

# Henkel Circularity Policy



# Foreword

December 2024

At Henkel, our purpose, "Pioneers at heart for the good of generations," drives us to innovate and lead in sustainability. In this way, we ensure that our actions today create a better tomorrow. This purpose is rooted in a legacy of responsibility and forward-thinking. It extends to every facet of the business – from the products created through to the engagement with partners and communities.

The concept of a circular economy is a key element of Henkel's approach to sustainability. It reflects the commitment to minimizing waste, maximizing resource efficiency and creating value that endures across generations. For Henkel, circular economy is more than a goal for the future. It is a responsibility shared with suppliers, partners and stakeholders worldwide.

The Henkel Circularity Policy is an integral part of our broader sustainability agenda, in alignment with the company's Purposeful Growth strategy and 2030+ Sustainability Ambition Framework. It states the dedication to designing products and processes that keep materials in use for as long as possible while also reducing environmental impact. This policy guides the way Henkel sources<sup>1</sup>, produces, consumes and manages the end of life for the products to make certain that circular principles are embedded at every stage of the value chain.

We expect suppliers and partners to join in this journey toward a circular economy by adhering to principles that promote resource efficiency, product stewardship and waste reduction. Together, it is possible to scale the impact of circularity and contribute to the achievement of the United Nations Sustainable Development Goals while fostering a sustainable economy and society.

Thank you for your commitment to the Henkel Circularity Policy. By working together, we can lead the transformation to a circular and sustainable future for the benefit of people and the planet.

Ulrike Sapiro

Chief Sustainability Officer

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<sup>1</sup> [Responsible sourcing policy \(henkel.com\)](https://www.henkel.com/responsible-sourcing-policy)

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# 1. Introduction

The Henkel AG & Co. KGaA is dedicated to sustainable development and the transition to a circular economy in order to achieve environmental, economic and social objectives. Henkel recognizes that transitioning to a circular economy is essential for fostering environmental stewardship, enhancing economic resilience and upholding social responsibility. Henkel aims to minimize waste and maximize resource efficiency.

This policy is a strategic component of Henkel's broader sustainability agenda. It directly contributes to Henkel's Purposeful Growth strategy and 2030+ Sustainability Ambition Framework. By aligning with the requirements of the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS E5), Henkel is committed to driving innovation in circular practices by increasing the amount of recycled material in packaging and improving the recyclability of packaging, while also increasing the amount of renewable content that is used to make raw materials or ingredients for product formulations. For customers of the Adhesive Technologies business unit, Henkel works on solutions for repairability and durability. Henkel is also committed to increasing the amount of biodegradable ingredients within product formulations from the Consumer Brands business unit.

Henkel innovates, collaborates and leads by example when it comes to embracing circular economy principles. The company aims to operate in a way that is profitable but also responsible and resilient in the face of future challenges.

Circularity is not just a responsibility in the present. It is a legacy for future generations. Henkel expects employees, suppliers and partners to actively engage in the transition to a circular economy by contributing to a sustainable future where resources are preserved, waste is minimized, and value is continuously created.

## 2. Objectives and Scope

The Henkel Circularity Policy applies to all operations of Henkel AG & Co. KGaA. It encompasses raw materials and ingredients, product formulations, packaging and waste from Henkel's operations. It is applicable to all Henkel employees and the entire Henkel group, in all regions and markets.

### The Henkel Circularity Policy covers:

- **Raw materials:** The policy governs the sourcing of raw materials by emphasizing the need to increase the use of renewable, recycled, carbon-captured or sustainably sourced materials. This will reduce the environmental impact of raw material choices.
- **Operations:** All factories, production processes and manufacturing processes at Henkel are subject to this policy. Henkel aims to optimize resource use, reduce waste and minimize energy consumption across all facilities.
- **Product development:** Circularity is a key consideration in the product development process. This policy ensures that Adhesive Technologies products are designed to enable durability, reparability and recyclability of the customers' products. The formulations of Henkel Consumer Brands products are designed to be biodegradable. Products must be designed to deliver the expected quality and performance of the targeted end user, while also minimizing the use of resources.
- **Packaging:** The policy covers primary, secondary and tertiary packaging. It places an emphasis on sustainable packaging designs that minimize the use of packaging material, increase the use of recycled content and support design-for-recycling or reuse.
- **End-of-life management:** This policy governs the end-of-life phase of products and packaging, promoting practices that facilitate recycling and responsible disposal. Henkel is dedicated to working with partners, customers and stakeholders to ensure that products and packaging are managed sustainably after use to close the loop in the value chain.

The **Henkel Circularity Policy is guided by a set of clear and actionable objectives**, which serve as the foundation for strategies and actions across all aspects of Henkel's business operations.

- **Minimize waste generation and maximize resource efficiency:** The primary objective is to minimize waste at every stage of the product lifecycle – from design and production through to distribution and end-of-life management. Henkel aims to maximize resource efficiency by optimizing the use of materials, energy and water.
- **Increase the use of renewable and recycled materials:** Henkel is committed to increasing the use of renewable raw materials e.g. as basis for ingredients in product formulations and to increasing the use of recycled materials for packaging. In this way, the company aims to reduce reliance on finite resources and enhance the circularity of products, ensuring that materials are kept in use for as long as possible.
- **Design-for-recycling-and-reuse:** Henkel strives to develop packaging that is designed for recycling and, where possible, allows reuse and refilling. This will facilitate the circular flow of materials and reduce waste at the end of life.

- **Enabling durability and repairability:** Henkel Adhesive Technologies is committed to delivering products that are designed to enable durability or enable repairability of customers' products.
- **Align with industry standards and best practices:** Henkel is dedicated to aligning its operations with industry standards and best practices related to the transition to a circular economy and optimized resource use. Henkel actively participates in industry initiatives and collaborations that promote circularity, ensuring that all practices are at the forefront of sustainability innovation and compliance.
- **Engage with stakeholders:** Henkel recognizes the importance of engaging with all stakeholders – including customers, suppliers, employees, shareholders and communities. By fostering collaboration and open dialog, the company aims to drive collective action toward a circular economy.

These objectives are central to Henkel's vision of a sustainable future. They guide all of the company's efforts to transform its business operations, drive innovation in circular practices and contribute to the global transition toward a circular economy. Henkel aims to create lasting value for all stakeholders while protecting the environment for future generations.

To achieve **circularity in raw materials and product formulations**, five core objectives apply:

- **Increase renewable carbon and natural content:** Resource consumption can be reduced if materials are kept within the cycles of the economy for as long as possible. Henkel's mission is to further drive circularity by using ingredients based on renewable carbon in products. This includes biogenic material, recycled material (mechanical and chemical) and carbon-captured material. Henkel's Consumer Brands business unit also focuses on the share of natural ingredients as defined in several industry-specific standards (such as ISP 16128-1 or COSMOS for natural cosmetics).
- **Increase biodegradability:** For Henkel's Consumer Brands business unit, most product formulations are used in water and are disposed of within wastewater. For this reason, biodegradability is important for closing the loop and avoiding negative impacts on aquatic environments from the end of the product life cycle.
- **Enable downstream benefits through raw materials:** Henkel Adhesive Technologies enables customers to use lower application temperatures, increase repairability, enable de-bonding and re-bonding, and enhance recyclability.
- **Support dematerialization:** Henkel's Adhesive Technologies business unit has deep knowledge of raw materials and formulations, which it uses to provide innovative and sustainable solutions that support reduced material consumption while also delivering the same level of performance as industry-standard.
- **Safe and sustainable by design:** A key principle in the product development process is to design products that adhere to the "Safe and Sustainable by Design" framework of the EU Commission.

**Henkel integrates circular economy principles into all operations** through three key strategies:

- **Design for circularity:** Henkel focuses on creating products and packaging that are recyclable, reusable or compostable. This includes using renewable and recycled materials, reducing resource consumption, enabling lightweight products and ensuring that products are designed to be easily dismantled and recycled at the end of their life cycle.
- **Closing the loop for packaging:** Henkel is committed to reintroducing secondary raw materials by ensuring that packaging can be collected, sorted and recycled. Henkel collaborates with stakeholders across the value chain to develop effective recycling systems and infrastructure that promotes the circular use of materials.
- **Sustainable consumption:** Henkel's sustainability strategy actively promotes responsible consumption practices in industrial and consumer markets. The company encourages consumers and customers to adopt more sustainable habits. This includes offering innovative solutions, such as concentrated formulations that reduce packaging needs and products that are designed for efficient resource use. In addition, Henkel educates its consumers and customers – including industrial customers – about proper waste disposal and recycling methods to ensure end-to-end sustainability.

Henkel works closely with industrial partners to integrate these practices into large-scale operations. These initiatives align with Henkel's broader goals, such as supporting the transition to a circular economy and reducing CO<sub>2</sub> emissions.

**Enabling circularity for industrial customers via Henkel Adhesive Technologies:** Henkel Adhesive Technologies collaborates with industrial customers to develop solutions that enable recycling and support minimal resource use. This includes adhesive innovations that enable mono-material packaging or that make it possible to reduce manufacturing temperature at our customers. Henkel develops technologies that enable reuse and repair of products through de-bondable and re-bondable adhesives, as well as solutions that increase the durability of products.

By aligning its strategies with the circular economy model, Henkel aims to reduce its environmental footprint, create economic value and contribute to a more sustainable future.

Within Henkel's operations, **closed-loop systems are implemented to recover and reuse by-products**. This includes recycling materials generated during production to reduce landfill waste. Henkel invests in and adopts technologies that enable the recovery of secondary raw materials for reintegration into the production cycle.

**Collaboration across the value chain:** Henkel works with suppliers, converters, recyclers and other stakeholders to enhance recycling infrastructure and close the loop for material usage. Henkel participates in cross-industry initiatives such as the "50 Sustainability and Climate Leaders" campaign to drive broader changes in energy efficiency and water use beyond its own operations.

### 3. Sustainable Packaging

Henkel applies **packaging design-for-recycling guidelines** to enhance compatibility with recycling streams for different elements of packaging – such as closures, labels or adhesives. Henkel applies several standards depending on customer requirements and legal obligations<sup>2</sup>.

- **Innovations in packaging design:** Henkel is committed to constantly improving the design of packaging to increase sustainability. This ambition is part of an overall strategy that seeks to reduce the environmental footprint in all major packaging elements. This includes carbon footprints and material consumption, as well as the use of virgin plastic resins for primary, secondary and tertiary packaging components.
- **Increase of recycled materials:** Henkel is committed to increasing the use of recycled materials in packaging to reduce the reliance on primary materials, such as virgin fossil-based plastic, primary metals or virgin paper. Using recycled materials supports the reduction of the environmental footprint of packaging materials.
- **Extending packaging life cycle:** Henkel fosters projects for a wide spectrum of topics ranging from sourcing raw materials through to waste management to keep resources in the economic cycle for longer.
- **Packaging prevention:** Henkel aims to reduce the volume and weight of packaging. In this way, the company is minimizing the packaging footprint and reducing post-consumer waste, while ensuring functionality, safety and performance of packaging for customers.
- **Reusable and refillable packaging solutions:** Henkel develops approaches to meet the demand of consumers, customers and distributors for reusable packaging and refills. These reusable solutions are designed either as refill-at-home solutions or as solutions for products that are purchased at a refill station and are sold in packaging that can be refilled.

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<sup>2</sup> Among the methodologies applied are the German Mindeststandard, Recyclclass, CGF - Golden Design Rules, APR, EMF.



## 4. Responsible Sourcing

For many years, Henkel has engaged with its most important strategic partners to promote sustainable innovation and more responsible supply chains. Henkel uses target agreements with strategic suppliers to manage transparency, circularity performance and contributions to innovation with a focus on sustainability. As part of its risk management approach, the company is working to improve the transparency of upstream supply chains with regard to environmental risks, by engaging in dialog with suppliers and setting individual targets. Focus topics such as biodegradability of ingredients or increases of content based on renewables are systematically integrated into Henkel's holistic approach to sustainability.

Henkel's mission is to include materials from sustainable sources and to design packaging that can be reused as raw materials for new products to close the material loop. Henkel's packaging developers work closely with suppliers, packaging material manufacturers and recyclers to meet the requirements of functional packaging.

Henkel collaborates intensively with strategic suppliers to ensure the procurement of circular raw materials. The aim is to initiate positive change throughout the value chain through joint projects for process optimization, resource efficiency and innovation, as well as environmental and social standards.

**Prioritize renewable and recyclable materials:** Whenever feasible, product development and sourcing teams prioritize the use of secondary raw materials e.g. as basis for ingredients in product formulations to reduce reliance on virgin materials. Henkel is focused on driving the adoption of **renewable carbon solutions for raw materials**. Due to the scale and complexity of chemical production processes, **mass-balance attribution** principles are key considerations to enable a transition to a renewable-carbon chemical industry.

## 5. Circularity in the Supply Chain

Henkel aims to implement energy-efficient processes, switch to renewable energy sources and optimize resource use by minimizing water and energy consumption in all operations.

- **Reducing water usage in operations:** This involves adopting water-efficient technologies, such as closed-loop cooling systems, low-water cleaning processes and water recycling initiatives.
- **Exploring closed-loop water systems:** The company is focused on integrating closed-loop systems where water is reused multiple times within production processes. This minimizes freshwater withdrawal and reduces wastewater discharge.
- **Leveraging digital tools for water management:** Henkel uses digital tools to map water consumption and identify areas for efficiency improvements, in order to implement predictive analytics to monitor water usage patterns and prevent leaks or excess consumption.

Henkel establishes waste management systems to recycle and repurpose factory waste.

- **Optimizing production processes:** Henkel aims to reduce waste by enhancing production processes through efficiency improvements. This includes refining manufacturing techniques, minimizing the use of raw materials, reducing by-product formation and implementing lean manufacturing practices to lower overall waste generation.
- **Material substitution in production:** Henkel seeks to replace hazardous or non-recyclable materials with more sustainable alternatives in its production processes. This involves using renewable, biodegradable or recycled materials to decrease the overall waste footprint and environmental impact of its manufacturing activities.
- **Designing for minimal waste:** Henkel incorporates waste reduction principles during the design and engineering stages of production. This includes process design changes that focus on reducing scrap rates, optimizing batch sizes and minimizing resource use to prevent waste from being generated.
- **Logistics:** Henkel aims to optimize transportation routes and methods to reduce carbon emissions<sup>3</sup>.

Henkel is developing and piloting reusable or returnable packaging for shipping products. Current state-of-the-art knowledge is constantly assessed to identify directions for further improvements with the intention of fostering collaboration and further building sustainable supply chains that enhance operational efficiency and meet growing demand for responsible business practices.

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<sup>3</sup> Additional details of the Henkel ambition and targets can be found in the Henkel Nature Policy.

## 6. Waste Management

Henkel has developed and implemented an integrated solid-waste management system that includes recycling programs. To identify solutions, Henkel engages in partnerships with industry stakeholders to develop and adopt new recycling technologies and practices that are relevant to production processes. This includes participating in research and development initiatives that promote the use of secondary raw materials and improve waste management systems. It also includes the implementation of robust inventory management systems to minimize excess inventory and prevent product obsolescence.

**End of life:** Henkel promotes the use of collection and recycling systems for packaging. Henkel considers the following requirements as relevant for packaging waste collection and recycling systems:

- Providing cost-efficient, transparent and reliable solutions.
- Supporting access to secondary raw materials, such as recycled material.
- Enabling convenient access for consumers and providing clear collection instructions.
- Including the informal sector in collection solutions in markets with underdeveloped waste recycling infrastructure.

Henkel partners with companies and organizations along the packaging value chain to drive progress in infrastructure for collection and recycling. The ambition, under the framework of Extended Producer Responsibility (EPR), is to ensure that there is no unregulated disposal of packaging waste.

## 7. Consumer Engagement

Henkel aims to drive consumer engagement through clear product usage instructions, recycling information and labels. In this way, the company strives to foster more sustainable behavior. The company creates activation and engagement programs to educate consumers about the benefits of responsible consumption, sustainable packaging and proper waste management.

## 8. Collaboration and Partnerships

Henkel recognizes the importance of engaging in circularity initiatives together with stakeholders such as customers, suppliers, employees and communities. By fostering collaboration and open dialog, the company drives collective actions toward a circular economy.

Henkel partners with local communities, NGOs and industry groups to promote sustainability. Furthermore, the company participates in circular economy initiatives and networks to collaborate for circularity and enhance relevant best practices. Henkel supports the Ellen MacArthur Foundation's Global Plastic Commitment and Plastic Pacts. Henkel is also committed to the Consumer Goods Forum's Golden Design Rules for packaging.

## 9. Governance

Led by the Chief Sustainability Officer, a dedicated topic lead for Circularity in the Corporate Sustainability team is responsible for the development of concepts and policies addressing key sustainability topics. This includes related governance and guidance on relevant actions based on companywide standards, targets and action plans.

Henkel's business units (Adhesive Technologies and Consumer Brands) and relevant corporate functions are responsible for the implementation of sustainability in products, raw materials and packaging, including the provision of necessary resources.

The Corporate Sustainability Council regularly reviews the effectiveness of the policies that support Henkel's objectives and address the relevant impacts, risks and opportunities. The Council is supported by a Packaging & Circularity Steering Committee that consists of representatives from Global Corporate Sustainability Team and Henkel's business units – such as Supply Chain, Marketing, Public Affairs, Governmental Affairs, Communications and Procurement.

Henkel is committed to publishing transparent reports about its progress, while also providing clear and accurate information about its circularity goals and achievements. The company conducts regular audits and assessments to ensure compliance with circular objectives.

## 10. Metrics and KPIs

Henkel is committed to fully integrating the principle of eliminating waste, promoting circular products and raw materials, and regenerating nature across its operations. The company focuses on minimizing resource consumption and reducing waste.

The progress made toward ambitions and targets is monitored and reviewed regularly to ensure alignment with the company's broader sustainability goals.

### 10.1. Henkel targets and ambitions for packaging

- 100 percent of Henkel's packaging will be designed and developed to optimize recyclability or reusability by 2025.<sup>4</sup>
- >30 percent share of recycled plastic (– 50 percent fossil-based virgin plastics) for all packaging of Henkel consumer goods products by 2025.
- Continuously help to ensure that all packaging waste is properly disposed of and recycled, thereby preventing it from entering the environment.
- 100 percent of the paper fibers in paper packaging and cardboard to be made of recycled material or, where virgin fibers are required, to come from fresh fibers originating from certified, sustainable forestry.
- Discontinue the use of polyvinyl chloride (PVC) and other potentially harmful substances that are suspected of harming the environment and endangering health.

### 10.2. Henkel targets and ambitions for circularity in the supply chain

- Circular use of production waste material by 2030.
- Zero production waste to landfill by 2030.
- -50 percent production waste per ton of product by 2025 (base year 2010).
- Circular water use at key manufacturing sites by 2030.
- 35 percent less water consumption per ton of product in production by 2025 (base year 2010).

### 10.3. Henkel targets and ambitions for circularity in responsible sourcing

- 100 percent paper and cardboard from recycled material or from sustainable forestry sources by 2025.
- 100 percent palm and palm kernel oil that has its responsible sourcing certified or externally confirmed by 2025.

Henkel implements strict internal measures to ensure compliance with regulations. The company adopts compliance best practices that establish a solid foundation for this approach

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<sup>4</sup> Excluding products where ingredients or residues may affect recyclability or pollute recycling systems. Applicable for consumer packaging.

## 11. Training and Education

Henkel has developed and rolled out a comprehensive **training program about circular economy principles and practices to empower employees**. The Circular Economy and Sustainability Training program is part of the onboarding processes for new hires. Henkel emphasizes employee involvement in energy and water efficiency efforts by providing training and resources to help them understand their role in sustainability initiatives. This includes setting specific targets for energy and water savings within the company's supply chain and operations teams. Henkel has implemented training for factory employees in circular practices and continuous improvement.

**Implementing internal campaigns and recognition programs:** The company conducts internal campaigns to promote energy-saving and water-saving behavior, with a recognition for employees or teams that achieve significant efficiency gains.

Henkel offers workshops, seminars and online courses to enhance employee knowledge and engagement. Employees are encouraged to participate in circular economy conferences and events.

## 12. Monitoring and Reporting Tools for Packaging

Henkel regularly updates the available digital reporting tools to support the interaction of the data systems – such as those for site-related and supplier-related data. This helps to meet growing transparency requirements in relevant markets, while also driving profitable growth and better managing the existing portfolio when it comes to sustainability. The internal reporting tools encompass solutions for waste in operations, recycled plastic packaging, packaging design-for-recycling and packaging tonnages, as well as biobased and biodegradable ingredients.

Henkel regularly reports progress to internal stakeholders. To the public the company reports via annual report. Furthermore, Henkel reports its progress on plastic packaging via the Ellen MacArthur Foundation's website.

## 13. Continuous Improvement

Henkel works with suppliers, converters, recyclers and other stakeholders to foster a culture of innovation and continuous improvement. Henkel adjusts roadmaps and action plans based on performance, feedback and emerging best practices.

Henkel encourages all employees to engage in sustainability initiatives including waste prevention initiatives, recycling and clean ups. The company also stays up to date on industry trends and best practices in the circular economy.

## 14. Conclusion

Henkel's commitment to advancing the transition to a circular economy is a pivotal element of its sustainability strategy. This journey involves integrating sustainable practices across all facets of the business, from product design to end-of-life management. Henkel's approach emphasizes the importance of setting ambitious targets, rigorous progress monitoring and reporting, as well as transparent communication and employee engagement.

## 15. Definitions and Key Principles

<b>Circular economy</b>	A circular economy is a systemic approach to economic development designed to benefit businesses, society and the environment. In contrast to the 'take-make-waste' linear model, a circular economy is regenerative by design and aims to gradually decouple growth from the consumption of finite resources.
<b>Extended Producer Responsibility (EPR)</b>	This is a policy tool that extends the producer's financial and/or operational responsibility for a product to include the management of the post-consumer stage to help meet national or EU recycling and recovery targets. EPR policies generally shift the waste management cost or physical collection partially or fully from local governments to producers.
<b>Life cycle assessment (LCA)</b>	This is a common sustainability assessment methodology that assesses the various impacts of a product or material at every stage in its life cycle – from raw materials to end of life.
<b>Packaging materials</b>	Packaging materials are materials used for handling, storage, transportation and protection of goods and products. Typical examples of packaging materials are cardboard boxes, crates, cans, tubes, bottles and plastic containers.
<b>Post-consumer material</b>	Packaging materials are materials used for handling, storage, transportation and protection of goods and products. Typical examples of packaging materials are cardboard boxes, crates, cans, tubes, bottles and plastic containers.
<b>Post-consumer packaging waste</b>	Primary packaging waste after its end of life.
<b>Post-consumer recycle (PCR TYPE)</b>	This term is used for materials that are produced, at least in part, from post-consumer materials.

<b>Post-industrial material (PIR TYPE)</b>	This term is used for materials that are produced, at least in part, from post-industrial materials.
<b>Primary packaging materials</b>	Primary packaging materials are the immediate layer of packaging that directly contains the product. It is the first line of defense for the product, protecting it from physical, chemical and environmental damage. Primary packaging ensures the integrity, safety and preservation of a product.
<b>Recovery</b>	Recovery of waste means any operation that results in waste serving a useful purpose. This might be achieved by replacing other materials that would otherwise have been used to fulfil a particular function or by waste being prepared to fulfil that function at a factory or in the wider economy.
<b>Recycling</b>	Recycling is the process of converting waste materials into new materials and objects. The recyclability of a material depends on its ability to reacquire the properties it had in its original state.q1
<b>Secondary packaging materials</b>	Secondary packaging serves as an additional layer of protection during transit, reducing the risk of damage to the primary packaging. Common examples of secondary packaging include cardboard boxes, cartons and shrink-wrap
<b>Tertiary packaging materials</b>	Tertiary packaging is the third level of three types of packaging that are used to protect manufactured goods during shipping or storage. It is used to protect the product and also its secondary and primary packaging.