

# 2017 ANNUAL COMPLIANCE REPORT

EXECUTIVE SUMMARY



# 2017 Annual Compliance Report EXECUTIVE SUMMARY

The Network Advertising Initiative (NAI) is a leading non-profit self-regulatory organization and trade association governing technology companies engaged in digital advertising. It is a membership organization, comprised of over 100 third-party digital advertising companies. The vast majority of digital ads served in the United States involve the technology of one or more of the NAI's member companies. NAI members provide the infrastructure for the tailored advertising that enables a thriving and diverse ecosystem of ad-supported content and services. **The NAI helps promote consumer privacy and trust in the digital advertising ecosystem by creating and enforcing high standards for responsible data collection and use practices among its member companies.** The NAI accomplishes this goal through a body of self-regulatory policies accompanied by a robust compliance and enforcement program that helps member companies meet the NAI's high standards.

## NAI CODES OF CONDUCT

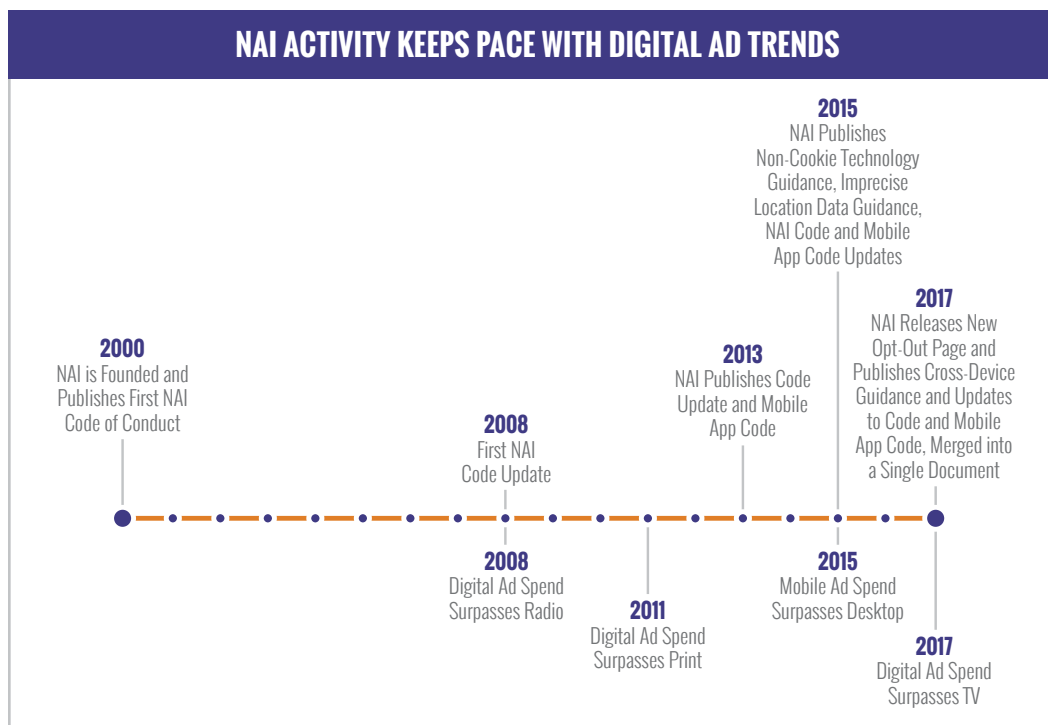
The NAI first developed and adopted a set of self-regulatory policies for online advertising, based on the Fair Information Practice Principles (FIPPs), in 2000. Since then the NAI has updated its Code of Conduct (Code) four times to keep pace with evolving technology and member company business models.

The Code not only requires member companies to provide notice and choice with respect to Interest-Based Advertising (IBA), but also imposes a host of substantive restrictions on member companies' collection, use, and transfer of data for IBA. All members engaged in IBA are required to comply with the Code, regardless of the technologies they utilize to collect data.

In addition to the Code, which covers members' IBA activities across unaffiliated websites, the NAI first released its Mobile Application Code (App Code) in 2013 to cover members' advertising-related data collection and use across mobile

applications. The App Code, updated in 2015, applies the same Code principles in a mobile application environment. All NAI members engaged in Cross-App Advertising (CAA) must comply with the App Code. The Code and App Code together are referred to as the Codes.

In 2017 the NAI published its 2018 NAI Code of Conduct, effective as of January 1, 2018. This document combines the Code and App Code into one holistic policy addressing digital advertising on both mobile and desktop devices. The 2018 Code also includes updates to terminology and incorporates references to NAI guidance documents on Cross-Device Linking, Precise Location Data, and Use of Non-Cookie Technologies. The 2017 Compliance Review reviewed member compliance with the 2015 Update to the NAI Code of Conduct and the 2015 Update to the NAI Mobile Application Code and therefore references those documents separately. The 2018 Compliance Review will be conducted under the new 2018 Code.



“Self-regulation plays a crucial role in marketplace discipline. It influences conduct in the overall ecosystem by setting behavioral norms while adapting quickly to technological and behavioral change. It addresses marketplace concerns more nimbly than either regulation or legal frameworks because it is driven by entities that depend on a healthy and stable environment.” Leigh Freund, NAI President & CEO

## COMPLIANCE OVERVIEW

In an effort to provide a highly effective self-regulatory framework for the third-party advertising technology industry that engenders the trust of all stakeholders, **the Codes are backed by a rigorous compliance process, and the availability of strong enforcement methods when necessary.** The NAI conducts year-round compliance activities that include:

### Pre-Membership Review:

NAI staff and the NAI Board of Directors evaluate prospective members’ business models, technologies, consumer choice mechanisms, public disclosures, and partner contract provisions to help confirm that they are capable of meeting the requirements of the Codes and the commitments made in their privacy disclosures.

### Technical Monitoring:

The NAI conducts automated monitoring of member Opt-Out Mechanisms and privacy disclosures to help ensure members’ compliance with the Codes. The NAI’s monitoring tools were completely revised in 2017.

### Investigation of Consumer Communications:

The NAI investigates consumer allegations regarding potential member noncompliance with the Codes and works with members to address such issues.

### Investigation of Allegations of Noncompliance:

The NAI evaluates allegations of noncompliance with the Codes from other sources, such as regulators, competitors, and privacy advocates.

### Annual Compliance Reviews:

The NAI performs in-depth, annual reviews of members to help them ensure that their business operations continue to materially comply with the Codes and their own privacy disclosures — even as their business models evolve.

### Enforcement:

NAI members are subject to formal sanctions for material noncompliance with the Codes or their own privacy disclosures. The potential for enforcement helps ensure that members cooperate with NAI staff and quickly remedy any problems.

### Publication of the Annual Compliance Report:

The NAI provides consumers, regulators, and others visibility into the state of the advertising technology industry, as well as the NAI’s compliance program and self-regulatory process through the publication of this annual compliance report.

In 2017 the NAI conducted its largest Annual Compliance Review to date, including 96 evaluated member companies.

## 2017 ANNUAL COMPLIANCE REVIEW

In 2017 the NAI conducted its largest Annual Compliance Review to date, including 96 evaluated member companies. NAI staff found that all evaluated member companies were materially in compliance with the Codes in 2017, and also found that members took proactive steps to ensure that they remained in compliance with the Codes throughout the year. During the year, NAI staff conducted six investigations regarding potential noncompliance with the Codes. These investigations were based on reviews by NAI staff, member company marketing materials, and allegations of noncompliance by other regulatory bodies. In all such cases reviewed between January 1, 2017 and December 31, 2017, the NAI did not find a material violation of the Codes.

NAI staff encountered various nonmaterial issues throughout the compliance period. In such cases NAI staff worked with members to rectify issues promptly, before these potential infractions could affect greater numbers of users. For example, NAI staff assisted several members with improvements to privacy disclosures to provide adequate information regarding Cross-Device Linking and data collection in mobile applications. As 2017 marked the first annual review of member compliance with the NAI Guidance for Cross-Device Linking, the NAI notified all members with potentially inadequate disclosures and provided additional feedback regarding the requirements for companies engaging in Cross-Device Linking.

**The NAI has maintained a longstanding policy of reserving its strong enforcement procedures for willful or material violations of the Codes, while working with member companies to resolve minor, nonmaterial violations of the Codes as quickly as possible.** Ultimately, the availability of sanctions helps ensure member cooperation with NAI staff and rapid resolution of potential problems.

## 2017 NAI COMPLIANCE REVIEW SUMMARY

<p style="text-align: center;"><b>Education</b> (Code § II.A.; App Code § II.A.)</p>	<p>In 2017 the NAI unveiled a new educational campaign aimed at educating users regarding Cross-Device Linking for digital advertising purposes. This campaign worked to educate consumers about available choice mechanisms. Many NAI members pledged to donate advertising impressions to this campaign which is expected to feature heavily in 2018.</p>
<p style="text-align: center;"><b>Transparency and Notice</b> (Code § II.B.; App Code § II.B.)</p>	<p>Members provided consumer-facing notice of their data collection and use practices for IBA, CAA, and Ad Delivery and Reporting (ADR).</p> <ol style="list-style-type: none"> <li>1. First, members provided notice in their privacy disclosures on their own sites regarding their IBA, CAA, and ADR activities.</li> <li>2. Second, members worked to ensure that the digital properties or publishers with which they partner for IBA or CAA activities provide notice and choice.</li> </ol> <p>Member companies also provided notice and choice in or around advertisements through an enhanced notice mechanism.</p> <p>Members worked to disclose the standard health segments they use for IBA and CAA.</p>
<p style="text-align: center;"><b>User Control</b> (Code § II.C.; App Code § II.C.)</p>	<p>All NAI members engaged in IBA offered links to Opt-Out Mechanisms from their own sites.</p> <p>The NAI's Opt-Out Scanner and NAI staff's manual checks of members' Opt-Out Mechanisms revealed that members provided and honored consumer choice with respect to the collection and use of data for IBA.</p> <p>All NAI members engaged in CAA offered an Opt-Out Mechanism by honoring device-wide platform controls and/or participating in third-party programs such as AppChoices.</p>
<p style="text-align: center;"><b>Use Limitations</b> (Code § II.D.; App Code § II.D.)</p>	<p>Members expressly affirmed their compliance with the Codes' limitations around the use of data collected for IBA, CAA, and ADR purposes, confirming that the data was not used to create segments specifically targeting children under 13, or for eligibility purposes such as health insurance or credit eligibility.</p>
<p style="text-align: center;"><b>Transfer Restrictions</b> (Code § II.E.; App Code § II.E.)</p>	<p>Members attested to their compliance with the Codes' requirements limiting the transfer of data to third parties. Members accomplish this by contractually limiting the recipient's ability to re-identify individuals for IBA and CAA purposes without Opt-In Consent.</p>
<p style="text-align: center;"><b>Data Access, Quality, Security &amp; Retention</b> (Code § II.F.; App Code § II.F.)</p>	<p>Members confirmed during the annual review that they retained the Non-PII data collected for IBA and CAA purposes in accordance with their publicly posted retention periods and attested to providing reasonable security for their systems and data.</p>



## 2017 YEAR IN REVIEW

Throughout 2017 the NAI worked diligently to maintain its status as one of the premier self-regulatory bodies in the digital advertising industry. This work included expanded education materials with a focus on Cross-Device Linking, as well as the publication of the 2018 NAI Code of Conduct combining existing Codes and guidance into one comprehensive document while also revising terminology based on feedback from regulators and advocates. NAI staff completely rebuilt the NAI’s technological monitoring tools based on experience and understanding accumulated from prior and ongoing Annual Compliance Reviews, providing additional functionality and stability to its monitoring efforts.

In 2017 the NAI also launched a revamped consumer choice portal to increase consumer awareness of new technologies in the digital advertising arena and the choices available in the face of those technological developments. The publication and enforcement of NAI guidance in the field of Cross-Device Linking for advertising purposes also occurred in 2017. The NAI continued its close work with the Federal Trade Commission, including participation in the December 2017 FTC Informational Injury Workshop.

In addition to welcoming thirteen new member companies in 2017, the NAI also hosted its fifth annual member summit, bringing this one-of-a-kind industry event back to New York City, featuring a fireside chat with FTC Commissioner Terrell McSweeney.

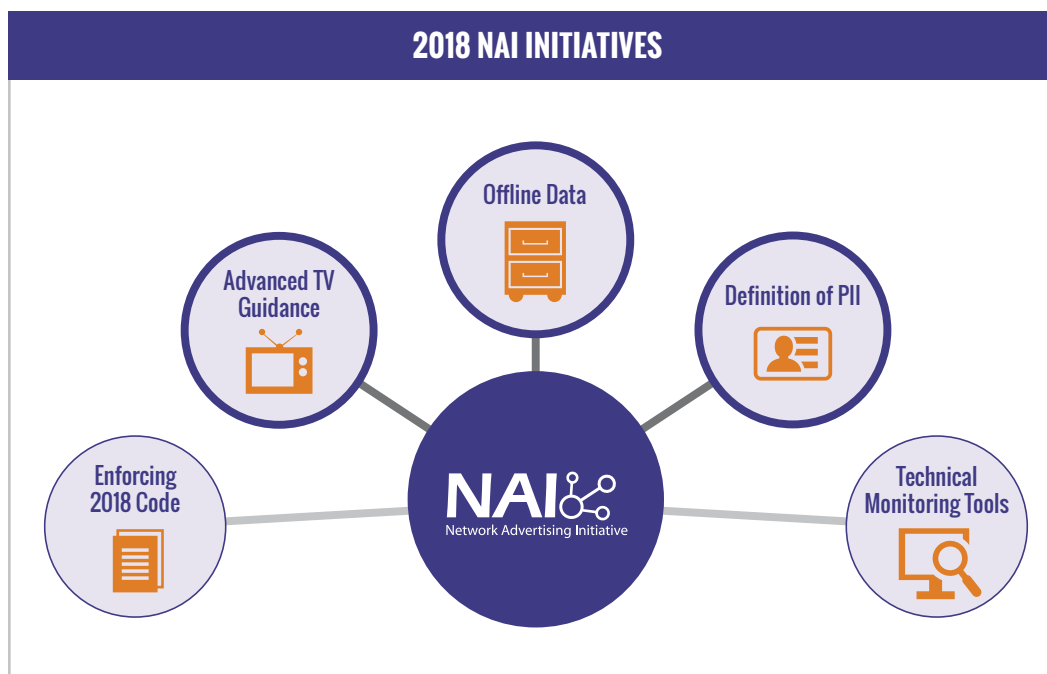


## LOOKING FORWARD

NAI staff, members, and Board of Directors are investing significant resources in several initiatives. Accordingly, the NAI has high hopes for 2018 as these efforts are expected to come to fruition throughout the year or shortly thereafter.

The NAI is treating its most recent Code update as a springboard for possible significant policy changes in 2018. The NAI plans to evaluate potential coverage of new data sources, such as “offline” data, and will also advance work with its members and with industry stakeholders to further examine terminology, including a full review of the nature of “personal” data.

As Cross-Device Linking makes it possible for companies to collect data on televisions for advertising use on mobile and desktop devices, or vice versa, the NAI is actively working on guidance on this topic that would ensure that such data collection and use on televisions happens in a manner consistent with underlying NAI principles.



On the technological front, the NAI will continue to develop, expand, and improve its suite of technical monitoring tools, building on the significant enhancements to the stability of these tools that have been accomplished thus far. The NAI will also work to make its opt-out tool available in secure protocols.

**At a time when the nature of digital advertising is being questioned and reconsidered in Europe, it is even more important for self-regulatory efforts in the United States to clearly establish that a thoughtful and flexible self-regulatory approach can provide robust consumer privacy protection while also allowing the digital advertising economy and technology to flourish, and perhaps most importantly, preserving free and equal consumer access to a bounty of diverse content online.**

The feedback loop of drafting policy to preserve consumer privacy in the digital advertising ecosystem, while conducting annual compliance reviews of the very companies that comprise a large portion of this market, allows the NAI to identify the most pressing and timely issues and challenges, and to address them in a swift and effective manner, which it will continue in 2018.

# NAI 2017



Washington Office  
509 7th Street, NW  
Washington, DC 20004  
[www.networkadvertising.org](http://www.networkadvertising.org)

**NAI**   
Network Advertising Initiative