

Getting the Best from our Future Relationship with the EU

1 June 2018

Cosmetics Industry 2 Key Asks

Remaining in the Customs Union

A tariff-free and barrier-free market for the export / import of products, raw materials and commodities will be vital to safeguard an efficient supply chain.

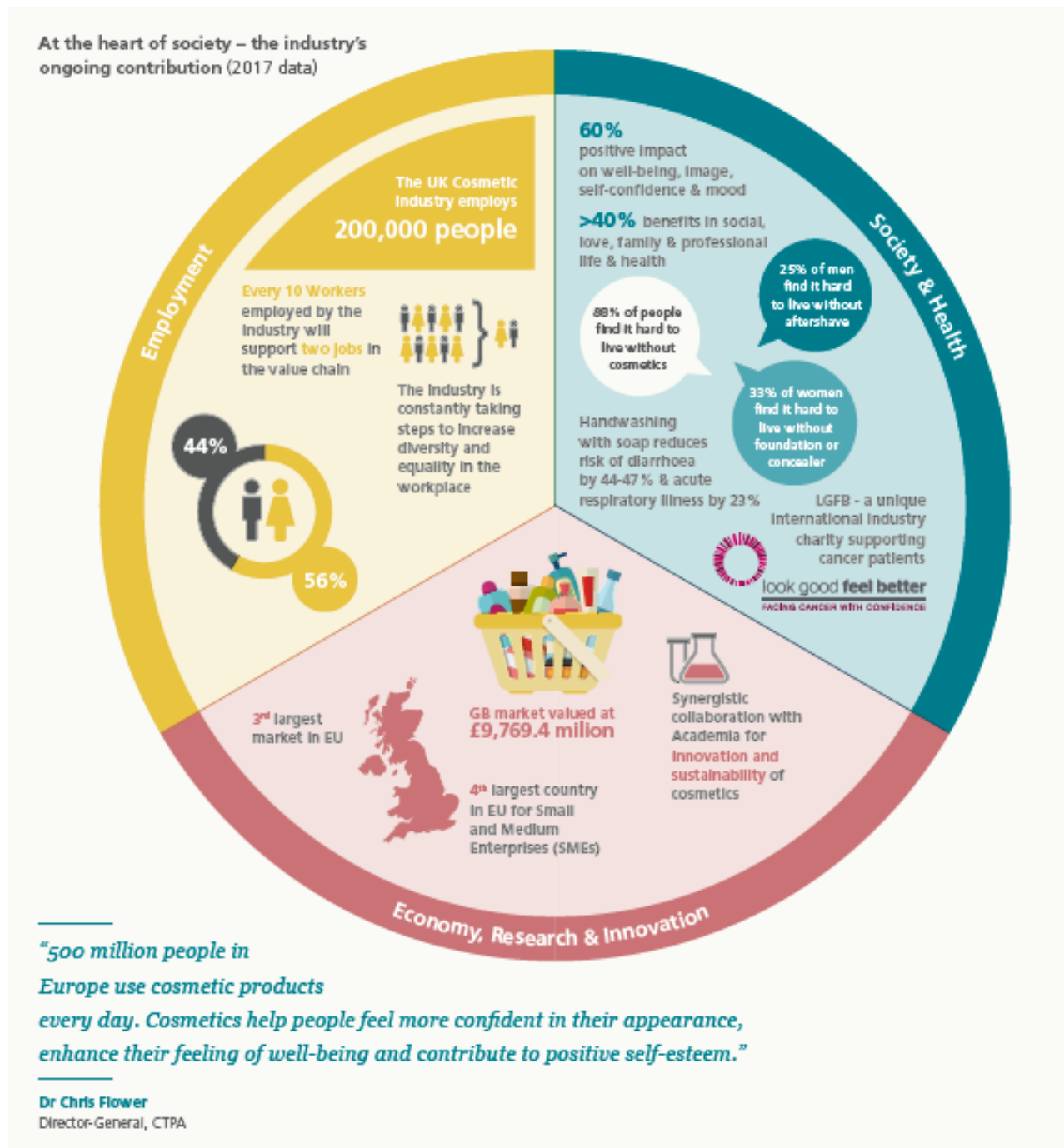
EU/UK Regulatory Alignment for the Cosmetics Sector by

- implementing similar and compatible rules;
- sharing mutual access to regulatory databases;
- exchanging information; and
- establishing administrative co-operation on in-market control post EU Exit.



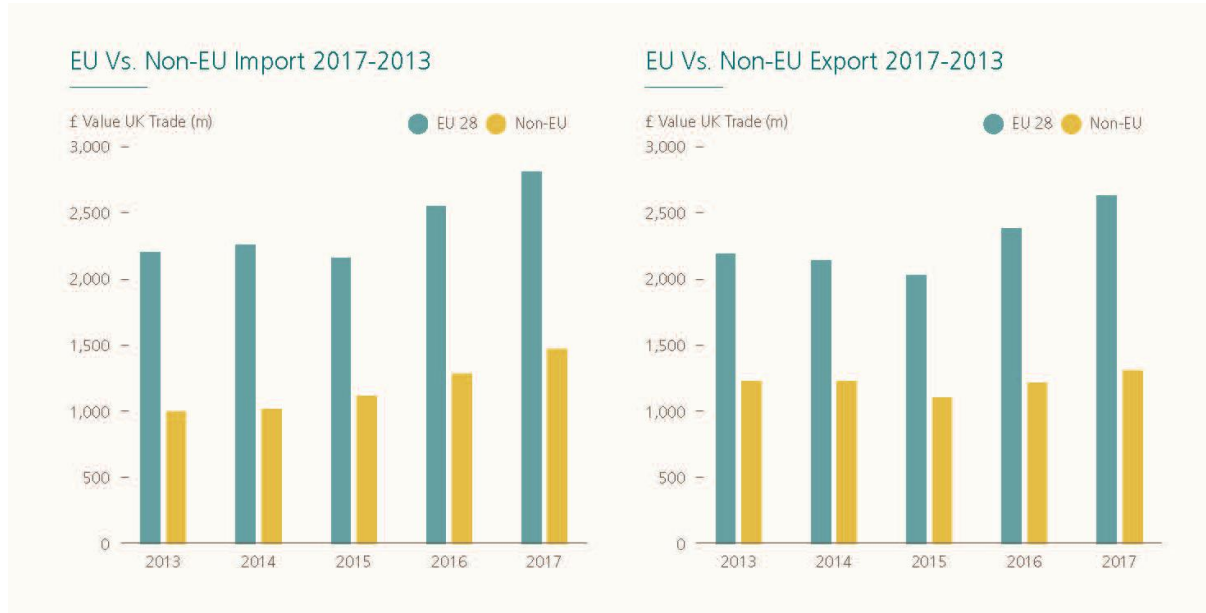
About the Cosmetic Toiletry and Perfumery Association (CTPA)

Representing those who make, supply and sell cosmetic and personal care products, CTPA is the public voice of a vibrant UK industry. It has more than 175 member companies, of diverse sizes, from micro and SMEs through to multinationals, spanning manufacturers, distributors, contract laboratories and own brand retailers; and collectively represents between 80-85% of a UK market that was valued at £9,769.4 million in 2017 (at retail sales price).



Our Main Trading Partner is the EU

The UK is a vibrant and innovative cosmetics producer with many companies acting as distributors across the EU for principals outside of the UK. In 2017, exports accounted for £3940.1 million and imports for £4278 million according to the uktradeinfo.com database. The European cosmetics market in 2016 was worth EUR 77 billion at retail sales price. This makes Europe the largest cosmetics and personal care market in the world.

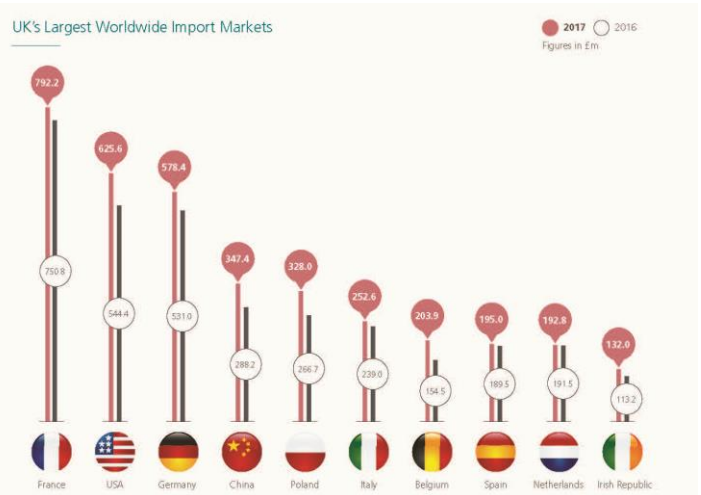


The UK cosmetics industry is seen as a vibrant exporter with the EU being its largest trading partner.



In 2017, the UK's export of cosmetic products into the EU reached 65.7% of total UK cosmetic exports and UK imports from the EU 66.8% of total UK cosmetic imports. In 2017 consistent top export markets for the UK were the Irish Republic and Germany.

In the same year, France, Germany and Poland were the UK cosmetic industry's top 5 import markets. It is also important to note that our second top import market is the USA, as the UK is often the country of choice for US companies to enter the EU market either via UK distributors acting as their chosen EU partners or to set-up a European head office.



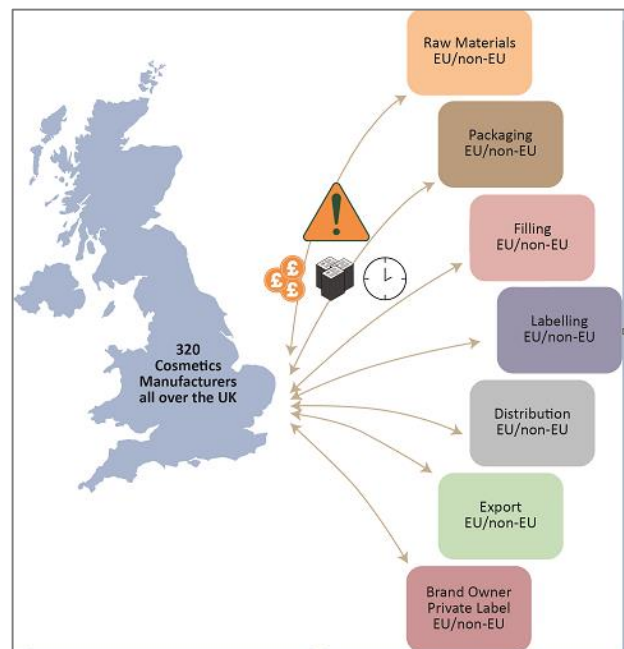
Remaining in the Customs Union

The success of our business in the UK relies on a tariff-free and barrier-free market, an efficient system with minimal delays and maximum efficiency for imports and exports for UK/EU trade. Being part of the Customs Union means goods can move freely between the UK and EU Member States without the need for checks on the origin of goods. Exports to the EU from countries outside the customs union are subject to rules of origin checks even if they have a Free Trade Agreement (FTA) with the EU.

The EU has bound tariffs at zero per cent in World Trade Organisation (WTO) commitments for some categories of cosmetic products: perfume, shampoo, make-up etc. but excludes:

- Pre-shave, shaving or after-shave preparations (6.5%)
- Personal deodorants and antiperspirants (6.5%)
- Perfumed bath salts and other bath preparations (6.5%)

For these product categories, even if the EU and the UK agree under an FTA to establish lower tariffs, rules of origin can be complex for our sector. When importing goods, the importer has to present a proof of origin to the importing customs authority and this would introduce bureaucracy, additional costs and delays into cross-border trade. The manufacture of cosmetics could involve several stages in different countries. This would mean that the majority of products may either not benefit from such agreement, and/or that the cost to provide the proof of origin may outweigh the benefit of duty-free sales. In addition, the cosmetics industry supply chain is complex and for most companies this involves UK/EU cross border exchanges.



We estimate that in many cases a cosmetic product from the raw material to its finished state can cross UK / EU borders over five times.

If the UK were to leave the Customs Union it will have a huge impact on cosmetic companies and its supply chain, as products belonging to the same supply chain may be checked several times at the borders. In practice this will mean that tariffs may have to be paid more than once and that numerous clearance delays will be occurred. Overall, the documentation required and the delay to clear customs will stifle investment. Consumers buying personal care and cosmetic products would benefit from a continuation of the duty and barrier-free market access of these goods.

It is therefore essential that the UK remains in the Customs Union after leaving the EU.

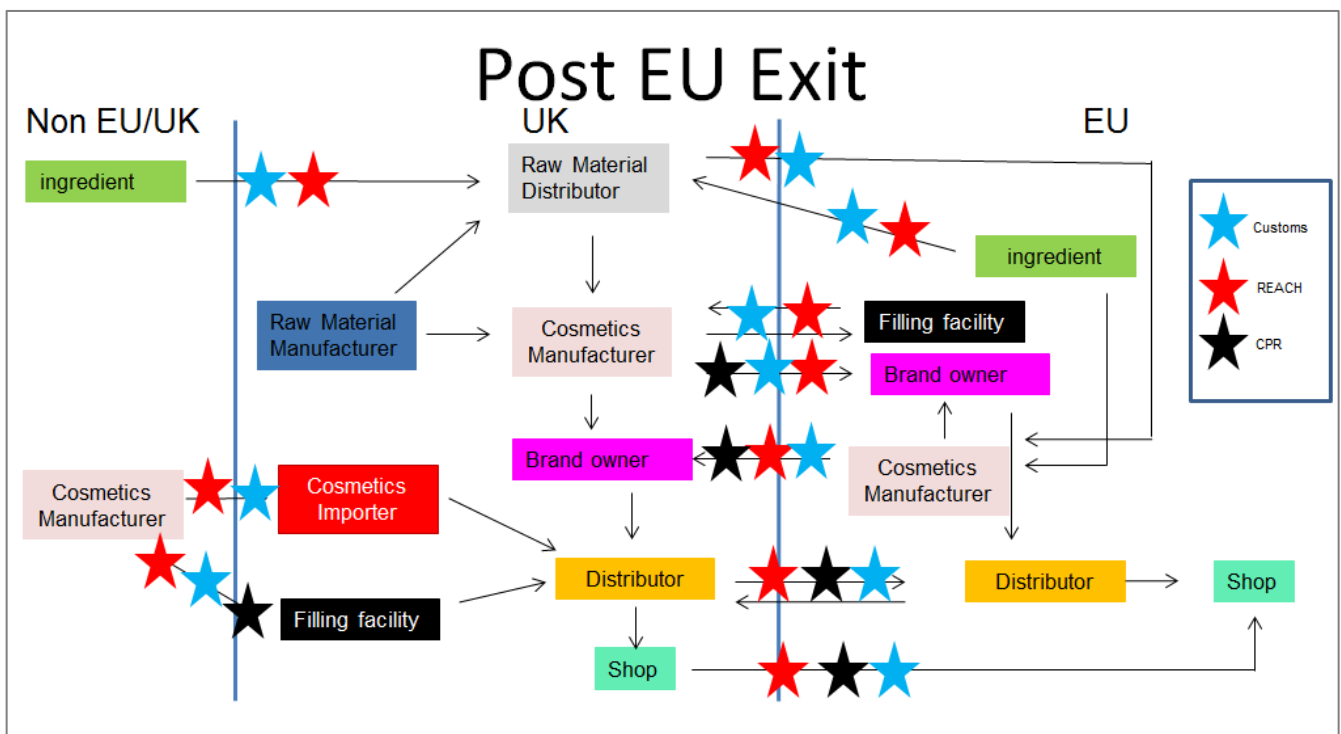
EU/UK Regulatory Alignment for the Cosmetics Sector

Maintaining the vigorous level of trade between the EU and the UK is paramount for the continued economic growth of both parties. The EU has had a very significant role in setting high quality regulation for business that applies across its Member States, ensuring that every company works to the same standards and making trade across Europe simpler and lower in cost. A single set of rules helps ensure that marketplaces offer a fairer playing field for businesses operating in them, whilst simultaneously protecting consumers from low quality and unsafe products.

The UK and the EU have been following the EU cosmetics legislation for over 40 years. The EU Cosmetics Regulation acts as an enabler for business and consumers, ensuring high quality and safe products and goods. There is a high degree of co-operation between the industry and the regulatory authorities both in the UK and at European level to ensure that consumers are properly protected through legislative controls and that legislation keeps up with this highly innovative industry.

The cosmetics industry would call on the UK Government and the EU to maintain this regulatory alignment by:

- **implementing similar and compatible rules;**
- **sharing mutual access to regulatory databases;**
- **exchanging information; and**
- **establishing administrative co-operation on in-market control post the EU Exit.**



Implementing Similar and Compatible Rules

The industry relies on regulatory certainty in order to operate effectively in the UK and in the EU. For some SMEs, marketing to the EU represents over 60% of their turnover. There is a risk of duplication and unnecessary regulatory complexity unless the UK continues to apply similar regulatory rules to the EU following the EU exit. The UK has always been a key player in developing EU cosmetics legislation. The EU Cosmetics Regulation No 1223/2009 strengthens the safety of cosmetic products and streamlines the framework for all operators in the sector.

Convergence on cosmetics regulation will ensure that a product can be manufactured in the UK or in the EU with the same formula, manufacturing process and safety assessment and be sold in both regions without unnecessary regulatory barriers.

While international rules are increasingly important to businesses, a close regulatory relationship with the EU will continue to be essential for decades to come. The EU Cosmetics Regulation is seen as a gold standard across the world and products complying with these requirements are highly considered outside the EU.

Maintaining similar and compatible rules to avoid unnecessary duplication and trade barriers post EU Exit will be crucial for the cosmetics industry. This does not only apply to the Cosmetics Regulation but also to other rules that impact our sector such as REACH for chemicals. Continued convergence with REACH is essential for the cosmetics industry and its supply chain. Divergence between the UK and the EU in the chemicals supply chain and regulatory framework would impact our sector, driving up costs for all supply chain actors, including if there is no mutual access to databases. Convergence with other rules such as the Classification, Labelling and Packaging Regulation and Biocidal Products Regulation is also essential.

Beyond cosmetic and chemicals regulations, the regulatory alignment on environmental policies will also be of paramount importance for the industry. Divergences would cause important problems (e.g. non-tariff regulatory barriers) for industry operating in these markets.

Sharing Mutual Access to Regulatory Databases

Sharing mutual access to regulatory databases is a key pillar to ensure sustainable regulatory alignment. Cosmetics companies as well as EU enforcement authorities value the use of shared central regulatory databases such as CPNP, RAPEX, ICSMS and those operated by the European Chemicals Agency (ECHA). These databases have a positive impact on the collaboration between enforcement authorities and effective market surveillance. The CPNP has also been welcomed by the cosmetics industry as it has streamlined the way cosmetics have to be notified before being placed on the EU market. Before the CPNP, notifications were done at national level which was very burdensome. The national databases were not shared and therefore companies had to notify individual countries with different types of information. The CPNP has now streamlined the process for business and authorities.

It would be essential for our sector to allow the UK authorities and poison centres to have access to the CPNP. It will avoid having to create a new UK portal and to duplicate notification for EU and UK companies. If a UK portal is developed, it should be compatible with the CPNP to avoid additional administrative burden. Business should also be given a sufficient grace period to comply.

Exchanging Information

The EU Cosmetics Regulation is currently updated at the EU level. In particular, the Commission updates the Annexes of the Regulation dealing with ingredients restrictions. The Commission works in collaboration with the Scientific Committee on Consumer Safety (SCCS) which provides opinions on health and safety risks (chemical, biological, mechanical and other physical risks) of non-food consumer products including cosmetic products and their ingredients. The Committee usually produces its reports in response to a specific request. At the end of the risk assessment process, the Committee adopts Opinions which the Commission then considers as part of its ingredient management strategy under the Regulation.

Continued convergence on ingredient status is crucial for our sector as having a separate formula for the UK versus the EU market will be excessively challenging to manage for companies. Regulatory alignment can only be achieved if the requirements are the same and do not diverge over time. In order to maintain this alignment as well as avoiding duplication, **the cosmetics industry would recommend that the UK and the EU establish principles for exchanging information and working in collaboration on the assessment of cosmetics ingredients.** We would recommend the same approach for REACH, as the possibility for the UK Government to access ECHA data will avoid unnecessary duplication and cost for the industry and enforcement authorities and will ensure convergence.

Establishing Administrative Co-operation on In-market Control Post EU Exit

Alignment will need to come with mechanisms for influence and enforcement that benefit both sides. To achieve aligned regulatory systems, cooperation will be essential.

CTPA calls on the UK Government to maintain administrative cooperation with EU Competent Authorities after the UK has left the EU as well as implementing similar regulatory rules to the EU as part of any phased implementation deal and any long-term agreement. Such an arrangement would mutually benefit both the UK and 27 EU Member States. We feel that maintaining the high degree of co-operation between the UK Government and the EU Member States after the UK has left the EU is necessary to ensure that consumers will be properly protected through legislative control.

The cosmetics industry is committed to support the development of mechanisms to maintain and enhance co-operation and long-term regulatory harmonisation between the UK Government and the EU Member States after the UK has left the EU. Such an arrangement would be mutually beneficial to both the UK and the 27 EU Member States' economies and will ensure a continued high level of consumer protection.

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