



compliance & risks

Welcome



Traceability labeling of products in the Eurasian Economic Union (EAEU) & Russia



Downside of globalization, international trade, e-commerce, free trade zones

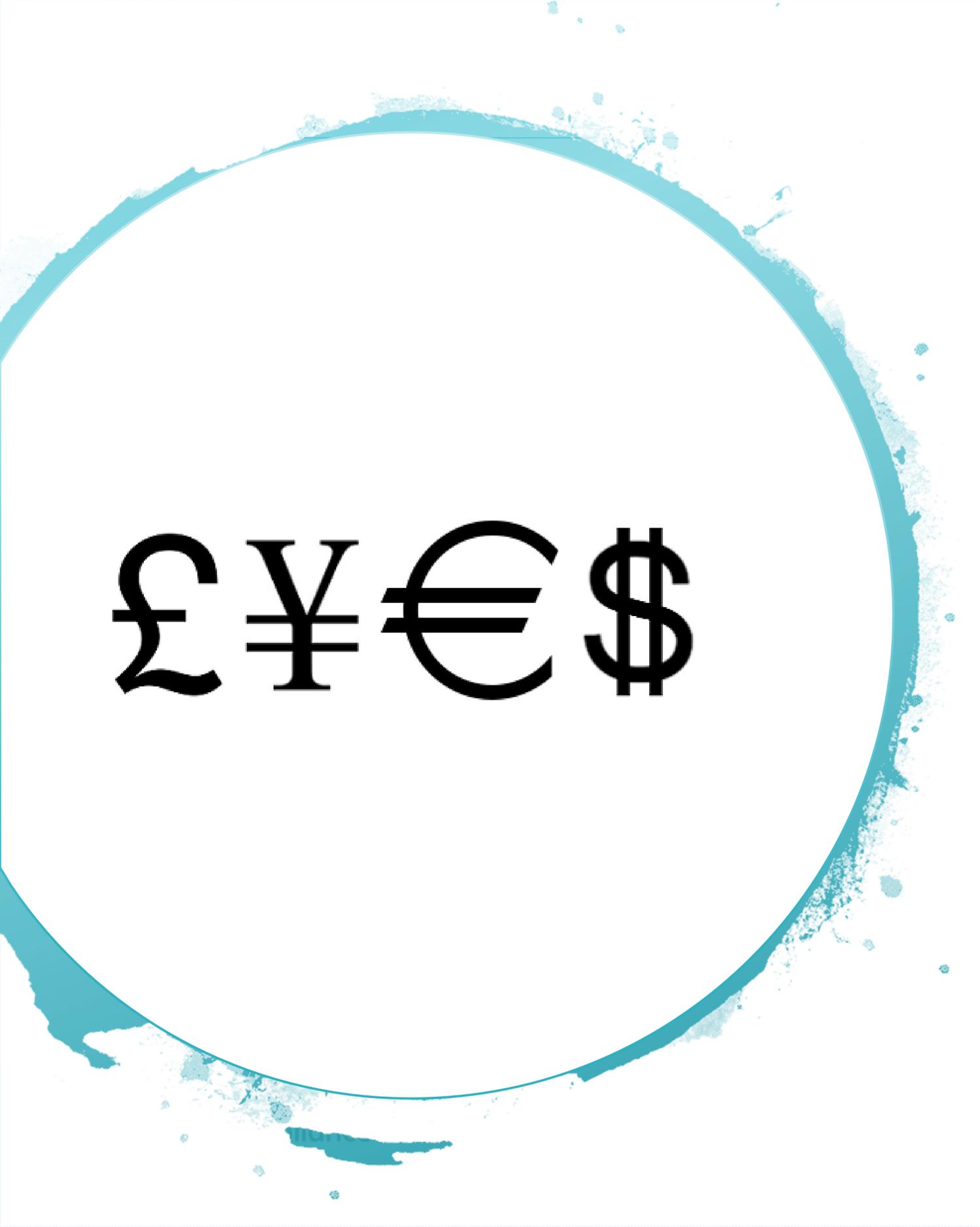
Disadvantage of these tools:

Difficult to detect and less risky to traffic, smuggle and market counterfeit and pirated goods - influx of 'fakes' resulting in:



- Complex Supply Chain
- Loss of revenue for governments and brands
- Potentially detrimental effect on a brand's reputation, image and customer satisfaction
- Infringement of intellectual property rights
- Health and safety risks for end-users
- Impede innovation





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Trade in counterfeit products in numbers

- 2016 study from the EUIPO and the OECD estimated the value of counterfeit products to be 2.5% of world trade – up to EUR 338 billion
- In the European Union, the counterfeit products amount up to 5% of all EU imports, worth up to EUR 85 billion
- Sectors that represent more than half the total estimated trade in fake goods worldwide at a value of more than EUR 208 billion in 2013: fake foodstuffs, pharmaceutical products, perfumery and cosmetics, leather articles and handbags, clothing and fabrics, footwear, jewelry, electronics and electrical equipment, optical, photographic and medical equipment, fake toys, games and sports equipment.
- Total trade in fake clothes, footwear and accessories throughout the EU-28 amounts to almost 10% of the total sales in these sectors, loss that translates into 363,000 lost jobs
- Knock-off effect loses to legitimate businesses in the EU = €43.3 billion of sales revenue, over €8 billion of government revenue across the EU-28 is not collected

Labelling of specific products with marks of identification in the Eurasian Economic Union (EAEU) and Russia

EAEU's consumer goods market in numbers:

- 97% of goods come from non-food sector while **clothes make up 23.9% and footwear for 12%**
- 58.7% of all goods bought online come from abroad**, with large margin allocated to China, - the main source of counterfeit products which present the safety risk as they lack quality and safety approvals

Eurasian Economic Union's (EAEU's) Solution:

- Launch of a successful **Pilot Project on using RFID tags/bar codes for garments and apparel made of fur** has been launched to partially resolve this issue (2015/2016)
- Once ratified it became binding on MS and required manufacturers to label natural fur products, regardless of the volume of production and inform the authorities. Importers had to label before products passed through customs.
- Early results deemed inspiring: the declared total imports of fur products to Belarus and Russia grew by 72.4% from August 2016 to November 2017 (compared to the same period of 2015-2016) with a total value of \$ 232 million.



Agreement on Common Labelling System of Goods with Control (Identification) Signs

- Success of the Fur products Pilot Project encouraged the expansion of the product scope
- Harmonization of more than 15 individual product labelling systems in existence amongst the EAEU's Member States
- February 2018 saw the signing of the Agreement on the general rules for labelling of goods within the Union's territory providing for identification means and reading systems for marking – yet to be ratified fully and entered into force
- Agreement provides for the establishment of additional security elements for the information transfer – the reaction to the debates that revealed the need of less expensive products identification labelling means alternative to RFID tag, i.e. likes of QR and Data Matrix Code, and the fear that the lack of bar-coding technology guarantees only low degree protection against copying



How did Russia implement the Agreement?

Government of the Russian Federation enacted Resolutions No. 791 and 792 in 2018.

Resolution No. 791 clarifies the basic principles such as:

- minimization of the costs for participants
- registration of all stages of the goods turnover in the information system
- identification of each unit of goods by assigning unique codes to them;
- creating a single catalogue of goods in Russia with means of identification providing round-the clock uninterrupted access for participants to the information system.

How did Russia implement the Agreement?, continued

Resolution No. 792 of 2018 approved the List of goods subject to mandatory labelling with identification marks.

Priority products and the respective mandatory labelling deadlines are:

- Tobacco products: *March 2019*
- Footwear: *1 July 2019*, proposal for a phased approach was announced in March 2019
The absolute ban on the manufacture, import, trade of unmarked shoes may be postponed until ***1 February 2020***. Transitional period for residue footwear marked with a simplified code is two years from the date when put in circulation
- Perfumery products: *1 December 2019*
- Various garments, clothing and textiles: *1 December 2019*
- Household linen: *1 December 2019*
- Cameras (except for movie cameras), flash and flashlight: *1 December 2019*
- Tires: *1 December 2019*

Unified National System of Digital Marking and Product Traceability System – ‘Honest Sign’ (Chestny Znak)

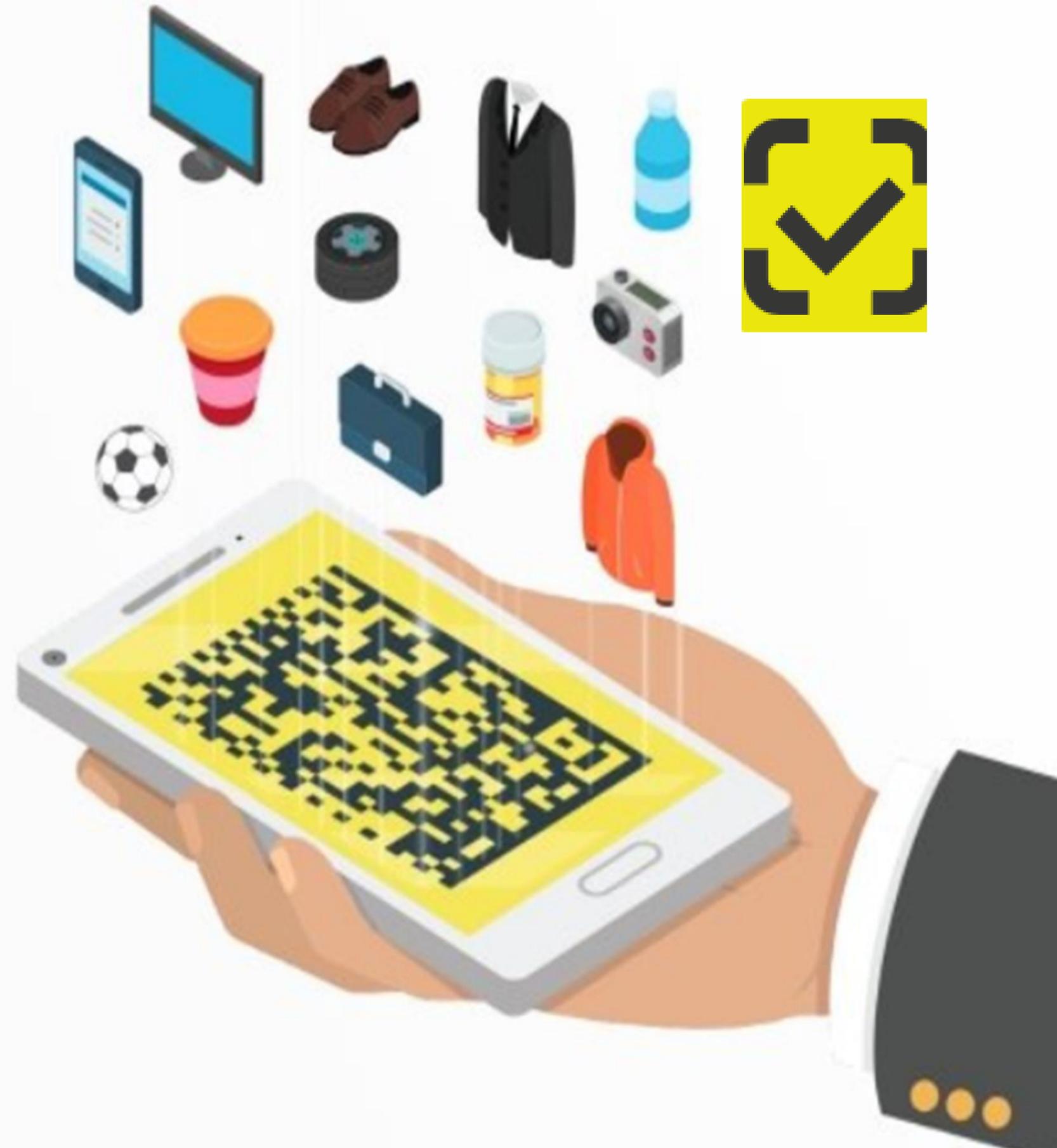
Chestny Znak – Honest Sign – the unified national track & trace system

Data Matrix - Unique marking code consisting of:

- Product ID code
- Verification code (crypto-tail)

Following information will be identifiable from a code:

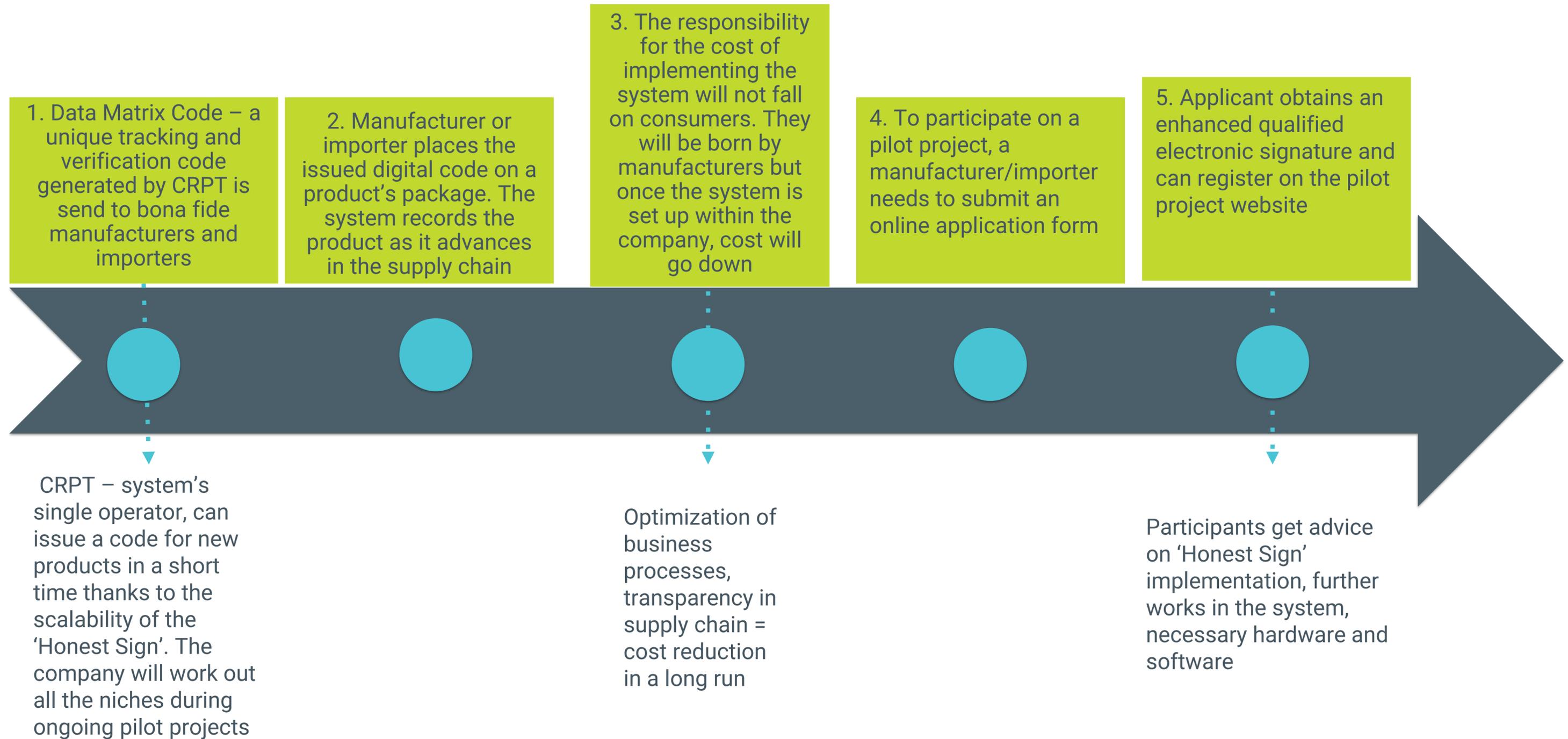
- Country of origin
- Manufacturer and importer
- Date of manufacture
- Shelf life
- Properties and components of the product
- Climatic conditions limitations, etc.



'Honest Sign'- Process



Manufacturers & Importers Guide to 'Honest Sign'



How to prepare – Manufacturer's Checklist

- 1. Come to terms with the fact that the new type of labelling is happening and is mandatory**
- 2. Prepare for certain financial costs, which can vary from one producer to another**
- 3. Do you have an electronic document management (EDM)?**
 - start a dialogue with the EDM's operator/provider
- 4. Do you need new equipment?**
 - code reading machine, for example quality 2D scanner will be a necessity
- 5. Cash and cash software**
 - will your cash system work with the code?
- 6. Connecting to the Fiscal Data Operator (FDO)**
 - ensure the FDO can transmit the necessary information to the Centre for Development of Promising Technologies (CDPT)
- 7. Accounting system**
 - analyse their preparedness. If you use older system, you may need to adjust for storing and accounting new marking codes
- 8. IT solution for transmitting information to Honest Sign**
 - will you deploy your own solution or will you take advantage of the specialized IT companies
- 9. Join the Pilot project and see how the system works in a particular industry/product line and solve any existing issues**

Reference: <https://kontur.ru/articles/5365>

'Honest Sign'- Recap



Ground breaking system – unified information platform for controlling the authenticity of goods and increasing transparency



Applicable to all types of product groups; facilitate tracking a supply chain and distribution route of a product on a smartphone via app



Data Matrix Code on the product packaging tackles the issue of counterfeit products and smuggling, protects legal interests of enterprises, governments, as well as consumer rights. Identification part of the code determines the position of a product in a distribution channel. Verification crypto-tail is generated by domestic cryptography technologies to avoid code interception and hacking



Element of public/social control – violations and 'fakes' can be instantly reported via mobile app and transferred to relevant regulatory authorities



All product information will be accumulated in a single information platform accessible by manufacturers and consumers through the mobile app



Expected results: growth in production, decrease in the price, independent verification of goods by the consumer via the mobile app, possibility to inform authorities when an alleged counterfeit is detected. Contradictory expert opinions exist



Ultimate goal is the creation of the UNIFIED INFORMATION DATABASE, containing essential data about products and their manufacturers



Thank You

