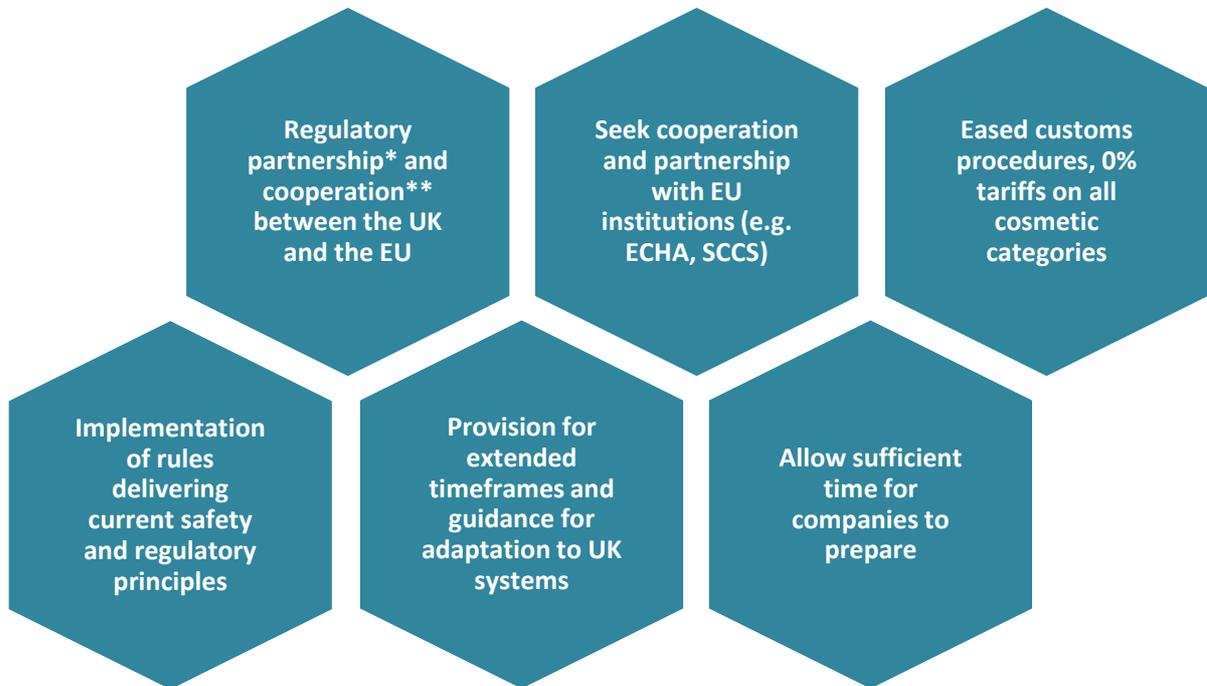


CTPA POSITION PAPER THE UK COSMETICS INDUSTRY STANCE ON FUTURE REGULATORY COOPERATION

Negotiation Arguments and Regulatory Cooperation Proposal



Maintaining the vigorous level of trade between the EU and the UK is paramount for the continued economic growth of both parties and to ensure the UK cosmetics industry continues to flourish and to be competitive.

*Regulatory partnership: implement regulatory standards and principles that are similar or compatible with current ones. This will not only facilitate compliance by companies, but also facilitate trade by avoiding the introduction of technical barriers to trade and by reducing customs administrative burden as a consequence of the EU and the UK trusting respective goods are compliant with the respective regulations.

**Regulatory cooperation: working together on matters of common interest to design and evolve each region's regulations, a system of establishing a shared set of rules which applies to each country's domestic regulations when they have trade impacts.

Why Is It Important?

Facilitate trade for smaller UK companies

- Smaller UK companies gain approximately 60% of their turnover from selling to the EU. Barriers to trade are often not just tariffs, but also regulatory complexity and duplication. It would be difficult for SMEs to quickly replace EU sales with sales to the UK with a different framework and to other international markets.
- Regulatory compliance is feasible, but it is also very costly. Small companies could struggle to absorb high costs and some might not be able to survive.
- The cosmetics industry supports the need of a duplication of regulatory frameworks, but regulatory burden should be minimised, to ensure the industry continues to invest in consumer choice and innovation (R&D, sustainability, etc.). It will be extremely difficult for businesses to absorb the costs of sudden compliance with divergent regulations in such a short amount of time.

Maintain UK's key markets

- Ireland is the main export country for UK (2018 CTPA Annual Report), due to geographical proximity and language. Products are generally clustered for both the UK and Irish markets, for ease of marketing and supply chain arrangements. Implementing current regulatory and safety standards will enable companies to minimise disruption to their business plan and maintain current availability of products to the consumer.
- A lot of retailers operate both in the UK and Ireland. Not implementing current regulatory standards will cause huge disruption to the business model of these retailers. Furthermore, a lot of stock destined to the Irish market currently goes through the UK, generating income for the UK economy. Disruption to business models due to regulatory differences will see Irish stock going directly to Ireland or another EU Member State, thus reducing revenue for the UK market.

Avoid technical barriers to trade post-Brexit

- Cooperation and collaboration between the UK and the EU post-Brexit will avoid the rise of trade barriers, such as formulation requirements, incompatible labelling, different definitions, etc. Avoiding this will allow the EU and the UK to continue to trade with minimal disruptions.
- Differences to regulatory standards are likely to result in brands and formulations being removed from the UK market, which in turn would result in a price increase of products, less consumer choice in a smaller/niche UK market, and would complicate market access for third countries who want to sell in both the EU and the UK (as the EU is a bigger market).
- Regulatory compliance is feasible, but costs that companies will incur will need to be absorbed somewhere along the supply chain. Some companies may not survive, or may decide to stop marketing in the UK or bypass the UK (reducing income to the UK economy) to avoid unnecessary costs.

Minimise disruption to the supply chain

- No tariffs and limited administration at the borders for all actors (importers, exporters, customs authorities) will minimise disruption to the cosmetics supply chain to ensure continuity of business and supply of products to consumers as smoothly as possible.
- Duplication of requirements because of non-collaboration with EU agencies will cause huge disruptions to the supply chain. Exchange of information between the UK and the EU will enable our sector to continue to operate as smoothly as possible.
- The supply chain of the UK cosmetics industry is fully integrated with that of the EU. Lack of cooperation, high tariffs and complex customs administration will cause the UK to lose capabilities only available in the EU (e.g. science and technology, manufacturing, ingredients, equipment, etc.). This could result in less innovation and a reduction of products available to the consumer.
- A cosmetic product and its ingredients can cross the UK/EU border up to 5 times from development to finish. The UK industry will need to adapt its supply chain to inevitable changes, but facilitating trade will minimise disruption to businesses.

Minimise disruptions to exports

- Export outside of the EU currently involves a number of documents stating compliance with the EU Cosmetic Products Regulation (e.g. Certificate of Free Sale), from which the UK will stop benefitting post-Brexit. By implementing current safety and regulatory standards, UK companies will be able to continue to export to third countries that already recognise EU rules. This could also facilitate FTAs with third countries that recognise the EU Cosmetic Products Regulation as a gold standard.

Reduce risk of compromising the safety for the consumer and the environment

- Safety for both the consumer and the environment is the priority for the cosmetics industry. Collaboration of the UK with EU agencies is key to maintain this principle.
- Participation of the UK to cosmetic ingredients and chemicals reviews carried out by the EU will enable the industry to maintain and maximise safety for consumers and the environment.
- Exchange of information between UK and EU competent authorities will enable the industry to continue to carry out post-marketing surveillance activities effectively.

Uphold the strict animal testing ban

- The cosmetics industry in the EU does not test on animals as the animal testing bans on finished products and ingredients have been in place since 2004 and 2009 respectively (and earlier in the UK).
- Collaboration and sharing of information and data on alternative methodologies will enable the cosmetics industry to further develop alternative methods to animal testing.

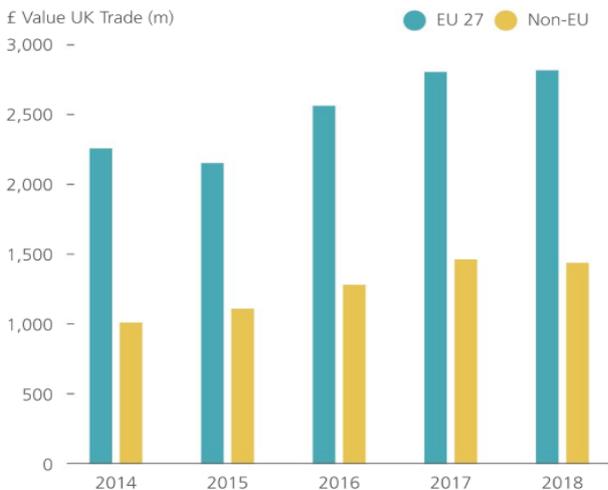
Allow sufficient time for companies to prepare

- The cosmetics industry seeks an extension of the transition period beyond 31 December 2020, of at least one year.
- Alternatively, any UK legislation should provide a grace period before its implementation.
- The FTA must also include a phase-in period to allow readiness with the new terms and requirements.
- Companies and UK Competent Authorities will need sufficient time to adapt to the changes, in order to ensure compliance without impacting business continuity and availability of products to the consumer. Such timing will also reassure companies and provide financial stability.
- The EU and UK competent authorities should provide common support and guidance to businesses to ensure equal implementations across both areas.

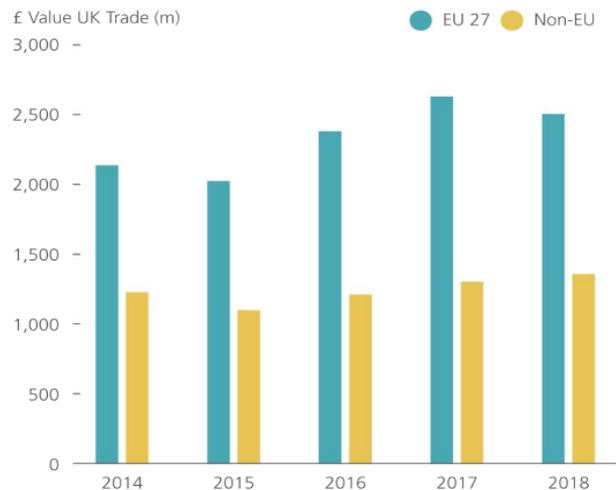
Background

The cosmetics industry makes a significant positive impact on the economy, and wider society. Covering skincare; personal care; hair care; colour cosmetics; and fragrance, the industry contributes to good health and hygiene, through a diverse array of products, from sunscreen and toothpaste, to shave care and male grooming, shampoo and deodorant. The UK market for the sector is worth £9.7 billion ([CTPA Annual Report 2018](#)). The EU is the main trade partner for the UK cosmetics industry, with imports from the EU being 66.2% (£2.8 billion) and exports to the EU 64.8% (£2.5 billion) of the UK's world trade. The CTPA Annual Report 2018 shows that UK imports and exports from and to the EU of cosmetic products are significantly higher vs trade with non-EU countries; figures are similar in previous years (see chart below).

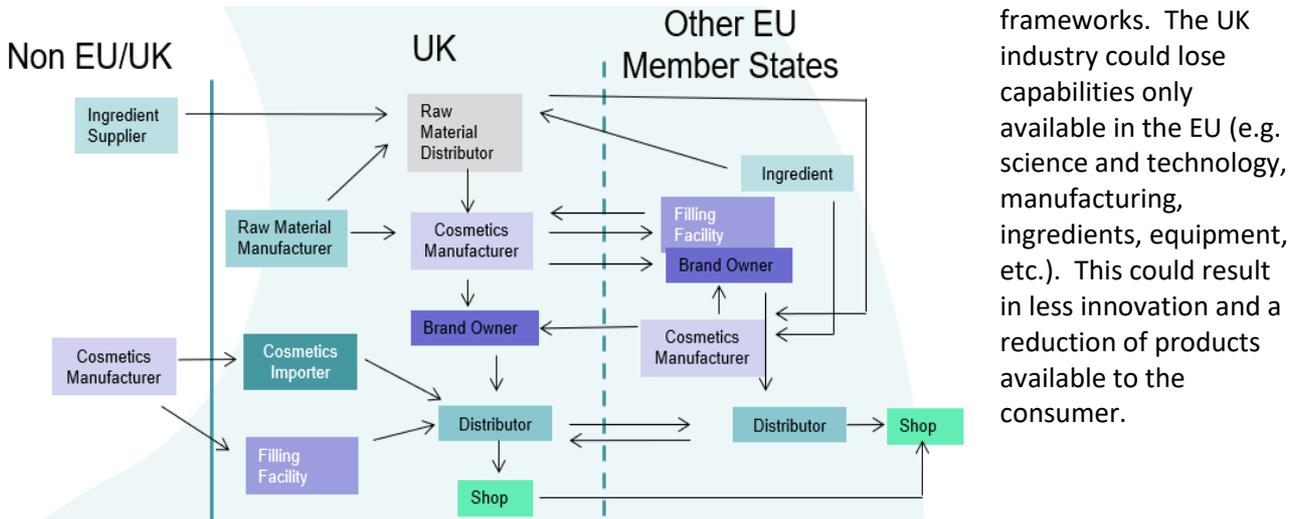
EU Vs. Non-EU Import 2014-2018



EU Vs. Non-EU Export 2014-2018



Supply chains within the cosmetics industry have grown into complex networks connecting multiple actors and countries across the UK, the EU and worldwide (see figure below). The UK has been part of the EU single regulatory framework for many years; therefore, the supply chain for the UK cosmetics industry is fully integrated with that of the EU allowing the sector to grow and continue to innovate easily. However, some raw materials and processing are often sourced outside of the EU. A cosmetic company in the UK works globally, but mainly with the EU thanks to the benefits of the Single Market and applicable regulatory



frameworks. The UK industry could lose capabilities only available in the EU (e.g. science and technology, manufacturing, ingredients, equipment, etc.). This could result in less innovation and a reduction of products available to the consumer.