

The background of the entire image is a repeating pattern of purple diamonds. The diamonds are arranged in a grid-like fashion, with some rows having more diamonds than others, creating a textured, crystalline effect. The diamonds are a deep purple color with a slight gradient and a faceted appearance.

COSMO TALKS

by **COSMOPROF**
WORLDWIDE BOLOGNA

CBD-based Cosmetics Consumer And Legal Challenges

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Manufacturers And Distributors

CBD Based Cosmetics: The Consumer Perspective

**March 14, 2019
Cosmotalks
Cosmoprof Bologna**

**Jennifer Stansbury
Co-Founder
The Benchmarking Company**





In the beauty industry, ingredient stories come and go but there is one ingredient that is disrupting the landscape in a radically compelling way: cannabis. Edgier and more scintillating than any other ingredient before, this ingredient comes with some important considerations for brands: from understanding the regulatory requirements of the country/state in which it manufactured and distributed, to the sourcing of legal CBD, to how to properly word claims.

Findings presented in this presentation are derived from two key research studies, TBC's 2018 PinkReport™ The New Age of Naturals and a deep-dive research conducted in February 2019, consisting of the insights of more than 7,000 women globally.

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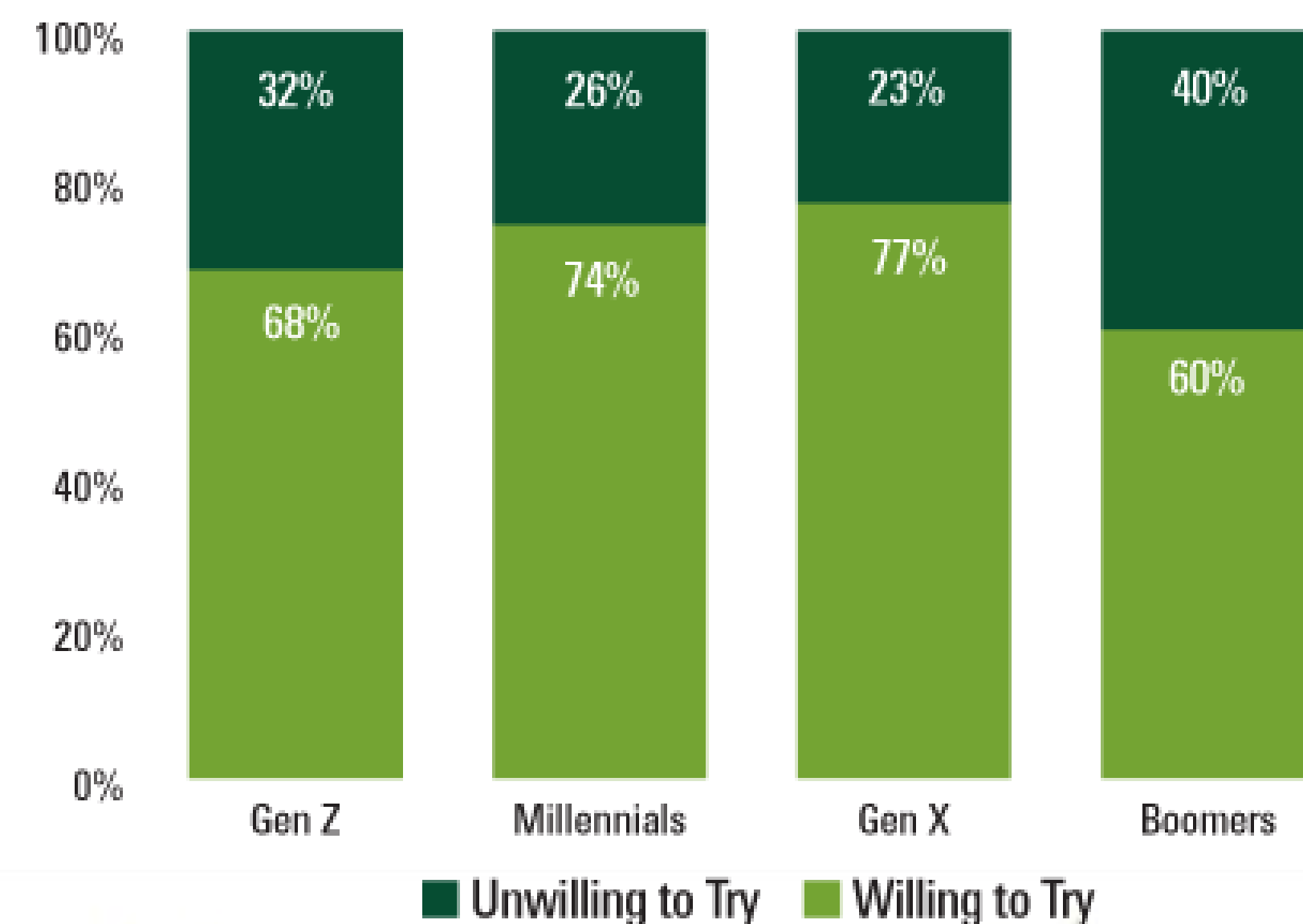
What We Will Cover Today

- Interest and adoption
- Why she does and doesn't buy cannabinoid beauty
- Where she is buying her cannabinoid beauty
- What products she is purchasing
- Her perception of the benefits of CBD-based beauty/personal care products
- Her favorite brands
- What she wants next



US Consumer Interest and Adoption

Willingness to Try BPC Products with Hemp or Cannabinoids by Generation



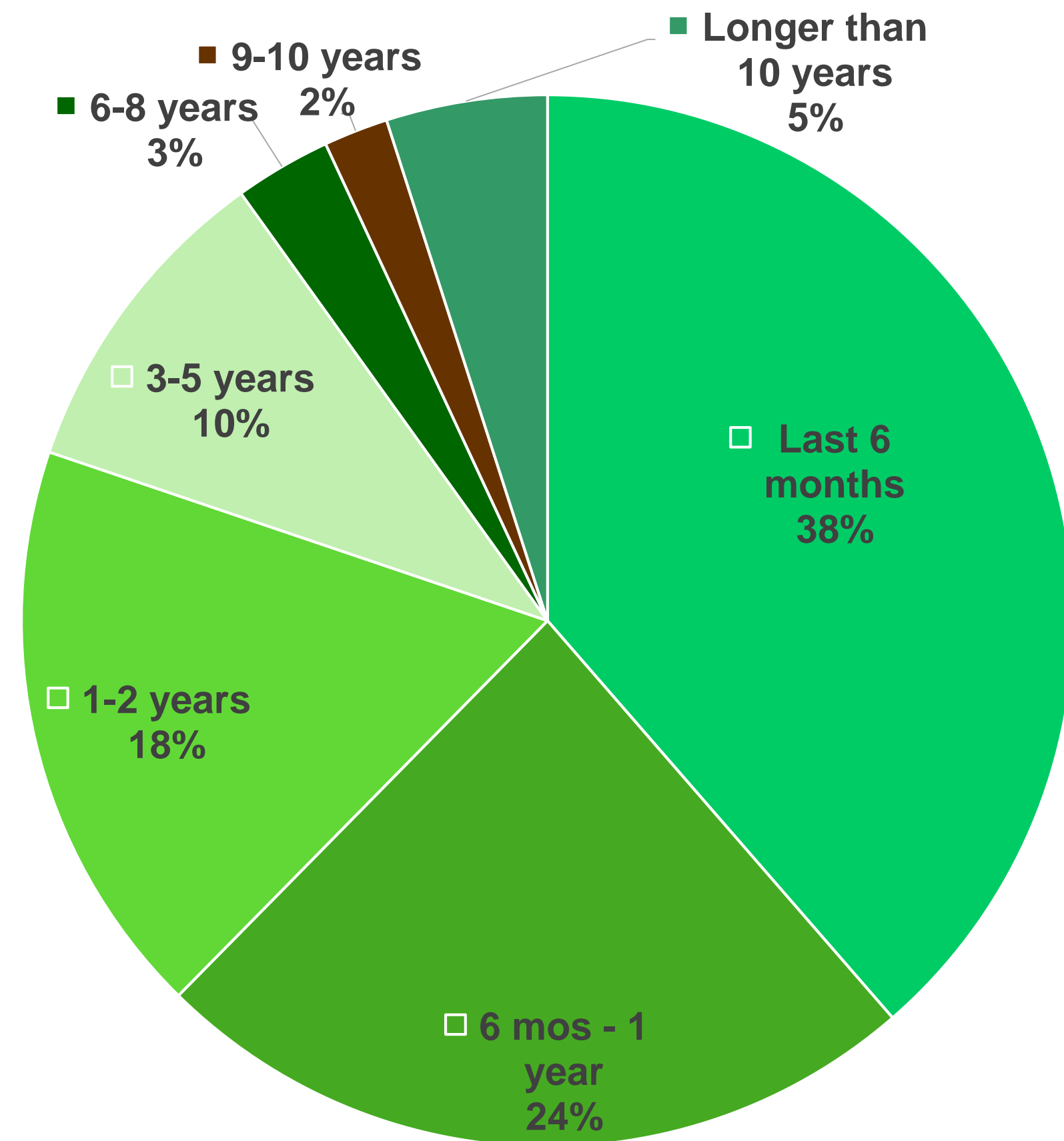
18%

Currently use/have used BPC product that is cannabis derived or contains hemp seed/oil or CBD

European Market Growth:

The prevalence of CBD-infused products can be attributed to a shift in public attitudes. As more countries across the continent decriminalise cannabis for medical and/or recreational use, and as we concurrently witness even bolder moves across the pond, cannabis has begun to shake off its tarnished reputation. Thanks to its extending legality and media coverage, cannabis is becoming more socially acceptable and better understood therapeutically.

How Long She's Been Using Cannabis based BPC Products



Why She Is and Isn't On Board with Cannabis

56% cite that its medicinal value is well-documented
(38% in May 2018)

51% say because "hemp/cannabis is a good for you ingredient"
(36% in May 2018)

39% it is chock full of vitamins and antioxidants

38% good for sensitive skin

36% positive product reviews (43% Gen Z)

35% believe it is a potent cosmetic ingredient



47% don't understand the benefits of using BPC products with cannabis

29% don't think they are safe for my skin

25% my current products are good enough

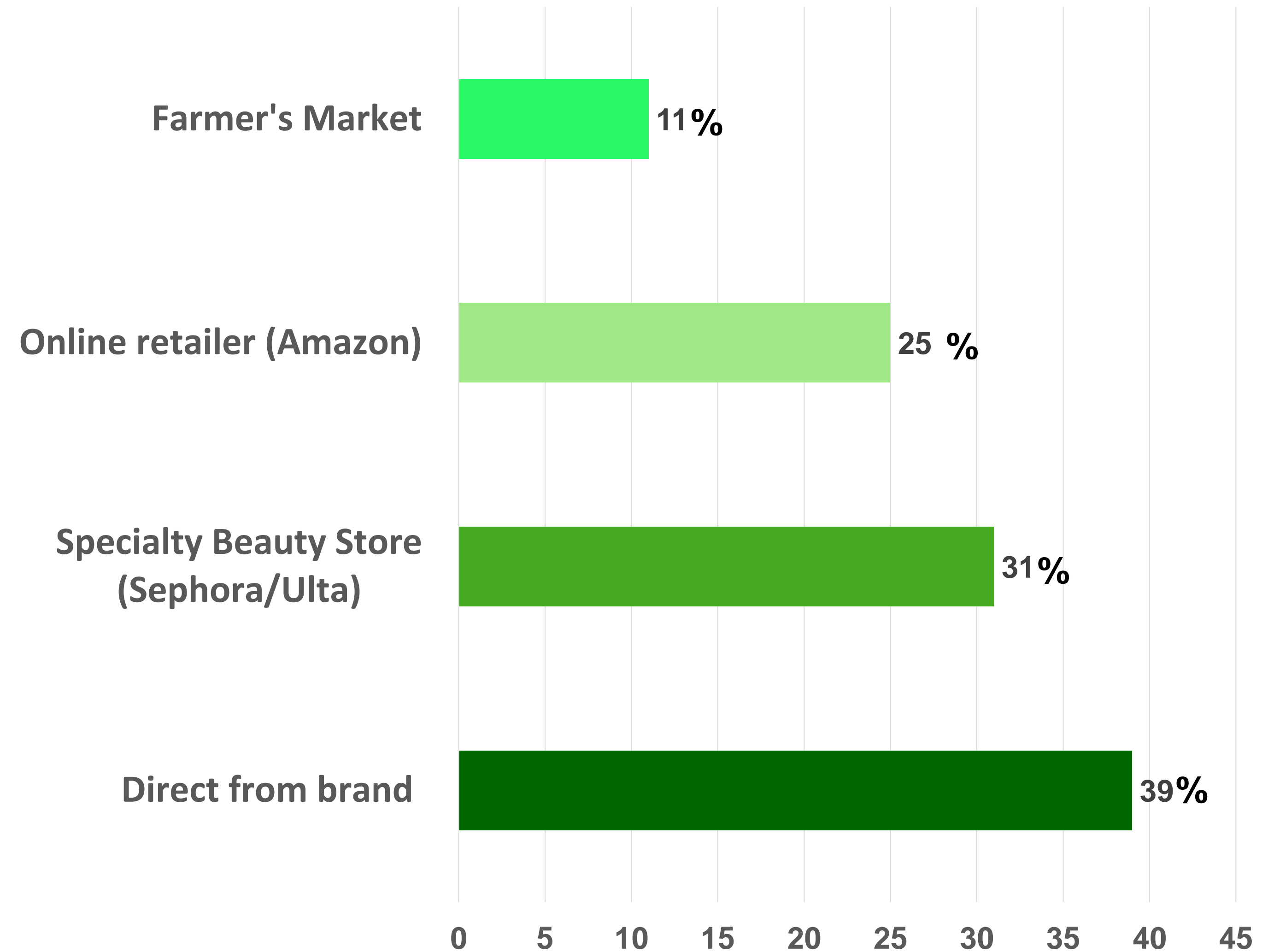
18% it's just hype

14% are afraid it will make me high





Where She is Buying Her Cannabis Infused/Derived BPC Products



The Cannabis Based Products She is Purchasing

55% Body Skincare Cream

42% Hand Cream

40% Lip Balm

31% Bath products (soap, body wash, cleanser)

Up from 23% in May 2018

27% Facial skincare

Up from 18% in May 2018

25% Treatments (i.e. eczema, dry skin, redness)

Up from 16% in May 2018



Perceived Benefits

- 48%** Relives inflammation (*Claims no-no*)
- 45%** Calms skin (*Claims no-no*)
- 38%** Soothes muscles (*Claims no-no*)
- 35%** Reduces irritation (*Claims no-no*)
- 31%** Cures acne, psoriasis and eczema (*Claims no-no*)
- 30%** Leaves skin feeling hydrated

Key Takeaway for Brands: Beware of implied claims or claims that are medical in nature. Carefully worded consumer claims will make your products shine and help create legally-defensible, believable marketing messages that resonate with consumers without heightening the risk of regulatory headaches.



Her Favorite Brands



JOSIE MARAN
Luxury with a Conscience.®



Kiehl's
SINCE 1851



Milk
MAKEUP



The Appeal of International Cannabis Based Beauty

67%

of US women surveyed, would be interested in trying cannabis-based beauty products from other countries

The top countries she purchases or would be willing to purchase cannabis-based beauty products from:

58% France

57% Italy

57% Canada

52% UK

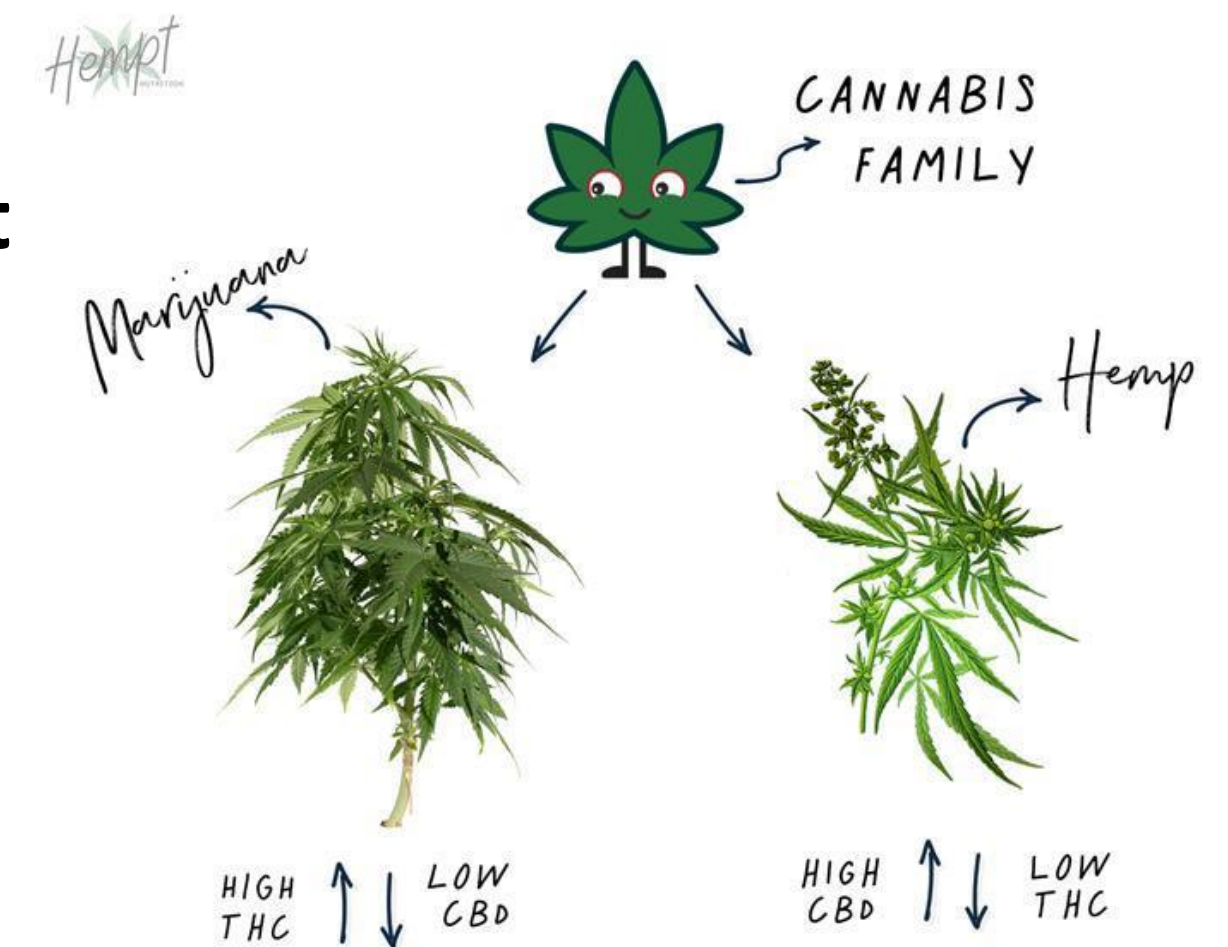
35% Korea



Cannabis Confusion

From legal definition to whether or not it is legal to travel with CBD BPC products, the consumer still has many questions. Brands have the opportunity to educate!

Only **50%** believe there is a difference between a marijuana plant and a hemp plant
27% state they know the difference between hemp oil and CBD oil



35% would feel comfortable bringing along their CBD based beauty products on an international flight

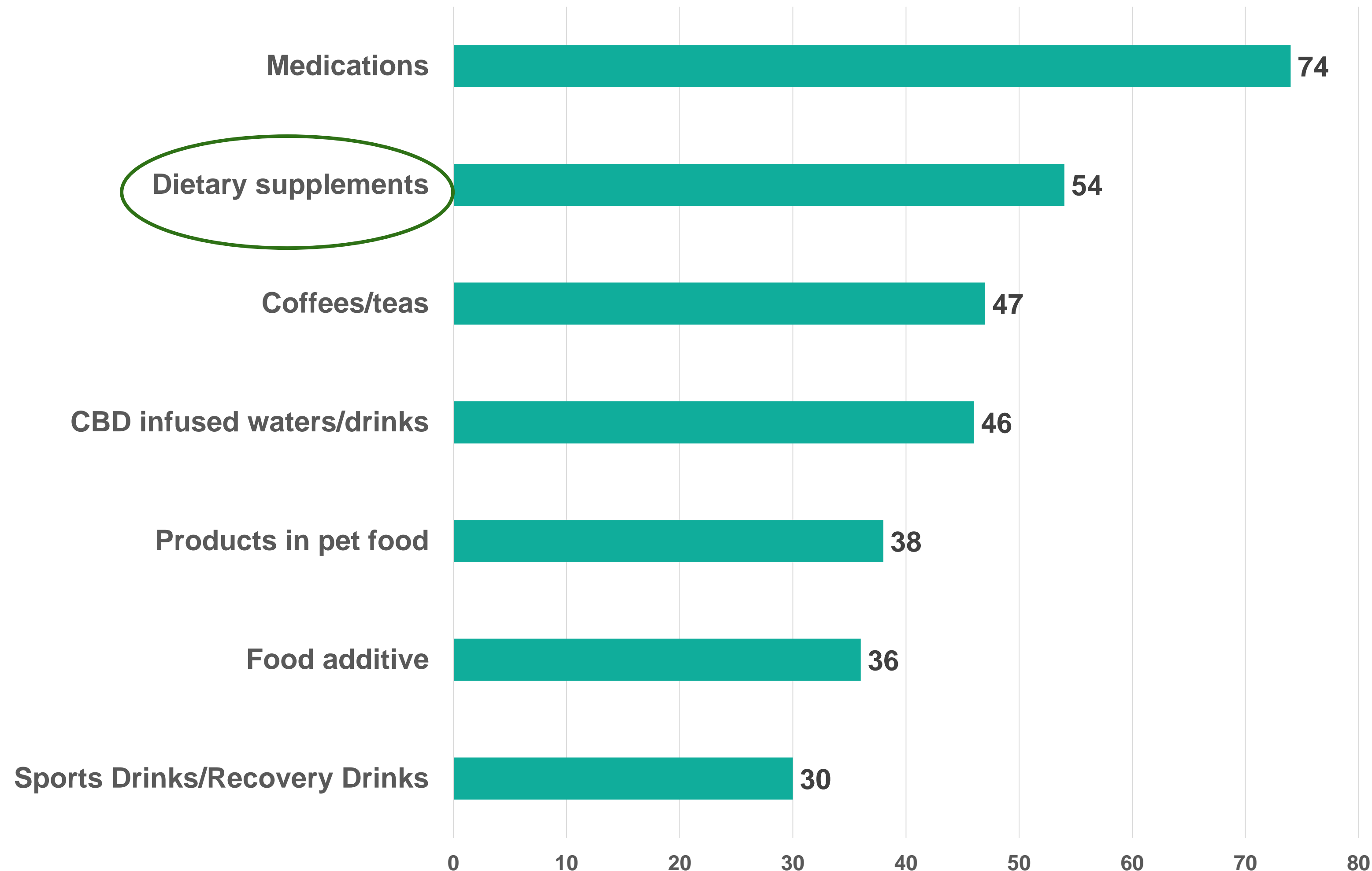
49% would feel comfortable traveling by air domestically with their products in tow

Top Concerns:

- *Not sure it is legal in other states/country*
- *Not sure if I'd make it past security at the airport*
- *I wouldn't be able to explain the difference between CBD in cosmetics and marijuana if asked*

What She is Looking for Next

CBD has gained a lot of attention in the past year. Here is where women envision CBD as part of a typical lifestyle.



Brand Considerations

- 1** Get smart on the regulations in the countries in which you are doing business, i.e. is the allowable amount of THC .2% or .3%
- 2** Take the time to learn and understand the import/export laws, country and state laws that will impact distribution and transport of your products.
- 3** Pick your partners carefully. Always ask for documentation. Ask probing questions about your vendors' practices. Less diligent vendors could quickly jeopardize your licensing and ability to operate or adhere to the law.
- 4** Test your products and substantiate your product claims with consumer claims testing or clinical testing with a credible third-party research facility or firm. Know which claims you can make and which will land you in hot water.
- 5** Pay special attention to packaging, labeling and advertising regulations for each market you intend to distribute to.

*Conduct ongoing research on your consumer.
Innovate to meet her needs and desires.*



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share it with you!*



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REGULATION
TIME
EDUCATION
ADVERTISING
MASSIFICATION

BRAND BUILDING
CONSIDERATIONS
ON THE CANNABIS
INDUSTRY

REGULATION

Differentiation between medical cannabis and CBD in cosmetics

MEXICO

- In June 2017, the General Health Law and the Federal Criminal Code were amended, allowing the medicinal use of cannabis.
- In October 2018, the Guidelines on Health Control of Cannabis and Derivatives was issued by the Federal Commission for the Protection Against Health Risks (COFEPRIS for the Spanish original).
- Products <1% of THC currently permitted for domestic production and import.
- Cosmetics market value: 8.400 million dollars

PERU

- In October 2017, the Congress approved Law 30.681 authorizing the cultivation, import and production of medical cannabis.
- In February 2019, the regulation for the law is issued. It is possible to cultivate, fabricate and commercialize cannabis products. Products under 1% of THC do not have control.
- Ranked 4th in Latin America with highest income per capita (US \$525)

CHILE

- In 2007, Law 20.000 allowed the cultivation of cannabis plants. An authorization must be granted by the Agriculture and Livestock Service (SAG).
- In 2015, Decree 85 authorizes the elaboration of products with cannabis, with prior authorization of the National Institute of Health (ISP), and its commercialization for research and medicinal purposes (under medical prescription).

LATIN AMERICA

COLOMBIA

- Regulatory framework developed under law 1787 of 2016, Government legalizes medical cannabis.
- World Health Organization level 4 reference agency approvals in other countries.
- Fourth largest cosmetics manufacturing country in LATAM.
- Cosmetic market value: 3.100 million dollars
- The regulatory framework allows cosmetics with cannabis derivatives under 1% of THC.

BRAZIL

- In 2015 Resolution 017 was issued by the National Health Surveillance Agency (ANVISA for the Spanish original). Recently, ANVISA has allowed the import of cannabis products for exceptional cases.

ARGENTINA

- Law 27350 of 2017 and Decree 738 of 2017 allows researching cannabis for medical use.

TIME

Trends come and go, only research and investigation will give us the opportunity to “dignify” CBD as a long term active ingredient in the industry.



of Sephora's New 'High' Sees Cannabis Cosmetics



THE CBD IS A GLOBAL TREND. WHERE ARE THE REAL BENEFITS?



IN THE WEEDS

Cannabis becomes next frontier for personal care

Broad personal care products



CBINSIGHTS

Exclusive launches



Cannabis-based beauty lines



FEAR

Does it SMELL?

Cannabis Vs. Marijuana

CBD vs THC?

Is it legal?

Side Effects

Can I travel with
it?



EDUCATION

Would I get high?

SOCIAL

IMPACT

What are the benefits?

Why now?

Is it safe?

TABOO

REJECTI

ON

ADVERTISING

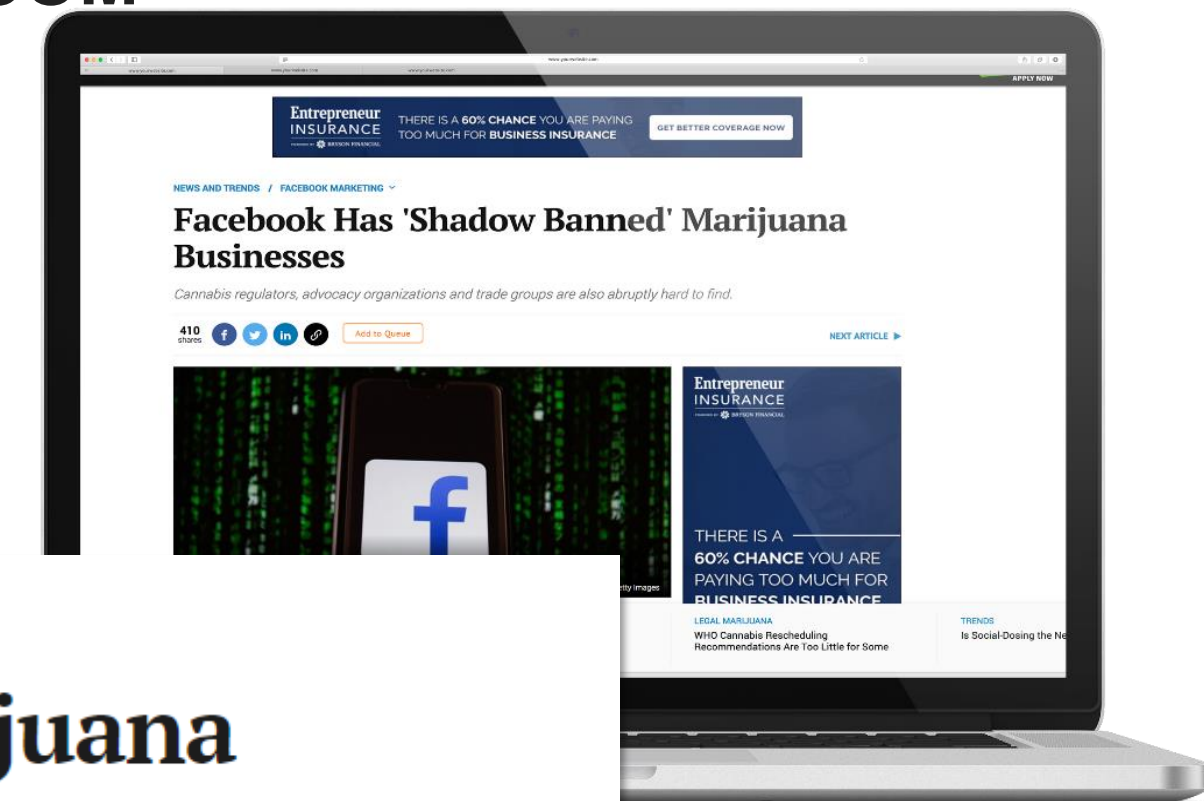
“Even if legal in the applicable jurisdiction, LinkedIn does not allow ads related to prescription pharmaceuticals, drugs or any related products or services. Ads that promote illegal drugs, highs, herbal medicines and treatments, psychoactive effects of substances, or aids to pass drug tests are all prohibited.”
SOURCE: GREENENTERPENEUR.COM



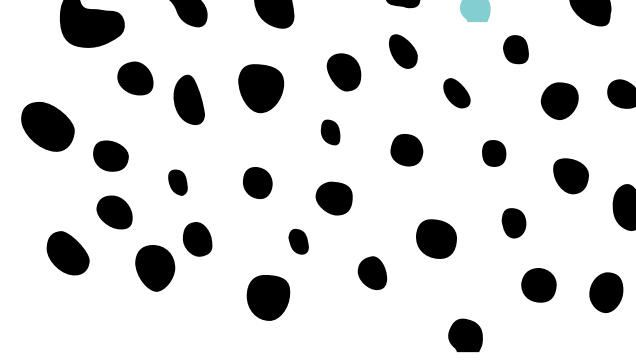
NEWS AND TRENDS / FACEBOOK MARKETING

Facebook Has 'Shadow Banned' Marijuana Businesses

Cannabis regulators, advocacy organizations and trade groups are also abruptly hard to find.



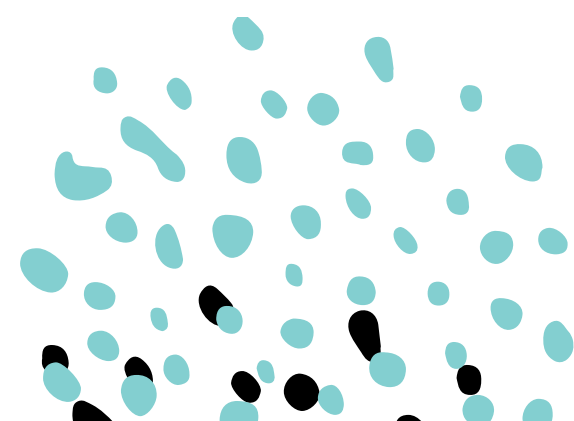
Marketing limitations posed by companies like Google and Facebook that go above and beyond what is required by law, have had a significant impact on cannabis companies' ability to develop their digital presence. Source : FORBES



MASSIFICATION

The introduction of CBD-based cosmetic products must occur through a close relationship, providing first hand answers and generating a *safe, trustful* environment for the consumer.

**ORGANIC AND OFF - LINE
STRATEGIES BECOME THE
WAY TO REACH THE
CONSUMER**

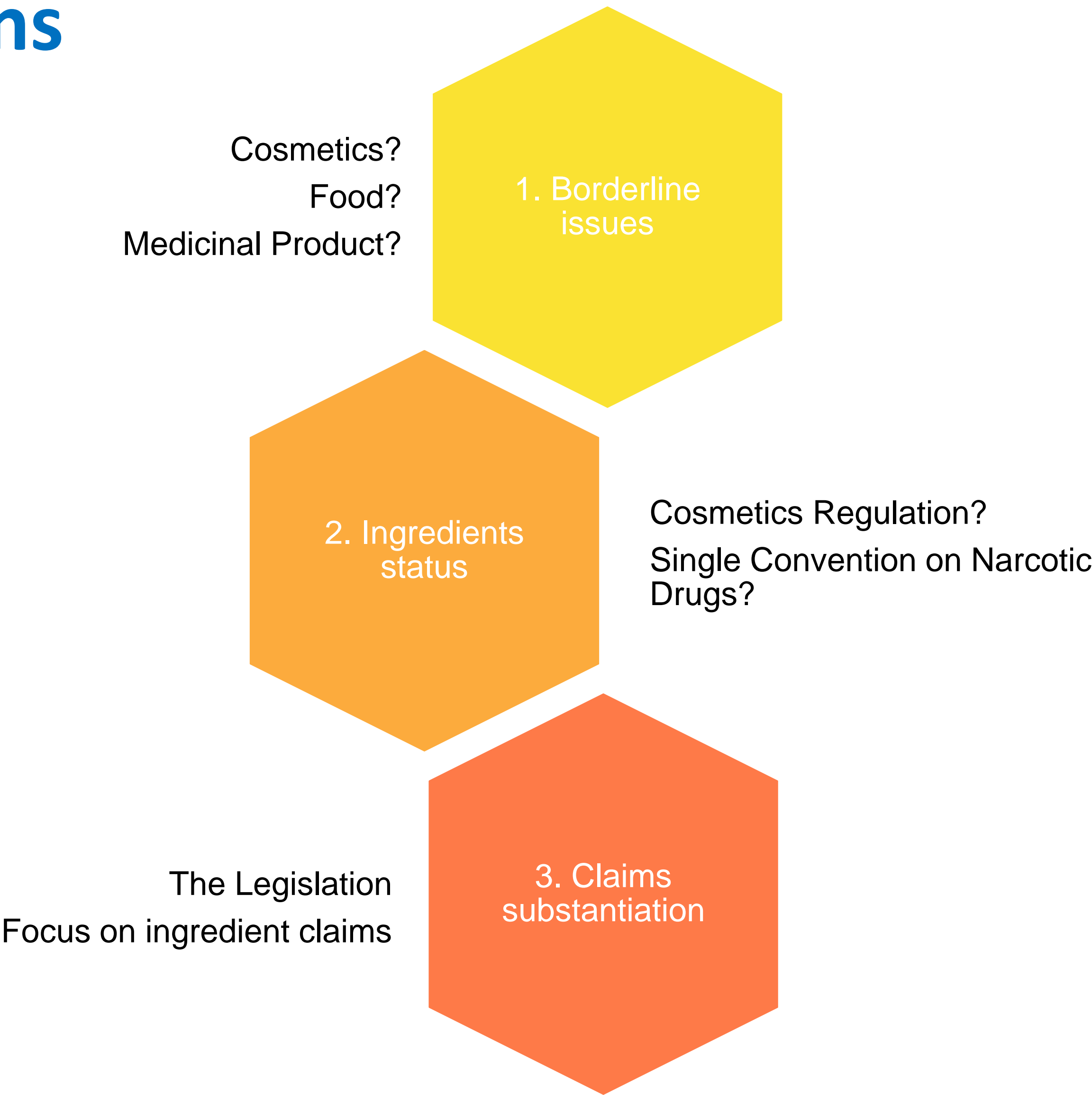


CBD Regulatory Considerations



Olivia Santoni Director, Bloom Regulatory Ltd

www.bloomregulatory.com



Article 2 EU Cosmetics Regulation (EC) No. 1223/2009
Cosmetic is defined as:

*“any **substance** or **mixture** intended to be placed in contact with the various **external parts** of the human body (epidermis, hair system, nails, lips and external genital organs) or with the teeth and the mucous membranes of the oral cavity **with a view exclusively or mainly** to cleaning them, perfuming them, changing their appearance and/or correcting body odours and/or protecting them or keeping them in good condition”*

If a product is not a cosmetic, it may fall under another regulation:

- foods
- **medicines**
- general product safety

1

- ▶ Is the product applied externally?
- ▶ Is there a cosmetic function?

2

- ▶ Is the product making medicinal claims?
- ▶ Irritation?
- ▶ Inflammation?
- ▶ Reference to the endocannabinoid system?

1.
Borderline
issues

A "medicinal product" is defined in Article 1 of Directive 2001/83/EC as:

‘any substance or combination of substances :

- 1. presented as having properties for treating or preventing disease in human beings (Limb 1).*
- 2. which may be used in or administered to human beings either with a view to restoring, correcting or modifying physiological functions by exerting a pharmacological, immunological or metabolic action, or to making a medical diagnosis (Limb 2)”.*

2. Ingredients status

EU Principles

❑ Cosmetic Products Regulation(EC) No. 1223/2009

ANNEX II

LIST OF SUBSTANCES PROHIBITED IN COSMETIC PRODUCTS

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Narcotics, natural and synthetic: All substances listed in Tables I and II of the single Convention on narcotic drugs signed in New York on 30 March 1961

❑ Single Convention on Narcotic Drugs

“Cannabis and Cannabis Resin - and extracts and tinctures of cannabis” where :

"Cannabis" - means the flowering or fruiting tops of the cannabis plant (excluding the seeds and leaves when not accompanied by the tops) from which the resin has not been extracted, by whatever name they may be designated.

"Cannabis plant" - means any plant of the genus Cannabis.

"Cannabis resin" - means the separated resin whether crude or purified, obtained from the Cannabis plant.



BUT

The convention is then implemented by national Legislation e.g. UK the Misuse of Drugs Act & Regulations (lack of harmonization)

2. Ingredients status

UK implementation example (MDA / MDR)

Synthetic CBD



**provided that it is in its pure form and does not contain any controlled substances such as specific controlled cannabinoids*



Plant derived CBD

**BUT only if it:*

1. is not derived from the flowering or fruiting tops of the plant or the whole plant where these parts remains intact for processing; **and** is in pure form and does not contain any controlled substances such as specific controlled cannabinoids; **or**

2.its characteristics and use (and any impurities) is such that:

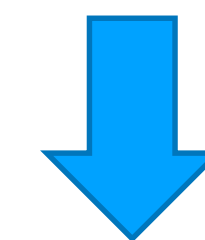
- the preparation is not designed for administration of the controlled drug to a human being or animal; (but companies need proof)
- is packaged in such a form, or in combination with other substances in such a manner, that it cannot be recovered by readily applicable means or in a yield which constitutes a risk to health;
- no one component part of the product or preparation contains more than one milligram of the controlled drug i.e. the finished cosmetic product does not contain more than 1mg of controlled substances such as specific cannabinoids.

For further info on EU Member States legislation:



European Monitoring Centre
for Drugs and Drug Addiction

http://www.emcdda.europa.eu/countries_en



Lack of harmonisation across the world at this moment but we are also seeing a lot of new legislative development (E.g. Canada)

1. The Legislative landscape

Horizontal legislations

- Unfair Commercial Practices Directive 2005/29/EC
- Misleading and Comparative Advertising Directive 2006/114/EC

Vertical legislations

- Cosmetic Products Regulation (EC) No 1223/2009
- Common Criteria Regulation (EU) No 655/2013
- Guidelines to Commission Regulation (EU) No 655/2013

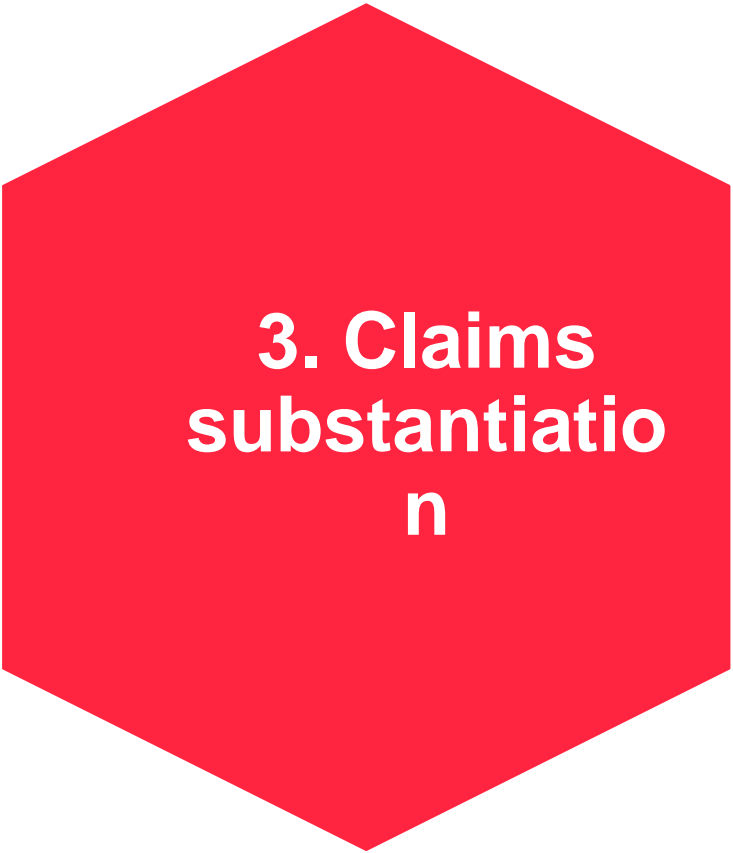
Technical document

- Technical document on cosmetic claims - Agreed by the Sub-Working Group on Claims (3rd July, 2017)

Self-Regulation

- Member States Advertising Code e.g. UK Codes of Advertising Practice – CAP and BCAP codes + Cosmetics Association Guidelines (e.g. CE , CTPA...etc.)

2. Ingredient claims, some observations...



Claim	Observations
<i>“With moisturising aloe vera”</i>	Ingredient claims referring to the properties of a specific ingredient shall not imply that the finished product has the same properties when it does not.
<i>“the formula contain antiaging ingredient XXX ”</i>	When a performance claim is for an effect that is said to be due to a specific ingredient in the product rather than the whole formulation and where that claim is not already well-known and accepted, a comparison with the product minus the specific ingredient will normally be required.
<i>“Includes / contains honey....”</i>	If a product claims that it contains a specific ingredient, the ingredient shall be deliberately present <i>“and not only honey flavour, in order to be truthful.”</i> But keep in mind the nature of the claim

THANK YOU FOR YOUR ATTENTION !

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