

2019
SUSTAINABILITY
REPORT

CREATING A MORE



BEAUTIFUL WORLD



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MESSAGE FROM LEADERSHIP



For more than a century, the beauty and personal care products industry has provided significant well-being and economic value to society—from employment opportunities to the benefits of good hygiene, grooming, and self-esteem.

Yet, while the global, socio-economic benefits of the sector are well recognized, stakeholder skepticism and institutional distrust are on the rise.

With the Personal Care Products Council's (PCPC) first sustainability report, we aim to demonstrate industry's commitment not only to ethical and transparent practices but also to the responsible management of our environmental impacts and economic and social value. The report focuses on the issues and opportunities most material to our industry and seeks to showcase the innovative ways in which member companies have integrated sustainability into their business practices.

The report mirrors PCPC's sustainability strategy, which is built on four pillars: dynamic economic growth,

exemplary citizenship, environmental stewardship, and ethical and transparent practices.

We are committed to strengthening public trust in beauty and personal care products, and remain committed to transparency and continuous improvement. While we are proud of the efforts individual companies are making in the sustainable management of their businesses, we recognize companies large and small still have more to do. Our goal is to work in coalition, together with other like-minded organizations, to help create a more beautiful and sustainable world for us all.

We appreciate your interest in this report and welcome your feedback.

A handwritten signature in cursive script that reads "Lezlee Westine".

LEZLEE WESTINE

PRESIDENT AND CEO

PERSONAL CARE PRODUCTS COUNCIL

BOARD OF DIRECTORS LEADERSHIP PERSPECTIVES



GEORGE CALVERT,

Chairman, PCPC Board of Directors, Chief Supply Chain Officer, Amway

"As the Personal Care Products Council celebrates 125 years, we are proud of how our commitment to healthy people and a healthy planet is reflected in the work of our members and our association. From decreasing energy and water consumption to continuously reducing the environmental footprint of our packaging and more, we continue to lead and learn from each other. Our constant pursuit of improved sustainability is both good business and good stewardship. For years to come, our collective efforts will advance our industry's reputation, create new opportunities for our teams, drive growth, and make a positive impact on the world."

ALEX KEITH,

CEO, Procter & Gamble (P&G) Beauty

"At P&G Beauty, everything we do starts with listening to our consumer. Today's consumers expect the brands they trust to deliver superior performance and enable a positive environmental impact. This inspires deliberate sustainability efforts across our brands, our supply chain, and internally with our organization. We are finding that, when we do this well, our business grows and our brands become even more meaningful."

DAVID GREENBERG,

Group President, L'Oréal USA Professional Products Division, North America

"Sharing Beauty With All" is L'Oréal's commitment to generating sustainable growth while creating shared value. Our steadfast determination to reach our goals has led us to completely reinvent the way in which we conduct our work and fostered unprecedented innovation."

ESI EGGLESTON BRACEY,

Executive Vice President, Chief Operating Officer North American Beauty and Personal Care, Unilever

"Unilever has been a purpose-driven company since its founding. Today, through our Sustainable Living Plan, we aim to make sustainable living commonplace and to be the beauty company that makes the most impact on people, communities, and the planet. While we are making significant progress, we recognize that the most significant challenges of our time must be solved by working together with others who share our vision of a sustainable future. Through our portfolio of trusted brands, we can be part of the solution that creates societies and economies in which all stakeholders can prosper and thrive."

\$ 488

BILLION GLOBAL INDUSTRY

\$488.29 BILLION IN 2018

SOURCE: Euromonitor International Beauty and Personal Care Data 2018

SKINCARE IS THE LARGEST PRODUCT SEGMENT IN THE GLOBAL MARKET (25% OF ALL SPENDING)

SOURCE: Euromonitor International, The Future of Beauty and Personal Care In The Globe And Asia Pacific, 2015



\$ 144.3 BILLION IN WAGES AND INCOMES

SOURCE: PCPC Economic & Social Contributions Report 2016



EMPLOYS MORE THAN SIX THOUSAND SCIENTIFIC AND TECHNICAL PROFESSIONALS

SOURCE: PCPC Economic & Social Contributions Report 2016

\$ 64

ANNUAL CONSUMER SPEND ON PERSONAL CARE PRODUCTS

SOURCE: Euromonitor International, The Future of Beauty and Personal Care In The Globe And Asia Pacific, 2015

\$ 48⁺

BILLION U.S. MARKET IN 2018

SOURCE: Kline Cosmetics and Toiletries 2018



+5.5% U.S. GROWTH THROUGH 2023

SOURCE: Kline Cosmetics and Toiletries 2018

\$237
BILLION
CONTRIBUTION
TO U.S. GDP

SOURCE: PCPC Economic & Social Contributions Report 2016



PRODUCT CATEGORIES INCLUDE: COLOR COSMETICS, FRAGRANCES, SKINCARE, HAIR CARE/COLOR, BATH/SHOWER, MEN'S GROOMING, DEODORANTS/ANTIPERSPIRANTS, ORAL CARE, BABY CARE, SUN CARE, HAIR REMOVAL, AND FEMININE CARE.

SOURCE: Euromonitor International, The Beauty and Personal Care Market: Global and Regional Overview, 2017

63%
OF TOTAL
EMPLOYMENT
IS IN SMALL
BUSINESSES
(< 50 EMPLOYEES)

SOURCE: PCPC Economic & Social Contributions Report 2016

EXPORTED \$16.9 BILLION WORTH
OF PRODUCTS FROM THE U.S.

SOURCE: PCPC Economic & Social Contributions Report 2016

3.6
MILLION
DOMESTIC JOBS

SOURCE: PCPC Economic & Social Contributions Report 2016

72% OF CONSUMERS SAY
COSMETICS AND
PERSONAL CARE
PRODUCTS IMPROVE
QUALITY OF LIFE



SOURCE: Cosmetics Europe, The Personal Care Association, June 2019

WOMEN COMPRISE

62%
OF THE TOTAL
WORKFORCE
AND HOLD
52.9%
OF MANAGEMENT
POSITIONS

SOURCE: PCPC Economic & Social Contributions Report 2016



ABOUT THE PERSONAL CARE PRODUCTS COUNCIL

Based in Washington, D.C., the Personal Care Products Council (PCPC) is the leading national trade association representing cosmetics and personal care product companies and serving as the voice on scientific, legal, regulatory, legislative, and international issues for the \$488 billion global industry.

PCPC's approximately 600 member companies represent more than 90 percent of the U.S. market, including some of the most beloved brands in beauty and personal care today. They manufacture, distribute, and supply the vast majority of personal care products marketed in the U.S. and are global leaders committed to safety, quality, and innovation.

Four strategic priorities guide the association's work on behalf of its members — modernizing government policies, advocating for sound science, ensuring global access, and maintaining consumer confidence. For 125 years, PCPC has worked to preserve the industry's future and effectively position member companies so they can provide consumers with trusted, innovative products that enhance quality of life and well-being.

“For 125 years, PCPC has worked to preserve the industry's future and effectively position member companies so they can provide consumers with trusted, innovative products that enhance quality of life and well-being.”



ABOUT THIS REPORT

Creating a More Beautiful World is the first sustainability report published by PCPC. The goal is to produce future reports on a biennial basis profiling the sustainability challenges, opportunities, and performance of PCPC's member companies and the beauty and personal care industry at large.

The report outlines economic, social, and environmental impacts of the sector, as well as governance practices of member companies. The reporting period includes activity during the 2018 calendar year, except where clearly noted, and draws from publicly available information, including member sustainability/corporate responsibility reports, website content, news releases, and other academic, non-governmental, and government sources. Principles in the Global Reporting Initiative (GRI) Standards informed the development of this report.

This report does not aim to document the vast array of goals, initiatives, and performance of all PCPC members. Instead, it highlights key achievements and company commitments, and details how PCPC engages and collaborates with companies to advance sustainability performance for the industry. Additional information about PCPC member sustainability practices may be obtained from their company reports or websites directly.

This report was designed for distribution online, including mobile friendly formats, or as a downloadable document (PDF), with a very limited press run for physical distribution to key stakeholders. Feedback about the report is welcomed and can be directed to sustainability@personalcarecouncil.org.



MATERIALITY ASSESSMENT



“The materiality process involved analyzing a wide array of sustainability issues from two perspectives: the priorities of key stakeholders and the importance to member companies’ future business success.”

Materiality Assessments are used to help organizations focus on issues of the highest priority for their business, and for stakeholders. These assessments have several benefits, including personnel, economic, and resource allocation; engaging stakeholders; satisfying investor demands; anticipating emerging trends; and integrating sustainability issues into business strategy.

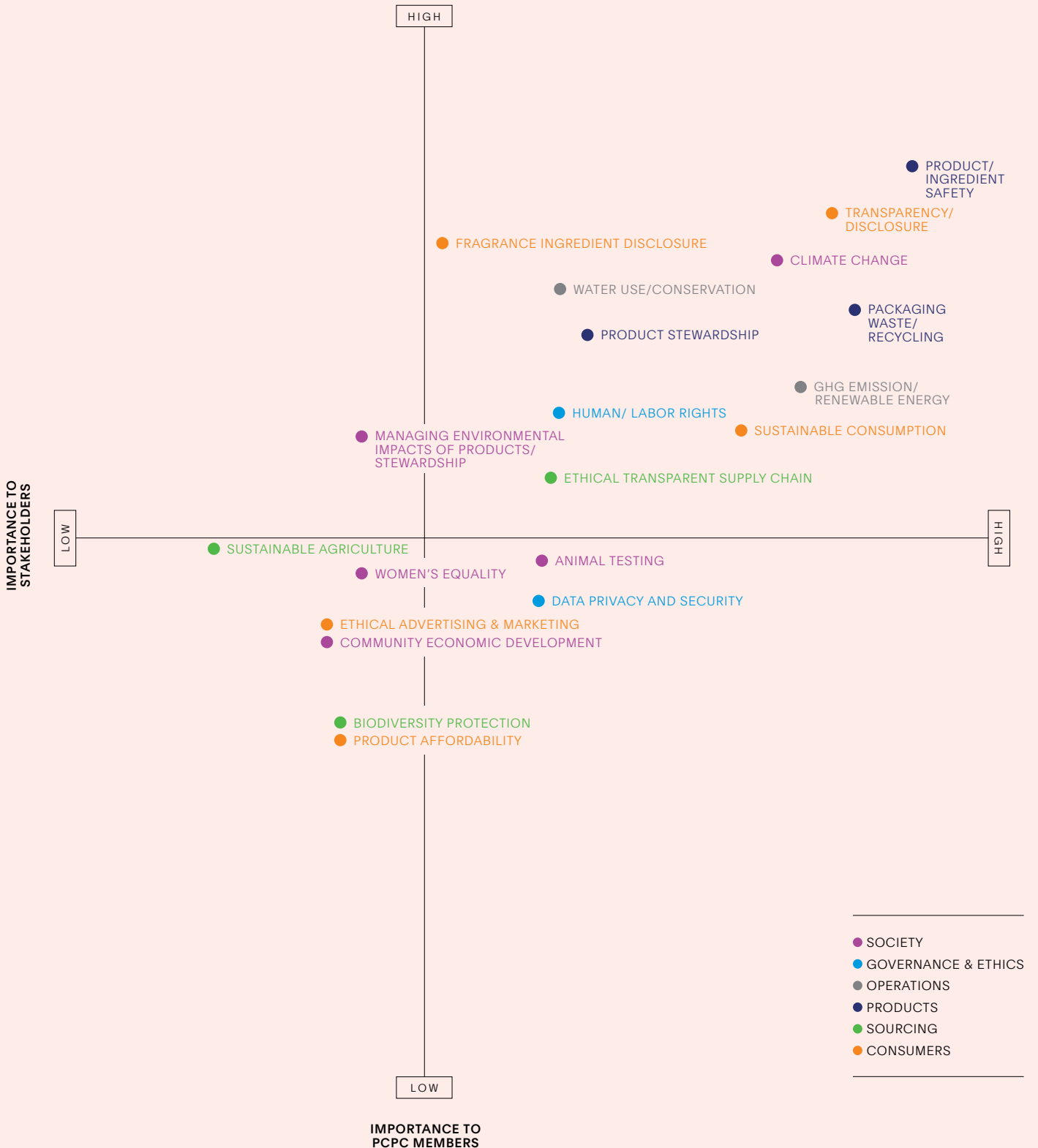
For PCPC, the materiality process involved analyzing a wide array of sustainability issues from two perspectives: the priorities of key stakeholders and the importance to member companies’ future business success. An initial list of potential material topics was prepared for stakeholders, informed by external inputs including desktop research on emerging trends, non-governmental organization (NGO) issue monitoring, Global Reporting Initiative (GRI) and Sustainable Accounting Standards Board (SASB) reporting guidelines, Sustainable Development Goals, and member company sustainability reports.

STAKEHOLDER INPUTS: PCPC used two primary methods to gather and understand stakeholder inputs, including a stakeholder survey and one-on-one interviews. Stakeholders were prioritized by their relative influence, credibility, and willingness to engage and included industry suppliers; academics; and sustainability thought-leaders, NGOs, commercial partners, third-party standards setters, trade associations, and the investment community.

BUSINESS INPUTS: A Sustainability Assessment Survey (SAS) was developed to collect information from member companies about current practices, priorities, and impact areas they believed would be most important to future business success.

From these inputs, a materiality map of priority issues, sorted by category, was established to subsequently inform PCPC’s sustainability strategy and plan.

PCPC'S MATERIALITY ASSESSMENT MAP



CONSUMER INSIGHTS

For more than a decade, PCPC has conducted regular opinion research to assess consumer trust, perceptions of product and ingredient safety, credible sources for information, labeling, product trends, and preferences among different demographics. In addition, PCPC has referred to insights and research conducted by other academic and non-governmental organizations to inform how the trade association supports its member companies. Some of the more recent trends that have significantly impacted the beauty and personal care sector are highlighted below.

DIGITAL DISRUPTION

Technology is transforming the way consumers engage with brands and the way they shop. While online sales of beauty and personal care products account for less than 10 percent of total sales in the U.S.¹, they are growing at more than twice the rate of “brick and mortar” sales. Consumers are increasingly seeking information, advice, and peer reviews from social media; beauty related content, for instance, generated more than 169 billion views on YouTube in 2018.² Digitally-native brands, with relatively low barriers to entry and extraordinary speed to innovation and market, are challenging legacy brands and capturing valuable market share. Companies and brands that want to be successful in the new retail landscape need to transform and provide a seamless omni-channel shopping experience; generate consumable, “always on” digital content; and successfully engage and empower consumers online.

TRANSPARENCY AND DISCLOSURE

Another important market dynamic impacting the sector is consumer expectations for greater transparency and disclosure around the products they buy and the companies that make them. This includes information about product ingredients — how they are sourced, where they are made, and by whom — as well as the overall ethical behavior of the producing company. With more than five billion unique mobile users and four billion internet users,³ global consumers have unprecedented access to information, and are able to obtain and create content at record speeds on a multitude of diverse social networks.

“73% of consumers say transparency is valuable to them, and a majority indicated they were either more likely or very likely to pay extra for products from more transparent companies.”

SOURCE: Pure Branding, The ROI of Transparency





“70% of shoppers consider the environmental impact of the things they’re buying when they’re out shopping, but only about 52% of those shoppers have actually changed their purchase decisions to buy into more sustainable brands, typically citing higher costs.”

SOURCE: At Kearney Harvesting the Green Opportunity

Along with this call for increased transparency, there is mounting pressure for brand owners to also disclose (often proprietary) fragrance ingredients used in personal care and fine fragrances. Working together with organizations along the supply chain, with respect for intellectual property and proprietary know-how, industry aims to provide product information that is accessible, reliable, and easy to understand, so consumers can make more informed choices.

ENVIRONMENTAL RESPONSIBILITY

Citizens around the world are increasingly aware of the connection between environmental and human health. With daily reminders of some of the most pressing environmental challenges of our time, consumers expect their favorite brands, and the companies that own them, to play a central role in addressing these problems. Sustainable and ethical business practices are becoming a driver for brand loyalty and preference with 68 percent of consumers indicating product sustainability is important when making a purchase⁴ and 66 percent willing to pay more for brands that are committed to positive social and environmental impact.⁵

Aligned with these growing concerns, there has been increasing interest in the potential impacts personal care products have on the marine environment. In 2016, the beauty and personal care industry advocated for federal legislation that supported a ban on the use of microbeads, defined as any solid plastic particle less than 5mm in size and intended to be used to exfoliate or cleanse in rinse off products.⁶ Scientific evidence points to climate change, pollution, and development as the primary threats to the health of coral reefs; additional research must be conducted to determine whether certain sunscreens, which provide significant public health benefits, might also contribute to negative impacts. Industry is working with academic institutions and environmental toxicologists to better understand the potential impacts of personal care products on the environment and supports additional research in this area.

1. Shades for Success: Influence in the Beauty Market, Deloitte, 2017

2. Statista.com, Annual Beauty-Related Content Views, YouTube, 2009 – 2018

3. Digital 2019: Global Digital Overview, DataReportal, January 2019

4. The Sustainability Imperative: Consumer Expectations & How To Grow With Sustainability, The Nielsen Company, June 2016

5. Computer Generated Solutions 2019 Retail and Sustainability Survey

6. Trager, Rebecca. "US bans microbeads from personal care products." ChemistryWorld, 6 January 2016. ChemistryWorld.com

PRODUCT SAFETY: PROMOTING A SCIENCE-BASED APPROACH

Nothing is more important to beauty and personal care products companies than ensuring the safety of products that are trusted by millions of families every day. This commitment to safety is the industry's cornerstone, with companies employing thousands of scientific and medical experts who are devoted to studying the human and environmental health impacts of their products and the ingredients used in them.

The development of a new cosmetic or personal care product involves numerous scientific disciplines and multiple areas of expertise, including chemistry and biochemistry, microbiology, molecular modeling, engineering, formulation science, packaging science, safety science, and quality assurance. Safety is considered throughout the product formulation process: from concept to design to finished product. It is considered at every stage of the development process—for every ingredient, every package, and every product.

THE SCIENTISTS BEHIND SAFE PRODUCTS

Scientists who are educated and trained in many different disciplines are involved in the design, development, safety assurance, and manufacturing of cosmetics and personal care products. While the activity of each scientist contributes to a product's safety profile, it is the specific role of the toxicologist to design and interpret the tests that ensure the safety of cosmetics and personal care products and their ingredients.

For more information about beauty and personal care safety, please visit www.cosmeticsinfo.org/science-of-safety.



STEPS TO ASSURING PRODUCT SAFETY



1

CHOOSING SAFE INGREDIENTS

Each and every ingredient is assessed for its potential to cause both short-term and long-term effects. Scientists consider an ingredient's potential for causing eye or skin irritation, allergic skin reactions, reproductive or fetal development effects, harm to the body's DNA, and its potential to cause cancer. If their safety cannot be established, the ingredient will not be used in the formulation.



2

DEFINING A SAFE RANGE

For each ingredient a safe range is determined. Cosmetics companies conduct this level of assessment on every ingredient that they use in their products. To identify a safe range for an ingredient, a margin of safety is determined. This same process is used by scientists at the U.S. Food and Drug Administration (FDA), U.S. Environmental Protection Agency (EPA), European Union (EU), Health Canada, and others that evaluate safety. Companies avoid unsafe ranges. If there is not enough information to establish a safe range, companies will remove the ingredient from consideration.



3

DETERMINE SAFE PRODUCT USE

All ingredients are evaluated in the final product to confirm that their actual use is within the safe range for both consumers and the environment. If the product formula is not safe, it will be reformulated, or not marketed.



4

CUMULATIVE EXPOSURE

Cumulative exposure is evaluated as part of the overall product safety assessment and considers the highest possible concentration of an ingredient that would be used in any particular product type and the highest possible consumer exposure during use of that product.



5

POST-MARKET SURVEILLANCE

Once a product is marketed, consumer use is closely monitored and scientific information continues to be collected. New safety methods are also considered as science evolves. As science advances and consumer preferences change, the industry continually innovates to ensure millions of families have the safest, highest quality products to enhance their health and well-being.

DYNAMIC ECONOMIC GROWTH: AN INNOVATIVE AND SUSTAINABLE INDUSTRY

Beauty and personal care is a growing, multi-billion dollar industry that contributes significantly to the U.S. and global economy. The market is fueled by many factors including a growing global population with increasing spending power; an aging population; changing lifestyles with a focus on health and wellness; male grooming; 2/7 purchase access enabled by e-commerce; as well as innovation and improvements in product quality and efficacy.

Beauty and personal care products provide good hygiene, enable grooming, increase self-confidence, and enhance overall quality of life. Consumers put their trust in the safety, quality, and performance of the numerous products they use in their daily routine. Considering these favorable market dynamics, the sector is expected to achieve a compounded annual growth rate (CAGR) of 5.5 percent between 2018 and 2023.¹

A significant employer in the U.S., the industry supports more than 3.6 million domestic jobs that paid \$1.3 billion in wages through direct and indirect contributions.² Employment in the sector between 1990 and 201 increased by more than 0 percent, reflecting the incredible dynamism of the industry.





The industry is further characterized by the employment opportunities it presents for women, people of color, and small businesses. Small, local businesses with fewer than 50 employees comprise more than two-thirds of manufacturers, retailers, salons, and beauty professionals in the sector. With low barriers to entry, the past few years have seen a flurry of indie, digitally native, and direct-to-consumer brand launches contribute to market growth. These beauty start-ups demonstrate entrepreneurship is very much the life-blood of the sector, while many of the founder-led brands, established by entrepreneurs over the last century, remain relevant and are still thriving today.

With a deep-rooted commitment to diversity, companies in the sector employ more women and minorities in management positions than the national average. Women and minorities account for 73.5 percent of all employment and 61.2 percent of management positions in the personal care products industry. Believing in the value that a diverse board of directors contributes to responsible corporate governance, **Beiersdorf, Croda, Johnson & Johnson (J&J), L Brands, L'Oréal, LVMH, P&G, Revlon, Shisiedo, The Estée Lauder Companies,** and **Unilever**, have appointed more than 30 percent of their board seats to women.

1. Kline Cosmetics and Toiletries 2018

2. PCPC Economic & Social Contributions Report 2016

EXEMPLARY CITIZENSHIP: DRIVING POSITIVE SOCIAL CHANGE

The beauty and personal care industry's commitment to social responsibility is unparalleled. As part of their commitment to provide products that enhance quality of life, companies make a significant and positive social impact that goes far beyond the direct benefits of their products. They support a wide range of corporate social responsibility programs, issues, and causes that improve lives and make communities better places to live. Companies in the beauty and personal care industry are generous charitable donors; per \$1 million of sales, their annual charitable contributions are more than double the national average for other major industry sectors.¹



One demonstration of industry's generosity and collaboration is the signature **Look Good Feel Better (LGFB)** program, a public service program that helps individuals with cancer improve their self-esteem and confidence by helping them deal with the appearance-related side effects of cancer treatment. The program offers free workshops, virtual classes, and online support that include lessons on skin and nail care; makeup application; wig and turban tutorials; accessories, and overall styling advice, helping people with cancer to find some normalcy in a life that is by no means normal.

Look Good Feel Better is offered through a collaborative effort of the Personal Care Products Council Foundation, the charitable arm of PCPC, and the Professional Beauty Association, the largest organization of salon professionals with members representing salons/spas, distributors, manufacturers, and beauty professionals. Each year, the personal care products industry donates more than one million pieces of cosmetics and skin care products, valued at \$10 million. Since 1989, the program has empowered 2 million women in 27 countries around the world to reclaim the sense of control, confidence, and self-esteem that are so central to well-being.



In addition, many beauty and personal care companies have their own charitable foundations and partner with community organizations and national charities to improve the lives of families across the globe.

CORPORATE SOCIAL RESPONSIBILITY (CSR) INITIATIVES

Industry branded CSR programs support a variety of societal needs through programs like **Elizabeth Arden's March On**, which supports women's empowerment, opportunity, and leadership; The **L'Oréal-UNESCO For Women in Science** initiative, which supports STEM education and careers; **Mary Kay's "Don't Look Away"** initiative to address domestic violence; **The Estée Lauder Companies' Breast Cancer Campaign** to support breast cancer detection and treatment; **Henkel's Schwarzkopf® Million Chances** initiative, which supports breast cancer awareness and hair donation efforts; **Lifebuoy's** proper handwashing initiative; **Lancôme's** efforts to fight illiteracy; **Colgate's "Bright Smiles, Bright Future®"** oral care platform; **M.A.C.'s Viva Glam Fund** in support of individuals with AIDS/HIV; **Dove's "Real Beauty"** program focused on self-esteem; **Giorgio Armani Fragrances' "Acqua for Life"** water security campaign; **P&G's Children's Safe Drinking**

Water program; **Secret's "Equal Pay For All"** campaign, **Vaseline's "The Healing Project"**, which supports disaster relief around the world; or **Unilever's "Right to Shower"** brand, which sells products whose proceeds support the hygiene and cleanliness of the homeless; **Henkel's Dial® Healthier Futures** program, which aims to teach children healthy hygiene habits; and **P&G's "My Black Is Beautiful", "The Talk",** and **"The Look"**, which aim to tackle racial bias.

EMPLOYEE VOLUNTEER ENGAGEMENT

In addition to financial and product support, beauty and personal care products companies encourage their employees to volunteer in their communities, donating thousands of hours each year on company time, as well as providing matching gifts benefits for employees. The industry's magnanimous support of numerous causes is a clear demonstration of an industry that cares to make a difference.

1. PCPC Economic & Social Contributions Report 2016



“Each year, the personal care industry donates more than one million pieces of cosmetics and skincare products, valued at \$10 million to the Look Good Feel Better program.”

ENERGY/CO₂ EMISSIONS: TOWARD A LOW CARBON ECONOMY

The overwhelming body of scientific evidence demonstrates the earth is warming. Greenhouse gas emissions (GHG) from cars, power plants, factories, and other human activities are the primary cause of contemporary global warming. Scientists agree we must achieve a massive global reduction in greenhouse gas emissions over the next few decades, or risk potentially devastating ecological and economic consequences.

The solution to climate change will require a broad array of technologies and policies — as well as the engagement of the private sector, government, and civil society — in the U.S. and around the world. Experts agree we must exponentially increase the efficiency of our energy use, shift to “clean” and renewable primary energy sources (wind, solar, small hydro, etc.), and capture carbon emissions generated by fossil-fuel-based sources.

The beauty and personal care industry recognizes the immediate and potential long-term impacts of climate change — its effect on our planet, and the well-being of society — and is committed to improving the efficiency of its energy use in transportation and operations, shifting toward renewable energy sources, and reducing its carbon dioxide (CO₂) emissions. More than two-thirds of PCPC members are actively managing energy use and carbon emission from their operations.¹

Many companies support the Science Based Targets Initiative (SBTi) and have committed to reducing GHG emissions — in line with the goals of the Paris Agreement — to limit global warming to well below 2°C above pre-industrial levels and pursue efforts to limit warming to 1.5°C. Companies currently committed to this approach include **Chanel, Colgate-Palmolive, Firmenich, Givaudan, Henkel, International Flavors & Fragrances (IFF), KAO, Kering, L’Oréal, P&G, The Estée Lauder Companies, and Unilever**. Recognizing the importance of transparency and disclosure around their GHG emissions, **BASF, Beiersdorf, Henkel, IFF, J&J, KAO, Kering, L Brands,**



L’Oréal, P&G, The Estée Lauder Companies, and Unilever also report their progress annually to CDP (formerly the Carbon Disclosure Project).

Pushing beyond ambitious greenhouse gas emission reduction targets, companies including **Unilever** and **Henkel** have committed to be carbon positive, while others, like **The Estée Lauder Companies, and Burt’s Bees** aim to be carbon neutral.

Corporate commitment to renewable energy is an accelerating trend that illustrates the importance of clean energy and the financial benefits it can yield, given recent declines in renewable energy costs. Many of PCPC’s member companies are achieving significant cost savings through clean energy programs and mitigating longer-term risks associated with energy price volatility, while delivering against their GHG emissions reduction targets. Most of the industry’s larger multi-nationals, and even some smaller companies, are increasing their use of renewable energy; several, including **Beiersdorf, Firmenich, Givaudan, Henkel, J&J, P&G, The Estée Lauder Companies, and Unilever** have made commitments to 100 percent renewable sources for their global electricity needs.

1. PCPC Membership Sustainability Assessment Survey, June 2018

WATER CONSERVATION: DOING MORE WITH LESS

There is perhaps no more precious substance than water—it is essential for life and success in nearly every human endeavor. Today, however, more than 660 million people lack access to safe, clean drinking water, a challenge the growing global population and economies will only exacerbate. The United Nations Sustainable Development Goals call out water explicitly, recognizing water is fundamental to achieving any kind of sustainable economic and human development. By 2025, two-thirds of the world's population may face water shortages, making the efforts that private and public sectors and civil society take on today even more important.¹

While the beauty and personal care sector is not a water intensive industry, water is used in product formulations, in the manufacturing process, and by consumers when they use or remove products. Water conservation is essential to our world's future development and many companies, including those in the beauty and personal care industry, are learning how to do more with less and drive greater efficiency with their use of water resources across all aspects of a product's life cycle.

For many companies, the conservation work begins with a water use analysis and risk assessment, which are used to develop strategies to reduce water demand, increase water reuse, and address challenges associated with individual water basins. **Amore Pacific, Beiersdorf, Firmenich, Henkel, and IFF** have conducted water scarcity assessments, some in partnership with World Wildlife Federation's (WFF) Water Risk Assessment Tool and World Resources Institute's (WRI) Aqueduct Water Risk Atlas to help prioritize conservation actions.

With ambitious public targets to reduce water consumption and improve water efficiency in operations, **Amore Pacific, BASF, Burt's Bees, Colgate-Palmolive, Croda, Edgewell, Givaudan, Henkel, Firmenich, IFF, KAO, L'Oréal, P&G, and Unilever** have all implemented strategies that include tools to measure water use by function (cleaning, lavatories, steam heat, and cooling), closed-loop cooling systems, rainwater harvesting systems, and methods to optimize industrial processes to reduce or eliminate the need to source water from external water networks or operate with "dry" factories.

In addition to the industry's efforts to conserve water in operations, many companies are developing "Water-Smart" products, or products formulated to use less water. **Unilever's Love Beauty and Planet** line uses fast-rinse technology in its conditioners, saving time and water in rinsing, **P&G** and **Henkel** are promoting dry shampoo formulations, which enable consumers to go longer between washes, **P&G's** waterless shampoo brands **Gemz** and **EC30**, which go beyond preserving hair in between washes, and **Shiseido** has developed a new rinse aid technology, which it adapted for a foaming facial wash that reduces water required for rinsing by 35 percent.



1. <https://www.worldwildlife.org/threats/water-scarcity>

MANAGING WASTE: MISSION ZERO

Achieving zero waste requires the participation of every facet of a business, from product design, manufacturing processes, logistics, and supply chain decisions to waste management and recycling considerations. Supply chain processes play a pivotal role in realizing waste reduction targets through sustainable product management and recycling practices. Inspired by circular economy thinking, closed loop systems, and the recognition that better materials management and less waste leads to significant cost savings, numerous beauty and personal care product companies have undertaken ambitious approaches toward zero waste.

Beginning with a thorough audit of current waste streams, including the amount, origin, and composition of waste, companies start to better understand ways to streamline and ultimately reduce waste in their manufacturing processes. By identifying where waste is generated, companies can determine what residual waste can be re-used, and reduce costs. In addition, by identifying what can be recycled into new materials or recovered to generate energy, companies can create significant new revenue streams.

Recognizing the business benefits of waste management, companies like **Beiersdorf**, **Burt's Bees**, **Colgate-Palmolive**, **Coty**, **Henkel**, **Firmenich**, **IFF**, **L'Oréal**, **P&G**, **The Estée Lauder Companies**, and **Unilever** have all committed to zero waste to landfills for their manufacturing sites.



PRODUCT STEWARDSHIP: REDUCING PACKAGING WASTE



The beauty and personal care industry recognizes single use plastic packaging is contributing to a global waste challenge and, as such, companies are taking numerous actions to reduce their use of plastic packaging, use more recycled plastic, and increase the recyclability of the plastic packaging they use. Working in coalitions with leading organizations to address upstream and downstream solutions to packaging waste and the systemic challenges associated with a make, use, dispose linear product cycle, industry is committed to responsible product stewardship.

This past year, PCPC joined the Sustainable Packaging Initiative for Cosmetics (SPICE) as an associate member. SPICE is a coalition of cosmetics companies working together to define harmonized, methodological guidelines for sustainable packaging and create sustainable approaches and innovation based on eco-design. PCPC intends to share key learnings with member companies.

As part of their commitment to sustainability, and in an effort to address our reliance on a single use model, several companies including **Colgate-Palmolive, Henkel, J&J, L'Oréal, P&G, The Estée Lauder Companies,** and **Unilever** have set ambitious goals that all plastic packaging will be recyclable, reusable, compostable, or refillable.

Numerous brands are making recycling easier for consumers to bring their empty packaging back to point of sale (POS), or return by mail, usually incentivized with a reward. Voluntary programs like **Aveda's Full Cycle Recycling, Back to MAC, Kiehl's Recycle and Be Rewarded, Return to Origins, Henkel,** and **Garnier's** recycling partnership with TerraCycle help

consumers appropriately dispose of empty packaging. Many brands are also increasing their use of recycled content, including **Aveda**, which markets hair care products in a bottle made of 100 percent post-consumer recycled plastic, and **P&G**, which introduced a plastic bottle made with recycled ocean plastic. **L'Oréal** has also launched a new brand called **Seed Phytonutrients**, packaged in shower-friendly paper, that's both recyclable and compostable, and made from recycled materials, while **Herbal Essences** has added tactile markings to bottles designed for the visually impaired.

Aligned with growing interest in the circular economy, industry is testing innovative approaches to refillable packaging. **Unilever** and **P&G** have launched a platform with LOOP, which offers consumers **Axe, Degree Deodorant, Dove, Crest Toothpaste,** and **Pantene** for home delivery in reusable packaging; empties are stored in a personal reuse bin and are picked up for cleaning and sterilization; packaging can be reused up to a hundred times. The new closed loop initiative encourages brands to redesign their packaging to make it more attractive and functional, while promoting a subscription model in which repeat orders increase consumer loyalty. With the goal of finding and adopting many more sustainable packaging solutions, **OLAY** is testing a recyclable refill pod that can be placed inside a skincare jar once empty.

Through coalitions like Closed Loop Partners, the Ellen MacArthur Foundation's New Plastics Economy, and other multi-stakeholder groups, industry is challenging designers, engineers, inventors, and "creative thinkers" to develop innovations that will replace existing, non-recyclable packaging waste.

ETHICAL & TRANSPARENT BEHAVIOR: CULTIVATING TRUST

TRANSPARENCY

The beauty and personal care industry is united in its commitment to promote greater transparency and disclosure around the products it produces. PCPC member companies understand that transparency creates trust, the bedrock of consumer relationships.

Since 1967, when the Fair Packaging and Labeling Act was enacted, all beauty and personal care companies have disclosed the contents/ingredients of their products; identity of commodity; and name and location of the manufacturer, packer, or distributor on the product packaging or label. This regulation has dramatically enhanced the consumer's right to know.

In order to provide consumers a way to easily identify ingredients used in beauty and personal care products PCPC developed the International Nomenclature of Cosmetic Ingredients (INCI) in the early 1970s, which is now used around the world. This standardized system aligns the common, trade, or brand name of an ingredient behind one INCI name, which ensures cosmetic ingredients are listed consistently from product to product.

Industry also supports the U.S. Food and Drug Administration's Voluntary Cosmetic Registration Program (VCRP), a reporting system for use by manufacturers, packers, and distributors of cosmetic products that are in commercial distribution in the United States. The three requirements of the program are registering manufacturing or packaging sites, submitting complete product ingredient statements, and amending the registration for changes in or discontinuations of product formations.

In the past year, some personal care companies, including **Unilever** and **P&G**, have taken steps to voluntarily disclose fragrance ingredients used in individual products (down to 0.01 percent of the product formulation) online.¹ These companies are disclosing fragrance ingredients on their company websites and through SmartLabel,[®] which provides instantaneous access to detailed information about thousands of food, beverage, personal care, household, and pet care products.

Working together with all actors along the supply chain, with respect for intellectual property and proprietary know-how, industry aims to provide product information that is accessible, reliable and easy to understand, so consumers can make more informed choices.

ANIMAL TESTING

The industry also promotes the global end of cosmetic animal testing and the use of validated alternative methods to determine product safety. Manufacturers of cosmetics and personal care products have not tested on animals since the mid-1980s, unless required by government regulation to do so.

For over 40 years, the industry has worked with regulators, scientists, and safety experts, and in collaboration with institutional, academic, and private sector partnerships, to promote viable alternative methods. In 1981, PCPC donated \$1 million to fund a national center for the development of alternatives to animal testing — the Johns Hopkins School Center for Alternatives to Animal Testing (CAAT) — and has made a number of major gifts to the program since; collectively, the industry has invested hundreds of millions of dollars in the development of predictable alternative methods for safety assessments. In an effort to harmonize and encourage global adoption of alternative methods for safety assessments, PCPC works closely with the International Cooperation on Cosmetic Regulation (ICCR) and the International Cooperation on Alternative Test Methods (ICATM).

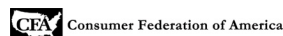
Working in collaboration with animal welfare groups over the past year, industry supported California Senate Bill 129, which prohibits the use of traditional animal testing methods when appropriate alternative test methods have been scientifically validated and recommended. Companies including **Unilever**, **P&G**, and **The Estée Lauder Companies** have also partnered with Humane Society International (HSI) in support of a global ban on animal testing, while brands like **Dove**, **CoverGirl**, **Herbal Essences**, and **Burt's Bees** have forged alliances with People for the Ethical Treatment of Animals (PETA) and Cruelty Free International (CFI). Continuing work with governments, academics, and civil society, industry's ambition is to be able to assess the safety of all cosmetics and personal care products without the need for animal testing, anywhere in the world.

1. Unilever Press Release, 2 July 2017

News.pg.com, 30 August 2017

COALITIONS & ALLIANCES

The Personal Care Products Council (PCPC) recognizes the value of partnerships and the opportunity to work together with other like-minded organizations. These coalitions help advance the sustainable and responsible practices of the industry and develop effective solutions to shared problems. As a member of the International Association Collaboration (IAC), PCPC engages directly with more than 25 international trade associations representing beauty and personal care companies around the world. PCPC has also joined forces — both formally and informally — with the following organizations:



ABOUT COSMETIC INGREDIENT REVIEW/ COSMETICSINFO.ORG



The Cosmetic Ingredient Review (CIR) is an independent panel of scientists, toxicologists, and dermatologists that reviews and assesses the safety of ingredients used in cosmetics and personal care products. Established in 1976 by the industry trade association, with the support of the U.S. Food and Drug Administration (FDA) and participation by the Consumers Federation of America, the nine-member Expert Panel reviews scientific literature and available research to make unbiased determinations about the safety of ingredients. Ingredients reviewed are found safe as used, safe with qualifications, have insufficient data to make a safety determination, or are unsafe or prohibited. The Expert Panel's findings are published in peer reviewed scientific journals.

Operating under a set of prescribed procedures, CIR is funded by PCPC but operates independently in order to ensure the objectivity of its findings. Each year, the Expert Panel develops a priority list of ingredients presently used for review, based upon frequency of use

(i.e., the number of different products contained in an ingredient) as determined by FDA's Voluntary Cosmetic Registration Program (VCRP). CIR may choose not to review ingredients subject to other existing safety reviews by FDA or the Research Institute for Fragrance Materials (RIFM), including over-the-counter (OTC) drug active ingredients, color additives, food flavors, fragrance ingredients, and ingredients included in new drug applications.

Expert Panel meetings have an open portion for public participation, of which notice is given at least 15 days in advance. Any interested person may submit written data, information, or views on any matter being reviewed; may question an Expert Panel member or liaison representative on matters before the Expert Panel; or provide an oral presentation. Detailed minutes of all Expert Panel meetings are kept and, at the discretion of the Executive Director, shall be posted on the CIR website: www.cir-safety.org.



CosmeticsInfo.org is an informational database sponsored by PCPC and its member companies. The site contains publicly available science and safety information on cosmetics and personal care products — how they work, data to corroborate safety, and science behind commonly used ingredients. Developed and maintained by scientists and subject-matter experts, CosmeticsInfo.org is a trusted resource visited by more than a million consumers from around the world each year. The website is divided into three primary sections:

SAFETY AND REGULATORY BASICS: Overviews of the processes used by companies to ensure the safety and effectiveness of cosmetics and personal care products and their ingredients; how cosmetics are regulated globally and the specific authority of the U.S. Food and Drug Administration (FDA) to regulate cosmetics in the U.S.; and understanding cosmetics ingredient labeling.

INGREDIENT DATABASE: Contains pages about individual ingredients that provide details on what the ingredient is, what function it performs in a cosmetic and/or personal care product, and what scientific data supports the safety of that ingredient. These pages also provide detail about the regulatory guidelines for ingredients, both in the U.S. and abroad.

BLOG: Designed to complement the more technical aspects of CosmeticsInfo.org, including posts from subject matter experts, educational videos, and infographics to help demystify the science of beauty. The industry believes consumers have a right to know what ingredients are in the products they use and love, but also the right to understand. This blog provides a guide through common questions.

More information can be found at www.cosmeticsinfo.org.





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