

# **CCL Industries Inc.**

**105 Gordon Baker Road, Suite 500**

**Toronto, Ontario**

**M2H 3P8**

**2014**

**Annual Information Form**

**February 26, 2015**

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## **CCL Industries Inc.**

This Annual Information Form ("AIF") contains forward-looking information and forward-looking statements as defined under applicable securities laws (hereinafter collectively referred to as "forward-looking statements") that involve a number of risks and uncertainties. Forward-looking statements include all statements that are predictive in nature or depend on future events or conditions. Forward-looking statements are typically identified by, but not limited to, the words "believes," "expects," "anticipates," "estimates," "intends," "plans" or similar expressions. Statements regarding the operations, business, financial condition, priorities, ongoing objectives, strategies and outlook of the Company, other than statements of historical fact, are forward-looking statements. Specifically, this AIF contains forward-looking statements regarding the anticipated growth in sales, income and profitability of the Company's segments; the Company's improvement in market share; the Company's capital spending levels and planned capital expenditures in 2015; the adequacy of the Company's financial liquidity; the Company's targeted return on equity, earnings per share, EBITDA growth rates and dividend payout; the Company's effective tax rate; the Company's ongoing business strategy; and the Company's expectations regarding general business and economic conditions.

Forward-looking statements are not guarantees of future performance. They involve known and unknown risks and uncertainties relating to future events and conditions including, but not limited to, the uncertainty of the recovery from the global financial crisis and its impact on the world economy and capital markets; the impact of competition; consumer confidence and spending preferences; general economic and geopolitical conditions; currency exchange rates; interest rates and credit availability; technological change; changes in government regulations; risks associated with operating and product hazards; and CCL's ability to attract and retain qualified employees. Do not unduly rely on forward-looking statements as the Company's actual results could differ materially from those anticipated in these forward-looking statements. Forward-looking statements are also based on a number of assumptions, which may prove to be incorrect, including, but not limited to, assumptions about the following: global economic recovery and higher consumer spending; improved customer demand for the Company's products; continued historical growth trends, market growth in specific segments and entering into new segments; the Company's ability to provide a wide range of products to multinational customers on a global basis; the benefits of the Company's focused strategies and operational approach; the Company's ability to implement its acquisition strategy and successfully integrate acquired businesses; the achievement of the Company's plans for improved efficiency and lower costs, including the ability to pass on aluminum cost increases to its customers; the availability of cash and credit; fluctuations of currency exchange rates; the Company's continued relations with its customers; and general business and economic conditions. Should one or more risks materialize or should any assumptions prove incorrect, then actual results could vary materially from those expressed or implied in the forward-looking statements. Further details on key risks can be found throughout this report, particularly under Item 5: "Risk Factors."

Except as otherwise indicated, forward-looking statements do not take into account the effect that transactions or non-recurring or other special items announced or occurring after the statements are made may have on the business. Such statements do not, unless otherwise specified by the Company, reflect the impact of dispositions, sales of assets, monetizations, mergers, acquisitions, other business combinations or transactions, asset write-downs or other charges announced or occurring after forward-looking statements are made. The financial impact of these transactions and non-recurring and other special items can be complex and depends on the facts particular to each of them and therefore cannot be described in a meaningful way in advance of knowing specific facts.

The forward-looking statements are provided as of the date of this AIF and the Company does not assume any obligation to update or revise the forward-looking statements to reflect new events or circumstances, except as required by law.

Unless otherwise stated, all amounts stated in this document are given in Canadian dollars and, unless otherwise stated, the information contained herein is current as of February 26, 2015.

Unless the context otherwise indicates, a reference to “CCL” or “the Company” means CCL Industries Inc., its subsidiary companies and equity accounted investments.

### **ITEM 3 – CORPORATE STRUCTURE**

CCL Industries Inc. commenced operations in 1951 as Connecticut Chemicals (Canada) Limited. In 1972, the business was acquired by Conn Chem Limited, then the controlling shareholder of Connecticut Chemicals (Canada) Limited. Conn Chem Limited had been incorporated under the laws of Ontario on April 15, 1957, and was continued under the Canada Business Corporations Act on December 16, 1977. On May 25, 1978, its name was changed to The Conn Chem Group Ltd. and on November 28, 1979, to CCL Industries Inc.

The registered and head office of CCL Industries Inc. is located at 105 Gordon Baker Road, Suite 500, Toronto, Ontario M2H 3P8. Listed below are the principal direct or indirect operating subsidiaries each of whose total assets or sales and operating revenues constitute more than 10% of the total consolidated assets or consolidated sales and operating revenues of the Company for the year ended December 31, 2014. The combined assets and sales of the other subsidiaries of CCL do not constitute more than 20% of the consolidated assets or the consolidated sales and operating revenues of the Company.

The Company manages three principal business segments, the Label Segment, Avery and the Container Segment.

In the United States, Mexico and Puerto Rico, the Label Segment primarily operates through the Company’s indirect wholly owned subsidiary CCL Label, Inc. (incorporated in Michigan), which in turn has the following principal direct, indirect and sister wholly owned subsidiaries (with state or country of incorporation):

- CCL Label (San German), Inc. – Delaware
- CCL Tube, Inc. – Delaware
- CCL Label (Chicago), Inc. – Illinois
- CCL Label (Baltimore), LLC – Maryland
- Etiquetas CCL S.A. de C.V. – Mexico
- CCL Design Mexico, S.A. de C.V. – Mexico
- CCL Label (St. Louis), Inc. – Missouri
- Sancoa International Company, L.P. – New Jersey
- TubeDec LLC – New Jersey
- CCL Label (Buffalo), Inc. – New York
- CCL Label/Portland, Inc. – Oregon
- CCL Tube (Wilkes-Barre), Inc. – Pennsylvania
- CCL Label de Puerto Rico, Inc. – Puerto Rico
- CCL Label/Sioux Falls, Inc. – South Dakota

In Europe, the Company carries on the Label business through its indirect wholly owned subsidiaries in various jurisdictions. The principal indirect operating subsidiaries are:

CCL Label GmbH – Austria  
CCL Label A/S – Denmark  
CCL Label S.A.S. – France  
CCL Package Label S.N.C. – France  
CCL Design GmbH – Germany  
CCL Label Meerane GmbH – Germany  
CCL Label GmbH – Germany  
CCL Design Munchen GmbH – Germany  
Advanced Performance Films GmbH – Germany  
Druckerei Nilles GmbH – Germany  
CCL Label S.r.l. – Italy  
CCL Design Italia S.r.l. – Italy  
CCL Label Oss B.V. – The Netherlands  
CCL Label Sp z o.o. – Poland  
CCL Label AG – Switzerland  
DEKOPAK Ambalaj San. Ve Tic. A.Ş. – Turkey  
CCL Label Limited – United Kingdom  
CCL Label (Ashford) Limited – United Kingdom

In Australia, the Company carries on the Label business through its indirect wholly owned subsidiaries Clear Image Labels Pty. Ltd. and CCL Label (Vic) Pty. Ltd.

In Brazil, the Company carries on the Label business through its indirect wholly owned subsidiary CCL Label do Brasil S/A.

In China, the Company carries on the Label business through its indirect wholly owned subsidiaries CCL Label (Guangzhou) Co., Ltd.; CCL Label (Hefei) Co., Ltd. and CCL Label (Tianjin) Co., Ltd.

In Russia, the Company carries on the Label business through OOO CCL-Kontur, its 50% owned equity investment.

In United Arab Emirates, Egypt, Oman, Pakistan and Saudi Arabia, the Company carries on the Label business through Pacman-CCL, its 50% owned equity investment.

In Chile, the Company carries on the Label business through Acrus-CCL Labels S.A., its 62% owned equity investment.

In Thailand and Vietnam, the Company carries on the Label business through its indirect wholly owned subsidiaries CCL Label (Thai) Ltd. and CCL Label Vietnam Company Limited, respectively. Also in Thailand, the Company carries on the Label and Tube businesses through CCL Taisei Corporation, its 50% owned equity investment.

In South Africa, the Company carries on the Label business through its indirect wholly owned subsidiary CCL Label South Africa (Pty) Ltd.

In the Philippines, the Company carries on the Label business through its indirect wholly owned subsidiary CCL Label Industries Philippines Inc.

In Japan, the Company carries on the Label business through its indirect wholly owned subsidiary Shi-Shi-Eru Japan Kabushiki Gaisha.

In Korea, the Company carries on the Label business through its indirect wholly owned subsidiary CCL Label Korea Co. Ltd.

Avery operates in the United States through CCL's indirect wholly owned subsidiary, Avery Products Corporation, a company incorporated under the laws of Delaware.

In Europe, the Company carries on the Avery business through its indirect wholly owned subsidiaries in various jurisdictions. The principal indirect operating subsidiaries are:

- Avery Zweckform Austria GmbH – Austria
- Avery France S.A.S. – France
- Avery Zweckform GmbH – Germany
- Avery TICO S.r.l. – Italy
- CCL Label Limited – United Kingdom
- Label Connections Limited – United Kingdom

In Latin America, the Company carries on the Avery business through its indirect wholly owned subsidiaries in various jurisdictions. The principal indirect operating subsidiaries are:

- CCL Label S.R.L. – Argentina
- Avery Products S de R.L. de C.V. – Mexico
- Productos Avery S.A. de C.V. – Mexico

In Australia and New Zealand, the Company carries on the Avery business through its indirect wholly owned subsidiaries Avery Office Products Pty. Limited and Avery Office Products (NZ) Limited.

The Container Segment operates in the United States through CCL's indirect wholly owned subsidiary, CCL Container (Hermitage), Inc., a company incorporated under the laws of Delaware. Also in the United States, the Container Segment carries on its business through Rheinfelden Americas, LLC, its 50% owned equity investment. The Container Segment operates in Mexico through CCL's indirect wholly owned subsidiary CCL Container, S.A. de C.V.

#### **ITEM 4 – GENERAL DEVELOPMENT OF THE BUSINESS**

CCL commenced operations in Canada in 1951 as a custom manufacturer, which provided manufacturing and other value-added outsourcing services to national and

international consumer products companies. Commencing in the 1980s, CCL diversified into specialty packaging, servicing the same customer base as its custom manufacturing business. Beginning in 2000, CCL restructured and reduced its investment in the Custom Manufacturing Division, culminating in the sale of the North America Custom Manufacturing business in May 2005 and the ColepCCL joint venture in November 2007.

In the early 1980s, CCL commenced its international expansion and diversification into the United States and, later in the decade, into the United Kingdom. This international expansion and diversification has continued in its operating segments. In each of its businesses, the Company strives to satisfy the needs of its multinational, regional and end user consumer customers in the non-durable and durable consumer products market. By providing a wide range of label products to these customers on a global basis, CCL believes that it is or can become a leader in each of its businesses and, consequently, the Company believes that it will be able to enjoy sustainable sales and income growth.

In addition, the Company has divested non-core and underperforming businesses to allow each Segment to focus on its customers and growth opportunities. CCL has now transformed itself into the world leader in the development of label solutions for global producers of consumer brands in the home and personal care, healthcare, durable goods, and specialty food and beverage sectors and a specialty supplier of aluminum containers for the same customers in North America. In addition Avery is the world's largest supplier of labels, specialty converted media and software solutions to enable short run digital printing in businesses and homes alongside complementary office products.

## **LABEL SEGMENT**

The Label Segment is the leading global producer of innovative label solutions for consumer product marketing companies in the personal and beauty care, food and beverage, household, chemical and promotional segments of the industry, and also supplies major pharmaceutical, healthcare, durable goods and industrial chemical companies. The Segment's product lines include pressure sensitive, shrink sleeve, stretch sleeve, in-mould, precision printed and die cut metal components, expanded content labels and pharmaceutical instructional leaflets.

CCL Label now operates 87 plants globally, which includes 25 label manufacturing plants in the United States (three in California, Connecticut, Illinois, Indiana, Kentucky, Maryland, Missouri, four in New Jersey, New York, two in North Carolina, three in Ohio, Oregon, Pennsylvania, South Carolina, two in South Dakota and one in Tennessee), and two in Puerto Rico. The Label Segment also operates two plants in Canada (one in Ontario and one in Québec).

In Europe, the Label Division now operates three plants in Austria, two in Denmark, five in France, seven in Germany, one in Italy, one in the Netherlands, one in Poland, four in Russia, one in Switzerland, one in Turkey and six in the United Kingdom.

In Latin America, the Label Division operates six plants, two in Mexico, three in Brazil and one in Chile.

In Asia, the Label Division has three plants in China, four in Thailand, one in Vietnam, one in Japan, one in the Philippines and one in Korea. In Australia, the Label Division operates four plants.

In the Middle East, the Label Division operates a plant in each of United Arab Emirates, Egypt, Oman, Pakistan and Saudi Arabia.

The current position of the Label Segment was developed organically and through acquisitions over the last few years. Below is a description of the transactions completed over the last three years:

In July 2012, Graphitype, a division of a privately owned label company located near Sydney, Australia, was purchased for approximately \$7 million. Graphitype produces labels and patient instructional leaflets for leading pharmaceutical customers in Australia.

In April 2013, INT Autotechnik GmbH (“INT”), a privately owned company based in Munich, Germany, was acquired for approximately \$14 million in a combination of cash and assumed debt. INT is a leading supplier to German automotive original equipment manufacturers.

On July 1, 2013, the Designed & Engineered Solutions (“DES”) business was acquired from Avery Dennison Corporation. This acquisition was completed in conjunction with the Office & Consumer Products (“OCP” or “Avery”) business for US\$487 million. The DES business is focused on developing and manufacturing high-performance pressure sensitive materials, films and adhesive product solutions for a broad range of applications in consumer packaging, electronics, retail display, automotive and appliance and specialty industrial markets.

In October 2013, Advanced Packaging Films, a privately owned company based in Schkopau, Germany, was acquired for approximately \$9 million in a combination of cash and assumed debt. This new business trades as Advanced Performance Films and forms an integral part of the CCL Label global Food & Beverage business.

In February 2014, Sancoa and TubeDec (“Sancoa”), privately owned companies with a common controlling shareholder based in New Jersey, USA, for approximately \$73 million. Sancoa produces labels and tubes and forms a vital part of CCL Label’s North American Home & Personal Care business.

In February 2014, DekoPak Ambalaj SAN. Ve Tic. A.S. (“Dekopak”), a privately owned company based in Istanbul, Turkey, for approximately \$5 million, plus contingent consideration payable in 2017 subject to incremental EBITDA improvement. Dekopak is a leading producer of shrink sleeve labels for global and domestic customers in Turkey.

In August 2014, Bandfix AG (“Bandfix”), a privately owned company based in Zurich, Switzerland, for approximately \$18 million. Bandfix produces Specialty labels for European customers and will be an important addition to the CCL’s Healthcare and Specialty business.

In December 2014, Druckerei Nilles GmbH and its subsidiaries (“Nilles”), privately owned companies based in Trittenheim, Germany for approximately \$16 million. The Nilles wine label business will be added to CCL’s growing Food & Beverage operations and the Nilles e-commerce platform will become a new business unit of Avery Europe.

The Label Segment has generally experienced strong demand in its existing and newly acquired operations in the past few years. The Segment increased sales, excluding the impact of currency translation, in all four quarters of 2014, driven by organic growth and augmented by the aforementioned acquisitions. Excluding the impact from foreign exchange, operating income improved by 18.1% for 2014 compared to 2013.

CCL in the coming year will continue to execute its global growth strategy for its Label Segment pursuing expansion plans in new and existing markets with its core customers where the opportunity meets the Company’s long-term profitability objectives. The Company is confident this strategy will continue to generate strong cash flows that will support additional investment opportunities and allow CCL to further expand its geographic and market segment reach.

## **AVERY**

Avery represents the results of the acquired OCP business subsequent to the July 1, 2013, acquisition from Avery Dennison Corporation. This business was purchased in conjunction with the DES business for US\$486.7 million. Avery is the world’s largest supplier of labels, specialty converted media and software solutions to enable short run digital printing in businesses and homes alongside complementary office products sold through global and regional distributors and mass market retailers. The products are split into two primary lines, Printable Media and Binders, Organization & Presentation, Writing Instruments (“BOPWI”), all of which are sold under the market leading “Avery” brand and, with equal prominence in German speaking countries, the “Zweckform” brand name that is better known by consumers in this part of Europe.

Avery now operates nine manufacturing and four distribution facilities globally. The North American operations are supported by three manufacturing facilities: one in the United States (Mississippi), one in Canada (Ontario) and the largest in Mexico (Tijuana), which also supplies products locally.

In Europe, Avery operations are supported by one facility in Germany, one in Italy, and two in the United Kingdom.

In Australia, Avery operates one plant.

In Latin America, Avery operations are supported by a manufacturing facility in Argentina, and distribution centre in Mexico.

Subsequent to CCL's acquisition on July 1, 2013, Avery implemented a comprehensive restructuring plan to right size operations and the management organization that was not completed until the end of 2014. Restructuring and other charges totalled \$32.7 million in 2013 and \$1.6 million in 2014. Operating income for 2014 increased 170.5% to \$109.3 million compared \$40.4 million for the six months of 2013.

Although Avery remains the clear market leader in its industry, over the last decade it has experienced secular declines in its core address label and related product lines as internet-based digital communication and storage mediums have grown rapidly. It is CCL's expectation that at some point growth in new printable media products and new markets for existing products will exceed the decline in mailing volume and re-establish a growth rate for the Segment. CCL also expects new revenue streams to open up as digital printing expands around the world.

## **CONTAINER SEGMENT**

The Container Segment is a leading manufacturer of aluminum specialty containers for the consumer products industry in North America, including Mexico. The key product line is recyclable aluminum aerosol cans for the personal care, home care and cosmetic industries, plus shaped aluminum bottles for the beverage market.

The Container Segment operates one plant in Ontario, one plant in Pennsylvania and two plants in Mexico. Historically, the Container aluminum aerosol and bottle business has shown growth with new product introductions creating new market categories. In this regard, the Container business purchased eight new production lines between 2003 and 2011 to satisfy these requirements. Over this time period, key customers have migrated entirely to the United States and Mexico. Consequently, the Canadian operation exported its entire output into the United States; distance from these key customers and continued operating losses since the 2009 economic crisis motivated the decision to permanently close the plant in Ontario by mid to end of 2016, with its operations being redistributed to the other Container plants in the United States and Mexico.

In December of 2014 CCL announced the strategic investment in Rheinfelden Americas, LLC, a new manufacturer of aluminum slugs for aerosol cans in North America. This new facility in Clinton, North Carolina, will be a jointly owned operation of CCL Container and Rheinfelden Semis GmbH, a leading European producer of Aluminum slugs based in Germany. This new venture will create a second source of

Aluminum slugs for CCL Container and others in the market. The partners will initially invest \$18.0 million, comprised of \$4.5 million in equity and the balance in debt to create the plant and build up capacity to a planned 25,000 tons annually by 2018.

Aluminum represents a significant variable cost for this Segment. Aluminum is a traded commodity; therefore, the Segment offers two pricing schemes. For the majority of customers, a variable pricing mechanism that adjusts for the quoted price of aluminum and to a lesser extent fixed pricing that matches aluminum futures contracts to fixed-price customer contracts.

For 2014, the Container Segment posted sales of \$200.9 million, an increase of 5.9% compared to \$189.7 million in 2013. Foreign currency translation had a 4.0% positive impact on sales for 2014 compared to 2013. The Container Segment for 2014 posted operating income of \$17.9 million, an increase of 8.5% compared to \$16.5 million for 2013. The drivers of the operating income improvement were strong operational performances in North America, including the Canadian operation that benefited from cost reduction initiatives pursuant to the restructuring plan that was announced in the fourth quarter of 2013.

During the fourth quarter of 2013, the Container Segment recorded an \$11.0 million restructuring charge for severance and asset write-downs to close the Canadian operations. The Company had budgeted a further \$4.0 million of move costs to be recorded of which \$0.5 million was incurred in 2014. Subsequent to the closure of the Canadian facility and redistribution of the business to the remaining plants, which is slated for completion by mid-2016, management expects annualized operating improvements totalling \$10.0 million.

## **CORPORATE DEVELOPMENT**

The selection criteria for acquisition targets are based on an expectation that they will serve CCL's existing customer base as well as introduce new customers, expand product lines, be purchased at reasonable valuations and be accretive to earnings in the first year of ownership.

CCL is anticipating that it will continue to benefit from its acquisitions and capital expenditures of the past few years as the global economy recovers and consumer spending returns to historical levels. It is expected that 2015 capital spending will be in line with depreciation. The Company believes that cash on hand, combined with its available revolving credit facility and ability to generate future cash flow, along with the flexibility to manage capital spending will provide the financial liquidity needed to meet its liabilities when they come due and complete further strategic acquisitions.

The Company's debt structure at December 31, 2014, was comprised of three private debt placements completed in 1998, 2006 and 2008 for a total of US\$239.0 million (C\$277.3 million) and a bank syndicated US\$322.4 million (C\$374.0 million) non-revolving credit and \$300.0 million revolving facility. In addition to the scheduled

US\$10.0 million quarterly repayments, an extra US\$2.0 million was repaid against the non-revolving facility in 2014. During 2014, the Company fully repaid all drawdowns, other than contingent letters of credit totalling \$3.6 million; consequently there was \$296.4 million of unused availability at December 31, 2014.

CCL will continue to be subject to exchange rate translation impact, favourable or unfavourable, in all of its foreign operations, including those jurisdictions such as Brazil, Europe, Mexico and the United States where currency exchange rates to the Canadian dollar have historically been volatile. At exchange rates prevailing in January 2015, the foreign currency translation impact will provide an uplift to annual earnings; however, strengthening of the Canadian dollar relative to the average exchange rates of 2014 in the currencies of CCL's foreign operations could have a negative impact on 2015 earnings on a comparative basis with 2014. See also "Potential Risks Relating to Significant Operations in Foreign Countries" in Item 5: "Risk Factors" of this AIF.

## **STRATEGY**

CCL's goal is to improve its competitive position in each division with a view to long-term profitable growth. The strategy is focused on specialty packaging and adjacent label businesses in which CCL (1) is or believes it can become the largest competitor in the market, (2) produces value-added products and uses technologies and know-how with strong barriers to entry, (3) is or can be the best value-added producer, (4) provides product lines and services that have growth potential (5) sees potential in its businesses to take advantage of the trend toward globalization by a multinational customer base and (6) leverages existing label applications and technology to deliver product innovation that aligns with consumer printable media trends.

The Company is continually reviewing its businesses and may, if appropriate, divest non-core or unprofitable operations in order to improve its overall profitability, return on equity, and its financial leverage. Management believes that this approach allows the Company to be better positioned to operate effectively during economic downturns, and to have the financial flexibility to make acquisitions and to invest in capital spending that support its business strategy. Restructuring costs were incurred over the last several years to reorganize certain business units, to provide for losses on dispositions and to provide for the write-down of assets of business units that were deemed to be non-core and underperforming. In 2013, subsequent to the acquisition of the Avery and DES businesses from Avery Dennison Corporation, CCL implemented a \$27.9 million restructuring plan to right size the operations globally and ensure continued profitability. The final elements of this restructuring plan were recorded in 2014 totalling \$1.6 million. In the fourth quarter of 2013, CCL implemented an \$11.0 million restructuring plan for its Container Segment, announcing the closure and reallocation of the Canadian operation to the plants in Mexico and the U.S. Lastly, due to the unstable economic environment experienced during the second half of 2014, and to prepare for 2015, the Company recorded restructuring charges of \$7.5 million to close or merge some less profitable facilities within the Label segment.

All acquisitions in recent years added further international elements to the Label Segment, expanded it on a global basis, or enhanced its relationships with its traditional North American and European global customers. The newly acquired Avery Segment, an adjacency to the Company's existing Label Segment, is the world's largest supplier of labels, specialty converted media and software solutions to enable short run digital printing in businesses and homes.

## **ITEM 5 – DESCRIPTION OF THE BUSINESS**

### **OVERVIEW**

CCL Industries employs approximately 10,200 people and operates 101 production facilities in 29 countries on five continents with corporate offices in Toronto, Canada, and Framingham, Massachusetts. CCL Label is the world's largest converter of pressure sensitive and extruded film materials for a wide range of decorative, instructional and functional applications for large global customers in the consumer packaging, healthcare, automotive and consumer durables markets. Extruded plastic tubes, folded instructional leaflets, precision printed & die cut metal components with LED displays and other complementary products and services are sold in parallel to specific end use markets. Avery is the world's largest supplier of labels, specialty converted media and software solutions to enable short run digital printing in businesses and homes alongside complementary office products sold through distributors and mass market retailers. CCL Container is a leading producer of impact extruded aluminum aerosol cans and bottles for consumer packaged goods customers in the United States, Canada and Mexico.

**Sales By Business Segment:**  
(millions of dollars)

	<b>Years ended December 31</b>			
	<b>2014</b>		<b>2013</b>	
	<b><u>Sales</u></b>	<b><u>% of Total Sales</u></b>	<b><u>Sales</u></b>	<b><u>% of Total Sales</u></b>
Label*	\$1,718.3	66.4%	\$1,344.2	71.2%
Avery	666.4	25.8%	355.5	18.8%
Container	200.9	7.8%	189.7	10.0%
<b>Total</b>	<b>\$2,585.6</b>	<b>100.0%</b>	<b>\$1,889.4</b>	<b>100.0%</b>

\*Excludes sales at the Company's equity accounted investments in Thailand (CCL Taisei), Chile (Acrus-CCL), Russia (CCL-Kontur) and the Middle East (Pacman-CCL)

**Net Sales By Geographic Segment:**  
(millions of dollars)

	Years ended December 31			
	2014		2013	
	<u>Sales</u>	<u>Net Sales</u>	<u>Sales</u>	<u>% of Total Sales</u>
Canada*	\$ 175.0	\$ 6.8%	\$ 138.1	7.3%
United States and Puerto Rico	1,266.1	49.0%	846.3	44.8%
Latin America	194.0	7.5%	174.1	9.2%
Europe	727.2	28.1%	549.6	29.1%
Asia, South Africa and Australia	223.3	8.6%	181.3	9.6%
Total	<u>\$ 2,585.6</u>	<u>\$ 100.0%</u>	<u>\$ 1,889.4</u>	<u>100.0%</u>

\*Approximately 33% of sales recorded in Canada relate to the Container Segment which sells almost all of its production to the United States in U.S. dollars.

Historically, the seasonality of the Label and Container Segments had evolved such that the first and second quarters were generally the strongest due to the number of work days and various customer-related activities. Also, there are many products that have a spring-summer bias in North America and Europe such as agricultural chemicals and certain beverage products, which generate additional sales volumes for CCL in the first half of the year. However, with the addition of the Avery Segment, the third quarter will be the strongest for CCL sales as this Segment will benefit from the “back-to-school” surge in North America. The final quarter of the year is negatively affected from a sales perspective in the Northern Hemisphere by Thanksgiving and the Christmas and New Year holiday season shutdowns globally.

**LABEL SEGMENT**

***Principal Products***

The Label Segment, operating under the name of CCL Label, specializes in the printing of decorative and informational labels for a variety of non-durable and durable consumer products for personal care, healthcare, food, beverage, home care, battery, automotive, white goods and numerous other industries. This Segment produces a wide variety of products such as pressure sensitive labels, instructional leaflets, shrink and stretch sleeves, expanded content labels (a label that unfolds to display information), battery, in-mould labels, promotional pieces including games and coupons, pressure sensitive die cut films and aluminum labels for automotive, white goods and consumer durable industries.

## ***Markets and Competition***

Most markets for labels around the world are very fragmented and the Company believes that the largest supplier is CCL Label, but with many smaller competitors. The Company believes that while the Segment is the largest participant in the industry at both a global and regional level, the market is very large and highly fragmented with market share only being meaningful in the customer segments in which it operates.

The Company believes that it is competitive for several reasons. It is focused on specific segments of the prime label market that require more sophisticated technology. It has the ability to purchase its major raw materials (primarily pressure sensitive laminates and extruded films) at favourable prices due to bulk purchases under supply agreements. It has a focused decentralized and entrepreneurial operating style.

The Label Segment delivers its products following its customers' directions with itemized freight cost billed separately or at an all-inclusive price depending on the country. Shipments are primarily by road and, on occasion, by air or sea freight.

## ***Employees***

CCL Label had approximately 7,500 employees as of December 31, 2014, including the employees at its equity accounted investments.

## **EVERY SEGMENT**

### ***Principal Products***

The products are split into two primary lines, (1) Printable Media including address labels, shipping labels, marketing and product identification labels, indexes and dividers, business cards, name badges and specialty media labels supported by customized software solutions, and (2) BOPWI including binders, sheet protectors and writing instruments. All products are sold under the market leading "Avery" brand and, with equal prominence in German speaking countries, the "Zweckform" brand name that is better known by consumers in this part of Europe.

## ***Markets and Competition***

Sales in the Avery Segment are principally generated in North America, Europe and Australia with a market leading position. There is a small developing presence in Latin America as well. Avery markets its products to consumers and small businesses through many channels that include the mass-market merchandisers, retail superstores, wholesalers, "e-tailers" and contract stationers. The business reaches consumers through marketing activities including Avery.com.

The majority of products in the Printable Media category are used by businesses and individual consumers consistently throughout a year; however, in the BOPWI category, North American consumers engage in the back-to-school surge during the third quarter.

Although Avery enjoys a market leading position, product obsolescence due to technological trends, the insurgence of private label products and customer consolidation in the office product retail industry has resulted in significant volume and price competition. In response, Avery has developed market leading brand awareness and loyalty, supported by the ongoing introduction of innovative products and strong customer service.

### ***Employees***

The Avery Segment had approximately 1,900 employees as of December 31, 2014.

## **CONTAINER SEGMENT**

### ***Principal Products***

The Container Segment, operating under the name CCL Container, manufactures high quality extruded aluminum aerosol containers for the personal care and homecare markets, bottles for beverage customers and a variety of other specialty products, such as piston activated aerosol cans, aluminum caulking cartridges and refrigeration cans.

### ***Markets and Competition***

Management believes that CCL Container is approximately the same size as its principal domestic competitor in the United States and has approximately a 50% market share as a supplier of extruded aluminum aerosol containers in North America, including Mexico. Competition comes from one other United States and two Mexican based manufacturers of extruded aluminum aerosol containers, from imports and from aerosol containers manufactured from materials other than aluminum, particularly steel, and numerous indirect competitors in plastic and glass containers. Competition in the beverage market comes from many traditional container manufacturers, particularly aluminum and steel cans, and plastic and glass bottles.

The Container Segment delivers its products following its customers' directions primarily to the location where the product will be filled by its customers or by designated contract manufacturers. The customer pays for delivery, which is generally by truck, but can occasionally be by rail or air.

### ***Employees***

The Container Segment had approximately 800 employees as of December 31, 2014.

## **GENERAL**

### ***Suppliers***

The Company purchases a broad range of materials and components at market prices in connection with its manufacturing activities. Major purchased items include pressure sensitive label stock and extruded films, and inks for the production of labels; aluminum slugs for the manufacture of extruded aluminum aerosol cans and bottles; plus tooling and printing plates across all business lines.

The Company is not dependent on any single source of supply in its Label or Avery Segments. The materials required for its manufacturing operations have been readily available and the Company does not foresee any significant shortages in the future. Sufficient power for manufacturing operations is available from local utilities or power companies in most jurisdictions.

Prior to CCL Container's December 2014 announced strategic investment in Rheinfelden Americas, LLC, over 90% of the aluminum slugs used in the aluminum aerosol industry in North America came from a single supplier. The cost of slugs for aluminum aerosol cans varies with the cost of aluminum, a traded commodity that has historically been subject to periodic dramatic fluctuations. The Company partially hedges this cost and matches it to specific customer contracts. This is achieved by entering into forward contracts with its suppliers and by purchasing futures contracts for aluminum ingot on the London Metals Exchange for up to two years in the future. As of December 31, 2014, all of the Company's aluminum futures contracts were tied to specific customer contracts for future periods.

### ***Patents and Trademarks***

In the conduct of the operation of its businesses, including the new Avery Segment, the Company generally benefits from various patents, licences and proprietary technologies that, although collectively important in the day-to-day operations of such businesses, are not individually material to the prospects or profitability of the Company as a whole. The principle, acquired trademarks applicable to the Avery Segment are: Easy Peel, TrueBlock, Direct Print, Index Maker, Ready Index, Easy Apply and Clean Edge.

Most of the Company's manufacturing equipment is purchased off-the-shelf and is available to its competitors. However, some of the manufacturing equipment has become increasingly sophisticated and expensive, which may limit the ability of smaller competitors in the market to maintain their positions. However, management believes that it is the Company's manufacturing know-how, structured operating systems and trained employees that establish a meaningful barrier-to-entry for its businesses.

Over the many years that the Company has operated its businesses, it has developed an employee talent pool that has a significant specialized skill and knowledge base. Since the machinery in use for all the businesses is generally off-the-shelf, the

Company's key asset is employee know-how from a trade skill (press operators, graphic designers, industrial engineers, etc.), technical (for example chemical or software engineers) or business process perspective. Most of the Company's value-added techniques to produce products are not patented but reside in the skill set of the employee base.

### ***Research and Product Development***

The Company, through its divisions, works with its customers in developing new products to meet market needs. The approach to new products is primarily from active product development as opposed to pure scientific research. The Label Segment develops innovative label products for home and personal care, food and beverage, and healthcare customers; specialty and promotional products; and automotive, white goods and other consumer durables. These include clear labels, game pieces, expanded content labels and precision printed and die cut metal components with LED displays. The Avery Segment has a strong commitment to understanding its ultimate end users, actively seeking product feedback and using consumer focus groups to drive product development initiatives. Furthermore, Avery leverages the Label Segment's applications and technology to deliver product innovation that aligns with consumer printable media trends. These include business builder labels, repositionable address labels, print-to-the-edge wrap around labels, T-shirt transfer labels and the Avery Wizard Software. In the Container Segment, aluminum bottles for beverage products, and new shapes and styles for aluminum aerosol cans and bottles have been developed for its existing and new customers.

### ***Environmental Matters***

Estimated capital expenditures for environmental control projects for 2015 will not be material and the Company believes compliance with existing environmental protection laws and continuation of ongoing remediation efforts will have no material effect on earnings or on the competitive position of the Company. Liabilities are recorded when site restoration and environmental remediation obligations are either known or considered probable and can be reasonably estimated. The Company is unable to predict what changes may be made to environmental laws in the future in the countries in which it operates. However, it anticipates that such laws will continue to become more stringent. See also "Environmental, Health and Safety Requirements and Other Considerations" in Item 5: "Risk Factors" of this AIF.

The Company has a number of specialists to monitor and implement its environmental policy. The Board of Directors, through its Environment and Health & Safety Committee, receives regular reports on environmental issues and monitors compliance with established policies.

The Company has adopted an environmental policy statement that emphasizes the Company's commitment to best practices in waste handling, regulatory compliance, self-auditing and waste reduction. In addition, the policy provides for careful assessment

of properties both prior to acquisition and prior to disposal. Furthermore, it promotes environmental awareness in the Company's host communities.

### ***Social Policies***

The Company has deployed many initiatives to reduce the carbon footprint of its products and services. These range from collaborative logistic partnerships with the Company's customers and suppliers to reduce the usage of wooden pallets and corrugated boxes. CCL continues to develop unique products that help its customers reduce their carbon footprint such as CCL's Super Stretch Sleeves that decorate PET beverage containers without adhesive or energy and CCL's "wash off" labels for reusable bottles, which lowers the impact of glass going to landfill. The Company's greenfield sites are designed and constructed to specific standards to reduce CCL's carbon footprint and some plants have adopted the use of solar power to run their facilities.

The Company has developed a company-wide Global Business Ethics Guide (the "Guide"), approved by the Board of Directors, that is distributed to each employee. The Guide requires the employees to conduct themselves ethically in their business and workplace relationships, and to respect other employees, the environment and the communities in which CCL operates. All new employees, in the course of their induction, receive and review the Guide. As part of the Company's annual internal control certification process, the general manager and controller of each facility is required to confirm in writing that the Guide has been distributed to and reviewed by all existing employees. Further, the Company has established an anonymous employee hotline, accessed by telephone or over the Internet and monitored by a third-party service, to allow all employees to report issues related to potential infractions of the Guide. Any alleged infractions are reported to the executive management, investigated and, if there is substance to the allegations, reported to the Board of Directors. Management provides a quarterly report to the Human Resources Committee detailing any hotline reports and the action taken.

### ***Customers***

Each of the operating Segments of the Company deals with a diverse customer base. While a small number of the manufacturing facilities are dependent upon one or a few customers for a significant portion of their business, no operating Segment is dependent upon any single customer or upon a few customers. With the addition of the Avery Segment in 2013, the Company customer base has further diversified into office products, commercial contract stationers, mass merchandisers, retail superstores, wholesalers, resellers, mail order and e-tailers. For 2014, the Company's two largest customers accounted for about 15% of consolidated sales. See also "Dependence on Customers" in Item 5: "Risk Factors" of this AIF.

## ***Employees***

The Company has direct control over a total of approximately 10,200 employees and has four labour union contracts in the United States and Canada (covering approximately 507 employees) as at December 31, 2014. The labour contract in Canada, covering approximately 120 employees, expires in 2016. The labour contracts in the U.S, covering 89 employees, 60 employees and 238 employees expire in 2015, 2015 and 2020, respectively. A number of international locations have unionized facilities covered by local legislation. The Company has not experienced work stoppages at any of its locations in the last 10 years.

## ***Foreign Operations***

The Company currently conducts operations in Canada, the United States (including Puerto Rico), Argentina, Australia, Austria, Brazil, Chile, China, Denmark, Egypt, France, Germany, Italy, Japan, Korea, Mexico, the Netherlands, Oman, Pakistan, Poland, Philippines, Russia, Saudi Arabia, Switzerland, Thailand, Turkey, United Arab Emirates, United Kingdom and Vietnam. Operations primarily service customers located in their country.

International operations are necessarily subject to different economic risks and opportunities. The Company's production costs are affected by conditions prevailing in the various locations. The Company is also exposed to foreign currency exchange, which may positively or negatively affect the Company's consolidated financial reporting as a result of the translation of foreign financial results into Canadian dollars and the impact of cash flows, cash holdings and debt obligations in these foreign currencies. The Company believes that international diversification has reduced its overall economic business risk. See also "Potential Risks Relating to Significant Operations in Foreign Countries" in Item 5: "Risk Factors" of this AIF.

## ***Production and Services***

The Label and Container Segments primarily manufacture their products at their various plant facilities utilizing standard equipment generally available to the market. In unusual circumstances, they may outsource certain production to other suppliers. As part of providing their manufacturing capabilities to their customers, these Segments also provide ancillary services such as art work, tool and die manufacturing and product development for a fee. These fees are a small proportion of the Company's total revenue.

The Avery Segment manufactures the majority of its products at various strategically located facilities within the markets they supply, with equipment generally available to the market. Avery uses its manufacturing sites in conjunction with its distribution facilities to service an efficient supply chain for its customers and the consumer.

## ***New Products***

The Company has developed many new products in each of its businesses over the years. The approach to developing new products is primarily from active product development as opposed to pure scientific research. In general, product development by the Container Segment involves shaping of aerosol cans and beverage bottles. The Label Segment develops many new applications for labels, promotional products, shrink sleeves, expanded content labels and precision printed and die cut metal components. The Avery Segment has a strong commitment to understanding its ultimate end users, actively seeking product feedback and using consumer focus groups to drive product development initiatives. Furthermore, Avery leverages the Label Segment's applications and technology to deliver product innovation that aligns with consumer printable media trends. These new products include business builder labels, repositionable address labels, print-to-the-edge wrap around labels and T-shirt transfer labels.

## ***Properties***

As at February 26, 2015, the Company operated the following principal manufacturing facilities:

<b><u>Location</u></b>	<b><u>Owned or Leased</u></b>	<b><u>Major Products</u></b>
<b><u>Label</u></b>		
<b>Canada</b>		
Etobicoke, Ontario	Owned	Healthcare Labels
Saint-Bruno, Québec	Owned	Healthcare Labels
<b>United States</b>		
Los Angeles, California	Leased	Personal Care Tubes
Sonoma, California	Leased	Wine & Spirits Labels
Upland, California	Owned	Healthcare Labels
Shelton, Connecticut	Owned	Personal Care Labels
Chicago, Illinois	Leased	Healthcare Labels
Schererville, Indiana	Leased	Durable Labels
Cold Spring, Kentucky	Owned	Personal Care and Specialty Labels
Baltimore, Maryland	Leased	Healthcare Labels

<u>Location</u>	<u>Owned or Leased</u>	<u>Major Products</u>
St. Louis, Missouri	Owned	Healthcare Labels
Hightstown, New Jersey	Owned	Healthcare Labels
Lumberton, New Jersey	Owned	Personal Care Labels
Moorestown, New Jersey	Owned	Personal Care Tubes
Robbinsville, New Jersey	Owned	Personal Care Labels and Sleeves
Buffalo, New York	Owned	Specialty Labels
Charlotte, North Carolina	Leased	Personal Care Labels
Raleigh, North Carolina	Leased	Healthcare Labels
Brunswick, Ohio	Leased	Durable Labels
Hamilton, Ohio	Leased	Specialty Films
Strongsville, Ohio	Owned	Durable Labels
Portland, Oregon	Leased	Wine & Spirits Labels
Wilkes-Barre, Pennsylvania	Owned	Personal Care Tubes
Clinton, South Carolina	Owned	Battery and Durable Labels
Sioux Falls, South Dakota (2 Plants)	2 Owned	Personal Care, Healthcare, Wine & Spirits Labels and Sleeves
Collierville, Tennessee	Owned	Specialty Labels
<b>Mexico</b>		
Mexico City	Owned	Personal Care, Beverage, Wine & Spirits Labels and Sleeves
Guanajuato	Owned	Durable Labels

<b><u>Location</u></b>	<b><u>Owned or Leased</u></b>	<b><u>Major Products</u></b>
<b>Puerto Rico</b>		
Cidra	Leased	Healthcare and Personal Care Labels
San German	Leased	Healthcare Labels
<b>Brazil</b>		
Criciuma	Owned	Sleeves
Vinhedo (2 Plants)	2 Owned	Personal Care, Healthcare, Beverage and Specialty Labels
<b>Chile</b>		
Santiago	Owned	Wine & Spirits Labels
<b>Australia</b>		
Barossa Valley	Owned	Wine & Spirits Labels
Melbourne	Leased	Healthcare Labels
Sydney (2 Plants)	2 Leased	Healthcare and Wine & Spirits Labels
<b>Austria</b>		
Hohenems (2 Plants)	1 Owned/ 1 Leased	Sleeves
Voelkermarkt	Owned	Sleeves
<b>Denmark</b>		
Broendby	Leased	Healthcare Labels
Randers	Owned	Healthcare and Specialty Labels
<b>France</b>		
Chilly-Mazarin (2 Plants)	1 Owned/ 1 Leased	Healthcare and Specialty Labels
Lyon	Leased	Specialty Labels
Moussy le Neuf	Owned	Personal Care Labels
Périgueux	Owned	Sleeves, In-Mould Labels and Healthcare

<b><u>Location</u></b>	<b><u>Owned or Leased</u></b>	<b><u>Major Products</u></b>
<b>Germany</b>		
Holzkirchen	Owned Building/ Leased Land	Personal Care and Beverage Labels
Meerane	Owned	Beverage and Battery Labels
Munich	Leased	Durable Labels
Schkopau	Owned Building/ Leased Land	Specialty Films
Solingen (2 Plants)	1 Owned/ 1 Leased	Durable Labels
Trittenheim	Owned	Wine & Spirits Labels
<b>Italy</b>		
Milan	Owned	Healthcare and Specialty Labels
<b>The Netherlands</b>		
Oss	Owned	Healthcare and Specialty Labels
<b>Poland</b>		
Poznan	Owned	Personal Care Labels
<b>Russia</b>		
Moscow (2 plants)	1 Owned/ 1 Lease	Personal Care, Healthcare, Beverage, Wine & Spirits, Specialty Labels and Sleeve
Novosibirsk	Leased	Wine & Spirits Labels
St. Petersburg	Leased	Personal Care, Healthcare, Beverage, Wine & Spirits, Specialty Labels and Sleeve
<b>Switzerland</b>		
Zurich	Leased	Specialty and Personal Care Labels
<b>Turkey</b>		
Istanbul	Leased	Sleeves

<u>Location</u>	<u>Owned or Leased</u>	<u>Major Products</u>
<b>United Kingdom</b>		
Ashford, England (2 plants)	1 Owned/ 1 Leased	Healthcare and Specialty Labels
Castleford, England (2 Plants)	2 Owned	Personal Care, Wine & Spirits Labels and Sleeves
King's Lynn, England	Owned	Sleeves
East Kilbride, Scotland	Leased	Wine & Spirits and Specialty Labels
<b>China</b>		
Guangzhou	Owned Building/ Leased Land	Personal Care Labels
Hefei	Owned Building/ Leased Land	Personal Care and Beverage Labels
Tianjin	Owned Building/ Leased Land	Healthcare Labels
<b>Japan</b>		
Osaka	Leased	Personal Care Labels
<b>Korea</b>		
Seoul	Owned	Personal Care Labels
<b>Egypt</b>		
Cairo	Owned	Personal Care Labels
<b>Saudi Arabia</b>		
Jeddah	Owned	Personal Care Labels
<b>Oman</b>		
Muscat	Owned	Personal Care Labels
<b>Pakistan</b>		
Karachi	Leased	Personal Care Labels
<b>Philippines</b>		
Calamba	Owned Building/ Leased Land	Personal Care Labels

<b><u>Location</u></b>	<b><u>Owned or Leased</u></b>	<b><u>Major Products</u></b>
<b>Thailand</b> Bangkok (4 Plants)	4 Owned	Personal Care, Beverage, Specialty Labels and Personal Care Tubes
<b>Vietnam</b> Ho Chi Minh City	Owned Building/ Leased Land	Personal Care Labels
<b>United Arab Emirates</b> Dubai	Owned	Personal Care, Healthcare, Beverage, Specialty Labels and Sleeve
<b><u>Avery</u></b>		
<b>Canada</b> Whitby, Ontario	Leased	Printable Media and Binders
<b>United States</b> Meridian, Mississippi	Owned	Printable Media and Binders
<b>Mexico</b> Tijuana	Owned	Printable Media, Binders, Indexes and Writing Instruments
<b>Argentina</b> Buenos Aires	Owned	Printable Media
<b>Germany</b> Oberlindern	Owned Building	Printable Media and Formbooks
<b>Italy</b> Pomezia	Leased	Printable Media
<b>United Kingdom</b> Raunds, England	Leased	Printable Media
St. Neots, England	Leased	Printable Media

<u>Location</u>	<u>Owned or Leased</u>	<u>Major Products</u>
<b>Australia</b> Castle Hill	Owned	Printable Media and Files
<b><u>Container</u></b>		
<b>Canada</b> Penetanguishene, Ontario	Owned	Extruded Aluminum Aerosols, Bottles and Specialty Containers
<b>United States</b> Hermitage, Pennsylvania	Owned	Extruded Aluminum Aerosols and Bottles
Clinton, North Carolina	Owned	Aluminum Slugs
<b>Mexico</b> Guanajuato	Owned	Extruded Aluminum Aerosols and Bottles
Mexico City	Leased	Extruded Aluminum Aerosols and Specialty Containers

## **RISK FACTORS**

The Company is subject to the usual commercial risks and uncertainties from operating as a Canadian public company and as a supplier of goods and services to the non-durable consumer packaging and consumer durables industries on a global basis. A number of these potential risks and uncertainties that could have a material adverse effect on the business, financial condition and results of operations of the Company are as follows:

### **Uncertainty Resulting from a Sustained Global Economic Crisis**

The Company is dependent on the global economy and overall consumer confidence, disposable income and purchasing trends. A global economic downturn or period of economic uncertainty can erode consumer confidence and may materially reduce consumer spending. Any decline in consumer spending may negatively affect the demand for customers' products. This decline directly influences the demand for the Company's packaging components used in its customers' products, and may negatively affect the Company's consolidated earnings. The global economic conditions have affected interest rates and credit availability, which may have a negative impact on earnings due to higher interest costs or the inability to secure additional indebtedness to fund operations or refinance maturing obligations as they come due. In addition, the sustained global economic crisis may have an unpredictable adverse impact on the Company's suppliers of manufacturing equipment and raw materials, which in turn may

have a negative impact on the availability of manufacturing equipment and the cost of raw materials. Although the Company has a strong statement of financial position, diverse businesses and a broad geographic presence, it may not be able to manage a reduction in its earnings and cash flow that may arise from lower sales, increased cost of raw materials and decreased profits if the global economic environment deteriorates for an extended period.

#### Potential Risks Relating to Significant Operations in Foreign Countries

The Company operates plants in North America, Europe, Latin America, Asia, Australia and the Middle East. Sales to customers located outside of Canada in 2014 were over 95% of the Company's total sales, a level similar to that in 2013. Non-Canadian operating results are translated into Canadian dollars at the average exchange rate for the period covered. The Company has significant operating bases in both the United States and Europe. In 2014, 49.0% and 28.1% of total sales were to customers in United States and Europe, respectively. The Company's operating results and cash flows could be negatively impacted by slower or declining growth rates in these key markets. The sales from business units in Latin America, Asia, South Africa and Australia in 2014 were 16.1% of the Company's total sales. In addition, the Company has equity accounted investments in Chile, Russia, Thailand, the United States and the Middle East. There are risks associated with operating a decentralized organization in 101 facilities in countries around the world with a variety of different cultures and values. Operations outside of Canada, the United States and Europe are perceived generally to have greater political and economic risks and include CCL's operations in Latin America, Asia, Russia and the Middle East. These risks include, but are not limited to, fluctuations in currency exchange rates, inflation, unexpected changes in foreign law and regulations, government nationalization of certain industries, currency controls, potential adverse tax consequences and locally accepted business practices and standards that may not be similar to accepted business practices and standards in North America and Europe. Although the Company has controls and procedures intended to mitigate these risks, these risks cannot be entirely eliminated and may have a material adverse effect on the consolidated financial results of the Company.

#### Competitive Environment

The Company faces competition from other suppliers in all the markets in which it operates. There can be no assurance that the Company will be able to compete successfully against its current or future competitors or that such competition will not have a material adverse effect on the business, financial condition and results of operations of the Company. This competitive environment may preclude the Company from passing on higher material, labour and energy costs to its customers. Any significant increase in in-house manufacturing by customers of the Company could adversely affect the business, financial condition and results of operations of the Company. In addition, the Company's consolidated financial results may be negatively impacted by competitors developing new products or processes that are of superior quality, fit CCL's customers' needs better, or have lower costs; or by consolidation

within CCL's competitors or further pricing pressure on the industry by the large retail chains.

#### Sustainability of Profitability of the Container Segment

The Company's Container Segment operated at a substantial loss in 2009 and 2010; however, it posted a return to profitability in 2011 and its results have continued to improve since then. The main drivers of the previous losses were largely due to the higher sales mix of low-margin household products, the effect of the weaker U.S. dollar, and the negative impact of aluminum hedges and lower volumes. If the Segment is not able to sustain increased prices to maintain and improve its margins, pass cost increases on to its customers, improve operations, and maintain and grow sales volumes to utilize production capacity, it could have a material adverse effect on the business, financial condition and results of operations of the Company. In addition, foreign currency could have a material adverse effect on the Container Segment's results, as the Canadian plant sells almost all of its production to the U.S. market in U.S. dollars. Lastly, the Container Segment has commenced a restructuring plan that encompasses the closure of its Canadian operations and redistribution of its operations to the Segment's other locations in the United States and Mexico. The success or failure of this restructuring initiative could have a material impact on the financial condition and results of operations of the Company.

#### Foreign Exchange Exposure and Hedging Activities

Sales of the Company's products to customers outside Canada account for approximately 95% of the revenue of the Company. Because the prices for such products are quoted in foreign currencies, any increase in the value of the Canadian dollar relative to such currencies, in particular the U.S. dollar and the euro, reduces the amount of Canadian dollar revenues and operating income reported by the Company in its consolidated financial statements. The Company also buys inputs for its products in world markets in several currencies. Exchange rate fluctuations are beyond the Company's control and there can be no assurance that such fluctuations will not have a material adverse effect on the reported results of the Company. The use of derivatives to provide hedges of certain exposures, such as interest rate swaps, forward foreign exchange contracts and aluminum futures contracts could impact negatively on the Company's operations.

#### Retention of Key Personnel and Experienced Workforce

Management believes that an important competitive advantage of the Company has been, and will continue to be, the know-how and expertise possessed by its personnel at all levels of the Company. While the machinery and equipment used by the Company are generally available to competitors of the Company, the experience and training of the Company's workforce allows the Company to obtain a level of efficiency and a level of flexibility that management believes to be high relative to levels in the industries in which it competes. To date, the Company has been successful in recruiting, training and

retaining its personnel over the long-term, and while management believes that the know-how of the Company is widely distributed throughout the Company, the loss of the services of certain of its experienced personnel could have a material adverse effect on the business, financial condition and results of operations of the Company.

The operations of the Company are dependent on the abilities, experience and efforts of its senior management team. To date, the Company has been successful in recruiting and retaining competent senior management. Loss of certain members of the executive team of the Company could have a disruptive effect on the implementation of the Company's business strategy and the efficient running of day-to-day operations. This could have a material adverse effect on the business, financial condition and results of operations of the Company.

### Acquired Businesses

As part of its growth strategy, the Company continues to pursue acquisition opportunities where such transactions are economically and strategically justified. However, there can be no assurance that the Company will be able to identify attractive acquisition opportunities in the future or have the required resources to complete desired acquisitions, or that it will succeed in effectively managing the integration of acquired businesses. The failure to implement the acquisition strategy, to successfully integrate acquired businesses or joint ventures into the Company's structure, or to control operating performance and achieve synergies may have a material adverse effect on the business, financial condition and results of operations of the Company.

In addition, there may be liabilities that the Company has failed or was unable to discover in its due diligence prior to the consummation of the acquisition. In particular, to the extent that prior owners of acquired businesses failed to comply with or otherwise violated applicable laws, including environmental laws, the Company, as a successor owner, may be financially responsible for these violations. A discovery of any material liabilities could have a material adverse effect on the business, financial condition and results of operations of the Company.

### Integration and Restructuring of OCP and DES

Subsequent to the acquisition of Avery and DES on July 1, 2013, CCL announced and began implementation of a comprehensive integration and restructuring initiative for the acquired businesses. These restructuring initiatives were not completed for the Avery business until the fourth quarter of 2014. While the Avery and DES integration appears to have been very successful, evidenced by 2014's results, ongoing risks with this large transaction remain. The Avery business has secular decline product lines that deliver lower gross margin dollars year over year and new product initiatives may not successfully make up for this trend. The CCL Design segment is still a relatively new business for the Company and is associated with the volatility of the automotive industry. Operational integration activities in this part of the business will continue for the next 18 months as plants are consolidated in a more complex business than Avery.

A failure to integrate and restructure the acquired businesses in a timely and effective manner could have a material adverse effect on the business, financial condition and results of operations of the Company. The ultimate recognition of this material adverse effect may occur in future periods.

### Long-term Growth Strategy

The Company has experienced significant and steady growth since the global economic downturn of 2009. The Company's organic growth initiatives coupled with its international acquisitions over the last number of years can place a strain on a number of aspects of its operating platform including: human infrastructure, operational capacity and information systems. The Company's ability to continually adapt and augment all aspects of its operational platform is critical to realizing its long-term growth strategy. If the Company cannot adjust to its anticipated growth, results of operations may be materially adversely affected.

### Exposure to Income Tax Reassessments

The Company operates in many countries throughout the world. Each country has its own income tax regulations and many of these countries have additional income and other taxes applied at state, provincial and local levels. The Company's international investments are complex and subject to interpretation in each jurisdiction from a legal and tax perspective. The Company's tax filings are subject to audit by local authorities and the Company's positions in these tax filings may be challenged. The Company may not be successful in defending these positions and could be involved in lengthy and costly litigation during this process and could be subject to additional income taxes, interest and penalties. The Company may not be able to receive a tax benefit from its taxable losses in domestic or foreign jurisdictions, depending on the timing and extent of such losses. This outcome could have a material adverse effect on the business, financial condition and results of operations of the Company.

### Fluctuations in Operating Results

While the Company's operating results over the past several years have indicated a general upward trend in sales and net earnings, operating results within particular product forms, within particular facilities of the Company and within particular geographic markets have undergone fluctuations in the past and, in management's view, are likely to do so in the future. Operating results may fluctuate in the future as a result of many factors in addition to the global economic conditions, and they include the volume of orders received relative to the manufacturing capacity of the Company, the level of price competition (from competing suppliers both in domestic and in other lower-cost jurisdictions), variations in the level and timing of orders, the cost of raw materials and energy, the ability to develop innovative solutions and the mix of revenue derived in each of the Company's businesses. Operating results may also be impacted by the inability to achieve planned volumes through normal growth and successful renegotiation of current contracts with customers and by the inability to deliver expected

benefits from cost reduction programs derived from the restructuring of certain business units. Any of these factors or a combination of these factors could have a material adverse effect on the business, financial condition and results of operations of the Company.

### Insurance Coverage

Management believes that insurance coverage of the Company's facilities addresses all material insurable risks, provides coverage that is similar to that which would be maintained by a prudent owner/operator of similar facilities and is subject to deductibles, limits and exclusions that are customary or reasonable given the cost of procuring insurance and current operating conditions. However, there can be no assurance that such insurance will continue to be offered on an economically feasible basis or at current premium levels, that the Company will be able to pass through any increased premium costs or that all events that could give rise to a loss or liability are insurable, or that the amounts of insurance will at all times be sufficient to cover each and every loss or claim that may occur involving the assets or operations of the Company.

### Dependence on Customers

The Company has a modest dependence on certain customers. The Company's two largest customers combined accounted for approximately 15% of consolidated revenue for fiscal 2014. The five largest customers of the Company represented approximately 28% of the total revenue for 2014 and the largest 25 customers represented approximately 52% of the total revenue. Several hundred customers make up the remainder of total revenue. Although the Company has strong partnership relationships with its customers, there can be no assurance that the Company will maintain its relationship with any particular customer or continue to provide services to any particular customer at current levels. A loss of any significant customer, or a decrease in the sales to any such customer, could have a material adverse effect on the business, financial condition and results of operations of the Company. Consolidation within the consumer products marketer base and office retail superstores could have a negative impact on the Company's business, depending on the nature and scope of any such consolidation.

### Environmental, Health and Safety Requirements and Other Considerations

The Company is subject to numerous federal, provincial, state and municipal statutes, regulations, by-laws, guidelines and policies, as well as permits and other approvals related to the protection of the environment and workers' health and safety. The Company maintains active health and safety and environmental programs for the purpose of preventing injuries to employees and pollution incidents at its manufacturing sites. The Company also carries out a program of environmental compliance audits, including independent third-party pollution liability assessment for acquisitions, to assess the adequacy of compliance at the operating level and to establish provisions, as required, for environmental site remediation plans. The Company has environmental

insurance for most of its operating sites, with certain exclusions for historical matters.

Despite these programs and insurance coverage, further proceedings or inquiries from regulators on employee health and safety requirements, particularly in Canada, the United States and the European Union (collectively, the "EHS Requirements"), could have a material adverse effect on the business, financial condition and results of operations of the Company. In addition, changes to existing EHS Requirements, the adoption of new EHS Requirements in the future, or changes to the enforcement of EHS Requirements, as well as the discovery of additional or unknown conditions at facilities owned, operated or used by the Company, could require expenditures that might materially affect the business, financial condition and results of operations of the Company, to the extent not covered by indemnity, insurance or covenant not to sue. Furthermore, while the Company has generally benefited from increased regulations on its customers' products, the demand for the services or products of the Company may be adversely affected by the amendment or repeal of laws or by changes to the enforcement policies of the regulatory agencies concerning such laws.

### Operating and Product Hazards

The Company's revenues are dependent on the continued operation of its facilities and its customers. The operation of manufacturing plants involves many risks, including the failure or substandard performance of equipment, natural disasters, suspension of operations and new governmental statutes, regulations, guidelines and policies. The operations of the Company and its customers are also subject to various hazards incidental to the production, use, handling, processing, storage and transportation of certain hazardous materials. These hazards can cause personal injury, severe damage to and destruction of property and equipment and environmental damage. Furthermore, the Company may become subject to claims with respect to workplace exposure, workers' compensation and other matters. The Company's pharmaceutical and specialty food product operations are subject to stringent federal, state, provincial and local health, food and drug regulations and controls, and may be impacted by consumer product liability claims and the possible unavailability and/or expense of liability insurance. The Company prints information on its labels and containers that, if incorrect, could give rise to product liability claims. A determination by applicable regulatory authorities that any of the Company's facilities are not in compliance with any such regulations or controls in any material respect may have a material adverse effect on the Company. A successful product liability claim (or a series of claims) against the Company in excess of its insurance coverage could have a material adverse effect on the business, financial condition and results of operations of the Company. There can be no assurance as to the actual amount of these liabilities or the timing thereof. The occurrence of material operational problems, including, but not limited to, the above events, could have a material adverse effect on the business, financial condition and results of operations of the Company.

### Decline in Address Mailing Labels

Since the advent of email, traditional mail volumes have declined and more significantly over the past decade. Address labels used for traditional mail was a core product for the acquired Avery business. There is a direct correlation of address label sales volumes to the quantity of mail in circulation in each of the markets in which Avery operates. Accordingly, a further dramatic decline in traditional mail volume, without the introduction of offsetting new consumer printable media applications in Avery, could have a material adverse effect on the business, financial condition and results of operations of the Company.

### New Product Developments

The packaging and printable media industries are continually evolving based on the ingenuity of the Company's competitors, consumer preferences and new product identification and information technologies. To the extent that any such new developments result in the decrease in the use of any of the Company's products, a material adverse effect on the business, financial condition and results of operations of the Company could occur.

### Labour Relations

While labour relations between the Company and its employees have been stable in the recent past and there have been no material disruptions in operations as a result of labour disputes, the maintenance of a productive and efficient labour environment cannot be assured. Accordingly, a strike, lockout or deterioration of labour relationships could have a material adverse effect on the business, financial condition and results of operations of the Company.

### Legal Proceedings

Any alleged failure by the Company to comply with applicable laws and regulations in the countries of operation may lead to the imposition of fines and penalties or the denial, revocation or delay in the renewal of permits and licences issued by governmental authorities. In addition, governmental authorities, as well as third parties, may claim that the Company is liable for environmental damages. A significant judgment against the Company, the loss of a significant permit or other approval or the imposition of a significant fine or penalty could have a material adverse effect on the business, financial condition and results of operations of the Company. Moreover, the Company may from time to time be notified of claims that it may be infringing patents, copyrights or other intellectual property rights owned by other third parties. Any litigation could result in substantial costs and diversion of resources, and could have a material adverse effect on the business, financial condition and results of operations of the Company. In the future, third parties may assert infringement claims against the Company or its customers. In the event of an infringement claim, the Company may be required to spend a significant amount of money to develop a non-infringing alternative or to obtain

licences. The Company may not be successful in developing such an alternative or obtaining a licence on reasonable terms, if at all. In addition, any such litigation could be lengthy and costly and could have a material adverse effect on the business, financial condition and results of operations of the Company.

The Company may also be subject to claims arising from its failure to manufacture a product to the specifications of its customers or from personal injury arising from a consumer's use of a product or component manufactured by the Company. While the Company will seek indemnity from its customers for claims made against the Company by consumers, and while the Company maintains what management believes to be appropriate levels of insurance to respond to such claims, there can be no assurance that the Company will be fully indemnified by its customers nor that insurance coverage will continue to be available or, if available, adequate to cover all costs arising from such claims. In addition, the Company could become subject to claims relating to its prior businesses, including environmental and tax matters. There can be no assurance that insurance coverage will be adequate to cover all costs arising from such claims.

#### Defined Benefit Post-Employment Plans

The Company is the sponsor of a number of defined benefit plans in ten countries that give rise to accrued post-employment benefit obligations. Although the Company believes that its current financial resources combined with its expected future cash flows from operations and returns on post-employment plan assets will be sufficient to satisfy the obligations under these plans in future years, the cash outflow and higher expenses associated with these plans may be higher than expected and may have a material adverse impact on the financial condition of the Company.

#### Material Disruption of Information Technology Systems

The Company is increasingly dependent on information technology systems to manufacture its products, process transactions, respond to customer questions, manage inventory, purchase, sell and ship goods on a timely basis and maintain cost-efficient operations as well as maintain its e-commerce websites. Any material disruption or slowdown of the systems, including a disruption or slowdown caused by CCL's failure to successfully upgrade its systems, system failures, viruses or other causes, could have a material adverse effect on the business, financial condition and results of operations of the Company. If changes in technology cause the Company's information systems to become obsolete, or if CCL's information systems are inadequate to handle the Company's growth, CCL could incur losses and costs due to interruption of its operations.

#### Impairment in the Carrying Value of Goodwill and Intangible Assets

As of December 31, 2014, the Company had over \$714 million of goodwill and indefinite life intangible assets on its statement of financial position, the value of which is reviewed for impairment at least annually. The assessment of the value of goodwill and

intangible assets depends on a number of key factors requiring estimates and assumptions about earnings growth, operating margins, discount rates, economic projections, anticipated future cash flows and market capitalization. There can be no assurance that future reviews of goodwill and intangible assets will not result in an impairment charge. Although it does not affect cash flow, an impairment charge does have the effect of reducing the Company's earnings, total assets and equity.

## **ITEM 6 – DIVIDENDS**

<b><u>Annual Cash Dividends Declared per Share</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>	<b><u>2012</u></b>
<b>Class A voting shares (“Class A”)</b>	\$1.05	\$0.81	\$0.73
<b>Class B non-voting shares (“Class B”)</b>	\$1.10	\$0.86	\$0.78

Dividend payments are restricted by loan covenants in the Company's senior note agreements whereby certain unfavourable financial ratios could cause dividends to be reduced or eliminated until such financial ratios are rectified. Dividends can only be paid from retained earnings. CCL's dividend policy is to provide a stable and potentially growing cash return to shareholders, balancing the Company's internal cash position and requirements, and other means of providing returns to investors such as share repurchases in the open market. CCL has paid dividends quarterly for over 30 years with periodic increases and has not reduced its dividend payout per share during this period.

## **ITEM 7 - DESCRIPTION OF CAPITAL STRUCTURE**

The Company's authorized capital consists of an unlimited number of Class A voting shares and an unlimited number of Class B non-voting shares.

### **Class A Voting Shares**

Class A shares carry full voting rights and are convertible at any time into Class B shares. Dividends are currently set at \$0.05 per share per annum less than those payable per Class B share.

### **Class B Non-Voting Shares**

Class B shares rank equally in all material respects with the Class A shares except as stated above and as follows: (i) holders of Class B shares are entitled to receive meeting materials and to attend, but not to vote at, regular shareholder meetings, (ii) holders of Class B shares are entitled to voting privileges when consideration for the Class A shares, under a takeover bid when control of more than 50% of the Class A voting shares has been acquired, exceeds 115% of the market price of the Class B shares and (iii) holders of Class B shares are entitled to receive, or have set aside for payment, dividends declared by the Board of Directors from time to time.

## ITEM 8 – MARKET FOR SECURITIES

The Class A voting shares and the Class B non-voting shares of CCL are listed and posted for trading on the Toronto Stock Exchange. The Toronto Stock Exchange is the primary exchange trading the Class B non-voting shares; however, alternative exchanges such as Alpha Trading Systems, TriAct Canada Marketplace, and Chi-X Canada also trade the shares. The total number of Class B non-voting shares traded on all exchanges for 2014 was 23,481,877 (2013 - 18,814,722).

### CCL's Shares Trading in 2014 on The Toronto Stock Exchange Class A

	<u>Volume Traded</u>	<u>High</u>	<u>Low</u>	<u>Close</u>
January	2,062	\$ 88.65	\$ 82.25	\$ 82.25
February	790	93.01	84.50	93.01
March	897	100.00	99.96	99.96
April	340	100.00	100.00	100.00
May	940	107.00	105.55	105.76
June	1,390	110.01	104.99	106.00
July	1,358	110.95	105.50	110.95
August	354	119.00	116.50	119.00
September	481	116.48	116.47	116.47
October	1,660	117.99	110.00	116.00
November	3,244	126.99	119.00	123.50
December	3,312	131.50	120.00	127.88
<b>Total Year</b>	<b>16,828</b>	<b>\$ 131.50</b>	<b>\$ 82.25</b>	<b>\$ 127.88</b>

### Class B

	<u>Volume Traded</u>	<u>High</u>	<u>Low</u>	<u>Close</u>
January	703,804	\$ 83.50	\$ 76.95	\$ 80.35
February	897,015	92.83	78.32	90.81
March	842,395	96.96	90.09	94.72
April	903,035	105.00	95.27	99.66
May	1,325,897	109.56	102.71	105.25
June	1,165,033	109.99	100.45	102.75
July	1,313,107	113.01	101.36	107.94
August	1,183,823	119.21	105.01	113.34
September	1,206,712	116.02	109.32	111.92
October	1,231,806	114.69	97.00	113.94
November	1,292,288	124.92	110.94	120.80
December	1,085,536	128.60	115.56	125.87
<b>Total Year</b>	<b>13,150,451</b>	<b>\$ 128.60</b>	<b>\$ 76.95</b>	<b>\$ 125.87</b>

**ITEM 9 – ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTIONS ON TRANSFER**

The securities itemized in the table below are held in trust by Wells Fargo Bank, N.A. and may be awarded to specific executives as part of their long term incentive plan if the executive continues to be employed by the Company at that time.

Designation	Number of securities subject to a contractual restriction on transfer	Percentage of Class
Class B non-voting	192,392	0.6%

**ITEM 10 – DIRECTORS AND OFFICERS**

The names and municipalities of residence of all directors and officers of CCL as at the date hereof, the offices presently held, the principal occupations during the last five years and the year each director first became a director are set out below. Each director, with the exception of Ms. Shapansky and Ms. Keller-Hobson, was elected at the last annual meeting of shareholders. Each director serves until the next annual meeting or until his or her successor is elected or appointed. The Articles of the Company provide for a minimum of five and a maximum of 15 directors. Officers are appointed annually and serve at the discretion of the Board of Directors.

The Committees of the Board of Directors of the Company and their members are as follows:

**Directors**

<b><u>Name and Municipality</u></b>	<b><u>Occupation in Last Five Years</u></b>	<b><u>Director Since</u></b>
PAUL J. BLOCK New York, New York USA	Chairman and Chief Executive Officer of Proteus Capital Associates (an investment banking firm) and Executive Mentor with Merryck & Company. Prior to November 2013, President and Chief Executive Officer of Brasil Beauté LLC (a cosmetics firm) and prior to December 31, 2012, Operating Partner of Behrman Capital (a private equity firm).	November 6, 1997
EDWARD E. GUILLET Pleasanton, California USA	Independent Human Resources Consultant.	November 5, 2008
ALAN D. HORN Toronto, Ontario Canada	President and Chief Executive Officer of Rogers Telecommunications Limited and Chairman of the Board of Rogers Communications Inc. (telecommunications company).	May 8, 2008

## **Directors**

<b><u>Name and Municipality</u></b>	<b><u>Occupation in Last Five Years</u></b>	<b><u>Director Since</u></b>
KATHLEEN L. KELLER-HOBSON Toronto, Ontario Canada	Independent corporate director. Prior to January 2015, partner at Gowling Lafleur Henderson LLP and prior to October 2011, was a partner at Bennett Jones LLP.	January 1, 2015
DONALD G. LANG Toronto, Ontario Canada	Executive Chairman of the Company. Prior to May 2008, Vice Chairman and Chief Executive Officer of the Company.	May 23, 1991
STUART W. LANG Cambridge, Ontario Canada	Head Coach of University of Guelph football team and corporate director. Prior to February 2006, President of CCL Label International, a division of the Company.	May 23, 1991
GEOFFREY T. MARTIN Dover, Massachusetts USA	President and Chief Executive Officer of the Company. Prior to May 2008, President and Chief Operating Officer of the Company.	October 27, 2005
DOUGLAS W. MUZYKA Philadelphia, Pennsylvania USA	Chief Science and Technology Officer of E.I. Dupont de Nemours (international manufacturer of chemical products, specialty materials, consumer and industrial products). Prior to January 2010, President of DuPont Greater China and DuPont China Holding Co., Ltd. (manufacturing company).	June 8, 2006
THOMAS C. PEDDIE Toronto, Ontario Canada	Executive Vice President and Chief Financial Officer of Corus Entertainment Inc. (media company).	June 4, 2003
MANDY SHAPANSKY Toronto, Ontario Canada	Independent corporate director. Prior to January 1, 2015, President and Chief Executive Officer of Xerox Canada.	June 24, 2014

The Committees of the Board of Directors of the Company and their members are as follows:

<b><u>Audit Committee</u></b>	<b><u>Human Resources Committee</u></b>	<b><u>Nominating and Governance Committee</u></b>
Thomas C. Peddie (Chairman) Paul J. Block Alan D. Horn	Edward E. Guillet (Chairman) Donald G. Lang Douglas W. Muzyka Mandy Shapansky	Paul J. Block (Chairman) Edward E. Guillet Kathleen L. Keller-Hobson Thomas C. Peddie

**Environment and Health & Safety Committee**

Douglas W. Muzyka (Chairman)  
Kathleen Keller-Hobson  
Stuart W. Lang  
Mandy Shapansky

**Officers**

**Office with CCL and Principal Occupation in Last Five Years**

DONALD G. LANG  
Toronto, Ontario  
Canada

Executive Chairman. Prior to May 2008, Vice Chairman and Chief Executive Officer of the Company.

GEOFFREY T. MARTIN  
Dover, Massachusetts  
USA

President and Chief Executive Officer. Prior to May 2008, President and Chief Operating Officer of the Company.

SEAN P. WASHCHUK  
Burlington, Ontario  
Canada

Senior Vice President and Chief Financial Officer. Prior to September 2011, Vice President Finance and Chief Financial Officer for Vitran Corporation Inc.

LALITHA VAIDYANATHAN  
Los Altos Hills, California  
USA

Senior Vice President, Finance-IT-Human Resources, CCL Industries. Prior to September 2014, Senior Vice President, Finance, Administration and IT, CCL Operations.

KAMAL KOTECHA  
Richmond Hill, Ontario  
Canada

Vice President, Taxation. Prior to March 2014, Director of Taxes with the Company. Prior to July 2013, Partner, US Corporate Tax Services with KPMG LLP.

MARK McCLENDON  
Strongsville, Ohio  
USA

Vice President and General Counsel. Prior to July 2014, General Counsel–USA with the Company. Prior to July 2013, Group Counsel with Avery Dennison Corporation.

SUSAN V. SNELGROVE  
Uxbridge, Ontario  
Canada

Vice President, Risk and Environmental Management.

BOHDAN I. SIROTA  
Mississauga, Ontario  
Canada

Corporate Secretary. Prior to March 2014, Senior Vice President and General Counsel of the Company.

The directors and officers of CCL Industries Inc. as a group beneficially own, control, or direct, directly or indirectly, approximately 2,244,030 of the issued and outstanding Class A voting shares representing 94.8% of the issued and outstanding Class A voting shares.

To the best of the Company's knowledge, no director or executive officer of the Company is, as at the date of this AIF, or was within 10 years before the date of this AIF, a director, chief executive officer or chief financial officer of any company that was (i) subject to a cease trade order or similar order, or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or (ii) subject to such an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

To the best of the Company's knowledge, no director or executive officer of the Company, or shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company (i) is, as at the date of this AIF, or has been within the 10 years before the date of this AIF, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, or (ii) has, within the 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

To the best of the Company's knowledge, no director or executive officer of the Company, or shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has been subject to (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

The foregoing information, not being within the knowledge of the Company, has been furnished by the executive officers mentioned above.

### ***Conflicts of Interest***

Neither CCL nor any of its subsidiaries has an existing or potential material conflict of interest with any of its directors or officers.

#### **ITEM 11 – PROMOTERS**

Not applicable

#### **ITEM 12 – LEGAL PROCEEDINGS**

In the course of its business activities, the Company engages in and contests a number of litigious claims. However, neither the Company nor any of its subsidiaries is a party to any legal proceedings that either individually or in the aggregate exceed ten percent of the current assets of the Company.

#### **ITEM 13 – INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Not applicable

#### **ITEM 14 – TRANSFER AGENT AND REGISTRAR**

The Company's transfer agent and registrar is CST Trust Company. The registrar of transfers of the Company's Class A and Class B shares is located at Toronto, Ontario.

#### **ITEM 15 – MATERIAL CONTRACTS**

Since the beginning of its most recently completed financial year, the Company has not entered into any material contract that is required to be filed in accordance with National Instrument 51-102 – Continuous Disclosure Obligations ("NI 51-102").

#### **ITEM 16 – INTERESTS OF EXPERTS**

KPMG LLP, the Company's external auditor, has reported on the consolidated financial statements of the Company for the year ended December 31, 2014. KPMG LLP is independent of CCL in accordance with the applicable Rules of Professional Conduct of the Chartered Professional Accountants of Ontario.

## **ITEM 17 – AUDIT COMMITTEE**

### **Charter of the Audit Committee**

The principal purpose of the Audit Committee is to provide a forum for detailed discussion, examination and review of the Company's auditing needs, financial reporting, and information systems activities and the selection, instruction, evaluation and compensation of external and internal auditors of the Company and external providers of financial and information management systems services to the Company. The mandate of the Audit Committee of the Board is set forth below. Reference to 'Auditor' signifies the auditor appointed by the shareholders of the Company from time to time.

- Review the quality and acceptability of the accounting policies, principles and practices of the Company.
- Review the quarterly and year-end financial statements, Management's Discussion and Analysis, and earnings press releases of the Company before the Company publicly discloses this information, and report its findings for approval to the Board. In addition, the Audit Committee shall review the Annual Information Form of the Company and ensure that the prescribed disclosure regarding the Audit Committee is contained in the Annual Information Form.
- Monitor the adequacy and integrity of internal controls over accounting and financial systems and ensure that adequate procedures are in place for the review of the Company's disclosure of financial information extracted or derived from the Company's financial statements, other than the public disclosure stated immediately above, and periodically assess the adequacy of the those procedures.
- Monitor the timely communication of accurate financial information regarding the Company to the shareholders.
- Evaluate and recommend to the Board the Auditor to be nominated to prepare or issue an audit report or perform other audit, review or attestation services for the Company, and the compensation of the Auditor. Ensure that the Auditor reports directly to the Audit Committee.
- Monitor the independence of the Auditor, and assume direct responsibility for overseeing the work of the Auditor engaged to prepare or issue an audit report or perform other audit, review or attestation services for the Company, including the resolution of disagreements between Management and the Auditor regarding financial reporting and communicate directly with the Auditor for the discussion and review of any issues as appropriate. In addition, the Audit Committee shall require and receive from time to time the written confirmation of the Auditor as to

its independent status and as to its good standing with the Canadian Public Accountability Board.

- Pre-approve all non-audit services to be provided to the Company or its subsidiary entities by its Auditor. Authority to pre-approve non-audit services may be delegated to one or more independent members of the Audit Committee, provided that the pre-approval is presented to the full Audit Committee at its first scheduled meeting following such pre-approval.
- Review the results of internal and external audits, and any change in accounting practices or policies and their impact on the financial statements and maintain oversight responsibility for management reporting on internal control.
- Review the reports of the internal audit department of the Company and provide direction and guidance to the internal auditors.
- Where there are unsettled issues raised by the Auditor that do not have a material affect on the annual audited financial statements, require that there be a written response identifying a course of action that would lead to their resolution.
- Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
- Review and approve the Company's hiring policies regarding partners and employees and former partners and employees of the present and former Auditor of the Company.
- Review and monitor the adequacy and integrity of the Company's management information systems.
- Monitor the adequacy of financial resources.
- Review the quality of the asset side of the balance sheet of the Company.
- Review and assess the adequacy of the charter of the Audit Committee on an annual basis.

## **Composition of the Audit Committee**

The members of the Audit Committee, as disclosed under Item 10: “Directors and Officers,” are: Thomas C. Peddie (Chairman), Paul J. Block and Alan D. Horn. Each of the members is independent as defined under National Instrument 52-110 – Audit Committees and financially literate within the meaning of applicable securities legislation.

## **Relevant Education and Experience of the Audit Committee**

Thomas C. Peddie - Mr. Peddie is Executive Vice President and Chief Financial Officer of Corus Entertainment Inc., a publicly traded company listed on the Toronto Stock Exchange (the “TSX”). Mr. Peddie is a Chartered Professional Accountant and was awarded his FCA designation by Chartered Professional Accounts of Ontario in 2003. Mr. Peddie holds an Honours Bachelor of Commerce degree from the University of Windsor. His career has reflected the progressive assumption of responsibility in the area of financial management of major companies, including WIC Western International Communication Inc., CTV Television Network, Toronto Sun Publishing Corporation, Canada Packers, and the international operations of Campbell Soup. Mr. Peddie has performed financial management directly and has supervised others in the performance of financial duties through much of his career. Along with his knowledge in matters of domestic and international finance, Mr. Peddie has an understanding of internal controls and procedures for financial reporting.

Paul J. Block - Mr. Block's U.S. and international experience as a divisional Chief Executive Officer for Revlon, Inc., included positions as Chairman and President of Revlon International and President and Chief Executive Officer of Revlon Professional Group. In these capacities, Mr. Block monitored and had responsibility for the financial conditions of the respective operating divisions, and directly supervised the work of the Chief Financial Officer of each division. In addition, as a member of the board of the China Retail Fund, Mr. Block is required to evaluate and approve or reject investments made by the Fund. Accordingly, he has demonstrated a strong facility with the reading and interpretation of financial statements, with particular focus in the manufacture and marketing of personal care products in international markets.

Alan D. Horn - Mr. Horn's principal occupation is as President and Chief Executive Officer of Rogers Telecommunications Limited. Mr. Horn is also Chairman of the Board of Rogers Communications Inc. He is a Chartered Professional Accountant, and holds a B.Sc. with First Class Honours in Mathematics from the University of Aberdeen, Scotland. Mr. Horn is also a director of Fairfax Financial Holdings Limited and Fairfax India Holdings Corporation. Mr. Horn served as Vice President Finance and Chief Financial Officer of Rogers Communications Inc. from 1996 to 2006 and was President and Chief Operating Officer of Rogers Telecommunications Limited from 1990 to 1996. He brings to the Board his strategic, administrative and financial skills in the context of a large, publicly traded company.

## ***Pre-Approval Policies and Procedures***

### ***Policy***

The Company and its subsidiaries will not engage KPMG LLP, the external auditors of the Company, to carry out any service that may reasonably be thought to bear on KPMG's independence. KPMG must annually confirm to the Audit Committee that it is independent of the Company within the meaning of the applicable Rules of Professional Conduct/Code of Ethics of the Institute of Chartered Accountants of Ontario. For services that are not prohibited, the following pre-approval policies will apply.

#### **A. Audit Services**

The Audit Committee will pre-approve all Audit Services provided by KPMG through their recommendation of KPMG as shareholders' auditors at the Company's annual meeting and through the Audit Committee's review of KPMG's annual Audit Plan.

#### **B. Audit Related Services and Recurring Tax and Other Non-Audit Services**

Annually, the Audit Committee will review the List of Audit, Audit Related and Recurring Tax and Other Non-Audit Services and recommend pre-approval of these services for the upcoming year. Any additional requests will be addressed on a case-by-case specific engagement basis.

The Audit Committee will be informed quarterly of the services on the pre-approved list for which the Auditor has been engaged.

#### **C. Other Services**

All requests to engage KPMG for other services must be pre-approved by the Audit Committee or the Chair of the Audit Committee, as described below, and will be addressed on a case-by-case specific engagement basis.

The Company's employee making the request is to submit the request for service to the Senior Vice President and Chief Financial Officer. The request for service should include a description of the service, the estimated fee, a statement that the service is not a prohibited service and the reason KPMG is being engaged.

Services where the aggregate fees are estimated to be less than or equal to \$50,000.

Recommendations, in respect of each engagement, will be submitted by the Senior Vice President and Chief Financial Officer to the Chair of the Audit Committee of the Board of Directors for consideration and approval. The full Audit Committee will

subsequently be informed of the service at its next meeting. The engagement may commence upon approval of the Chair of the Audit Committee.

Services where the aggregate fees are estimated to be greater than \$50,000.

Recommendations, in respect of each engagement, will be submitted by the Senior Vice President and Chief Financial Officer to the full Audit Committee for consideration and approval, generally at its next meeting. The engagement may commence upon approval of the Committee.

**External Auditor Service Fees (by Category)**

Audit Fees

The aggregate audit fees paid to KPMG LLP related to the audit of the annual consolidated financial statements and the review of the interim financial statements in 2014 were \$1,847,020 (2013 - \$1,853,695).

Audit-Related Fees

The aggregate fees billed in 2014 for assurance and related services by KPMG that are reasonably related to the performance of the audit or review of the financial statements and that are not reported under "Audit Fees" above, were \$101,139 (2013 - \$132,495). These fees related to the audit of the Company's pension plans, the report on compliance with debt covenants, an audit of Thailand Board of Investments, an attestation report on compliance with local Mexican tax rules and regulations and Avery Germany's compliance on payment of license fees.

Tax Fees

The aggregate fees billed in 2014 for professional services rendered by the auditor for tax compliance, tax advice and tax planning were \$718,845 (2013 - \$724,152) for its Canadian and international operations.

All Other Fees

KPMG provided services that met the definition of other in 2014 totaling \$68,003 (2013 - \$108,125) for professional services in connection with the voluntary liquidation of dormant companies in the U.K.

**ITEM 18 – ADDITIONAL INFORMATION**

Additional information concerning CCL, including directors' and officers' remuneration and indebtedness, principal holders of securities, options to purchase securities and securities authorized for issuance under equity compensation plans, where applicable, is contained in the most recently filed Management Proxy Circular of the Company. Additional financial information is provided in the Consolidated Financial Statements and Management's Discussion and Analysis for the fiscal period ended December 31,

2014. Copies of the above documents may be obtained upon request from the Secretary of CCL Industries Inc. at 105 Gordon Baker Road, Suite 500, Toronto, Ontario, Canada M2H 3P8.

Additional information relating to CCL may be found on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.cclind.com](http://www.cclind.com).