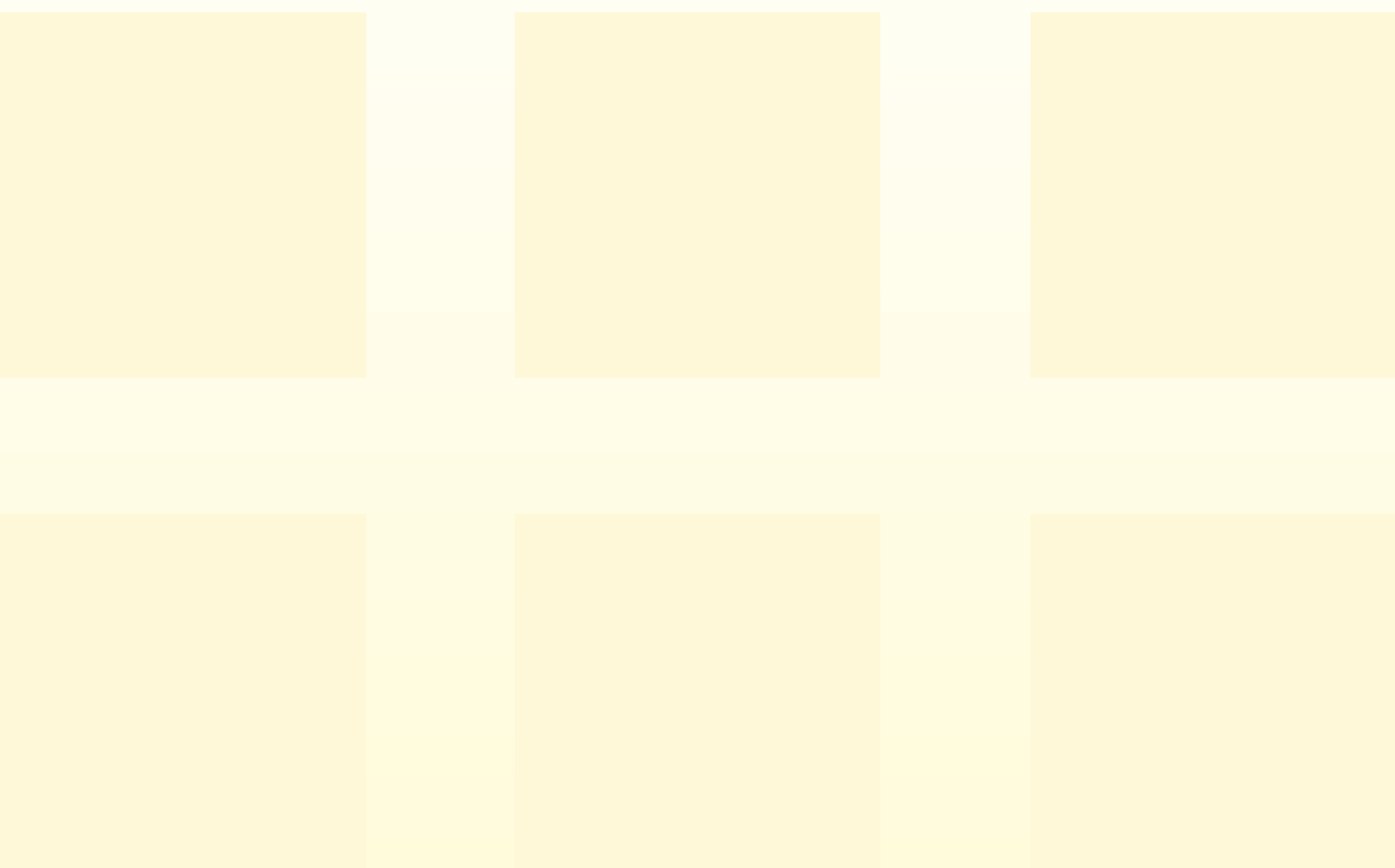


PLATFORMDETAILHANDEL
NEDERLAND

SOURCE TAGGING CODE OF CONDUCT

2006



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1. INTRODUCTION

Source tagging involves the application of an invisible surveillance element on or inside a product's packaging during the manufacturing or packaging process. The element can be either hard or soft. Source tagging may not use surveillance elements that cannot be deactivated.

In an attempt to achieve harmonisation, the Gedragscode Bronbeveiliging Nederland (Dutch Source Tagging Code of Conduct) was introduced on 8 January 2002 and signed in The Hague by Platform Detailhandel Nederland (Dutch Retail Platform) on behalf of users and by 4 major suppliers of electronic article surveillance (EAS) systems. This made the Netherlands the first country in Europe to regulate source tagging via a code of conduct for the retail sector and suppliers of technical systems. The Source Tagging Code of Conduct was a part of the Convenant Aanpak Winkelcriminaliteit I (Joint Approach to Retail Crime I) signed by both government and the retail sector on 20 January 2003.

During the years 2002 – 2006, the parties involved have tried to comply with the Code of Conduct. At the start of 2002, less than 5% of goods in shops had invisible protection through source tagging. Source tagging has since developed steadily, but is still encountering some obstacles. For instance, there is no worldwide technical frequency yet and RFID technology remains expensive. Platform Detailhandel Nederland would like to see more items protected at source.

The importance of source tagging was acknowledged once more by the Convenant Aanpak Winkelcriminaliteit II. This second treaty on tackling retail crime was signed on 8 November 2005 in Leidschendam by Justice Minister Donner, Home Affairs Minister Remkes and State Secretary for Economic Affairs Van Gennip as well as the co-chair of Platform Detailhandel Nederland, Van der Geest.

Source tagging draws on a number of different technologies, including Radio Frequency Identification (RFID). In the long term, RFID technology will allow the identification and tracking of goods with the help of radio signals. RFID equips tagged goods with an RF antenna and a tiny chip. Expectations are that RFID will be used for logistics and commercial purposes first, after which it may find uses in source tagging.

2. GENERAL

2.1 EAS systems

For some years now the retail sector has been using electronic article surveillance systems (EAS) as a method to combat theft. EAS systems protect goods against shoplifting by consumers and staff and reduce retail businesses' financial burden. It means that consumers are more likely to pay a reasonable price for consumer goods.

The goods are provided with surveillance elements, usually a self-adhesive label with a special metal alloy or electronic circuit. So-called hard surveillance elements are also available. Here the surveillance element is embedded in a hard plastic casing suitable for multiple use as a visible form of source tagging.

At the cash register, the surveillance elements are deactivated by a so-called deactivator so that the goods will not activate the alarm at the security gate. Hard surveillance elements are removed with a special device. Active surveillance elements trigger an alarm – sound and light – at the security gate. The entrance and exit feature security gates that detect the non-deactivated goods and sound the alarm.

Many department stores, electronics stores, bookshops, shops selling household goods, clothing stores, chemists, supermarkets and other shops now feature EAS.

2.2 Necessity

At present, the surveillance elements are applied to the packaging or the articles themselves in store or at the warehouse or distribution centre. The resulting logistical pressure – it requires time, discipline and precision and leads to higher staff costs – reveals the necessity to apply the surveillance elements to the goods during the production or packaging process.

3. OBJECTIVE

3.1 Consumers

This code of conduct aims to protect consumers against the consequences of false alarms caused by non-deactivated and source-tagged products.

3.2 Protection

At the same time, this code of conduct offers protection to retail businesses, suppliers of EAS systems and manufacturers of surveillance elements who are involved in the source tagging of consumer goods.

3.3 Advantage

Source tagging aims to spare retail businesses the logistical and financial burden of having to apply surveillance elements themselves. A precondition for a lasting and effective operation is that no active surveillance elements enter the market, in whichever way, without the knowledge of retail businesses. False alarms at other shops using the same technology can then be avoided and consumers protected.

3.4 Binding agreements

That is why we need binding agreements on how parties are to deal with the process of source tagging.

4. DEFINITIONS

4.1 EAS (Electronic Article Surveillance)

A technical and electronic aid to prevent and identify shoplifting.

4.2 Source tagging

The application by the manufacturer or packaging company of a surveillance element on or inside the article or on or inside the packaging before the article reaches the retail business's (retailer's) distribution centre or shop. Source tagging may not use surveillance elements that cannot be deactivated.

4.3 Surveillance element

In order to distinguish this element from other, often self-adhesive labels and/or self-adhesive tags, the parties involved use the word surveillance element as well as disposable, visible forms of source tagging. How the surveillance element works depends on, amongst other things, the distance between the antennas and detection and environmental factors.

4.4 Compatibility

Compatibility means that surveillance systems from one supplier work in similar EAS systems from another supplier.

4.5 Closed chain

All shops that are part a chain have one or more - shop in shop – uniform article surveillance systems.

4.6 Open chain

All other situations not involving a closed chain.

4.7 The conditions for the introduction of source tagging in an open chain:

Alternative I: When source tagging is introduced, all branches of a chain must be equipped with a deactivator. Any departure from this is possible only if the retail businesses and consumer goods manufacturers arrange their deliveries in such a way, using reliable computer systems, that all parties know which branch has an EAS system.

Alternative II: The use of deactivation systems (central activators and/or mass deactivators) at certain points in the supply chain.

Alternative III: The delivery of inactive surveillance elements.

4.8 Customer-specific goods

Goods are manufactured for, and at the risk of, named retail businesses.

4.9 Anonymous goods

Those goods that consumer goods manufacturers (will) produce before the final buyer or final destination is known.

4.10 Delivery of active or inactive surveillance elements

The choice for either active or inactive source-tagged goods by consumer goods manufacturers should be made by a particular branch or by a retail business operating in a specific market segment. It should always remain possible to take delivery of inactive surveillance elements.

4.11 Source tagging certificate

In an attempt to anchor the process of source tagging, by signing the Source Tagging Code of Conduct and/or an Annex and/or Certificate, suppliers of surveillance elements hereby commit themselves to creating a certificate for each product, explaining that the consumer goods manufacturer's product in question meets all requirements (see paragraph 26).

4.12 The process of source tagging

The suppliers of surveillance elements work only at the initiative and direction of retail businesses. This means that neither the consumer goods manufacturers nor the manufacturer/supplier of EAS systems are in control. As such, manufacturers and suppliers of surveillance elements cannot themselves push for consumer goods manufacturers to use source tagging.

4.13 Commercial advantage

Consumer goods manufacturers who believe they can offer cheaper products by offering source tagging can only advertise this if they can show the suppliers of surveillance elements an order from a retail business.

4.14 Uniformity in surveillance technology

Compatible methods of article surveillance are an important precondition for the process of source tagging. The various branch organisations will have to decide on this matter. Specialist branch organisations and pressure groups (such as the MKB-Nederland Nationale Winkelraad, the retail association representing the interests of small and medium-sized retailers, and Raad Nederlandse Detailhandel, which represents the interests of larger retailers and franchise organisations) should stimulate the uniformity of surveillance technology without expressing any preference for certain technical standards.

5. RETAIL BUSINESSES

5.1 Request for Quotation (RFQ)

The retail business must aim to mention the guidelines from this Source Tagging Code of Conduct when drawing up and inviting RFQs.

5.2 Purchase

The retail business must formulate its source tagging targets as part of its purchasing policy. The paragraph on Certification of Source Tagging records the exact position of the element for the most effective way of deactivation. The purchasing policy does not distinguish between methods of purchasing. Parallel import, remainders or damaged stock are treated in the same way as formulated in the opening sentence. Wherever possible, the exact position of the element should be determined in consultation with the retail businesses by inviting input from those responsible for technical security. The quality of the deactivator should be such that EAS labels can be deactivated from at least 15cm above (or in front) of the top of the deactivator. This is measured from the top of the deactivator in the case of scanners and vertically installed scanners.

5.3 Deactivation

When using EAS systems or source tagging elements, the retail business commits itself to installing an effective deactivation system. The retail business must deactivate when selling items. The retail business must also provide ongoing training for its (shop) staff, emphasising the importance of 100% deactivation.

5.4 Organisational adjustments

The retail business must be aware that the process of source tagging could require adjustments to its organisation, for instance in the areas of logistics, IT and communication technology and the purchasing and sales process.

5.5 International

The branch organisation will formulate a policy to inform (international) sister organisations, in Europe to start with, of the Source Tagging Code of Conduct. In turn, the sister organisations will be asked to provide feedback on developments in this area. The Source Tagging Code of Conduct is available in three languages.

6. SUPPLIERS OF EAS SYSTEMS

6.1 Surveillance elements

The manufacturers of surveillance elements may only respond to requests from consumer goods manufacturers who have order(s) from retail businesses.

6.2 Source tagging certificate

Agreements with consumer goods manufacturers on the delivery of surveillance elements by supplier(s) of surveillance elements will be certified. This certificate should optimise the deactivation process. Upon non-certified changes the certificate will be revoked. In those cases no blame will be attached to the supplier(s) of the surveillance elements. The consumer goods manufacturers will be entirely responsible for the consequences.

6.3 Certificate

At a minimum, the certificate must cover

- The consumer goods manufacturer
- The product
- The EAN code
- A detailed photograph of the product or packaging
- The position where the surveillance element will be attached
- The element
- Dimensions
- The degree to which the material meets the norms of health and (European and/or international) regulatory watchdogs.
- Storage instructions
- Packaging
- A drawing of the surveillance element
- Participation of the consumer goods manufacturer in ongoing training programmes

6.4 Deactivation

The suppliers of article surveillance systems commit themselves to selling deactivation equipment with each EAS system they are asked to install. The suppliers of EAS systems must offer retail businesses and consumer goods manufacturers the option of ongoing training programmes. The suppliers of EAS systems will commit to updating these programmes on the basis of adjustments and innovations. Those suppliers of EAS systems that cannot deliver ongoing training programmes and do not properly update these programmes on the basis of adjustments and replacements cannot sign the Source Tagging Code of Conduct via the Annex and may be excluded.

6.5 International

Manufacturers of EAS systems and surveillance elements, as well as pressure groups within the retail sector (Platform Detailhandel Nederland, Raad Nederlandse Detailhandel and the MKB-Nederland Nationale Winkelraad) must do their utmost to inform (international) sister organisations, in Europe to start with, of the Source Tagging Code of Conduct. In turn, they will provide feedback on developments in this area in other countries.

7. EVALUATION

7.1 Evaluation of the code of conduct

The parties involved intend to evaluate the code of conduct at regular intervals. Evaluation will take place at least once every quarter and shall be managed by Platform Detailhandel Nederland, assisted by a delegation of experts from the retail sector and representatives of EAS suppliers.

8. VARIOUS

8.1 Government

EAS installations must meet the legal frequency and transmitted power requirements. The signatories of the Source Tagging Code of Conduct must put pressure on governments to fulfil their roles as watchdogs as far as transmitted frequency and power are concerned. Equipment must be CE certified for the Dutch and European markets.

8.2 Standard

In the near future the Source Tagging Code of Conduct could come up against a global standard. The RF standard must correspond to the global standard and EPC with the appropriate ISO certification.

8.3 Signatories

This updated Source Tagging Code of Conduct will be signed by the four EAS suppliers who also signed the first code on 8 January 2002. There will be an opportunity for other EAS suppliers to take part via an Annex. This supplier Annex forms part of the Source Tagging Code of Conduct 2006.

9. Signatories

The following hereby declare to agree:

Platform Detailhandel Nederland: Mr H.H. van der Geest

On behalf of the EAS suppliers:

Mr E.A.L. Cardinaal on behalf of Checkpoint-Meto Benelux BV

Mr R.C. de Jong on behalf of Nedap Beveiligingstechniek BV

Mr J. Flanderhijn on behalf of ADT Security Services BV

Mr M.W. Mussche on behalf of Kno-Tech Productbeveiliging BV

A collection of handwritten signatures in blue ink, corresponding to the signatories listed on the left. The signatures are written in a cursive style and are somewhat overlapping and messy.

Amsterdam, 4 October 2006

10. APPENDIX

Surveillance elements suitable for source tagging

- Radio Frequency (RF)
- Frequency 8.2MHz
- Surveillance elements
- 40 x 40mm
- 50 x 50mm
- Application-specific surveillance elements
- Ultra Max Acousto-Magnetic technology (AM)
- Surveillance elements
- 45,21 x 10,67 x 1,89mm
- Application-specific surveillance elements
- Electro-Magnetic (EM)
- Surveillance elements
- 63.5 x ymm
- Application-specific surveillance elements



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