



Innovative Products For **Home. Work. Life.**

A photograph of a grand, classical building interior, likely a government or institutional structure. The image shows a series of tall, white, fluted columns supporting a high ceiling with decorative, square panels. The perspective is looking upwards, creating a sense of height and grandeur. A semi-transparent blue rectangular overlay covers the bottom portion of the image, containing the report title.

GOVERNMENT RELATIONS & PUBLIC POLICY
2018 ANNUAL REPORT

HCPA STAFF

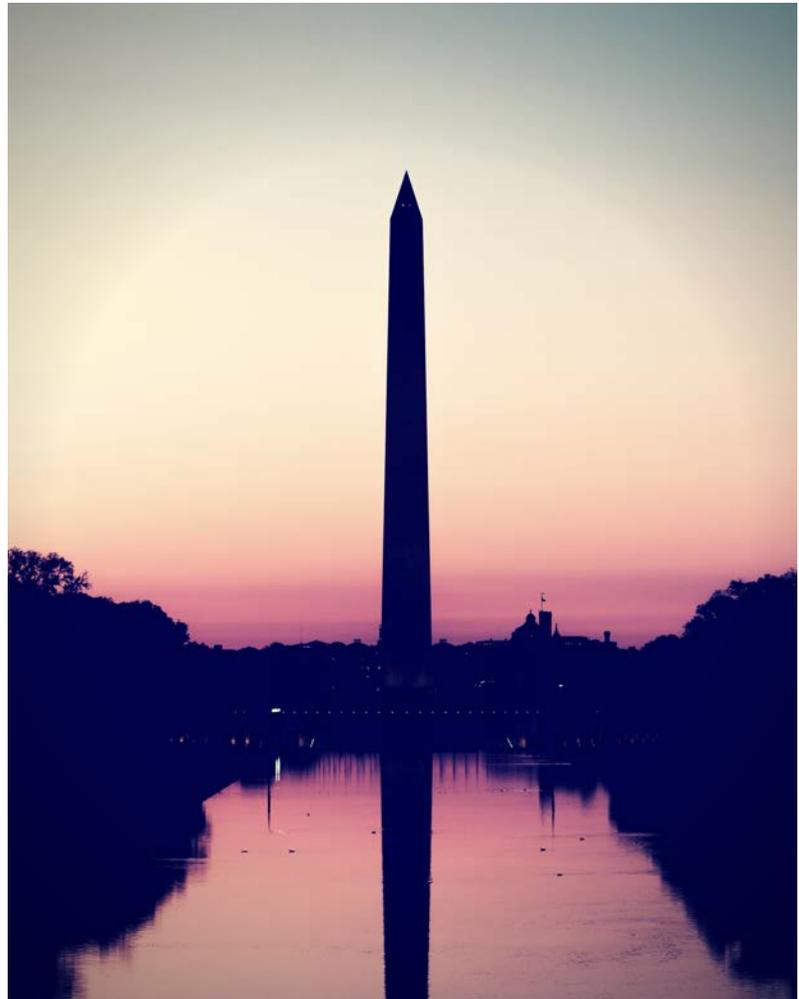
Thank you to all of our members for your continued support in Congress and at state legislatures across the country.

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“Advocacy on behalf of its members represents one of the core functions of any trade association. HCPA is committed to fighting on behalf of our members on Capitol Hill and in statehouses throughout the country. Our dedicated team of advocacy professionals are working tirelessly to ensure that every legislator, at every level, knows and understands the issues that are important to HCPA and its members.”

Steve Caldeira,
President & CEO,
Household & Commercial Products Association



FEDERAL GOVERNMENT RELATIONS & PUBLIC POLICY



PRIA REAUTHORIZATION

HCPA CONTINUES TO
WORK TOWARD THE
REAUTHORIZATION OF THE
PESTICIDE REGISTRATION
IMPROVEMENT ACT (PRIA).



Currently, there are two possible avenues for reauthorization. H.R. 1029, the Pesticide Registration Improvement Extension Act (PRIEA, also known as PRIA IV), is currently waiting for a vote by the House of Representatives after unanimous passage by the Senate. That stand-alone reauthorization bill passed by the Senate included an amendment, which codifies certain aspects of proposed President Obama era EPA regulations regarding the Worker Protection Standard (WPS).

H.R. 1029 sponsor, Rep. Rodney Davis (R-IL), and the Chairman of the House Agriculture Committee, Rep. Mike Conaway (R-TX), have stated that they do not want to even consider a vote on H.R. 1029 until the Farm Bill is settled, as PRIA reauthorization is being discussed in the Farm Bill conference committee. Any vote on H.R. 1029 would need to occur in November or December during the current Congress' "lame duck" session. If no vote occurs, a new stand alone reauthorization bill will need to be put forward in the 116th Congress in January.

PRIA reauthorization was included in the House Farm Bill, meaning it continues to be part of the discussion among the conferees as they draft a final Farm Bill proposal. Those discussions are ongoing and a final Farm Bill proposal is expected in the lame duck session of Congress, at which point the possible avenues for PRIA reauthorization should become much clearer.

In the absence of reauthorization, current law (PRIA III) has continued to be extended with each continuing resolution (CR) to fund the Federal government, and is currently extended until December 7th, 2018. HCPA expects that, absent a passage of PRIA IV, PRIA III will continue to be extended in all subsequent CR's as no member of Congress has expressed any interest in seeing the program expire.

FEDERAL INGREDIENT COMMUNICATION



HCPA AND ALLIED TRADE ASSOCIATIONS HAVE DISCUSSED VARIOUS PROPOSALS TO EXTEND INGREDIENT COMMUNICATION REQUIREMENTS FROM THE STATE LEVEL INTO FEDERAL LAW.

HCPA is considering legislation that preempts additional states from passing new laws that significantly differ from the framework established in California's Cleaning Product Right to Know Act of 2017, or SB 258. Although HCPA members have not reached a consensus on a federal legislative proposal, the 116th Congress will likely feature legislation that addresses this issue, especially if the U.S. House of Representatives flips to Democratic control.

In the 115th Congress, Rep. Adam Kinzinger (R-IL) and Sen. Jerry Moran (R-KS) introduced H.R. 6022 / S. 3019, the Accurate Labels Act, to implement minimum scientific standards that need to be met before states implement additional on-label ingredient disclosure requirements. In addition, Rep. Jan Schakowsky (D-IL) introduced H.R. 6309, the Safe Cosmetics and Personal Care Products Act of 2018, which imposes new ingredient communication requirements on manufacturers of cosmetics and personal care products. Although household and commercial products are outside the scope of this legislation, HCPA is tracking it closely because it may form the basis for a bill imposing similar requirements for HCPA member products.

HCPA MEETS WITH EPA ADMINISTRATOR



In October 2018, HCPA President & CEO Steve Caldeira and EVP, Government Relations & Public Policy Owen Caine met with EPA Acting Administrator Andrew Wheeler. Wheeler assumed the agency's top job earlier in the year, following the resignation of Administrator Scott Pruitt. During the meeting, HCPA shared the economic contributions of the household and commercial products industry, as well as information on the key issues impacting HCPA members, including implementation of the Lautenberg Chemical Safety for the 21st Century Act. HCPA aims to continue its proactive outreach to the Administrator and various EPA offices to inform the regulatory process and advocate on behalf of HCPA members.

EPA SAFER CHOICE PROGRAM



HCPA CONTINUES TO BE THE LEADING ADVOCATES FOR THE U.S. ENVIRONMENTAL PROTECTION AGENCY'S SAFER CHOICE PROGRAM.



HCPA has worked continuously to ensure that the new administration understands the value of the program and the amount of time, energy, and money that our members, and others, have put into the program and into their products to qualify for the Safer Choice label. We have also been working with congressional appropriators to ensure that the EPA receives adequate funding to continue the Safer Choice program. Additionally, HCPA continues to lead a Safer Choice Coalition that quarterly brings together all the stakeholders of Safer Choice to align on strategy and advocacy on behalf of the program.

Finally, HCPA was honored to be able to host the Safer Choice Stakeholders Summit in conjunction with our Mid-Year Meeting last May at National Harbor and we are honored to be able to host an additional summit for Safer Choice at our Annual Meeting as well as their award ceremony for the Partner of the Year Awards.

U.S. TARIFFS SECTION 232

HCPA HAS REPEATEDLY
ADVOCATED FOR THE
ELIMINATION OR
REDUCTION OF NEW
RESTRICTIONS ON
COMMERCE.

Since the Trump Administration's announcement in March 2018 that it would impose tariffs on imported steel and aluminum and on imports from China under Sections 232 and 301 of the Trade Expansion Act, HCPA has repeatedly advocated for the elimination or reduction of these restrictions on commerce. Although some countries have been exempted from steel and aluminum tariffs, and individual companies have received exclusions from tariffs for their products, the continued tariffs place an enormous burden on the aerosol industry in particular, which produced 3.75 billion aerosol products in 2016 using steel and aluminum. In addition, chemicals sourced in China have been included on tariff lists, and China has retaliated by placing tariffs on many finished consumer products. As the trade war with China escalates, the formulated products industry is in the crosshairs.

SECTION 232
Steel & Aluminum Tariffs | Trade Expansion Act

President Trump and the U.S. Department of Commerce determined steel and aluminum imports were a threat to national security through investigations that started in April 2017.

25%
TARIFF ON STEEL & ALUMINUM IMPORTS

Mexico, Canada and the EU were exempt for the first month.

TARIFFS MEAN COSTS UP JOBS DOWN

Department of Commerce forced to create exclusion process.

RETALIATORY TARIFFS
Tariffs on U.S. industries target the home states of Senate and House leadership

\$25B in retaliatory tariffs implemented by Mexico, Canada, China, Turkey and the EU. **25Billion**

CURRENT STATUS
Although there has been recent progress in international trade negotiations, including the proposed United States – Mexico – Canada Agreement to replace NAFTA, the U.S. tariffs on imported steel and aluminum remain in place, along with the retaliatory tariffs imposed by many countries.

U.S. TARIFFS SECTION 301

HCPA HAS JOINED
VARIOUS INDUSTRY
COALITIONS TO VOICE
CONCERNS WITH THE
ADMINISTRATION'S
TRADE POLICIES.

In addition to joining industry coalitions to oppose the tariffs, HCPA advocacy activities in opposition to the tariffs include:

- A March 2018 letter to President Trump stating the economic impact the steel and aluminum tariffs would have on U.S. formulated product and aerosol companies.
- A June 2018 letter to Canadian government ministries in opposition to proposed Canadian counter-tariffs.
- A June 2018 statement of support for the proposal from U.S. Sen. Bob Corker (R-TN) to require Congressional approval of tariffs enacted under the auspices of national security.
- An agreement to retain Prime Policy Group, a highly regarded Washington lobbying and public affairs firm, to lobby on behalf of HCPA and its members on tariff issues.
- An August 2018 member education webinar detailing the procedures for applying for an exemption from tariffs.
- A September 2018 letter to U.S. Trade Representative Robert Lighthizer expressing opposition to the third announced list of tariffs on Chinese imports under Sec. 301.

SECTION 301
Chinese Product Tariffs

MARCH 22, 2018

The United States Trade Representative (USTR) determined that China's actions related to American intellectual property, innovation and technology are **"unreasonable or discriminatory"** and burden or restrict U.S. commerce.

USTR CREATED LISTS

The USTR created a list of tariffs on imported Chinese products to be implemented after a period of public comment. The list focused on product sectors from China's "Made in China" 2025 agenda.

MADE IN CHINA

LIST	Effective Date / Comment Period	Categories	Value	Notes
LIST 1	Effective Date July 6, 2018	818 CATEGORIES	=\$34 BILLION	Equal Retaliation by China
LIST 2	Effective Date August 23, 2018	279 CATEGORIES	=\$16 BILLION	Equal Retaliation by China
LIST 3	Comment Period Closed Sept. 6, 2018	6,031 CATEGORIES	=\$200 BILLION	China preparing \$60 billion in additional tariffs (ranging from 5-25%) U.S. list includes tariffs at either 10% or 25%
LIST 4	President Trump announced a fourth prepared list	5,200 CATEGORIES	=\$267 BILLION	Once implemented, these tariffs will cover nearly every product category, and additional trade retaliation must take another form.

 Household & Commercial Products Association
www.theHCPA.org

SUSTAINABLE CHEMISTRY RESEARCH DEVELOPMENT ACT

HCPA CONTINUES TO
SUPPORT THE FEDERAL
GOVERNMENT'S INVESTMENT
IN SUSTAINABLE CHEMISTRY.



HCPA is working with a coalition of interested groups to help build support for the Sustainable Chemistry Research and Development Act (S. 3296). This legislation sponsored by Senator Chris Coons (D-DE) and Senator Susan Collins (R-ME) would create an inter-agency working group in the federal government to coordinate and streamline how the federal government is funding and working on sustainable chemistry. Understanding that the federal government is a major driver of innovation in chemistry, HCPA is working to ensure that when the bill is reintroduced in the next session of congress, it has the momentum of many additional cosponsors.



HCPA HILL DAY



HCPA HOSTED ITS FIRST ANNUAL HILL DAY IN CONJUNCTION WITH ITS MID-YEAR MEETING.



On, May 16, HCPA held its inaugural Legislative Hill Day during IMPACT2018 to stress to members of Congress the importance of reauthorizing the EPA's pesticide registration program, among other issues. Groups met with Reps. Rodney Davis (R-Ill.) and John Shimkus (R-Ill.), as well as staffers for House Speaker Paul Ryan (R-Wis.); Sens. Cory Booker (D-N.J.), Dick Durbin (D-Ill.), Jerry Moran (R-Kan.), Pat Roberts (R-Kan.), Debbie Stabenow (D-Mich.) and Tom Udall (D-N.M.); and Reps. Mike Conaway (R-Texas), Frank Pallone (D-N.J.), Greg Walden (R-Ore.) and Kevin Yoder (R-Kan.). We want to thank representatives from the following member companies for attending: ECOLAB, Givaudan, International Flavors & Fragrances, Procter & Gamble, PROSOCO, RB, SC Johnson and Sherwin-Williams. HCPA will be organizing another Legislative Hill Day in coordination with our upcoming Mid-Year Meeting in May in Washington, DC and encourages all members to sign up to attend Hill meetings.



HCP-PAC LAUNCH



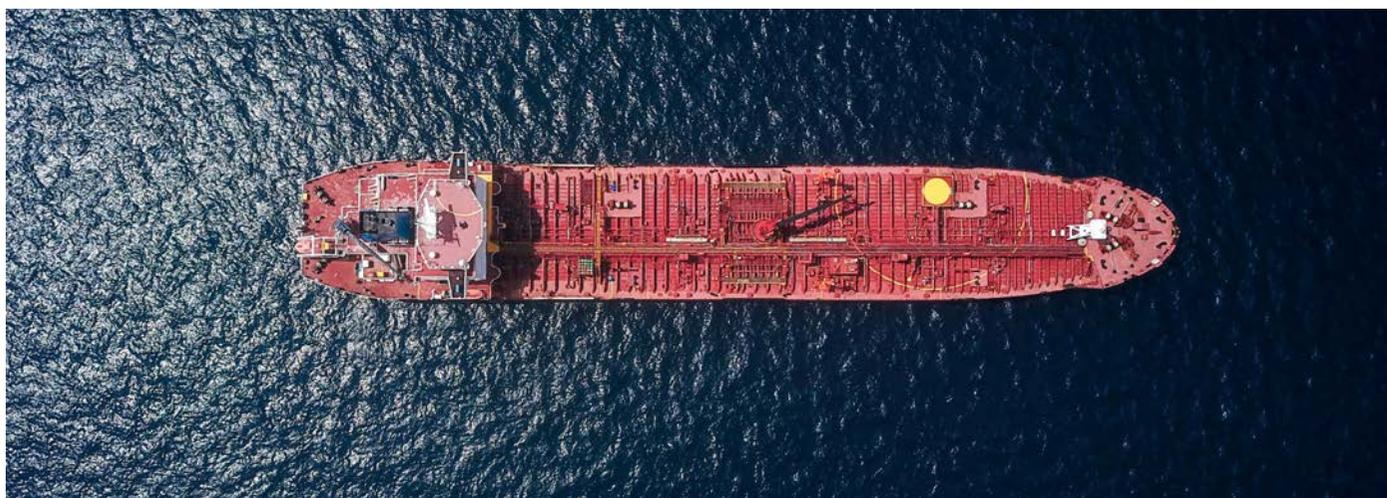
HCPA LAUNCHES NEW
POLITICAL ACTION
COMMITTEE TO
SUPPORT OUR
MEMBERS'
PRIORITIES.



Earlier this year, HCPA launched the Household & Commercial Products Political Action Committee (HCP-PAC), with the goal of supporting candidates for federal office, from both parties, that understand the household and commercial products industry and the challenges it faces. HCP-PAC began accepting contributions this spring, and has contributed to both House and Senate candidates in the 2018 election cycle. HCPA plans to expand its fundraising efforts to support more candidates ahead of the 2020 elections. For more information about HCP-PAC, please contact Kevin Serafino at kserafino@thehcpa.org.

BIT INTERNATIONAL SUPPLY CHAIN DISRUPTION

A KEY PRESERVATIVE FOR MANY HCPA MEMBER PRODUCTS CALLED BIT (1,2 BENZISOTHIAZOLIN-3-ONE), IS MANUFACTURED USING A PRECURSOR CHEMICAL O-NITROCHLOROBENZENE, WHICH IS SOURCED ALMOST EXCLUSIVELY FROM CHINA.



BIT has faced significant supply chain disruption as a result of recent enforcement actions by the Chinese government against Chinese manufacturers of the precursor chemical. As part of a random facility inspection process, the Chinese government has recently shut down key production facilities for an extended and unknown period. BIT is an accepted preservative for products that comply with the U.S. Environmental Protection Agency (EPA) Safer Choice program. The result has been that BIT suppliers to consumer product formulators have been informing their customers that they will not be able to meet demand for BIT in the near term.

This supply chain disruption is likely to significantly affect multiple segments of the formulated products industry well beyond those represented by HCPA. Although the disruption is not directly related to the current tariff challenges facing U.S. industries, it is a new trade-related challenge that causes economic uncertainty for consumer product manufacturers. HCPA has informed the U.S. Department of State and U.S. Department of Commerce of the issue, and has had discussions with representatives from Commerce's International Trade Administration to gather more information and coordinate a response.

TSCA IMPLEMENTATION

In October 2018, the finalized Fees rule became effective under the Toxic Substances Control Act (TSCA), as amended by the Frank R. Lautenberg Chemical Safety Act for the 21st Century (LCSEA). This is the final framework rule issued by the Environmental Protection Agency (EPA) and provides the Agency with the authority to collect fees from certain chemical manufacturers, including importers, and processors in order to defray a portion of TSCA implementation costs.

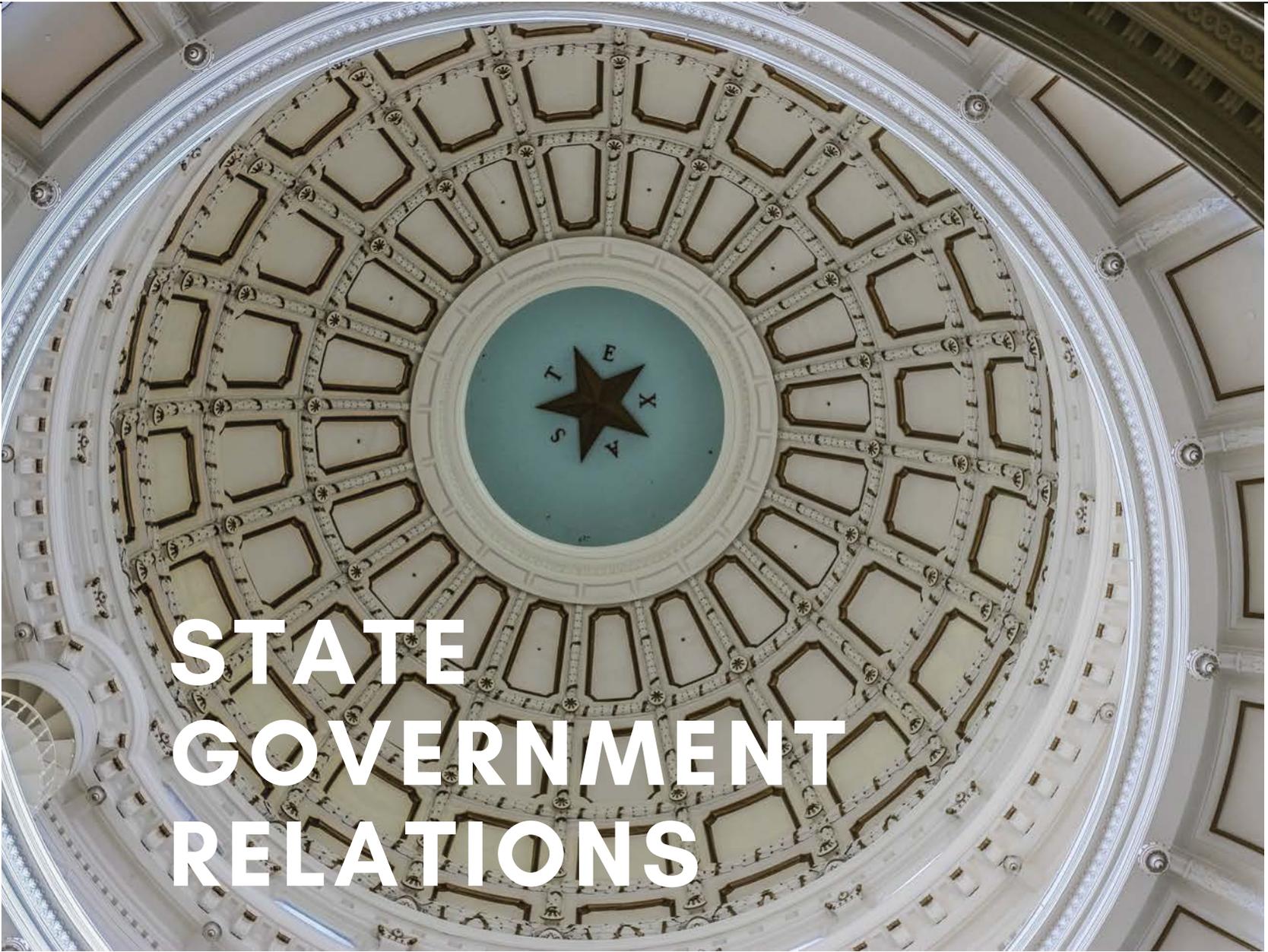


Specifically, this final rule sets fees for certain actions under TSCA sections 4, 5, and 6 to defray approximately 25% of the costs involved in order for the Agency to complete various related activities under these sections of TSCA including the collecting, processing, reviewing, and providing access to and protecting CBI. In addition, this fees rule also sets aside specific appropriations for risk evaluations requested by manufacturers to defray up to half or all of the cost. Furthermore, small businesses are eligible to receive a substantial discount of approximately 80% on their fees. As required by law, EPA will evaluate and readjust fees every three years if appropriate and necessary.

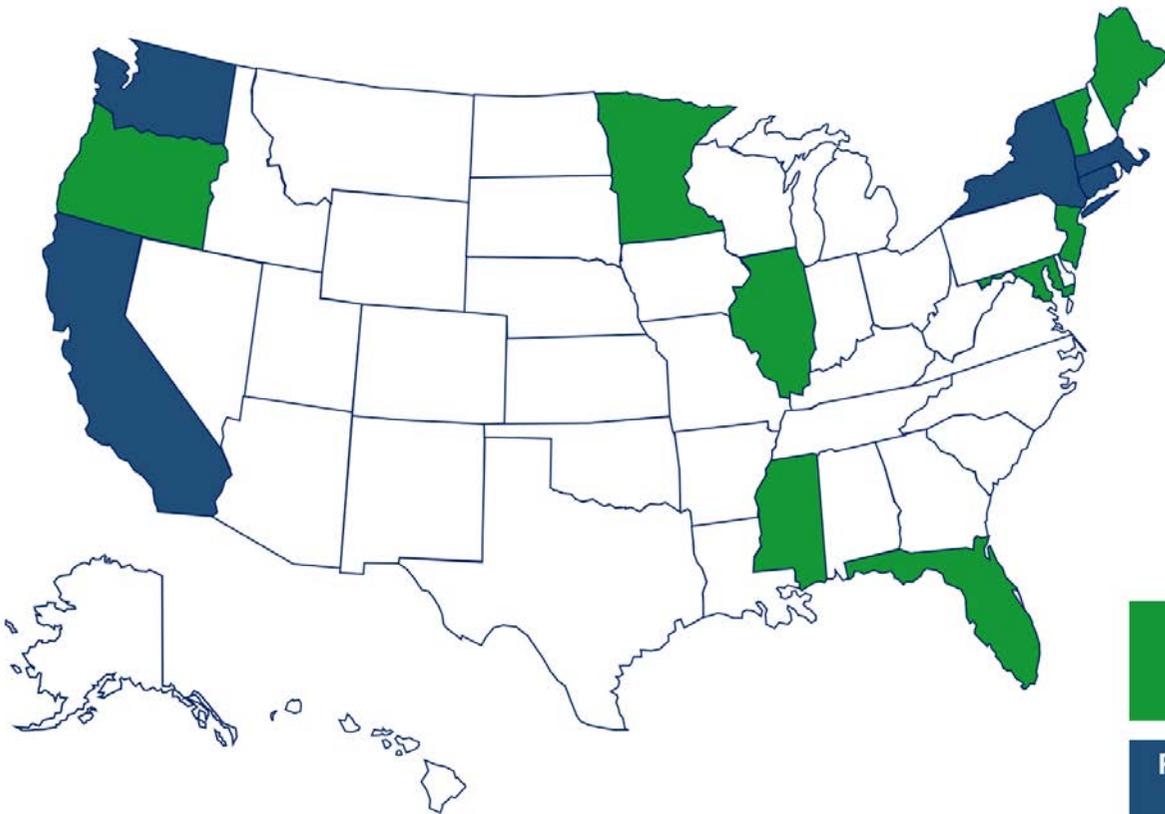
During the proposed rulemaking phase, HCPA's comments emphasized the importance of involvement of downstream users and opportunities for consortia formation for improved fee allocation, which was ultimately included within the final rule. The Fees rule completes implementation framework rules including Prioritization, Risk Evaluation and Inventory rules which became effective last year.

In an increasingly collaborative marketplace, leaders in the chemical industry have long been encouraged to join forces to tackle regulatory, testing and related industry initiatives. By December 2019, the Environmental Protection Agency (EPA) is required to release its next list of high priority chemicals for evaluation in accordance with the Toxic Substances Control Act (TSCA) Section 6. The evaluations of these chemicals are expected to cost industry members more than \$1,000,000 per chemical. In addition, EPA's recently finalized fee rule encourages industries interested in requesting an "industry requested risk evaluation," to form consortium if multiple companies have a stake in a chemical.

HCPA's Ignite Solutions can provide your company with just that. Ignite Solutions provides its task force members with the highest level of project management services. This includes financial administration, regulatory expertise and industry protection under the National Cooperative Research Act of 1984. Ignite Solutions currently has more than 30 task forces within its portfolio. Each of these task forces provides its members the ability to share cost on extensive data generation projects, education programs and communication efforts. This perfectly situates Ignite Solutions as the go-to consortium for your risk evaluation needs.



STATE GOVERNMENT RELATIONS



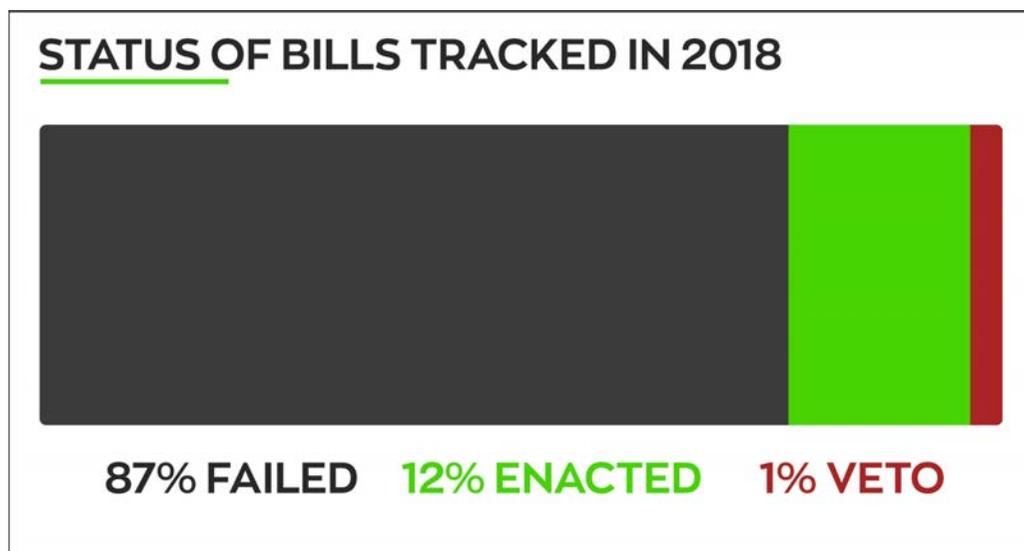
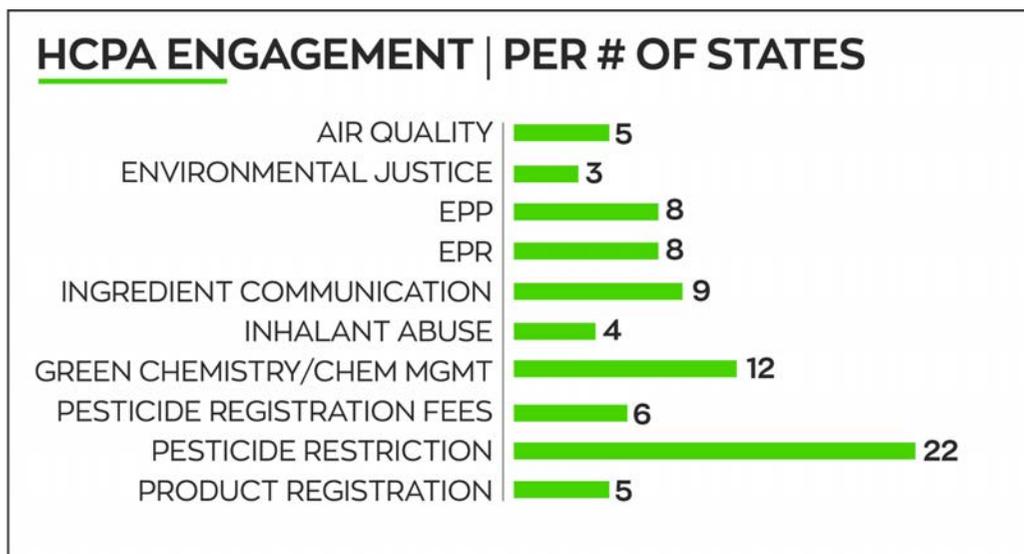
Participate in
State
Associations

Retain Contract
Lobbyists

STATISTICAL OVERVIEW

There were 5,958 bills introduced at state capitols in 2018 that were monitored by HCPA staff.

HCPA advocated on over 575 bills in 2018 that could affect member companies' interests, addressing issues from inhalant abuse to pesticide registration fee increases. State legislators continued their work on ingredient communication for cleaning products, end of lifecycle disposal of consumer products and packaging, and instituting new restrictions on the sale and use of pesticides. The upcoming 2018 elections will shape what issues are considered for the next two years. HCPA anticipates 2019 to be one of the most active in recent memories for our industry.



PESTICIDE RESTRICTIONS & FEES

OVER ONE FOURTH OF THE
BILLS HCPA TRACKED THIS
SESSION CENTERED
AROUND RESTRICTIONS ON
PESTICIDES, HERBICIDES
AND RODENTICIDES.



This year in Sacramento, legislators failed to pass legislation restricting the use of anticoagulants in rodenticides in an effort to protect wildlife in the state. The legislation would have imposed a financial burden on the state, as a result, the bill was held in committee. This legislation has been introduced every year in Sacramento, and HCPA anticipates its return in 2019.

Fourteen states considered removing products containing neonicotinoids from the hands of consumers. HCPA was successful in stopping all restrictions from being enacted. Notably, the state of Massachusetts faced a renewed push to pass this legislation in 2018. While the legislation passed with significant support out of its first committee, HCPA was successful in getting the legislation held in the Ways & Means committee. HCPA encouraged the legislature instead to focus efforts on investigating ways to improve pollinator health.

Six states considered raising pesticide registration fees in 2018. The proposed changes would amount to an increase of over \$500 per product per year.

A new state to consider a substantive increase this year was Missouri. Legislators in Jefferson City sought new funds to undergo a drastic expansion of their Department of Agriculture, with many of the new programs focused around funding investigations into agricultural herbicides. The increase legislators were seeking would have tripled registration fees in the state, from \$150 per product to \$450 per product. In meetings with legislators in Missouri, HCPA was successful in stopping the legislation and pushing a bill which would form a new joint committee to investigate the needs of the Department of Agriculture and funding sources for each new program.

INGREDIENT COMMUNICATION LEGISLATION

EACH YEAR, MORE STATE
LEGISLATORS CONSIDER
THE IMPLEMENTATION OF
THE CLEANING PRODUCT
RIGHT TO KNOW ACT.



Following landmark legislation in California on ingredient communication in 2017, HCPA sought to build on this success. That started with the Cleaning Product Right to Know Clean-Up bill. Sen. Ricardo Lara, the author of the original legislation, introduced the bill this session with the backing of HCPA and allied NGOs. The legislation cleared up some technical issues the bill faced in implementation. For example, the Household and Commercial Products Ingredients Dictionary was listed under its old name. HCPA wanted to ensure the bill passed with no opposition and engaged the proponents of SB 258 with that goal in mind. This measure passed the legislature and was signed by Governor Brown.

Legislators in Maryland also looked to build upon the work done in California. At the onset of the year, Sen. Ben Kramer introduced the Maryland Cleaning Product Right to Know Act. Sen. Kramer made it very clear that his intent was to have the legislation exactly mirror California's new law, although the bill and subsequent amendments never did achieve that goal. After engaging the State Government Affairs Advisory Council, it was clear that member companies sought time for California to be enacted, before new legislation was considered. HCPA opposed the legislation in Annapolis, and was successful in getting the legislation reported unfavorably out of the House Economic Matters Committee. We do anticipate this legislation being reintroduced in 2019.



INGREDIENT COMMUNICATION LITIGATION

“The actions of the New York State Department of Environmental Conservation stand in stark contrast to the comprehensive and transparent effort on ingredient communication undertaken by the California legislature that led to the passage of the Cleaning Product Right to Know Act of 2017 that was signed into law by Governor Jerry Brown.”

- Steve Caldeira, President & CEO, HCPA & Melissa Hockstad, President & CEO, ACI



WHY THE LAWSUIT WAS FILED

On October 5, 2018, HCPA and the American Cleaning Institute (ACI) filed litigation to halt the implementation of the New York State Department of Environmental Conservation's (NYSDEC) ingredient communication guidance document. The lawsuit hinges on two claims. First, that the department did not follow the State Administrative Procedures Act and therefore should be thrown out. And second, that the department exceeded their authority derived from the state's Environmental Conservation Law. HCPA will continue to advocate for ingredient communication programs which accurately inform consumers what is in their products. A prime example being California's SB 258, which was supported by industry and environmental advocates alike.

ENVIRONMENTALLY PREFERABLE PROCUREMENT

LEGISLATORS ACROSS THE NATION AGAIN SOUGHT TO ENACT NEW PURCHASING REQUIREMENTS FOR SCHOOLS, HOSPITALS, OFFICES AND PUBLIC BUILDINGS.



Legislators in Sacramento revived legislation instituting purchasing requirements for schools. However, the legislation focuses on setting standards for certification, rather than identifying third party certifiers. HCPA successfully amended this legislation to carefully define parameters for certification to ensure that the most common certification programs are included. The legislation was ultimately held in the Senate Appropriations Committee and died upon adjournment, but HCPA anticipates the legislation's reintroduction in 2019.

HCPA will continue to advocate for procurement programs that recognize that identifying "environmentally preferable" products for procurement is a complex issue that should be based on sound science and thorough review and should take into account both the benefits and environmental impact of consumer and commercial products. Factors such as product safety, efficacy, availability and cost must be given equal weight when examining the environmental characteristics of any particular product.

EXTENDED PRODUCER RESPONSIBILITY



IN AN EFFORT TO REDUCE WASTE, LEGISLATORS ACROSS THE COUNTRY CONTINUED TO REQUIRE MANUFACTURERS TO BE RESPONSIBLE FOR THE FULL LIFECYCLE OF THEIR PRODUCTS.

Legislators in Oregon again raised their bill to require manufacturers of products which finish their lifecycle as household hazardous waste to pay into a new waste disposal program. The legislation has been pursued for a number of years by Metro, a local government consortium near the Portland area, looking for new sources of funding for hazardous waste disposal. HCPA was again successful in holding the bill in the Ways & Means Natural Resources subcommittee. The conversation on this topic will continue into 2019.

This session, legislators in Vermont raised new legislation which would require manufacturers for a wide variety of consumer products pay into new collection programs to sell their products in the state, with the goal of reducing consumer waste statewide. The proponents of the legislation cited the Oregon bill as the model for their proposal. The difference between the two pieces of legislation is the scope. The authors of the new legislation in Vermont did not know which products would be required to comply with the law, even after the bill was written. The legislation was voted out of the House in Montpelier. But HCPA worked to ensure the Senate did not take up legislation prior to the adjournment of the legislature in May.

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