restatement and Amendment of Executive Variable Deferred Compensation Plan (“EVDCP”)	10.16	1994 Annual Report on Form 10-K, filed March 30, 1995
10.5*	Amendment No. 1 to EVDCP	10.16.1	1999 Annual Report on Form 10-K, filed March 30, 2000
10.6*	Amended and Restated 2005 Directors Variable Deferred Compensation Plan	10.18.2	Quarterly Report on Form 10-Q, filed May 10, 2011
10.7*	Amended and Restated Stock Option and Incentive Plan (“Equity Plan”)	A	2012 Proxy Statement on Schedule 14A, filed March 9, 2012
10.8*	First Amendment to Equity Plan	10.20	2014 Annual Report on Form 10-K, filed February 25, 2015
10.9*	2017 Incentive Award Plan (“2017 Plan”)	B	2017 Proxy Statement on Schedule 14A, filed March 10, 2017
10.10*	Amended and Restated Annual Incentive Plan	10.1	Quarterly Report on Form 10-Q, filed May 1, 2020

Table of Contents

Exhibit No.	Exhibit Name	Originally Filed as Exhibit No.	Filing(1)
10.11*	Complete Restatement and Amendment of Executive Deferred Retirement Plan (“EDRP”)	10.28	1994 Annual Report on Form 10-K, filed March 30, 1995
10.12*	Amendment No. 1 to EDRP	10.28.1	1999 Annual Report on Form 10-K, filed March 30, 2000
10.13*	Amendment No. 2 to EDRP	10.28.2	2001 Annual Report on Form 10-K, filed March 4, 2002
10.14*	2005 Executive Variable Deferred Retirement Plan, amended and restated	10.1	Quarterly Report on Form 10-Q, filed May 7, 2013
10.15*	Amended and Restated Key Executive Change of Control Severance Plan	10.4	Quarterly Report on Form 10-Q, filed May 1, 2020
10.16*	Amended and Restated Executive Severance Plan	10.3	Quarterly Report on Form 10-Q, filed May 1, 2020
10.17*	Form of Executive Severance Agreement	10.19	2020 Annual Report on Form 10-K, filed February 25, 2021
10.18*	Amended and Restated Long-Term Incentive Unit Plan (“LTI Unit Plan”)	10.2	Quarterly Report on Form 10-Q, filed May 1, 2020
10.19*	Form of Restricted Stock Unit Agreement under Equity Plan	10.38	2013 Annual Report on Form 10-K, filed February 26, 2014
10.20*	Form of Performance Unit Agreement under Equity Plan	10.39	2013 Annual Report on Form 10-K, filed February 26, 2014
10.21*	Form of Market-Leveraged Stock Unit Agreement under Equity Plan	10.40	2013 Annual Report on Form 10-K, filed February 26, 2014
10.22*	Form of Long-Term Incentive Unit Agreement under LTI Unit Plan	10.41	2013 Annual Report on Form 10-K, filed February 26, 2014
10.23*	Form of Director Restricted Stock Unit Agreement under 2017 Plan	10.2	Quarterly Report on Form 10-Q, filed August 1, 2017
10.24*	Form of Employee Market-Leveraged Stock Unit Agreement under 2017 Plan	10.3	Quarterly Report on Form 10-Q, filed August 1, 2017
10.25*	Form of Employee Performance Unit Agreement under 2017 Plan	10.4	Quarterly Report on Form 10-Q, filed August 1, 2017
10.26*	Form of Employee Restricted Stock Unit Agreement under 2017 Plan	10.5	Quarterly Report on Form 10-Q, filed August 1, 2017
10.27*	Form of Employee Non-Qualified Stock Option Agreement under 2017 Plan	10.6	Quarterly Report on Form 10-Q, filed August 1, 2017
10.28*	Offer Letter to Mitchell R. Butier	10.2	Quarterly Report on Form 10-Q, filed May 3, 2016
10.29*	Offer Letter to Gregory S. Lovins	10.1	Quarterly Report on Form 10-Q, filed August 1, 2017
13†	Portions of Annual Report to Shareholders for fiscal year ended January 1, 2022	N/A	N/A

Table of Contents

Exhibit No.	Exhibit Name	Originally Filed as Exhibit No.	Filing(1)
21†	List of Subsidiaries	N/A	N/A
23†	Consent of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm	N/A	N/A
24†	Power of Attorney (see Signatures – Power of Attorney)	N/A	N/A
31.1†	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	N/A	N/A
31.2†	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	N/A	N/A
32.1††	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	N/A	N/A
32.2††	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	N/A	N/A
101.INS†††	Inline XBRL Instance Filing – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document	N/A	N/A
101.SCH†††	Inline XBRL Extension Schema Filing	N/A	N/A
101.CAL†††	Inline XBRL Extension Calculation Linkbase Filing	N/A	N/A
101.DEF†††	Inline XBRL Extension Definition Linkbase Filing	N/A	N/A
101.LAB†††	Inline XBRL Extension Label Linkbase Filing	N/A	N/A
101.PRE†††	Inline XBRL Extension Presentation Linkbase Filing	N/A	N/A
104†††	Inline XBRL for the cover page of this Annual Report on Form 10-K, included as part of the Exhibit 101 inline XBRL document set		

(1) Unless otherwise noted, the File Number for all filings is File No. 1-7685.
* Management contract or compensatory plan or arrangement required to be filed as an exhibit to this Form 10-K pursuant to Item 15(b) of Form 10-K.
† Filed herewith.
†† This certification is being furnished solely to accompany this report pursuant to 18 U.S.C. 1350, and is not being filed for purposes of Section 18 of the Exchange Act and is not to be incorporated by reference into any filing of the registrant, whether made before or after the date hereof, regardless of any general incorporation language in such filing.
††† Furnished herewith. Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act, are deemed not filed for purposes of Section 18 of the Exchange Act and otherwise are not subject to liability under those sections.

Item 16. FORM 10-K SUMMARY

Not applicable.

Table of Contents

SIGNATURES

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

AVERY DENNISON CORPORATION

By: /s/ Gregory S. Lovins
Gregory S. Lovins
Senior Vice President and Chief Financial Officer

Dated: February 23, 2022

POWER OF ATTORNEY

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

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

Signature	Title	Date
/s/ Mitchell R. Butier Mitchell R. Butier	Chairman, President, and Chief Executive Officer	February 23, 2022
/s/ Gregory S. Lovins Gregory S. Lovins	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	February 23, 2022
/s/ Lori J. Bondar Lori J. Bondar	Vice President, Controller, Treasurer and Chief Accounting Officer (Principal Accounting Officer)	February 23, 2022
/s/ Bradley A. Alford Bradley A. Alford	Director	February 23, 2022
/s/ Anthony K. Anderson Anthony K. Anderson	Director	February 23, 2022
/s/ Mark J. Barrenechea Mark J. Barrenechea	Director	February 23, 2022
/s/ Ken C. Hicks Ken C. Hicks	Director	February 23, 2022
/s/ Andres A. Lopez Andres A. Lopez	Director	February 23, 2022
/s/ Patrick T. Siewert Patrick T. Siewert	Director	February 23, 2022
/s/ Julia A. Stewart Julia A. Stewart	Director	February 23, 2022
/s/ Martha N. Sullivan Martha N. Sullivan	Director	February 23, 2022

Exhibit 13

Avery Dennison Corporation

Safe Harbor Statement

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

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

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

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

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

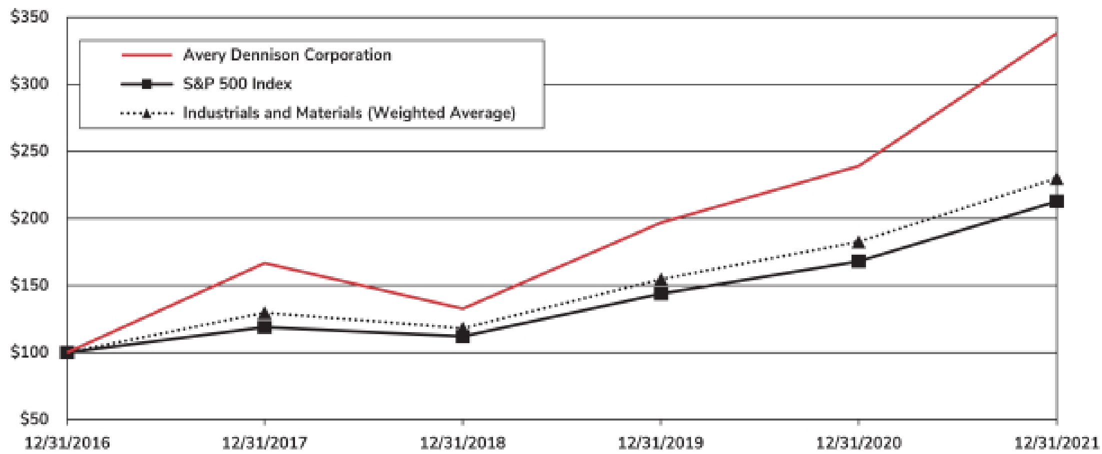
Table of Contents

Avery Dennison Corporation

STOCKHOLDER RETURN PERFORMANCE

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

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



Total Return Analysis[1]

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

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

Historical performance is not necessarily indicative of future performance.

Table of Contents

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

ORGANIZATION OF INFORMATION

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

NON-GAAP FINANCIAL MEASURES

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

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

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

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

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

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

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

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

OVERVIEW AND OUTLOOK

Operational and Market Update

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

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

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

Fiscal Year

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

Net Sales

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

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

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

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

Net Income

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

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

Offsetting factors:

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

Acquisitions

Vestcom Acquisition

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

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

Other 2021 Acquisitions

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

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

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

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

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

2020 Acquisitions

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

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

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

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

Cost Reduction Actions

2019/2020 Actions

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

Impact of Cost Reduction Actions

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

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

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

Accounting Guidance Updates

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

Cash Flow

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

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

Outlook

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

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

ANALYSIS OF RESULTS OF OPERATIONS

Income before Taxes

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

Gross Profit Margin

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

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

Marketing, General and Administrative Expense

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

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

Other Expense (Income), Net

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

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

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

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

Interest Expense

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

Other Non-Operating Expense (Income), Net

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

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

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

Net Income and Earnings per Share

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

Provision for (Benefit from) Income Taxes

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

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

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

Table of Contents

RESULTS OF OPERATIONS BY REPORTABLE SEGMENT

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

Label and Graphic Materials

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

Net Sales

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

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

(1) Totals may not sum due to rounding

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

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

Operating Income

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

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

Retail Branding and Information Solutions

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

Net Sales

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

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

(1) Totals may not sum due to rounding

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

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

Operating Income

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

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

Industrial and Healthcare Materials

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

Net Sales

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

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

[1] Totals may not sum due to rounding

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

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

Operating Income

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

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

FINANCIAL CONDITION

Liquidity

Operating Activities

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

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

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

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

Investing Activities

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

Purchases of Property, Plant and Equipment

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

Purchases of Software and Other Deferred Charges

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

Proceeds from Sales of Property, Plant and Equipment

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

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

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

Proceeds from Sale of Product Line

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

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

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

Table of Contents

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

Financing Activities

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

Borrowings and Repayment of Debt

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

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

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

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

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

Dividends Paid

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

Share Repurchases

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

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

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

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

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

Analysis of Selected Balance Sheet Accounts

Long-lived Assets

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

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

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

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

Shareholders’ Equity Accounts

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

Impact of Foreign Currency Translation

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

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

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

Effect of Foreign Currency Transactions

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

Analysis of Selected Financial Ratios

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

Operational Working Capital Ratio

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

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

Accounts Receivable Ratio

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

Inventory Ratio

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

Accounts Payable Ratio

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

Capital Resources

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

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

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

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

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

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

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

Capital from Debt

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

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

Fair Value of Debt

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

Contractual Obligations, Commitments and Off-Balance Sheet Arrangements

Material Cash Requirements at End of Year 2021

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

The table above does not include:

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

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

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

CRITICAL ACCOUNTING ESTIMATES

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

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

Goodwill

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

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

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

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

Business Combinations

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

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

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

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

Pension and Postretirement Benefits

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

Discount Rate

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

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

Long-term Return on Plan Assets

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

Taxes Based on Income

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

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

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

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

Long-Term Incentive Compensation

Valuation of Stock-Based Awards

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

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

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

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

Forfeiture Rate

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

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

Valuation of Cash-Based Awards

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

RECENT ACCOUNTING REQUIREMENTS

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

MARKET-SENSITIVE INSTRUMENTS AND RISK MANAGEMENT

Risk Management

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

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

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

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

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

Foreign Exchange Value-At-Risk

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

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

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

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

Interest Rate Sensitivity

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

Table of Contents

Consolidated Balance Sheets

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

See Notes to Consolidated Financial Statements

Table of Contents

Consolidated Statements of Income

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

See Notes to Consolidated Financial Statements

Table of Contents

Consolidated Statements of Comprehensive Income

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

See Notes to Consolidated Financial Statements

Table of Contents

Consolidated Statements of Shareholders' Equity

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

See Notes to Consolidated Financial Statements

Consolidated Statements of Cash Flows

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

See Notes to Consolidated Financial Statements

Notes to Consolidated Financial Statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

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

Principles of Consolidation

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

Fiscal Year

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

Use of Estimates

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

Cash and Cash Equivalents

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

Inventories

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

Trade Accounts Receivable

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

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

Property, Plant and Equipment

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

Notes to Consolidated Financial Statements

Leases

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

Software

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

Impairment of Long-lived Assets

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

Goodwill and Other Intangibles Resulting from Business Acquisitions

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

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

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

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

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

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

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

Foreign Currency

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

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

Financial Instruments

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

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

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

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

See Note 5, “Financial Instruments,” for more information.

Fair Value Measurements

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

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

Revenue Recognition

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

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

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

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

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

Research and Development

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

Long-Term Incentive Compensation

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

Valuation of Stock-Based Awards

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

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

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

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

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

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

Valuation of Cash-Based Awards

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

Forfeitures

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

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

Taxes Based on Income

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

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

Recent Accounting Requirements

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

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

NOTE 2. ACQUISITIONS

Vestcom Acquisition

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

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

Notes to Consolidated Financial Statements

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

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

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

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

Other 2021 Acquisitions

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

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

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

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

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

2020 Acquisitions

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

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

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

NOTE 3. GOODWILL AND OTHER INTANGIBLES RESULTING FROM BUSINESS ACQUISITIONS

Goodwill

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

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

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

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

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

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

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

Indefinite-Lived Intangible Assets

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

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

Finite-Lived Intangible Assets

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

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

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

Table of Contents

Notes to Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

NOTE 4. DEBT

Short-Term Borrowings

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

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

Short-Term Credit Facilities

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

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

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

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

Long-Term Borrowings

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

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

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

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

(1) These senior notes are euro-denominated.

(2) Includes unamortized debt issuance costs and debt discounts of $12.9 million and $8.2 million, respectively, as of year-end 2021 and $8.7 million and $4.9 million, respectively, as of year-end 2020.

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

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

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

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

Other

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

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

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

NOTE 5. FINANCIAL INSTRUMENTS

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

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

Cash Flow Hedges

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

Cross-Currency Swap

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

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

Other Derivatives

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

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

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

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

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

NOTE 6. PENSION AND OTHER POSTRETIREMENT BENEFITS

Defined Benefit Plans

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

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

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

Plan Assets

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

Fair Value Measurements

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

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

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

Notes to Consolidated Financial Statements

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

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

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

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

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

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

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

Plan Assumptions

Discount Rate

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

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

Long-term Return on Assets

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

Measurement Date

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

Plan Balance Sheet Reconciliations

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

Plan Benefit Obligations

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

Plan Assets

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

Notes to Consolidated Financial Statements

Funded Status

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

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

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

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

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

Accumulated Other Comprehensive Loss

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

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

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

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

Plan Income Statement Reconciliations

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

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

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

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

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

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

Plan Contributions

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

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

Future Benefit Payments

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

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

Postretirement Health Benefits

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

Defined Contribution Plans

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

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

Other Retirement Plans

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

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

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

NOTE 7. COMMITMENTS AND LEASES

Supplemental cost information related to leases is shown below.

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

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

Supplemental balance sheet information related to leases is shown below.

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

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

Supplemental cash flow information related to leases is shown below.

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

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

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

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

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

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

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

NOTE 8. CONTINGENCIES

Legal Proceedings

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

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

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

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

Environmental Expenditures

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

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

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

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

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

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

NOTE 9. FAIR VALUE MEASUREMENTS

Recurring Fair Value Measurements

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

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

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

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

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

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

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

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

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

NOTE 10. NET INCOME PER COMMON SHARE

Net income per common share was computed as follows:

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

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

NOTE 11. SUPPLEMENTAL EQUITY AND COMPREHENSIVE INCOME INFORMATION

Common Stock and Share Repurchase Program

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

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

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

Treasury Shares Reissuance

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

Accumulated Other Comprehensive Loss

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

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

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

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

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

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

Notes to Consolidated Financial Statements

NOTE 12. LONG-TERM INCENTIVE COMPENSATION

Stock-Based Awards

Stock-Based Compensation

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

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

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

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

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

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

Stock Options

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

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

The following table summarizes information related to stock options:

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

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

Performance Units (“PUs”)

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

The following table summarizes information related to awarded PUs:

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

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

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

Market-Leveraged Stock Units ("MSUs")

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

The following table summarizes information related to awarded MSUs:

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

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

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

Restricted Stock Units ("RSUs")

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

The following table summarizes information related to awarded RSUs:

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

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

Notes to Consolidated Financial Statements

Cash-Based Awards

Long-Term Incentive Units ("LTI Units")

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

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

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

NOTE 13. COST REDUCTION ACTIONS

Restructuring Charges

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

2019/2020 Actions

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

2018/2019 Actions

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

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

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

During 2021, restructuring charges and payments were as follows:

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

During 2020, restructuring charges and payments were as follows:

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

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

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

NOTE 14. TAXES BASED ON INCOME

Taxes based on income were as follows:

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

Table of Contents

Notes to Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

Deferred Taxes

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

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

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

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

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

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

(1) Net operating losses are presented before tax effects and valuation allowance.

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

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

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

Unrecognized Tax Benefits

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

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

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

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

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

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

NOTE 15. SEGMENT AND DISAGGREGATED REVENUE INFORMATION

Segment Reporting

We have the following reportable segments:

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

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

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

Disaggregated Revenue Information

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

Table of Contents

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

(1) Previously referred to as Printer Solutions

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

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

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

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

Additional Segment Information

Additional financial information by reportable segment is shown below.

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

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

Table of Contents

Notes to Consolidated Financial Statements

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

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

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

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

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

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

NOTE 16. SUPPLEMENTAL FINANCIAL INFORMATION

Inventories

Inventories at year-end were as follows:

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

Property, Plant and Equipment

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

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

Software

Capitalized software costs at year-end were as follows:

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

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

Allowance for Credit Losses

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

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

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

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

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

Research and Development

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

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

Supplemental Cash Flow Information

Cash paid for interest and income taxes was as follows:

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

Foreign Currency Effects

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

Deferred Revenue

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

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

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

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

STATEMENT OF MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

/s/ Mitchell R. Butier	/s/ Gregory S. Lovins
Mitchell R. Butier Chairman, President and Chief Executive Officer	Gregory S. Lovins Senior Vice President and Chief Financial Officer

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Avery Dennison Corporation

Opinions on the Financial Statements and Internal Control over Financial Reporting

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

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

Basis for Opinions

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

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

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

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

Definition and Limitations of Internal Control over Financial Reporting

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

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

Critical Audit Matters

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

Income Taxes

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

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

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

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

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

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

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

/s/ PricewaterhouseCoopers LLP

Los Angeles, California
February 23, 2022

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

Other Information

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

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

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

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

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

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

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

Corporate Headquarters
Avery Dennison Corporation
207 Goode Avenue
Glendale, California 91203
Phone: (626) 304-2000

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

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

Exhibit 21

SUBSIDIARY(1)	U.S. STATE OR COUNTRY IN WHICH ORGANIZED
ADC PHILIPPINES, INC.	PHILIPPINES
ADESPAN S.R.L.	ITALY
ADHIPRESS BANGLADESH LTD.	BANGLADESH
AVERY CORP.	DELAWARE
AVERY DE MEXICO SRL DE CV	MEXICO
AVERY DENNISON ATMA d.o.o.	CROATIA
AVERY DENNISON ATMA GMBH	AUSTRIA
AVERY DENNISON AUSTRALIA INTERNATIONAL HOLDINGS PTY LTD.	AUSTRALIA
AVERY DENNISON AUSTRALIA PTY LTD.	AUSTRALIA
AVERY DENNISON BELGIE BV	BELGIUM
AVERY DENNISON BELGIUM MANAGEMENT SERVICES SRL	BELGIUM
AVERY DENNISON BENELUX BV	BELGIUM
AVERY DENNISON BV	NETHERLANDS
AVERY DENNISON CANADA CORPORATION	CANADA
AVERY DENNISON CENTRAL EUROPE GMBH	GERMANY
AVERY DENNISON CHILE S.A.	CHILE
AVERY DENNISON COLOMBIA S. A. S.	COLOMBIA
AVERY DENNISON COMMERCIAL EL SALVADOR, S.A. DE C.V.	EL SALVADOR
AVERY DENNISON CONVERTED PRODUCTS DE MEXICO, S.A. DE C.V.	MEXICO
AVERY DENNISON CONVERTED PRODUCTS EL SALVADOR S. A. DE C. V.	EL SALVADOR
AVERY DENNISON, C.A.	VENEZUELA
AVERY DENNISON DE ARGENTINA S.R.L.	ARGENTINA
AVERY DENNISON DO BRASIL LTDA.	BRAZIL
AVERY DENNISON DOMINICAN REPUBLIC, S.R.L.	DOMINICAN REPUBLIC
AVERY DENNISON EGYPT LLC	EGYPT
AVERY DENNISON ETIKET TICARET LIMITED SIRKETI	TURKEY
AVERY DENNISON EUROPE HOLDING (DEUTSCHLAND) GMBH & CO KG	GERMANY
AVERY DENNISON FINANCE GERMANY GMBH	GERMANY
AVERY DENNISON G HOLDINGS I LLC	DELAWARE
AVERY DENNISON G HOLDINGS III LLC	DELAWARE
AVERY DENNISON G INVESTMENTS III LIMITED	GIBRALTAR
AVERY DENNISON G INVESTMENTS V LIMITED	GIBRALTAR
AVERY DENNISON GROUP DANMARK APS	DENMARK
AVERY DENNISON GROUP SINGAPORE PTE LTD	SINGAPORE
AVERY DENNISON GULF FZCO	UNITED ARAB EMIRATES
AVERY DENNISON HOLDING FRANCE	FRANCE
AVERY DENNISON HOLDING GMBH	GERMANY
AVERY DENNISON HOLDING LIMITED	UNITED KINGDOM
AVERY DENNISON HOLDING LUXEMBOURG S. A. R. L.	LUXEMBOURG
AVERY DENNISON HOLDING & FINANCE THE NETHERLANDS BV	NETHERLANDS
AVERY DENNISON HOLDINGS LLC	DELAWARE
AVERY DENNISON HONG KONG B.V.	NETHERLANDS
AVERY DENNISON HONG KONG HOLDING I B.V.	NETHERLANDS
AVERY DENNISON IBERICA, S.A.	SPAIN
AVERY DENNISON INNOVATIONS LLC	DELAWARE
AVERY DENNISON INTELLIGENT HEALTHCARE SOLUTIONS LLC	DELAWARE
AVERY DENNISON INTELLIGENT LABELS EUROPE S.R.L.	ROMANIA
AVERY DENNISON INTELLIGENT LABELS HK LIMITED	HONG KONG
AVERY DENNISON INVESTMENT LUXEMBOURG II SARL	LUXEMBOURG
AVERY DENNISON INVESTMENTS LUXEMBOURG III SARL	LUXEMBOURG

AVERY DENNISON INVESTMENTS LUXEMBOURG IV SARL	LUXEMBOURG
AVERY DENNISON ISRAEL LTD.	ISRAEL
AVERY DENNISON ITALIA S.R.L.	ITALY
AVERY DENNISON JAPAN KK	JAPAN
AVERY DENNISON JAPAN MATERIALS COMPANY LTD.	JAPAN
AVERY DENNISON KOREA LIMITED	SOUTH KOREA
AVERY DENNISON LABEL LIMITED	HONG KONG
AVERY DENNISON LANKA (PRIVATE) LIMITED	SRI LANKA
AVERY DENNISON LUXEMBOURG SALES SARL	LUXEMBOURG
AVERY DENNISON LUXEMBOURG S.A.R.L.	LUXEMBOURG
AVERY DENNISON MANAGEMENT GMBH	GERMANY
AVERY DENNISON MATERIALS BELGIUM SRL	BELGIUM
AVERY DENNISON MATERIALS EUROPE B.V.	NETHERLANDS
AVERY DENNISON MATERIALS EUROPE GMBH	SWITZERLAND
AVERY DENNISON MATERIALS FRANCE S.A.R.L.	FRANCE
AVERY DENNISON MATERIALS GMBH	GERMANY
AVERY DENNISON MATERIALS IRELAND LIMITED	IRELAND
AVERY DENNISON MATERIALS NEDERLAND BV	NETHERLANDS
AVERY DENNISON MATERIALS NEW ZEALAND LIMITED	NEW ZEALAND
AVERY DENNISON MATERIALS PTY LIMITED	AUSTRALIA
AVERY DENNISON MATERIALS ROM SRL	ROMANIA
AVERY DENNISON MATERIALS RUSSIA LLC	RUSSIA
AVERY DENNISON MATERIALS SALES BELGIUM SRL	BELGIUM
AVERY DENNISON MATERIALS SALES FRANCE S. A. S.	FRANCE
AVERY DENNISON MATERIALS SALES GERMANY GMBH	GERMANY
AVERY DENNISON MATERIALS SDN BHD	MALAYSIA
AVERY DENNISON MATERIALS UKRAINE LLC	UKRAINE
AVERY DENNISON MATERIALS U.K. LIMITED	UNITED KINGDOM
AVERY DENNISON MAURITIUS LTD.	MAURITIUS
AVERY DENNISON MEDICAL LIMITED	IRELAND
AVERY DENNISON NETHERLANDS INVESTMENT I BV	NETHERLANDS
AVERY DENNISON NETHERLANDS INVESTMENT II B. V.	NETHERLANDS
AVERY DENNISON NETHERLANDS INVESTMENT III BV	NETHERLANDS
AVERY DENNISON NETHERLANDS INVESTMENT VII B.V.	NETHERLANDS
AVERY DENNISON NETHERLANDS INVESTMENT VIII BV	NETHERLANDS
AVERY DENNISON NETHERLANDS INVESTMENT X BV	NETHERLANDS
AVERY DENNISON NETHERLANDS INVESTMENT XI B.V.	NETHERLANDS
AVERY DENNISON NETHERLANDS INVESTMENT XII BV	NETHERLANDS
AVERY DENNISON NORDIC APS	DENMARK
AVERY DENNISON NTP A. S.	NORWAY
AVERY DENNISON OFFICE PRODUCTS COMPANY	NEVADA
AVERY DENNISON OFFICE PRODUCTS HOLDINGS COMPANY	NEVADA
AVERY DENNISON OFFICE PRODUCTS MANUFACTURING U.K. LTD.	UNITED KINGDOM
AVERY DENNISON OVERSEAS CORPORATION	MASSACHUSETTS
AVERY DENNISON PENSION TRUSTEE LIMITED	UNITED KINGDOM
AVERY DENNISON PERU S. R. L.	PERU
AVERY DENNISON POLSKA SP. Z O.O.	POLAND
AVERY DENNISON PRAHA SPOL. S R. O.	CZECH REPUBLIC
AVERY DENNISON RBIS INDIA PRIVATE LIMITED	INDIA
AVERY DENNISON RBIS PTY LTD	AUSTRALIA
AVERY DENNISON RBIS (CAMBODIA) CO., LTD	CAMBODIA
AVERY DENNISON RBIS (CAMBODIA) TRADING CO., LTD	CAMBODIA
AVERY DENNISON RETAIL INFORMATION SERVICES COLOMBIA S. A. S.	COLOMBIA
AVERY DENNISON RETAIL INFORMATION SERVICES DE MEXICO, S. A. DE C.V.	MEXICO
AVERY DENNISON RETAIL INFORMATION SERVICES EL SALVADOR, LTDA. DE C. V.	EL SALVADOR

AVERY DENNISON RETAIL INFORMATION SERVICES GUATEMALA, S. A.	GUATEMALA
AVERY DENNISON RETAIL INFORMATION SERVICES HONDURAS, S. DE R.L.	HONDURAS
AVERY DENNISON RETAIL INFORMATION SERVICES LLC	NEVADA
AVERY DENNISON RETAIL INFORMATION SERVICES PERÚ SAC	PERU
AVERY DENNISON RETAIL INFORMATION SERVICES UK LTD.	UNITED KINGDOM
AVERY DENNISON RETAIL INFORMATION SERVICES (PTY) LTD	SOUTH AFRICA
AVERY DENNISON RFID COMPANY	DELAWARE
AVERY DENNISON RIS TAIWAN LTD.	TAIWAN
AVERY DENNISON RIS VIETNAM CO., LIMITED	VIETNAM
AVERY DENNISON R.I.S. FRANCE S. A. S.	FRANCE
AVERY DENNISON R.I.S. IBERIA S.L.	SPAIN
AVERY DENNISON R.I.S. ITALIA S.R.L.	ITALY
AVERY DENNISON SCANDINAVIA AB	SWEDEN
AVERY DENNISON SCANDINAVIA APS	DENMARK
AVERY DENNISON SECURITY PRINTING EUROPE APS	DENMARK
AVERY DENNISON SHARED SERVICES, INC.	NEVADA
AVERY DENNISON SINGAPORE (PTE) LTD.	SINGAPORE
AVERY DENNISON SMARTRAC LATAM LTDA.	BRAZIL
AVERY DENNISON SOUTH AFRICA (PROPRIETARY) LIMITED	SOUTH AFRICA
AVERY DENNISON SUPPORT SERVICES	SWITZERLAND
AVERY DENNISON S.R.L.	ROMANIA
AVERY DENNISON TRADING COMPANY LTD	BANGLADESH
AVERY DENNISON TREASURY MANAGEMENT BV	NETHERLANDS
AVERY DENNISON TEKSTIL URUNLERI SANAYI VE TICARET LIMITED SIRKETI	TURKEY
AVERY DENNISON U.K. II LIMITED	UNITED KINGDOM
AVERY DENNISON U.K. LIMITED	UNITED KINGDOM
AVERY DENNISON (ASIA) HOLDINGS LIMITED	MAURITIUS
AVERY DENNISON (CHANGZHOU) FILMS TECHNOLOGY CO., LTD	CHINA
AVERY DENNISON (CHINA) COMPANY LIMITED	CHINA
AVERY DENNISON (FUZHOU) CONVERTED PRODUCTS LIMITED	CHINA
AVERY DENNISON (GUANGZHOU) CONVERTED PRODUCTS LIMITED	CHINA
AVERY DENNISON (GUANGZHOU) CO., LTD.	CHINA
AVERY DENNISON (GUANGZHOU) INTELLIGENT LABELS CO., LTD.	CHINA
AVERY DENNISON (HONG KONG) LIMITED	HONG KONG
AVERY DENNISON (INDIA) PRIVATE LIMITED	INDIA
AVERY DENNISON (IRELAND) LIMITED	IRELAND
AVERY DENNISON (KENYA) PRIVATE LIMITED	KENYA
AVERY DENNISON (KUNSHAN) COMPANY LIMITED	CHINA
AVERY DENNISON (MALAYSIA) SDN. BHD.	MALAYSIA
AVERY DENNISON (QINGDAO) CONVERTED PRODUCTS LIMITED	CHINA
AVERY DENNISON (SUZHOU) CO. LIMITED	CHINA
AVERY DENNISON (THAILAND) LTD.	THAILAND
AVERY DENNISON (VIETNAM) LIMITED	VIETNAM
AVERY DENNISON, S.A. DE C.V.	MEXICO
AVERY GRAPHIC SYSTEMS, INC.	DELAWARE
AVERY LLC	DELAWARE
AVERY OFFICE PRODUCTS PUERTO RICO L.L.C.	PUERTO RICO
AVERY PACIFIC LLC	CALIFORNIA
AVERY PROPERTIES PTY. LIMITED	AUSTRALIA
AWESOME PROFITS LIMITED	BRITISH VIRGIN ISLANDS
BEST COURAGE INTERNATIONAL LIMITED	BRITISH VIRGIN ISLANDS
CB VELOCITY HOLDINGS, LLC	DELAWARE
CB VELOCITY MIDCO, INC.	DELAWARE
CHOICE CLEVER PROFITS LIMITED	BRITISH VIRGIN ISLANDS
CREATERO GMBH	GERMANY
DENNISON INTERNATIONAL COMPANY	MASSACHUSETTS

DENNISON MANUFACTURING COMPANY	NEVADA
ELECTRONIC IMAGING SERVICES, INC.	DELAWARE
EUSTON FINANCIAL LIMITED	BRITISH VIRGIN ISLANDS
EVERGREEN HOLDING SARL	LUXEMBOURG
EVERGREEN HOLDINGS V LLC	DELAWARE
FOXFIRE PRINTING AND PACKAGING, INC.	DELAWARE
HANITA COATINGS USA, LLC	DELAWARE
HANITA EUROPA GMBH	GERMANY
HEBEI YONGLE TAPE CO., LTD.	CHINA
INFORMATION PLANNING AND MANAGEMENT SERVICES INC.	DELAWARE
INK MILL LLC	NEW HAMPSHIRE
INTEGRATED RETAIL LIMITED	UNITED KINGDOM
INTELICHOICE, LLC	DELAWARE
JAC ASIA PACIFIC SDN BHD	MALAYSIA
JAC CARIBE C.S.Z.	DOMINICAN REPUBLIC
JAC DO BRASIL - LOCAÇÃO DE EQUIPAMENTOS INDUSTRIAIS LTDA	BRAZIL
JACKSTADT FRANCE S.N.C.	FRANCE
JDC EAST PTE, LTD.	SINGAPORE
JDC SOLUTIONS INC.	TENNESSEE
JINTEX LIMITED	JERSEY, CHANNEL ISLANDS
L&E AMERICAS SERVICIOS, S. A. DE C.V.	MEXICO
MARKSTAR INTERNATIONAL LIMITED	HONG KONG
MODERN MARK INTERNATIONAL LIMITED	HONG KONG
NINGBO AVERY DENNISON SHENZHOU EMBELLISHMENT CO. LTD.	CHINA
PAXAR BANGLADESH LIMITED	BANGLADESH
PAXAR B.V.	NETHERLANDS
PAXAR CANADA CORPORATION	CANADA
PAXAR CORPORATION	NEW YORK
PAXAR DE EL SALVADOR S. A. DE C. V.	EL SALVADOR
PAXAR DE GUATEMALA, S. A.	GUATEMALA
PAXAR DE MEXICO S. A. DE C. V.	MEXICO
PAXAR DO BRASIL LTDA	BRAZIL
PAXAR FAR EAST LIMITED	HONG KONG
PAXAR MAROC SARL	MOROCCO
PAXAR PACKAGING (GUANGZHOU) LTD.	CHINA
PAXAR PAKISTAN (PRIVATE) LIMITED	PAKISTAN
PAXAR (CHINA) LTD.	HONG KONG
PINNACLE BUSINESS PRODUCTS, LLC	DELAWARE
PLYMOUTH YONGLE TAPE (SHANGHAI) CO., LTD	CHINA
PT AVERY DENNISON INDONESIA	INDONESIA
PT AVERY DENNISON PACKAGING INDONESIA	INDONESIA
P. T. PACIFIC LABEL INDONESIA	INDONESIA
P. T. PAXAR INDONESIA	INDONESIA
RVL AMERICAS, S DE R.L. DE C.V.	MEXICO
RVL CENTRAL AMERICA, S. A.	GUATEMALA
RVL PACKAGING FAR EAST LIMITED	HONG KONG
RVL SERVICE, S. DE R. L. DE C. V.	MEXICO
SECURITY PRINTING DIVISION, INC.	DELAWARE
SKILLFIELD INVESTMENTS LIMITED	BRITISH VIRGIN ISLANDS
SMARTRAC INVESTMENT B.V.	NETHERLANDS
SMARTRAC SPECIALTY GMBH	GERMANY
SMARTRAC TECHNOLOGY FLETCHER, INC.	DELAWARE
SMARTRAC TECHNOLOGY GERMANY GMBH	GERMANY
SMARTRAC TECHNOLOGY GMBH	GERMANY
SMARTRAC TECHNOLOGY MALAYSIA SDN. BHD	MALAYSIA
SMARTRAC TECHNOLOGY (GUANGZHOU) CO., LTD	CHINA

SSH LABORATORIES INC.	TENNESSEE
TIGER EIGHT GROUP LIMITED	BRITISH VIRGIN ISLANDS
VESTCOM BROKEN ARROW, INC.	OKLAHOMA
VESTCOM MID-ATLANTIC, LLC	DELAWARE
VESTCOM NEW CENTURY, LLC	DELAWARE
VESTCOM PARENT HOLDINGS, INC.	DELAWARE
WORLDWIDE RISK INSURANCE, INC.	HAWAII
YONGLE TAPE LTD	BERMUDA

(1) Each subsidiary listed on this Exhibit 21 is a Consolidated Subsidiary

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-231039) and Form S-8 (Nos. 033-54411, 033-58921, 033-63979, 333-38707, 333-38709, 333-107370, 333-107371, 333-107372, 333-109814, 333-124495, 333-143897, 333-152508, 333-166832, 333-166836, 333-166837, 333-181221, 333-197631, 333-217534 and 333-226484) of Avery Dennison Corporation of our report dated February 23, 2022 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in the Annual Report to Shareholders for fiscal year ended January 1, 2022, which is incorporated by reference in this Annual Report on Form 10-K.

/s/ PricewaterhouseCoopers LLP

Los Angeles, California
February 23, 2022

Exhibit 31.1

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

CERTIFICATION

I, Mitchell R. Butier, certify that:

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

/s/ Mitchell R. Butier
Mitchell R. Butier
Chairman, President and
Chief Executive Officer

February 23, 2022

Exhibit 31.2

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

CERTIFICATION

I, Gregory S. Lovins, certify that:

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

/s/ Gregory S. Lovins
Gregory S. Lovins
Senior Vice President and
Chief Financial Officer

February 23, 2022

Exhibit 32.1

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

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

(i) the Annual Report on Form 10-K of the Company for the fiscal year ended January 1, 2022 (the “Report”) fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

February 23, 2022

/s/ Mitchell R. Butier
Mitchell R. Butier
Chairman, President and
Chief Executive Officer

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

Exhibit 32.2

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

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

(i) the Annual Report on Form 10-K of the Company for the fiscal year ended January 1, 2022 (the “Report”) fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

February 23, 2022

/s/ Gregory S. Lovins
Gregory S. Lovins
Senior Vice President and
Chief Financial Officer

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