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Transformation of sustainability claims in cosmetics industry

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The European Union's Green Claims Directive (GCD) is set to redefine sustainability claims within the cosmetics sector by enforcing data-backed verification, independent certification, and transparent labeling. For B2B stakeholders-including cosmetic manufacturers, suppliers, distributors, and private label brands-compliance is critical to avoiding regulatory penalties, securing supply chain credibility, and maintaining EU market access. It emphasizes transparency and accountability, requiring companies to substantiate claims based on the product's life cycle and obtain independent verification. The GCD impacts cosmetics companies by reducing misleading claims, imposing costs for compliance, and providing exemptions for small businesses. To align with the GCD, companies must conduct comprehensive environmental audits, obtain third-party verification, adopt EU-compliant labeling, and educate consumers with precise, data-backed claims. Despite challenges, compliance can lead to increased consumer trust and market competitiveness.



The European Union's Green Claims Directive (GCD) is set to transform sustainability claims in the cosmetics industry. This regulation mandates scientifically backed, independently verified environmental claims to combat greenwashing, a widespread issue where brands make misleading statements about their products' ecological benefits.

For cosmetics manufacturers, ingredient suppliers, and private-label brands, this directive presents both compliance challenges and strategic opportunities. Companies that align with the GCD will enhance their credibility, secure B2B partnerships, and future-proof their market access across the EU.

Understanding the Green Claims Directive: What It Means for Cosmetics Businesses

The GCD is designed to ensure accuracy, transparency, and accountability in environmental claims made by companies. It requires that all green claims be substantiated with data, verified by an independent third party, and comply with EU-wide labeling standards.

The directive stems from alarming findings by the European Commission:

- A Commission study from 2020 highlighted that 53.3% of examined environmental claims in the EU were found to be vague, misleading or unfounded and 40% were unsubstantiated (European Commission, 2021).
- 80% of webshops, webpages, and advertisements contain 'green claims' and 56% of EU consumers have encountered misleading green claims (EU Factsheet, 2022).

The GCD's impact is far-reaching, affecting not only cosmetics manufacturers but also raw material suppliers, distributors, and retailers. Businesses that fail to comply risk financial penalties, market exclusion, and reputational damage.

Key Requirements of the Green Claims Directive for B2B Cosmetics Companies

1. **Scientific Substantiation of Environmental Claims**

The most significant change under the GCD is the requirement for comprehensive, data-driven validation of environmental claims. Companies must prove sustainability benefits across the entire life cycle of a product, covering:

- Raw material sourcing (supply chain emissions, impact on biodiversity)
- Manufacturing processes (carbon footprint, water consumption, energy use)
- Packaging materials (recyclability, biodegradability, carbon impact)
- Distribution & disposal (transport emissions, product end-of-life impact)

For instance, a claim like “biodegradable packaging” must include scientific evidence confirming how the material decomposes under real-world conditions.

Compliance Challenges for B2B Companies:

- Ingredient suppliers must provide full traceability and verified sustainability reports for raw materials.
- Manufacturers need to conduct Life Cycle Assessments (LCA), which can cost €10,000 - €40,000 per product, depending on complexity.
- Private-label brands must align claims with third-party verified supplier data to maintain EU market access.

2. **Mandatory Third-Party Independent Verification**

To eliminate unsubstantiated greenwashing, all environmental claims must be reviewed by an EU-accredited third-party certification body before they can be used in marketing or product labeling.

Financial and Operational Impact:

- Verification costs range from €5,000 to €15,000 per product, depending on the scope of the claim.
- Large cosmetics companies may incur compliance costs exceeding €1 million per year due to extensive product portfolios and aggressive marketing claims.
- Contract manufacturers and suppliers must integrate verification processes into production workflows to maintain credibility in B2B transactions.

Risk of Non-Compliance:

- Companies making unverified claims face fines up to 4% of annual EU turnover.
- Retailers and distributors may blacklist non-compliant suppliers, prioritizing partners with verified sustainability credentials.

The verification process results in an EU-wide Certificate of Conformity, allowing compliant companies to market their products across all 27 member states without country-specific approvals.

3. **Standardisation of Sustainability Labels**

The GCD also restricts the use of environmental labels unless they meet EU-approved criteria. Eurobarometer survey found that 27% of European respondents were aware of the EU Ecolabel. Additionally, 32% stated that ecolabels significantly influence their purchasing decisions. Among those familiar with ecolabels, 30% reported having purchased a product bearing the EU Ecolabel, and 78% expressed trust that such products are environmentally friendly. A more recent Eurobarometer survey, conducted between February and March 2021, revealed that 22% of European respondents had purchased products with an environmental label. These findings highlight the important role labels play in shaping European consumers' purchasing behavior.

Companies must revise their labeling and branding strategies to comply with harmonized EU standards, preventing legal disputes and costly rebranding efforts.

4. **Ban on Generic or Unverified Green Claims**

The directive strictly prohibits vague, unsubstantiated terms like:

“Eco-friendly”

“Sustainable”

“Climate-neutral”

“Green”

Instead, companies must use quantifiable, data-backed claims.

For example: â•? “Sustainable Packaging” ? **NON-COMPLIANT**

â? “Packaging made from 85% post-consumer recycled plastic, reducing COâ?? emissions by 35%”? **COMPLIANT**

This shift forces cosmetics companies to redesign marketing strategies, requiring closer collaboration between R&D, compliance teams, and marketing departments.

Financial and Strategic Impact of GCD on the Cosmetics Industry

Compliance Costs vs. Long-Term Benefits

While compliance introduces significant costs, companies that align early will gain a competitive advantage through:

- Enhanced credibility in B2B partnerships (retailers & distributors favor verified suppliers).
- Access to all EU markets under a single certification system.
- Stronger consumer trust and higher market share due to transparent sustainability reporting.
- Strategic Compliance Roadmap for Cosmetics Businesses

To successfully align with the GCD, cosmetics companies must:

Conduct Comprehensive Life Cycle Assessments (LCA)

- Implement real-time sustainability tracking tools.
- Collaborate with suppliers to obtain verified carbon footprint data.

Engage with Accredited Third-Party Certifiers

- Partner with EU-recognized sustainability auditors.
- Obtain Certificates of Conformity for all green claims.

Standardize EU-Compliant Labeling

- Eliminate ambiguous claims and adopt data-backed metrics.
- Train marketing teams on GCD-compliant communication strategies.

Educate Internal Teams and B2B Partners

- Align R&D, legal, and marketing teams with new sustainability standards.
- Provide clear compliance guidelines for contract manufacturers and ingredient suppliers.

Conclusion: A Strategic Opportunity for Sustainability Leadership

The EU Green Claims Directive represents a paradigm shift in sustainability marketing. While compliance requires significant investment, it also creates long-term competitive advantages. Companies that act now will be better positioned to build trust, secure B2B partnerships, and expand market access across the EU. By imposing stricter rules on how environmental claims are substantiated and communicated, the GCD seeks to rebuild consumer trust and reduce the prevalence of greenwashing. While the costs of compliance may be high, especially for smaller companies, the long-term benefits of aligning with these standards include enhanced credibility, consumer loyalty, and potential market share growth. Companies that invest in transparent, verifiable sustainability practices will be better positioned to thrive in an increasingly regulated market.

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