



ctfa

COSMETIC TOILETRY & FRAGRANCE
ASSOCIATION OF SOUTH AFRICA

ANNUAL REPORT 2020

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HOW TO BEST DESCRIBE 2020:

"The year 2020 is that eye lash that goes in your eyes but does not come out."

"2020 is the person who won't stop talking to me even after I put on my headphones."

"If 2020 was a person that person should be quarantined."

"2020 was like opening the fridge every 5 minutes to see if anything new was in there except there was always something new and it was bad."

"2020 should have been muted in March."



EXECUTIVE COUNCIL

Gilles Antoine - Chairperson
L'Oreal South Africa (Pty) Ltd

John Knowlton
Cosmetic Solutions

Nizam Kalla
Amka Products (Pty) Ltd

Momin Hukamdad
Avon Justine (Pty) Ltd

Priyan Pillay
Colgate – Palmolive (Pty) Ltd

Tarryn Gordon-Bennett
Revlon South Africa (Pty) Ltd

Warren van Niekerk
Beiersdorf Consumer Products (Pty) Ltd

Wayne van Wyk
Vantage Speciality Chemicals (Pty) Ltd

Werner Thethard
Indigo Brands (Pty) Ltd

Viliam Trska
Procter and Gamble (Pty) Ltd

Adelia Pimentel - Executive Director
CTFA

CHAIRPERSONS (1994 - 2020)

2019 –
Gilles Antoine

2015 – 2019
Mark Hobbs

2008 – 2014
Scott Maddock

2004 – 2007
Russell Pollard

2000 – 2004
Robert Lunt

1998 – 2000
Vanessa Soloman

1997 – 1998
John Paidoussi

1996 – 1997
Brett Gage

1994 – 1996
Don Kourie

THE ROLE OF THE EXECUTIVE COUNCIL

- To define key deliverables for CTFA
 - To represent its Members
 - To review CTFA objectives
 - To be proactive on current issues
 - To seek ways to improve the industry
 - To set direction and pace
 - To drive projects with special portfolios
- To ensure that the publicity and marketing of CTFA is effective
 - To represent the industry at senior government levels
 - To attend government meetings where necessary

MISSION

To support and develop a sustainable and respected South African Cosmetic Industry by proactively stimulating actions and developing tools that contribute to its growth and the progress of its Members' while promoting consumer safety.

KEY ROLES

- 1 Promote a responsible industry by promoting compliance with prevailing legislation.
- 2 Prioritise member interests through leveraging industry scientific, business and regulatory expertise in developing common positions advocating these interests.
- 3 Be the cosmetic industry's voice in engagements with stakeholders that include Government, Media, Advocacy groups etc.
- 4 Advocate for the most favourable economic and regulatory operating environment by advocating best practice and accountability both from its members and other stakeholders.
- 5 Align and optimise the South African cosmetic industry with global regulatory standards towards regulatory mutual recognition.
- 6 Enhance the value of the Association to Members by addressing their local/international needs in an efficient manner.
- 7 Promote social responsibility through the activities of the Look Good Feel Better Programme.





CHAIRPERSON REPORT

Gilles Antoine | *Chairperson*

2020 has probably been the hardest year we have gone through in a very long time.

Health, social, economic, psychological impacts have been significant and did not spare anyone.

We hope for a swift recovery, but also know that “living with Covid 19 will replace living beyond Covid 19”, at least for a little while longer.

In this troubled period, values and fundamentals are at the heart of a much sought-after stability.

2020 has shown a **decrease of our Health and Beauty industry of -7.3% vs 2019**, which is a very decent performance in the context that we know. Consumers are considering our products and services as a way to indulge themselves ; some categories have grown very fast and some channels, such as E-Commerce are recruiting new consumers, eager to get their products during restricted times.

New realities, new difficulties, a new need to be agile, adaptable and fast are among the key changes that 2020 has challenged us with.

At CTFA, 2020 has been rough; first, I want to pay tribute to Charlene who unfortunately passed away, my thoughts are with her family. Second, with Adelia and the EXCO, we have worked tirelessly to convince the DTI to authorize our products as “essentials” during the lockdown and were successful; in less than a month, we went from 0% of the Health and Beauty products authorized to almost 100%. Congratulations to the CTFA team for this! Third, we have also worked to improve the governance of our organization. We have also been more selective in accepting new members and we have been able to generate a very positive financial outcome.

In these times where savings need to be done, I want to thank all members for their continued trust and for keeping their membership. A great testimony to the work CTFA is doing every day.

I believe that 2020 has made us stronger together; we are now better prepared, more agile to foresee 2021 with a realistic optimism and many projects to cover.

As I stated last year, the connection between brands and consumers is more and more critical for a sustainable growth and trust.

The most important aspect of this relationship between brands and consumers is probably sincerity. Sincerity means that consumers want to be able to trust the benefit, the results, the claims, the ingredients, the way we manufacture our products, the advertising that we create and overall the brands’ equity. It is an on-going marketing quest and sincerity towards the consumers is the only guarantee to long term brands success.

This is where CTFA is so important for our industry. 2021 will be in the exact same continuity as 2020 in terms of strategic objectives.

CTFA’s mission is to defend and develop our industry, the Health and Beauty Industry, ensure consumers’ protection, be the best and the most legitimate partner for our stakeholders and create added value for you, our members.

DEFENDING AND DEVELOPING OUR INDUSTRY

Means that we need to fight against counterfeits, raise awareness of the authorities on illegal imports, better understand consumer trends, accompany our industry towards a future plastic-less market requirement, be a proactive actor on sustainable retail and Digital Beauty.

PROTECTING CONSUMERS

Means that we need to have the utmost attention to ingredients, to a manufacturing exemplarity; it also means that we have the obligation to market products that are safe for the consumers and compliant with the legislation, that we hope will be promulgated soon.

BE THE BEST AND THE MOST LEGITIMATE PARTNER

Means that we have to engage with the authorities to voice our projects, challenges, ideas, recommendations. The authorities are numerous, with different purposes: National Department of Health; Department of Environment, Forestry and Fisheries, National Consumer Commission, Embassies and the South African Bureau of Standards. It is a strategic part of CTFA's responsibility as the authorities need to see in CTFA the expert of the Beauty industry in all its dimensions, from product concept to consumer's feedback.

CREATING VALUE FOR YOU, OUR MEMBERS.

You are the very reason for the existence of CTFA through the membership that you loyally pay every year. We owe you a high added value to help you develop your brands; more consumer studies centered around our common needs; more insights around trends and new ideas; more anticipation of industry shifts, a sharper communication on ingredients.

This vision, already shared with you, will be also incremented by a more regional focus on how we can better leverage the different relations between African countries and South Africa.

CTFA's assets are strong: a solid and talented team which will be renewed in 2021 after a few vacancies appeared, led by Adelia Pimentel; great offices in Hurlingham Business Park to welcome our visitors and organize training sessions (when and if possible), a great number of Technical Committees, with experts highly dedicated to exploring any kind of projects and issues and a solid financial situation, which is allowing us to foresee the future with confidence.

**I wish you all the best for 2021
and I am at your disposal for any
recommendation you may want to
express.**

Best regards

Gilles Antoine | *Chairperson*





EXECUTIVE DIRECTOR REPORT

Adelia Pimentel | *Executive Director*

In 2020, the world woke up to the COVID-19 pandemic. The pandemic has affected all spheres of our lives – health, education, social, and economic – with devastating effects on vulnerable people and societies.

Its economic effect was and continues to be devastating in terms of massive job losses, and economic slowdown. COVID-19 has brought to the fore systemic weaknesses, highlighted a lack of capacity in addressing COVID-19-related challenges, and underscored disparities in the South African socio-economic sphere.

CTFA's *modus operandi*, like every other business, went through a massive change, and adaptability to the 'new normal' was imperative throughout 2020. Lockdown level 5 started on the 27 March 2020 and apart from the CTFA staff working remotely,

CTFA's role of assisting members and lobbying on behalf of industry remained intact.

The most notable of the lobbying efforts undertaken by the CTFA during 2020, in the initial stages of lockdown, were the interventions made on behalf of industry to the Department of Trade Industry and Competition and the National Department of Health (NDOH) to ensure that industry products were amongst the "Essential Products" listed in the gazetted Covid-19 legislation, thus allowing companies to continue trading during lockdown. With various CTFA interventions and lobbying efforts, the industry went from no personal care and beauty products authorised to almost 100% listed in the 'Essential Products' list during lockdown.

Great strides were made during this time with the relationship between the CTFA, the Department of Trade Industry and Competition and various ministerial offices. This has boded well for future negotiations.

In the second half of 2020, CTFA conducted a survey with members to ascertain some of the impacts of COVID-19 on the various companies. Most small companies' turnover was affected by 100% over all levels of lockdown, depending on their product offerings, they shut down completely during this time.

Medium sized companies' affected turnover ranged from 80% to 50% at level 3 and most multi-nationals were able to still continue trading with essential products, however their turnover was affected from 50% to 30% respectively. An interesting part of the survey was business adaptability by companies, the most notable being; altered goods or services offered to customers, increased use of virtual connections internally and externally and increased use of e-commerce.

In July 2020 CTFA had a milestone meeting with the National Department of Health's (NDOH) with the Acting Director General on the way forward for the cosmetic industry with regards to promulgation of the draft regulations published in Government Notice R1469 relating to Advertising, Labelling and Composition of Cosmetics, 2017. The meeting, which included the CTFA Chairman and CTFA Executive members, was successful in creating more awareness of the necessity to regulate the industry. A further meeting was requested later in the year with the new Director General to further this agenda. This is a continuous focus of the CTFA.

One of the CTFA's key roles as an industry association is to create awareness of the pending promulgation and compliance requirements. To this end various training interventions were held virtually during 2020 with both members and non-members. The use of virtual platforms throughout the year boded well for national attendance with record numbers.

Regulatory harmonisation goes a long way to minimizing technical barriers to trade. Currently technical barriers in the continent of Africa are a challenge and many companies who want to export /trade in Africa find it a difficult task. CTFA's 'Africa strategy' was conceptualised in 2020, to promote regulatory convergence and pro-actively liaise with various countries' regulatory authorities. During 2020, CTFA together with the International Trade and Economic Development (ITED) division of the Department of Trade Industry and Competition (DTIC) met with regulators from Nigeria, Kenya, Botswana and Rwanda. ITED is the policy division in the DTIC responsible for trade and investment policy, conducting trade negotiations, investment treaty, managing bilateral trade relations, and advancing South Africa's trade and developmental agenda in Africa. Discussion on national standards and regulatory guidelines will be an ongoing discussion for some time.

International networking is paramount to keep the local industry informed on best practice and global updates that impact industry. CTFA further widened its international reach via various networks in 2020, through membership of the International Association Co-operation (IAC) under Cosmetics Europe. This forum discusses international concerns and promotes global harmonization by harnessing global synergies and input into various areas of commonality like availability and safety of sanitizer products, animal testing, China's regulatory requirements, amongst others.

CTFA's portfolio is widespread and apart from the interaction with the National Department of Health, also involves local lobbying and networking as an ongoing objective. In 2020 various virtual interventions were held with the Department of Trade Industry and Competition (DTIC), the Department of Environment Forestry and Fisheries (DEFF), the South African Bureau of Standards (SABS) and the South African Revenue Service (SARS).

It is noteworthy that due to the pandemic and its repercussions on the economy the CTFA membership decreased by 14%

versus the previous year. This is testimony to the difficulties experienced by mainly small to medium sized companies in the industry during the pandemic.

Internally, the CTFA IT systems were enhanced to adequately enable all the necessary platforms to hold meetings and member interactions virtually. Whilst the complement of staff remained constant and working intermittently from home and the office, a very sad development was the loss of Charlene Lynch, the CTFA Communications Officer, in September 2020, a tragic loss to both her family and the CTFA.

A very important aspect of CTFA is its corporate social responsibility arm, Look Good Feel Better (LGFB), who have made a huge difference in the lives of so many people fighting cancer. In 2020 services rendered to the myriad of cancer survivors, normally held at oncology centers, were cancelled due to lockdown. In addition, sponsorships, various income generating events and the overall way of doing business was curtailed with dire financial consequences for the LGFB programme. Yet Christie Fraser, the Programme Director, with her dedicated staff and team of volunteers have persevered. A sincere thank you to all CTFA members who support this worthy cause.

I would like to acknowledge all who have collaborated over the last year in assisting the CTFA to continue its mission, "to support and develop a sustainable and respected South African Cosmetic Industry by proactively stimulating actions and developing tools that contribute to its growth and the progress of its Members while promoting consumer safety."

A special mention to the CTFA Executive Council and the CTFA members, it is thanks to your contribution and the sharing of your passion and expertise that we have thrived in a very difficult year.

Adelia Pimentel | *Executive Director*



FINANCE REPORT

Lloyd Viljoen | *Accounting Services*

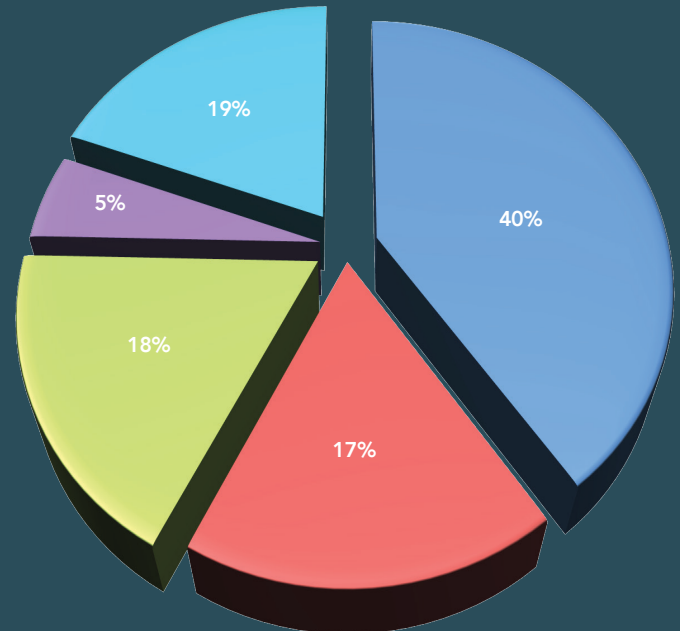
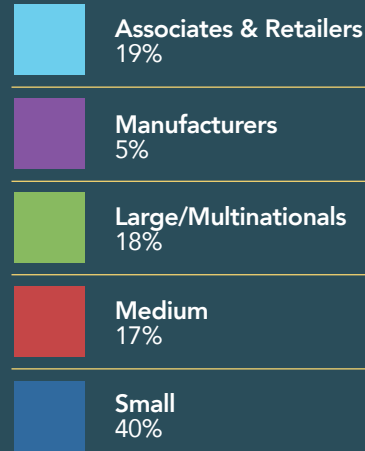
During the year under review, CTFA continued to make strategic decisions that position the Association as a leader in the regulatory space whilst keeping it financially healthy.

The Association's primary focus during the year under review continued to be on lobbying, advocacy and member benefits. The primary source of revenue was generated from fees levied to the member companies.

Heading into 2020 the Association prepared to host the Cosmetics Summit in May, which was a major project aiming to provide more exposure to the industry under the African Continent and be able to work in association with similar industries on an international perspective.

Due to the swift impact of the COVID-19 virus in South Africa during the year, the Association was under pressure to protect and maintain the interests of its members and as a result of the pandemic, the Summit was cancelled indefinitely. The result of the pandemic affected the private sector and many businesses did not survive the event. Although some of the Association's members did not survive the world-wide impact of the pandemic, the Association was still able to maintain its financial viability.

CTFA MEMBERSHIP BY SIZE OF COMPANIES



During 2020 and under unforeseen circumstances, management was able to react and apply certain measures to ensure the continuation of business activities for the Association and met the 2020 approved budget, reporting a surplus.

The Association was able to continue training sessions on a virtual platform which encouraged more companies from all over South Africa to engage as well. The result of initiating the virtual training provided the Association opportunities to interact with members on a more integrated level.

Income was generated mainly from membership, which grew by 3% over the prior year. The growth was the result of members maintaining good structure before the pandemic was declared a National state of Emergency and Lockdown. A total of 16 new members joined CTFA bringing the total membership up to 134 companies. Interest received from investments generated a 10% decrease versus the previous year; the result of a global economy in distress due to the pandemic. The Association ended the financial year above budget and in a surplus of R1 212 810. Although the budget was met and a surplus reflected, a decrease of R138 446 occurred in surplus funds for the year.

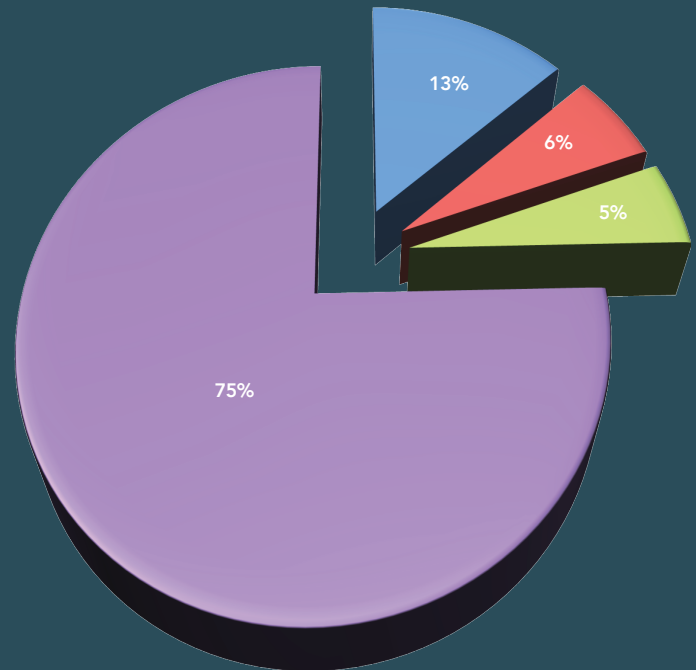
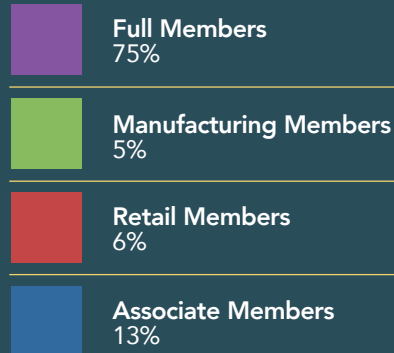
It is always good to provide support back to our members with an early settlement offer and a total of 68 members enjoyed this refund benefit during the 2020 financial year.

Operating expenses reflected a 2% decrease over the prior year, totalling R4 808 205 for 2020 versus R4 900 371 for the 2019 financial year. The decrease mainly highlights the restrictions implemented during lockdown which prevented certain full-time activities that would take place under normal circumstances. Overall, expenses were still well maintained by the Association.

Despite the challenges faced as a result of the COVID-19 pandemic, 2020 was a year with exceptional changes which brought new perspectives to light. And as a result, the CTFA will continue to invest back into the organisation for the benefit of the members.

Watermans have expressed willingness to continue as auditors for the next financial year and a resolution proposing their reappointment will be submitted at the forthcoming Annual General Meeting.

2020 MEMBER CATEGORIES





REGULATORY AFFAIRS

① Dershana Jackson | *Head: Policy & Regulatory Affairs*

② Yashmay Gordhon | *Regulatory Affairs Officer*

2020 was a complex year with much trepidation of the unknown, however, there were still varying degrees of regulatory evolution. Despite the challenges faced by all, both globally and locally, regulatory milestones were still achieved by embracing an adaptive approach to the changing environment.

NATIONAL DEPARTMENT OF HEALTH (NDOH)

The National Department of Health (NDOH) published the redraft of the regulations relating to Labelling, Advertising and Composition of Cosmetics, R.1469 in December 2017. CTFA engaged with the Deputy Director General of the National Department of Health (NDOH) in July 2020, where it was

confirmed that a promulgation date had not been planned yet and that the department's structural proposals made by CTFA are still under consideration. CTFA will continue to engage with the NDOH to gain clarity on the way forward.

DEPARTMENT OF ENVIRONMENT FORESTRY & FISHERIES (DEFF)

In late 2020, the industry saw various draft regulations proposed by DEFF to which CTFA submitted commentary on behalf of the industry. These included the following:

- Inventory of Endocrine disruptors
- Inventory of Environmental Persistent Pharmaceutical Pollutants and Management Action Plans in South Africa
- Draft Regulations to Prohibit the Production, Distribution, Import, Export, Sale and Use of Persistent Organic Pollutants
- Consultation on Draft regulations to domesticate the requirements of the Rotterdam Convention on the Prior informed consent procedure for certain hazardous chemicals and pesticides in international trade.

CTFA attended workshops with DEFF to represent the concerns raised by the industry on the relevant regulations.

SOUTH AFRICAN BUREAU OF STANDARDS (SABS)

SABS/TC 217 – Cosmetics

CTFA represents the industry at the SABS technical committee. CTFA motivated for the International Organisation for Standardisation (ISO) microbiological test methods to be adopted by SABS for use by the industry to ensure consumer safety as well as harmonization with international best practice. Furthermore, CTFA motivated for an update to the SANS 10393:2008 Hair care standard, to further best practice and consumer safety of hair care products. CTFA also motivated for the list of standards to be reviewed for relevance and applicability for the industry.

SABS/TC 229: Nanotechnologies

CTFA changed its participation status to an observer member at SABS/TC 229: Nanotechnologies. This allows for CTFA to keep abreast with all the latest development in the field of nanotechnology, whilst still maintaining the opportunity to provide input into possible applications pertaining to the cosmetic industry.

ADVERTISING REGULATORY BOARD (ARB)

The Advertising Code of Practice-Appendix B was updated in 2020. This was made available to members on the CTFA website. The update was conducted taking into consideration

international best practice, as well as input from CTFA's working group consisting of experts from the local industry. CTFA paired the update with communication to members to adequately prepare them for the upcoming change on "free-from" claims in 2021, as well as other changes reflected in the 2020 update. A 2021 update can be expected in June-July.

INTERNATIONAL LIAISON

WTO NOTIFICATIONS 2020

CTFA subscribes to regulatory notifications from the World Trade Organisation (WTO) and disseminates these to members where there could be a possible impact on business operations or export.

INTERNATIONAL STANDARDS ORGANISATION (ISO)

CTFA, being a participating member of SABS/TC 217 - Cosmetics, was nominated to represent this technical committee at the annual ISO meeting. This meeting was held virtually which made it possible for a greater number of representatives to be present than previously encountered. The following work groups convened at this meeting, a South African representative was present at each one:

Working group 1 – Microbiological test methods: SA adopts new test methods as local SANS standards for use by the industry.

Working group 3 – Analytical methods (Heavy metals): Various test methods have been under investigation using various laboratories around the world for international applicability and reproducibility. The test methods currently being finalized include the quantitative analysis of mercury in cosmetics.

Working group 7 – Sun protection test methods: Over the last few years, the international scientific community has been researching new and improved test methods for determining water resistance, UVA and UVB test methods. These will likely be adopted in South Africa as part of SANS 1557:2019 sunscreen products in due course.

CTFA was also nominated to represent SABS/TC229 – Nanotechnology at the ISO meetings held virtually between the 2nd and the 6th of November 2020. The following work group was attended by CTFA:

Working group 5 - Product Applications: Which was specific to the cosmetic industry on the topic of nanomaterials in sunscreen.

The project under discussion is related to performance enhancement using nanotechnology and with a focus on the evaluation of the performance of the particular nanomaterials, Titanium Dioxide and Zinc Oxide. The recommendations taken were for the Preliminary Work Item (PWI) to be revised and for the document to be submitted by the end of December 2020 for further discussion at the 2021 meeting. The projects undertaken by this working group are ongoing and CTFA will endeavour to provide updates as they develop.

INTERNATIONAL COOPERATION ON COSMETICS REGULATION (ICCR)

The ICCR-14 meeting was held virtually from 7-9 December 2020. CTFA represented the SA cosmetic industry together with the National Department of Health representative. South Africa attends as an observer member country at these regulator and industry meetings.

The current working groups include: Integrated Strategies for Alternate Safety Assessments of Cosmetic Ingredients, Microbiome and Consumer Communications. Reports from these working groups have been endorsed by the regulators and have been posted on the ICCR website. These work groups will continue on new projects in 2021. In addition, the ICCR also surveyed the role the industry has played during the pandemic. The results of the survey show that regulators have enabled the industry to accelerate the manufacture and supply of hand sanitisers to their regions as well as to export these where required. Some jurisdictions have heightened post-marketing surveillance in attempt to curb counterfeit products and to ensure minimum acceptable ethyl alcohol concentration in hand sanitizers. Regulators have also increased communication to educate consumers on misleading claims.

REGULATORY INDUSTRY TRENDS

CTFA constantly keeps an eye on product and industry trends, as they often influence the need for regulatory reform or the need for CTFA, as an industry association, to provide guidance on emerging trends. The COVID-19 pandemic changed the trajectory of cosmetic and personal care trends in 2020, and a focus was placed away from makeup and onto skincare and at-home beauty products. On the international front, a number of trends have been gaining traction and the South African market has followed suit. These trends prompted CTFA to communicate the importance of regulatory compliance detailing each of the product trends and the responsibility of brand owners, importers and manufacturers to ensure consumer safety.

ANIMAL TEST BAN

CTFA is unequivocally supportive of the banning of animal testing in South Africa and believe that the consideration of animal rights is vital. With regards to safety, animal testing was historically a safety requirement that has since been replaced by a number of alternative assessment methods that ensure safety of the ingredients and finished product without causing harm to animals. These alternatives, while being humane, prove to be even more accurate and scientifically relevant to humans as end users of the products tested. Non-animal testing of cosmetics has already been a long-standing practice, that CTFA members are committed to, and thus CTFA's concerns have been focused on the regulatory landscape. In particular, CTFA believes that alignment to international practice, together with the collaboration with local stakeholders to introduce clarity in legislation, is important. From a regulatory perspective, it is imperative that a clear adoption period is communicated by the regulator, as is the case with international best practice and has been implemented by many countries, including those of the European Union. 2020 saw the publishing of the draft Animal Protection Amendment Bill 2020 on the 11th of September, which prompted CTFA to submit commentary on behalf of the industry.

The legislative journey of banning animal testing of cosmetics in South Africa:

- In December 2017, the proposal to amend the Animal Protection Bill, to prohibit the sale and manufacturing of cosmetics that were tested on an animal in the Republic; criminalise the testing of cosmetics on animals and criminalise the failure to provide an animal with an appropriate environment and related matters, was published by a private member of parliament.
- In 2018, CTFA provided commentary to the gazetted bill relating to the Animal Protection Amendment Bill, 2017 and the Memorandum on the Objects of the Bill on the 30th of November 2017 in Government Notice 942. These comments focused on the context and content of the bill as it related to the cosmetic industry.
- The draft Animal Protection Amendment Bill 2020 was published on the 11th of September 2020 in Government Notice 497.
- CTFA submitted commentary on the notice of intention to introduce a Private Member's Bill and invitation to comment on the draft Animal Protection Amendment Bill 2020. Through CTFA's engagement with various other associations internationally, as well as participation on international forums, the comments were collated using

an international perspective. Amendments to legislation (regarding particularly draft Regulations relating to the labelling, advertising and composition of cosmetics, R.1469, 22 December 2017); and queries on whether the extension of the ban will affect imports, are among the comments put forward by CTFA.

HAND SANITISERS

Hand sanitisers have become essential household items over the course of 2020, as hand hygiene became paramount in preventing the spread of the novel Coronavirus (COVID-19). The global pandemic, as it affected the lives of billions of people, caused many countries to administer lockdowns to various degrees. In some cases, this has led to restricted access to goods that were previously available. However, products used for hand hygiene, and in particular hand sanitisers, were deemed essential, and the manufacture of these products were encouraged by many governments.

As a result, CTFA experienced an influx of queries on hand sanitiser products, prompting a need to address the status of the products in terms of its category and legislation. In South Africa, the product descriptor: 'hand sanitiser' is one that does not fall within the definition of a cosmetic in the Foodstuffs, Cosmetics and Disinfectants, (Act 54 of 1972).

Through engagements with local stakeholders, CTFA was advised to direct industry members to the following regulations:

- The Medicines and Related Substances Act, 1965 (Act 101 of 1965)
- The Foodstuffs, Cosmetics and Disinfectants Act (Act 54 of 1972)
- The Standards Act, Act 8 of 2008
- The National Regulator for Compulsory Specifications Act 5 of 2008
- The Legal Metrology Act 9 of 2014.

Together with that understanding, the Medical Control Council's Position statement: Status of disinfectants, antiseptics and germicides 9.78 V1, Jul 16 provides guidance based on a risk-based approach in categorising disinfectants, antiseptics and germicides based on specific criteria. This classifies products based on the application surface (human skin or inanimate surface); the environment that the sanitiser is used in; the intended use and function; and the composition of the sanitiser. Hand sanitisers can be classified as General Consumer Products, Medicines (in the case of Scheduled Substances) or Disinfectants.

The South African Health Products Regulatory Authority (SAHPRA) further issued guidelines on hand sanitiser products to include:

- use on human skin
- contain antiseptic ingredients used to kill microorganisms or prevent the growth of micro-organisms
- can be handwashes for use with water or handrubs for use without water
- "rub" or "Leave on" products primarily used to sanitise the skin, when soap and water are not available, and are left on and not rinsed off with water.

Due to the status of hand sanitisers being outside the scope of cosmetics, CTFA does not have the mandate to advise on or assist members with hand sanitiser products. It is our recommendation that member companies who also manufacture, distribute or sell hand sanitiser products, or have the intention of doing so, refer to SAHPRA for guidance on the process of registration.

COSMETIC PRODUCT TRENDS: MICROBIOTA & CANNABIS

CTFA engaged with the regulator on the growing trend in cosmetics that claims to have a benefit to the skin's microbiome and the use of cannabis in cosmetic products. The regulator has not provided a clear regulatory direction for application of these ingredient types in cosmetic products, except through an exception to the Medicines and related substances Act 101, which has been interpreted as hemp seed oil being the only component of the cannabis plant that can be used due to its low levels of CBD and THC.

CTFA has under the auspices of the expertise within its technical committee taken the decision to convene working groups to provide further guidance for the industry on these aspects in 2021.

AFRICAN ORGANISATION FOR STANDARDISATION (ARSO)

In 2020, ARSO proposed draft standards for the voluntary adoption by national standards bodies on the continent. CTFA, through the South African Bureau of Standards (SABS), has previously submitted commentary and an oral presentation of the challenges that such vertical standards will pose in terms of trade and innovation of products. CTFA is working closely with SABS, the SADC region and Sub-Saharan Task Force (headed by USA and EU trade associations) to encourage a reconsideration of the draft proposed standards. CTFA will endeavour to keep members updated on the progress in 2021.

AFRICAN STRATEGY UPDATE

Through CTFA's relationship with the Department of Trade, Industry and Competition we have received support in reaching out to the various African regulators for the cosmetic industry. CTFA conducted a survey within the industry to understand the countries of trade interest as a means to plan and prioritise our strategy. As part of this the following countries have been prioritized in 2020:

- **Nigeria:** CTFA reached out to National Agency for Food and Drug Administration and Control (NAFDAC), the regulatory and control authority that is responsible for cosmetic oversight. We held a few engagements in 2020 providing an in-depth explanation of the South African regulatory framework with the intent to influence the finalization of their draft regulations published in March 2020.
- **Botswana:** Botswana Medical Regulatory Authority (BoMRA) is the regulator that has indicated an interest to regulate the cosmetic industry with a special category of cosmetics that will require registration with the authority. CTFA's engagements included a commentary submission with an oral presentation of our concerns as well as future participation in stakeholder engagements prior to the finalization of the draft regulations.
- **Kenya:** Kenya Ministry of Health published draft regulations in 2020 to which CTFA submitted a commentary on behalf of the industry. The publishing of these draft regulations introduced a complexity to their existing regulatory framework as the Kenya Bureau of Standards already has an oversight on the industry through the imposition of their mandatory standards in Kenya. Together with the international industry associations, CTFA started conversations with the Kenyan authorities to influence a clear and workable regulation which will ensure the least amount of barriers and challenges for trade with Kenya.
- **Rwanda:** The Rwanda Food and Drug Authority (RFDA) was contacted following their draft regulations published in 2020. Commentary was submitted on behalf of the industry as well as a meeting was held with the authorities to present the challenges we identified and the proposals we have put forward for their consideration.

CTFA will continue to engage along these lines with the various authorities in 2021.

TRAINING 2020

It is vital that training sessions are conducted to communicate the importance of compliance to the constantly evolving regulatory framework. Brand owners, manufacturers, raw

material suppliers and companies alike attend CTFA training sessions for a deeper understanding of the current South African regulatory environment, labelling and claims, product information file, responsible person, good manufacturing practices, industry trends, and a growing list of other aspects.

The originally planned training schedule for 2020 was altered in March when the national lockdown was enforced due to the COVID-19 pandemic. To start with, the “Labelling, Claims and Substantiation” scheduled training dates for April in Durban and Cape Town were postponed. Furthermore, in order to adhere to the principles of social distancing while still delivering sessions to the large number of members and non-members who expected to attend them, it was decided that the traditional in-person training would migrate to virtual online sessions.

Labelling, Claims and Substantiation:

Two separate sessions were held in July for the much requested “Labelling, Claims and Substantiation” training. This was to accommodate members and non-members from Durban and Cape Town who had previously booked in-person training sessions that had to be cancelled due to the COVID-19 pandemic. These were jointly conducted by Dershana Jackson (Head: Policy and Regulatory Affairs), Yashmay Gordhon (Regulatory Affairs Officer) and Marlize Lategan (Sefako Makgatho Health Sciences University: Photobiology Laboratory)

The ‘Product Labelling’ session was conducted by Dershana Jackson (Head: Policy and Regulatory Affairs) with a focus on the following regulatory documents:

- SANS 289: Labelling Requirements for Prepackaged Products (prepackages) and General Requirements for the Sale of Good subject to Legal Metrology Control
- SANS 98: Ingredient labelling of cosmetic products
- Draft Regulations relating to labelling, advertising and composition of cosmetics, R. 1469, 22 December 2017

Through detailed analysis and in-depth explanation, both sessions were successfully delivered and allowed for robust discussion between CTFA and the participants.

The ‘Product Claims’ session was conducted by CTFA’s Regulatory Affairs Officer, Yashmay Gordhon, who used practical examples of on-pack product claims to illustrate what is permitted on cosmetic products in South Africa;

the issue of borderline claims, with a focus on the following regulatory documents:

- Draft Regulations relating to labelling, advertising and composition of cosmetics, R. 1469, 22 December 2017
- Cosmetic Advertising Code of Practice
- MCC 2.45 Borderline products – February 2017

The final session of the programme was conducted by an expert on the scientific substantiation of products: Marlize Lategan from Sefako Makgatho Health Sciences University. She is responsible for the Photobiology Laboratory at the institution. Marlize provided details of how to substantiate a product claim and the important aspects of scientific methods used for substantiation based on internationally validated and accepted standards.

CTFA Cosmetic Industry Update:

The CTFA Cosmetic Industry Update was an interesting and informative session delivered by CTFA to industry members in August. This communication was important given the challenges and changes endured in 2020. The objective was to communicate the regulatory impact of various cosmetic industry trends, much of which were brought about by the adaptations made by the industry in order to combat the challenges of the pandemic.

Topics for the session included:

- Cosmetic Industry Update: COVID-19

The speaker for the session was Adelia Pimentel, who provided members of the industry with the economic impact of the pandemic on the cosmetic industry in South Africa and abroad. The responses of a CTFA member survey that was conducted was detailed to illustrate the impact of the pandemic on the local industry.

- Trends in Purchase Decision

This session, conducted by Yashmay Gordhon, served to contextualise the information that is available to consumers at the point of purchase, and how the COVID-19 pandemic has changed this. The importance of transparency and consumer safety were themes of this session.

- Ingredient and Product Trends during COVID-19

The session was conducted by Yashmay Gordhon, who provided details into the various trends seen in the cosmetic industry including: the heightened awareness for safety and reliability; the use of preservatives; the growing demand for sunscreen and moisturizing hand lotions; the trend of self-care and eye

products. Each trend was explained in terms of regulatory impact and members were made aware of appropriate adherence to regulatory guidelines that should still be prioritized despite the challenges brought upon by the COVID-19 pandemic.

- Trade in Africa

A guest speaker, Calvin Phume, from the Department of Trade, Industry and Competition (DTIC) was invited to present on trade on the African continent. The role of Trade Invest Africa, an initiative of the DTIC was also further elaborated upon. The session was informative, and of particular interest to members who trade with other African countries

- A Focus on African Regulations

Dershana Jackson conducted this session, providing details of the many changes to the regulatory guidelines and regulations in Africa, despite the slowing down of trade as a result of the COVID-19 lock-down restrictions. CTFA's engagement with African countries was detailed for the following countries: Botswana; Namibia; Zimbabwe; Zambia; Mozambique; Kenya; Uganda; Tanzania; Rwanda; Ethiopia; Nigeria; Ghana.

- Look Good Feel Better

The Look Good Feel Better organization is an important social responsibility organization under the CTFA umbrella. Program Director Christie Fraser provided members of the industry an update on the organization.

The industry update session was well-received.

The Responsible Person & Components of a Product Information:

14 October 2020 (online virtual training session)

The pending promulgation of the National Department of Health's draft Regulations Relating to Labelling, Advertising and Composition of Cosmetics, R.1469, 22 December 2017, means that the product information file (PIF) will become mandatory. In an effort to adequately prepare the industry and to ensure that companies have PIFs in place and understand the responsibilities assigned to the responsible person within their organisations, the training session in October included the following:

- Definition of a responsible person
- The responsibilities of the responsible person
- Compliance to regulations
- The importance of labelling and safety assessment reports
- Post-marketing surveillance
- The composition of a PIF

The session successfully provided an overview of the regulatory documents as well as details into the importance of a product information file and the role of the responsible person.

Good Manufacturing Practices (GMP):

The GMP session has become known as CTFA's flagship training programme. It encompasses a deep dive into the requirements of GMP as per the SANS 22716:2011, such as: important aspects of facility design, staff requirements and training; and the procedures and checks that are required. The session was successfully conducted by both Dershana Jackson and Yashmay Gordhon in November 2020. As always this training session was attended by a large number of attendees and was well received with significant interactive opportunities and practical examples to further successful implementation of the programme within organisations.

Through the various training initiatives, CTFA has continued to provide regulatory guidance and disseminated information to members of the cosmetic industry. The use of virtual online platforms in 2020 meant that we could expand our reach to both members and non-members who participated from various parts of the country and the world.

CTFA COMPENDIUM UPDATE

The CTFA Cosmetic Compendium remains the cosmetic industry's reference within a self-regulated environment. In order to ensure that an up-to-date and relevant guideline document is available, CTFA updates the Compendium on an annual basis. 2020's update was completed in July 2020 and is available on CTFA's website.

The regulatory landscape in South Africa is still undergoing reform from a self-regulatory environment to one that will be regulated by the National Department of Health (NDOH). The draft regulations were published by NDOH on the 22nd of December 2017: Government notice R.1469 Regulations relating to Advertising, Labelling and Composition of Cosmetics (redraft), which is reflected in the CTFA Bridging-the-Gap Compendium.

While the industry awaits promulgation of the draft regulations, CTFA continues to guide the industry based on the SABS standards; NRCS standards; Advertising code of practice; the European Legislation (EC Regulations 1223/2009); international guidelines and industry best practice.

The 2020 Compendium update included the following changes:

- Annex updates to include all updates of EC regulations 1223/2009 up until December 2019. New entries and changes have been included with "*" and a footnote has been included, which explains the compliance period for such changes. Please take note of these updates and prepare accordingly when developing or launching new products.
- Advertising Regulatory Board (ARB) code annual update for 2020 will be updated in due course.
- Section 3: Secondary antibacterial claims - was amended.

- Section 4: Hand sanitiser – was included.
- Section 10: 'Fragrance Ingredient Standards' was included as a subsection to provide information on fragrance ingredients that are prohibited, restricted or specified according to the International Fragrance Association (IFRA) Standards.

Being mindful of transition periods, the update entry is indicated as double entries with associated footnotes explaining the effective date of the update. CTFA together with the technical experts agree on a reasonable transition period which is communicated at the time the updated entries are made.

TECHNICAL COMMITTEE

The COVID-19 pandemic did not inhibit the progress or continual engagement of the CTFA Technical Committee. 2020 proved to be a busy and successful year with many regulatory updates being discussed and implemented within the self-regulated framework in South Africa.

The experts of the Technical Committee continue to be an important resource for CTFA and the industry, ensuring that the interests of the cosmetic industry and that of consumers are prioritised at all times.

ACTIVE WORK GROUPS 2020

- **Cosmetic Code Work Group:** the objective of which is to ensure that the industry has an updated code of practice. The work group convened to successfully update and submit to the Advertising Regulatory Board the 2020 Cosmetic Code (Appendix B of the Advertising Code of Practice).
- **Suncare Work Group:** The objective of which is to ensure the industry maintains an updated standard for sunscreen taking into consideration the latest internationally accepted test methods.

TECHNICAL COMMITTEE MEMBERS

Amka Products	Grazyna Chmielowska
Amway	Bosede Nkana
Avon Justine	Pokazi Tetyana
Beiersdorf	Njabulo Mthethwa
Botanichem	Robyn Brown
Colgate-Palmolive	Babalwa Mantyi & Sikelelwa Gogo
Cosmetic Solutions	John Knowlton
Costech	Wayne Van Wyk
Givaudan	Arshdeep Joshi & Nila Ragha
Johnson & Johnson	Nontuthulezo Makele & Keshnee Dhanraj
L'Oreal	Christine Charlton & Percy Sibanda
Marico International	Ashika Sireeparsad
Pick and Pay	Reema Maharaj
Pierre-Fabre	Anel Jansen Van Vuuren
Procter & Gamble	Nhlanhla Tshabalala
Revlon	Martin Mason
SMU-Sefako Makgatho University	Marlize Lategan
Unilever	Zama Duma



THE CTFA TEAM

Dershana Jackson, Yashmay Gordhon, Charlene Lynch (RIP), Samantha Lotkin and Adelia Pimentel

CTFA MEMBERSHIP

The CTFA was formed in 1994 to allow representation of the cosmetics industry by a collective and objective body. The Association represents and promotes the interests of its member companies, is an authoritative voice for the South African industry, actively articulates industry viewpoints to government departments, the media and key stakeholders, whilst promoting consumer safety.

international accredited bodies to ensure alignment for a responsible industry in South Africa.

The CTFA advocates international harmonisation and recognition and has since 2000, been a member of Cosmetics Europe, the personal care association, based in Brussels. Ensuring that South Africa is kept updated on cosmetics information worldwide.

Membership is open to any company distributing and manufacturing cosmetics in South Africa. Companies associated with the cosmetics industry, but not directly involved in distribution or manufacture such as packaging and raw material suppliers, may become associate members. Retailers are also part of the CTFA membership with regards to their private labels.

WHY IS MEMBERSHIP IMPORTANT?

The personal care business sector is innovative, vibrant and competitive, coupled with a rapidly moving regulatory environment. It is, therefore, essential that manufacturers, brand owners, retailers and raw material suppliers are kept abreast of the latest changes and developments. Importantly, Members are extended the opportunity to be part of the decision-making process that shapes regulations and representations that are made from time to time on behalf of the industry, by being part of CTFA committees and workgroups.

Since inception, the purpose of the Cosmetic, Toiletry & Fragrance Association of South Africa (CTFA) has been to guide Members on the South African Regulatory Codes of Practice and Standards and to be a conduit for cosmetic and personal care industry growth.

The CTFA works with the industry sector, the South African Bureau of Standards (SABS), National Department of Health (NDOH), Department of Trade, Industry and Competition (DTIC), Department of Environment Forestry and Fisheries (DEFF) and

BENEFITS TO GAIN FROM YOUR CTFA MEMBERSHIP:

- The CTFA monitors international regulatory developments and keeps Members updated on the Regulatory Control of cosmetics.
- The CTFA provides technical expertise and advice on ingredients, labelling, packaging and product claims.

- The CTFA provides the means for dissemination of information on standards set up by working groups/committees. These working groups/committees consist of cosmetic industry experts and representatives from the South African Bureau of Standards (SABS).
- The CTFA liaises with the National Department of Health (NDOH) and the National Regulator for Compulsory Specifications (NRCS) on product and packaging regulations.
- The CTFA liaises with the Department of Environment Forestry and Fisheries (DEFF) on Bioprospecting, waste management amongst other industry and national initiatives on behalf of members.
- The CTFA liaises with the Department of Trade Industry and Competition (DTIC) and The Cosmetic Export Council of South Africa (CECOSA), to assist members with regulatory compliance in relation to exports, imports and expansion into international markets.
- The CTFA liaises with the South African Revenue Services and Customs and Excise on Ad Valorem Excise Duty.
- The CTFA liaises with and is part of the Advertising Regulatory Board of South Africa to ensure the preservation of self-regulation in the advertising space.
- The CTFA maintains relationships with and makes representations to the appropriate South African and relevant international governments, legislative or other regulatory bodies, Chambers of Commerce or Trade Associations with regards to matters affecting the interests of the industry.
- The CTFA is a member of Cosmetics Europe and has representation on the ISO Cosmetic Committees.
- The CTFA assists exporters with the issuing of Certificates of Free Sale.

- The CTFA Advises SMEs regarding compliance.
- The CTFA extends invitations to Members for workshops, seminars, information and training sessions.
- As part of the CTFA membership, there is access to various SABS Standards.

CATEGORIES OF MEMBERSHIP

Full Members

This category includes; Brand owners, Distributors, Importers and Exporters of finished goods.

Manufacturing Members

This category includes; Manufactures and Contract Manufactures of toiletry cosmetic products.

Associate Members

This category includes; Suppliers of ingredients, raw materials, packaging etc., not involved in production, sales and marketing.

It also includes companies, associations, Academic Institutions affiliated to the cosmetic industry who do not produce or distribute cosmetic products.

Retail Members

This category includes; retail outlets with their own private label brands

HOW DO I BECOME A MEMBER?

Simply contact us and we will set up a free consultation, so we can understand your particular business and product range/ranges. Should there be a perceived benefit for both parties, we would then encourage you to become a Member and assist you to comply with all regulations.

ENQUIRIES:

Email – info@ctfa.co.za

Website – www.ctfa.co.za



look good
feel better

LOOK GOOD FEEL BETTER

Christie Fraser | *Programme Director*

The songwriter echo's these sentiments by saying "If I can help somebody as I pass along, if I can bring back beauty to a world up – wrought...then my living shall not be in vain."

When I reflect on the past year, I am struck by many events e.g., COVID-19, the devastating effect the changing weather patterns have around the globe, the senseless loss of human lives and the subsequent pain and misery that violence, war and terrorist attacks bring to people's lives and regrettably the effect, tribalism, prejudice, racism, gender inequality and the greed for power still have on us.

I am struck by the violence against women and children and I can go on and on, but I am most of all struck by the pressure the current economic situation has on most of our people.

For many people life is not easy. They suffer silently under the many challenge's poverty presents. The social consequences thereof are vast and shocking.

Despite everything mentioned above, I am consoled by the fact that there are people in life who are irreplaceable. The service rendered by Look Good Feel Better and their volunteers is one of them. It is a very powerful human contribution and creates the

opportunity to bring hope and make a difference to the lives of many people.

We at Look Good Feel Better SA, are in the position to bring hope and to make a difference by hosting a free two-hour workshop for cancer patients in active cancer treatment, helping them to address the skin related side effects of their treatment, regaining their confidence.

Our Essential Service Certificate enabled us to continue the program on a much smaller scale with one-on-one as well as virtual workshop for patients in need.

Although the COVID-19 pandemic will eventually pass, its impact will no doubt be felt for years to come. Unfortunately, because of the pandemic we have lost two more founder members and our biggest Financial Sponsor.

Finally, to all our sponsors – as we continue along the road of volunteerism, I plead that you will continue to support us to enhance the potential of Look Good Feel Better to contribute changing lives daily.

We also humbly and gratefully acknowledge the cosmetic companies that still, during Covid -19, managed to help us.

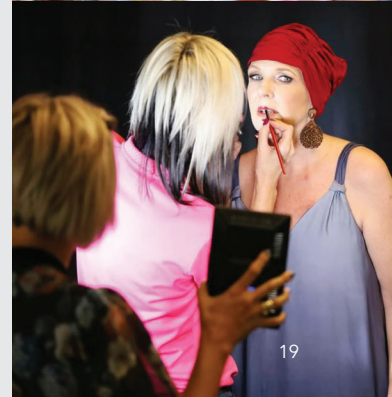


The credibility of the LGFB programme is evident from the pressing requests to expand to new hospitals, cities, and regions, but unfortunately to do this LGFB SA requires more support from the cosmetic industry.

This programme cannot exist without the support of donors and is always looking for more members and sponsors to ensure that more cancer patients can benefit.

In closing, I leave you with the words of John Wesley:

"Do all the good you can, by all the means you can, in all the ways you can, in all the places you can, at all the times you can, to all the people you can, as long as ever you can."



INDEX

The reports and statements set out below comprise the annual financial statements presented to the Executive Council:

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GENERAL INFORMATION

Country of Incorporation and Domicile	South Africa
Nature of Business and Principal Activities	The Cosmetic Toiletry & Fragrance Association of South Africa (CTFA) represents and promotes the interest of its member companies. It is an authoritative voice for the industry in South Africa and actively articulates industry viewpoints to government departments. It continues to lead the industry forward with regard to setting regulations and standards, and encourages responsible advertising.
Registered Office	Hurlingham Office Park 59 Woodlands Avenue Block B Suite 2 & 3 2196
Business Address	Hurlingham Office Park 59 Woodlands Avenue Block B Hurlingham Suite 2 & 3 2196
Postal Address	P.O. Box 721 Randpark Ridge 2156
Bankers	First National Bank Limited
Level of Assurance	These annual financial statements have been audited in compliance with the association's Constitution.
Auditors	Watermans Registered Auditors Chartered Accountants (S.A.) Registered Auditors
Preparer	The annual financial statements were independently compiled by: B.C. Graham C.A. (S.A.)

EXECUTIVE COUNCIL'S RESPONSIBILITIES AND APPROVAL

The executive council is required by the Companies Act of South Africa to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is his responsibility to ensure that the annual financial statements satisfy the financial reporting standards with regards to form and content and present fairly the statement of financial position, results of operations and business of the association, and explain the transactions and financial position of the business of the association at the end of the financial year. The annual financial statements are based upon appropriate accounting policies consistently applied throughout the association and supported by reasonable and prudent judgements and estimates.

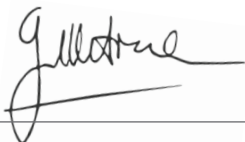
The executive council acknowledges that he is ultimately responsible for the system of internal financial control established by the association and places considerable importance on maintaining a strong control environment. To enable the executive council to meet these responsibilities, the executive council sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the association and all employees are required to maintain the highest ethical standards in ensuring the association's business is conducted in a manner that in all reasonable circumstances is above reproach.

The focus of risk management in the association is on identifying, assessing, managing and monitoring all known forms of risk across the association. While operating risk cannot be fully eliminated, the association endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The executive council is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss. The going-concern basis has been adopted in preparing the financial statements. Based on forecasts and available cash resources the executive council has no reason to believe that the association will not be a going concern in the foreseeable future. The financial statements support the viability of the association.

The annual financial statements have been audited by the independent auditing firm, Watermans Registered Auditors, who have been given unrestricted access to all financial records and related data, including minutes of all meetings of the executive councils, the executive council and committees of the executive council. The executive council believes that all representations made to the independent auditor during the audit were valid and appropriate. The external auditor's unqualified audit report is presented on pages 4 to 5.

The annual financial statements set out on pages 8 to 22, and the supplementary information set out on pages 23 to 25 which have been prepared on the going concern basis, were approved by the executive council and were signed on 10 March 2021.



G. Antonie (Chairperson)



M.A.L. Pimentel (Executive)

INDEPENDENT AUDITOR'S REPORT

TO THE EXECUTIVE COUNCILS OF COSMETIC TOILETRY AND FRAGRANCE ASSOCIATION OF SOUTH AFRICA

Opinion

We have audited the financial statements of Cosmetic Toiletry and Fragrance Association of South Africa set out on pages 8 to 22, which comprise the statement of financial position as at 31 December 2020, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Cosmetic Toiletry and Fragrance Association of South Africa as at 31 December 2020, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act of South Africa.

1.1 Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the association in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

1.2 Emphasis of Matter – Subsequent Event

Due to the swift impact of the COVID-19 virus in South Africa, unforeseen events have occurred and are continuing to occur subsequent to the signature date of the audit report. The executive council have been able to react and have seen to these events by including certain measures. You are referred to the information supplied by the executive council in note 3 of the executive council's report. The executive council has also described how they plan to deal with these events and circumstances. Our opinion is not modified in respect of this matter.

1.3 Responsibilities of the Executive Council for the Financial Statements

The executive council is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act of South Africa, and for such internal control as the executive council determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the executive council is responsible for assessing the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the executive council either intends to liquidate the association or to cease operations, or has no realistic alternative but to do so.

1.4 Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the executive council.
- Conclude on the appropriateness of the executive council's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the executive council regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Watermans Registered Auditors



Watermans
Per: T. Aarons C.A. (S.A.)
Partner
Registered Auditors

Top Floor, 14 Eglin Road, Sunninghill,
Sandton, 2191.

EXECUTIVE COUNCIL'S REPORT

The executive council presents his report for the year ended 31 December 2020.

1. Review of activities

Main business and operations

The principal activity of the association is that the Cosmetic Toiletry & Fragrance Association of South Africa (CTFA) represents and promotes the interest of its member companies. It is an authoritative voice for the industry in South Africa and actively articulates industry viewpoints to government departments. It continues to lead the industry forward with regard to setting regulations and standards, and encourages responsible advertising. There were no major changes herein during the year.

The operating results and statement of financial position of the association are fully set out in the attached financial statements and do not in my opinion require any further comment.

2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Events after reporting date

Impact of COVID-19

COVID-19 existed globally at the reporting date. COVID-19 in itself is not an event; however, the National State of Emergency and Lockdown are events which occurred during and, continue to occur after the reporting date as a result of COVID-19. It was concluded that the declaration of COVID-19 as a pandemic is such a non-adjusting event. The impact of COVID-19 on accounting standards that require the use of forward-looking information (expected credit losses) was assessed based on information available as at 31 December 2020.

Management has considered the potential impacts on the association by taking a number of factors into consideration, including the macro-economic impact as well as the future revenue of the association.

The association has also endeavoured to mitigate the effects of the pandemic on its operations and employees through the postponement of certain projects and having its staff work remotely. In the event that employees have to work on-site, there are strict social-distancing and other COVID-19 protocols to be adhered to.

In the event that the association's cash flows are negatively impacted by the pandemic, management plans to utilise the association's reserves as a cash injection for operations.

Government intervention appears to be slowing the spread of COVID-19 at different speeds in different countries. The severity will be influenced by the lockdown period and the easing thereof. It is anticipated that the COVID-19 pandemic may have a substantial impact on revenue countered by material reduction in expenses and therefore the residual impact on profitability for the year ending 31 December 2021 is not expected to be significant. It is, however, not possible to make an accurate estimate of its full financial effect for the year ahead as the virus's infection rate and impact on macro-economic conditions is uncertain.

4. Executive Councils

There have been no changes in ownership during the current financial year.

5. Independent Auditors

Watermans Registered Auditors were the independent auditors for the year under review.

STATEMENT OF FINANCIAL POSITION

FIGURES IN R	NOTES	2020	2019
ASSETS			
Non-current assets			
Property, plant and equipment	4	206,827	220,748
Total non-current assets		206,827	220,748
Current assets			
Trade and other receivables	6	229,868	206,784
Cash and cash equivalents	7	11,094,529	9,750,153
Total current assets		11,324,397	9,956,937
TOTAL ASSETS		11,531,224	10,177,685
EQUITY AND LIABILITIES			
Equity			
Accumulated surplus		10,874,745	9,661,935
LIABILITIES			
Current liabilities			
Bankoverdraft	7	1,974	3,763
Provisions	8	137,566	80,876
Other financial liabilities	9	100,684	60,149
Trade and other payables	10	24,522	50,056
Deffered income	12	391,733	320,906
Total current liabilities		656,479	515,750
TOTAL LIABILITIES		656,479	515,750
TOTAL EQUITY AND LIABILITIES		11,531,224	10,177,685

STATEMENT OF COMPREHENSIVE INCOME

FIGURES IN R	NOTES	2020	2019
Revenue	13	5,529,633	5,395,077
Cost of sales		<u>(137,644)</u>	<u>(78,996)</u>
Gross surplus		5,391,989	5,316,081
Other income	14	167,652	149,633
Other expenses		(4,808,205)	(4,900,369)
Other gains / (losses)	16	-	229,750
Surplus from operating activities		751,436	795,095
Finance income	17	461,374	556,175
Interest Paid		-	(14)
Surplus for the year		<u>1,212,810</u>	<u>1,351,256</u>

STATEMENT OF CHANGES IN FUNDS

FIGURES IN R

ACCUMULATED SURPLUS

TOTAL

Balance at 1 January 2019	8,310,679	8,310,679
Changes in funds		
Surplus for the year	<u>1,351,256</u>	<u>1,351,256</u>
Balance at 31 December 2019	<u>9,661,935</u>	<u>9,661,935</u>
Balance at 1 January 2020	9,661,935	9,661,935
Changes in funds		
Surplus for the year	<u>1,212,810</u>	<u>1,212,810</u>
Balance at 31 December 2020	<u>10,874,745</u>	<u>10,874,745</u>

STATEMENT OF CASH FLOWS

FIGURES IN R

NOTES

2020

2019

Cash flows from operations		
Surplus for the year	1,212,810	1,351,256
Adjustments to reconcile surplus		
Finance income	(461,374)	(556,175)
Adjustments for finance costs	-	14
Decrease in trade receivables	(33,474)	(15,229)
Increase in other operating receivables	(22,856)	94,591
Adjustments for increase in trade accounts payable	(8,348)	14,174
(Decrease) / increase in other operating payables	(17,186)	2,824
Decrease in deferred income	70,827	188,867
Depreciation and amortisation expense	77,471	62,472
Impairment losses and reversal of impairment losses recognised in surplus or deficit	33,246	10,047
Movement in provisions	56,690	54,758
Fair value gains and losses	-	(229,695)
Gains and losses on foreign exchange realised in surplus or deficit	-	(55)
Total adjustments to reconcile surplus	(305,004)	(373,407)
Net cash flows from operations	907,806	977,849
Interest paid	-	(14)
Interest received	461,375	551,424
Net cash flows from operating activities	1,369,181	1,529,259
Cash flows from / (used in) investing activities		
Purchase of property, plant and equipment	(63,550)	(8,280)
Purchase of other financial assets	-	4,884,997
Dividends received	-	4,751
Cash flows from / (used in) investing activities	(63,550)	4,881,468
Cash flows from financing activities		
Movement in other financial liabilities	40,535	60,149
Cash flows from financing activities	40,535	60,149
Net increase in cash and cash equivalents	1,346,165	6,470,876
Cash and cash equivalents at beginning of the year	9,746,390	3,275,514
Cash and cash equivalents at end of the year	11,092,555	9,746,390

7

ACCOUNTING POLICIES

1. General information

Cosmetic Toiletry and Fragrance Association of South Africa is a non - profit organisation incorporated in South Africa.

2. Basis of preparation

The financial statements of Cosmetic Toiletry and Fragrance Association of South Africa have been prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the Companies Act of South Africa. The financial statements have been prepared under the historical cost convention. They are presented in South African Rand.

The preparation of financial statements in conformity with the International Financial Reporting Standard for Small and Medium-sized Entities requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the association's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The association makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

NOTES TO THE FINANCIAL STATEMENTS

4. Property, plant and equipment

4.1 Accounting policies

Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The association adds to the carrying amount of an item of property, plant and equipment the cost of replacing parts of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the association. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to surplus or deficit during the period in which they are incurred.

Depreciation on assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

Asset class	Useful life / depreciation rate
Fixtures and fittings	16.67%
Office equipment	16.67%
Computer equipment	33.33%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other gains / (losses)' in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

4.2 Balances at year end and movements for the year

	Fixtures and fittings	Office equipment	Computer equipment	Total
Reconciliation for the year ended 31 December 2020				
Balance at 1 January 2020				
At cost	234,834	18,762	127,499	381,095
Accumulated depreciation	(52,121)	(8,349)	(99,877)	(160,347)
Net book value	182,713	10,413	27,622	220,748

Movements for the year ended 31 December 2020

Additions	-	-	63,550	63,550
Depreciation	(38,976)	(2,161)	(36,334)	(77,471)
Property, plant and equipment at end of year	143,737	8,252	54,839	206,828

Closing balance at 31 December 2020

At cost	234,834	18,762	191,048	444,644
Accumulated depreciation	(91,097)	(10,510)	(136,210)	(237,817)
Net book value	143,737	8,252	54,838	206,827

	Fixtures and fittings	Office equipment	Computer equipment	Total
Reconciliation for the year ended 31 December 2019				
Balance at 1 January 2019				
At cost	234,834	10,482	127,499	372,815
Accumulated depreciation	(12,974)	(6,769)	(78,131)	(97,874)
Net book value	221,860	3,713	49,368	274,941

Movements for the year ended 31 December 2019

Additions	-	8,280	-	8,280
Depreciation	(39,147)	(1,580)	(21,746)	(62,473)
Property, plant and equipment at end of year	182,713	10,413	27,622	220,748

Closing balance at 31 December 2019

At cost	234,834	18,762	127,499	381,095
Accumulated depreciation	(52,121)	(8,349)	(99,877)	(160,347)
Net book value	182,713	10,413	27,622	220,748

NOTES TO THE FINANCIAL STATEMENTS

5. Other financial assets

	Debt instruments at amortised cost	Total
Year ended 31 December 2020		
Trade and other receivables excluding non-financial assets (Note 6)	158,957	158,957
Cash and cash equivalents (Note 7)	11,094,529	11,094,529
	11,253,486	11,253,486
Year ended 31 December 2019		
Trade and other receivables excluding non-financial assets (Note 6)	158,729	158,729
Cash and cash equivalents (Note 7)	9,750,153	9,750,153
	9,908,882	9,908,882

6. Trade and other receivables

6.1 Accounting policies

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the entity will not be able to collect all amounts due according to the original terms of the receivables.

Trade and other receivables are classified as debt instruments and loan commitments at amortised cost.

FIGURES IN R

	2020	2019
6.2 Trade and other receivables comprise		
Trade receivables	38,465	16,792
Trade receivables impairment	(33,000)	(11,555)
Trade receivables - net	5,465	5,237
Prepaid expenses	22,722	7,953
Deposits	153,492	153,492
Value added tax	48,189	40,102
Total receivables	229,868	206,784
6.3 Items included in trade and other receivables not classified as financial instruments		
Prepaid expenses	22,722	7,953
Value added tax	48,189	40,102
Total non-financial instruments included in trade and other receivables	70,911	48,055
Total trade and other receivables excluding non-financial assets included in trade and other receivables	158,957	158,729
Total trade and other receivables	229,868	206,784

NOTES TO THE FINANCIAL STATEMENTS

7. Cash and cash equivalents

7.1 Accounting policies

Classification and recognition

Cash and cash equivalents are classified as non-derivative financial assets and are recognised on the statement of financial position when the association becomes party to the contractual provisions of the instruments.

Measurement

Cash and cash equivalents includes cash on hand, demand deposits and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown in current liabilities on the statement of financial position.

Cash and cash equivalents comprise cash held at bank. The carrying amount of these assets approximates their fair value.

FIGURES IN R	2020	2019
7.2 Cash and cash equivalents comprise:		
Cash		
Bank Balances	11,094,529	9,750,153
Total cash	11,094,529	9,750,153
Bank overdrafts	(1,974)	(3,763)
Net cash and cash equivalents	11,092,555	9,746,390

7.3 Detail of cash and cash equivalent balances

Bank balances

Current account	118,815	234,008
Salaries account	6,745	7,137
Money market fund	1,905,555	845,916
48Hour Investment Account	9,063,414	8,663,092
Total	11,094,529	9,750,153

Overdrawn bank balances

Credit card	(1,974)	(3,763)
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NOTES TO THE FINANCIAL STATEMENTS

8. Provisions

8.1 Accounting policies

Provisions are measured at the present value of the amount expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

FIGURES IN R

2020**2019**

8.2 Provisions comprise

Leave pay provision	137,566	80,876
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8.3 Provisions for employee benefits

	<u>Leave Pay Provision</u>	<u>Total</u>
Balance at 1 January 2020	80,876	80,876
Additions	137,566	137,566
Utilised during the year	(80,876)	(80,876)
Balance at 31 December 2020	137,566	137,566

	<u>Leave Pay Provision</u>	<u>Total</u>
Balance at 1 January 2019	26,118	26,118
Additions	80,876	80,876
Utilised during the year	(26,118)	(26,118)
Balance at 31 December 2019	80,876	80,876

NOTES TO THE FINANCIAL STATEMENTS

9. Other financial liabilities

9.1 Carrying amount of other financial liabilities by category

	Debt instruments at amortised cost	Total
Year ended 31 December 2020		
Operating lease payable (Note 11)	100,684	100,684
Trade and other payables excluding non-financial liabilities (Note 10)	24,522	24,522
Bank overdraft (Note 7)	1,974	1,974
	127,180	127,180
Year ended 31 December 2019		
Operating lease payable (Note 11)	60,149	60,149
Trade and other payables excluding non-financial liabilities (Note 10)	50,056	50,056
Bank overdraft (Note 7)	3,763	3,763
	113,968	113,968

10. Trade and other payables

10.1 Accounting policies

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

FIGURES IN R

	2020	2019
10.2 Trade and other payables comprise		
Trade creditors	5,826	14,174
COIDA accrual	7,926	7,113
Other accruals	10,770	28,769
Total trade and other payables	24,522	50,056
10.2 Items included in trade and other payables not classified as financial liabilities		
Total trade and other payables excluding non-financial liabilities included in trade and other payables	24,522	50,056

NOTES TO THE FINANCIAL STATEMENTS

11. Operating lease liabilities

11.1 Accounting policies

Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the pattern of the benefit obtained.

FIGURES IN R	2020	2019
11.2 Operating lease liabilities comprise:		
Operating lease payable	100,684	60,149
	<u>100,684</u>	<u>60,149</u>
11.3 Future minimum lease payments		
Not later than one year	3,245	29,671
Later than one year and not later than five years	97,439	30,478
	<u>100,684</u>	<u>60,149</u>

12. Deferred income

12.1 Accounting policies

Deferred income are recognised at their fair value in profit or loss where there is a reasonable assurance that the deferred income will be received and the association has complied with all attached conditions. Deferred income received where the association has yet to comply with all attached conditions are recognised as a liability and released to income when all attached conditions have been complied with. Deferred incomes received is included in profit or loss.

FIGURES IN R	2020	2019
11.2 Operating lease liabilities comprise:		
	391,733	148,701
Annual memberships fees received in advance	-	172,205
Summit income received in advance	<u>391,733</u>	<u>320,906</u>

NOTES TO THE FINANCIAL STATEMENTS

13. Revenue

13.1 Accounting policies

Revenue is measured at the fair value of the consideration received or receivable. Revenue is shown net of value-added tax, returns, rebates and discounts.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of transactions involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

The stage of completion of a transaction may be determined by a variety of methods, depending on the nature of the transaction:

- surveys of work performed;
- services performed to date as a percentage of total services to be performed;
- the proportion that costs incurred to date bear to the estimated total costs of the transaction. Only costs that reflect services performed to date are included in costs incurred to date. Only costs that reflect services performed or to be performed are included in the estimated total costs of the transaction.

Interest income is recognised using the effective interest method.

FIGURES IN R

2020

2019

13.2 Revenue comprises

Fees received	5,529,633	5,395,077
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NOTES TO THE FINANCIAL STATEMENTS

FIGURES IN R

2020

2019

14. Other income

Other income comprises

Ad Valorem	-	2,250
Artwork reviews	9,100	27,850
Certificate of free sale	-	1,900
Sundry Income	8,321	-
Training and workshops	150,231	117,633
Total other income	167,652	147,383

15. Employee benefits expense

15.1 Accounting policies

Short-term employee benefits

Compensation paid to employees for the rendering of services are recognised at the undiscounted amount paid or expected to be paid in the accounting period in which the services were rendered.

Where employees accumulate entitlement for paid absences, an expense is recognised as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the end of the reporting period. In the case of non-accumulating paid absences, the expense is recognised only when the absences occur.

The expected cost of profit-sharing and bonus payments are recognised when there is a present legal or constructive obligation to make such payments as a result of past events, and a reliable estimate of the obligation can be made. A present obligation exists when there is no realistic alternative but to make the payments.

FIGURES IN R

2020

2019

15.2 Employee benefits expense comprises

Salaries	2,818,226	2,551,324
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16. Other gains and losses

Other gains and losses comprise

Gain or loss on foreign exchange differences	-	55
Fair value gain on investment	-	229,695
Total other gains and losses	-	229,750

NOTES TO THE FINANCIAL STATEMENTS

FIGURES IN R

2020

2019

17. Finance income

Finance income comprises

Investment income	461,374	511,198
Dividends received - Investment	-	4,751
Interest received - Investment	-	40,226
Total finance income	461,374	556,175

18. Income taxation expense

No provision has been made for the 2020 year. The association is exempt from tax on the types of income generated during the year due to its status as a Voluntary Association incorporated under Common Law and its tax exemption in terms of Section 30 of the Income Tax Act.



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