

NETWORK ADVERTISING INITIATIVE RELEASES 2010 COMPLIANCE REPORT

Nearly Three Million Unique Users Visit Site, Half Million Opt Out, Both Dramatic Increases Over 2009; Report Also Proposes New Policy for Health Transparency

Washington DC – February 18, 2011 -- The Network Advertising Initiative (NAI) today released its 2010 annual compliance report, including a review of its members' collection, use, and disclosure of data for online behavioral advertising (OBA). The report, which is required under the updated self-regulatory Code adopted by the NAI in December 2008, examined member companies' compliance with the NAI Code and found a high level of overall compliance. The report found that "the vast majority of evaluated member companies met their compliance obligations," while noting several specific compliance issues and recommending a number of substantive changes to NAI policy. The report also noted a dramatic increase in visits to the NAI website and use of its OBA opt-out tool.

"The success of the NAI's self-regulatory program can be seen this year both in its reach to consumers and the scope of its compliance efforts," said Charles Curran, Executive Director of the NAI. "Over the past twelve months, millions of visitors have come to the NAI's site to learn more about online behavioral advertising and the choices they have. Many of those visits were driven by the efforts of NAI member companies through educational ad campaigns."

The 2010 compliance report announced the following increases in consumer usage from the 2009 report:

- Nearly 3 million unique visitors viewed the NAI's main web page in 2010, an increase of nearly 150%;
- Use of the NAI's OBA opt-out tool increased by 58% to approximately 472,000 unique visitors; and
- Traffic to the educational section of the site quadrupled to more than 500,000 unique visitors.

Those increases were driven by more than a billion ad impressions about the NAI delivered by member companies, a fourfold increase over 2009. Additionally, NAI members have delivered tens of billions of user impressions using an "enhanced notice" approach with a recognizable icon to provide for consumer notice and choice.

"While the report found broad compliance with the NAI Code, our standards must continue to adapt to new issues, technologies, and business practices," continued Curran. "As part of each annual review, the NAI examines its existing policies and makes recommendations for changes, as needed, to strengthen its efforts. As part of this year's review, NAI staff has proposed several substantive improvements to provide greater transparency and clarity

about the ads that users see online, from increased disclosure of health categories to broader standards covering the use of non-HTTP cookie technologies.”

Recommended Changes to Policies in Light of Compliance Report Findings

As part of the 2010 compliance review, NAI staff recommended several substantive changes to its current policies, including:

- Increasing Transparency for Uses of Health-Related Data: The review recommended that member companies be required to publicly disclose any standard segments used for OBA purposes that are based on health-related information.
- Ensuring Transparency and Control for Non-Cookie Technologies: The review recommended that the NAI expand its policy to provide that non-HTTP cookie tracking technologies, such as Flash cookies, Web browser cache, or similar technologies, should not be used for OBA, multi-site advertising, or ad delivery purposes until they provide the same level of transparency and control as traditional HTTP cookies.
- Strengthening The Review Process: The review recommended that the NAI evaluate the use of random, external assessments of compliance with elements of the NAI Code, such as the functioning of opt-outs, to supplement and strengthen the existing review process.

Findings of 2010 Compliance Review

Although finding strong overall compliance among the NAI’s member companies in the 10 subject areas and 20 substantive requirements reviewed, the NAI did find several areas for improvement.

While the compliance process found no issues in the areas of sensitive financial or location information, one company was found to have offered certain precise health-related categories for use in ad selection. After being notified of NAI staff’s position that such use would require opt-in consent, the company agreed to cease the practice immediately and adopt procedures to ensure such issues would not recur in the future.

To increase transparency, improve best practices, and move toward more uniform policies in this area, NAI Staff is recommending that all NAI member companies be required to publicly disclose any standard segments used for OBA purposes that are based on health-related information. Such a policy would not only help promote compliance with the Code’s sensitive consumer information provisions going forward, but would also be an efficient means of normalizing best practices by all participants in the online advertising marketplace.

Additionally, a handful of member companies experienced problems related to the full functionality of their opt-out tools, mostly related to systems changes. While such issues appear to have affected few users, the NAI has recommended that member companies formalize their written guidelines to protect opt-out choices during such systems changes.

Finally, the compliance review examined member companies' use of technologies other than HTTP cookies for OBA or other purposes covered by the NAI Code. Member companies reported they do not use Flash cookies for such purposes, but two companies acknowledged using browser cache files as identifiers in order to count numbers of unique users. NAI Staff determined that the NAI's existing Flash cookie policy did not fully address the practice, and recommended the adoption of a broadened non-HTTP cookie policy that limits the use of technologies either for OBA or other advertising-related purposes.

This was the second annual review of member compliance conducted under the revised NAI Code adopted in December 2008, and it covered the 34 companies that have been members of the NAI for at least a year. The compliance report can be found on the NAI website at [http://www.networkadvertising.org/pdfs/2010 NAI Compliance Report.pdf](http://www.networkadvertising.org/pdfs/2010_NAI_Compliance_Report.pdf).

About the NAI:

The NAI (Network Advertising Initiative) is a coalition of more than 60 leading online marketing companies committed to building consumer awareness and reinforcing responsible business and data management practices and standards, and which includes all fifteen of the largest online advertising networks in the United States. Its initiatives are piloted by a cooperative of the most significant online advertising companies. As increasingly sophisticated online advertising technologies evolve, the NAI works to enhance consumer confidence through effective self-regulatory practices and user choice. To learn more, visit <http://www.networkadvertising.org>.

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