



VARIED UNDERTAKING TO THE AUSTRALIAN COMPETITION AND CONSUMER COMMISSION BY READER'S DIGEST (AUSTRALIA) PTY LIMITED GIVEN FOR THE PURPOSES OF SECTION 87B

BY

READER'S DIGEST (AUSTRALIA) PTY LIMITED (ABN 81 000 565 471)

THIS VARIED UNDERTAKING VARIES THE UNDERTAKING ORIGINALLY GIVEN BY READER'S DIGEST (AUSTRALIA) PTY LIMITED ON 17 DECEMBER 2003 AND ACCEPTED BY THE AUSTRALIAN COMPETITION AND CONSUMER COMMISSION ON 19 DECEMBER 2003. IN EACH PLACE IN THE UNDERTAKINGS SET OUT BELOW WHERE THERE IS A REFERENCE TO THE DATE OF THE COMMISSION'S ACCEPTANCE OF THESE UNDERTAKINGS THAT IS A REFERENCE TO 19 DECEMBER 2003.

PERSON GIVING UNDERTAKING

1. This undertaking is given to the Australian Competition and Consumer Commission ("the Commission") by Reader's Digest (Australia) Pty Limited (ABN 81 000 565 471) of 26 Waterloo Street, Surry Hills, New South Wales 2010 ("RD") under section 87B of the Trade Practices Act 1974 ("the Act").

BACKGROUND

2. RD sells by mail order throughout Australia magazines, books, audio tapes and video tapes to consumers. Its processes are intended to ensure that no goods are supplied unless an order has been received for them.
3. The Commission has received complaints from customers about the supply of unsolicited goods by RD and about demands by RD for payment for unsolicited goods.
4. RD accepts that due to a failure in its processes, RD has contravened sections 52, 53 and 64 of the Act with the result that RD sent some customers goods that they had not ordered. Then RD demanded payment for those unsolicited goods when it did not have reasonable cause to believe that it was entitled to payment.
5. RD has asked the Commission to accept pursuant to section 87B of the Act, the following undertakings from RD in connection with the matter.

UNDERTAKING

6. In consequence of the matters referred to above, RD undertakes to the Commission, pursuant to section 87B of the Act, that RD, by itself, its servants and agents:
 - A. for a period of 3 years from the date of the Commission's acceptance of these undertakings,
 - (i) until the Commission has approved the compliance program pursuant to paragraph 5 of Annexure "A" hereto and until all Recommendations made under the Probation Program described in

Annexure "B" hereto have been implemented pursuant to paragraph 4 of that Annexure, will ensure, so far as is practicable, that; and

- (ii) after the compliance program has been approved and all Recommendations have been implemented as aforesaid, will ensure, except in the case of reasonable mistake or error, that:

it will not assert a right to payment including by:

- (i) making a demand for payment or asserting a present or prospective right to payment;
- (ii) threatening to bring any legal proceedings with a view to obtaining payment;
- (iii) placing or causing to be placed the name of a person on a list of defaulters or debtors, or threatening to do so, with a view to obtaining payment; or
- (iv) invoking or causing to be invoked any other collection procedure, or threatening to do so, with a view to obtaining payment; or
- (v) sending any invoice or other document stating the amount of the payment or setting out the price of the goods and not stating as prominently (or more prominently) that no claim is made to the payment or price, as the case may be;

for any magazine, book, cassette tape, video tape, compact disc and or DVD ("RD Goods") unless RD has received a request for the RD Goods, from or on behalf of the person to whom the assertion of a right to payment is sent or made, which request is not to be implied or inferred from any silence or inaction on the part of such a person. In this regard, if RD becomes aware of a circumstance that it regards as a "reasonable mistake or error" it will notify the Commission and the Commission may request, and RD must provide, reasons and evidence to explain how the mistake or error occurred;

B. for a period of 3 years from the date of the Commission's acceptance of these undertakings:

- (i) until the Commission has approved the compliance program pursuant to paragraph 5 of Annexure "A" hereto and until all Recommendations made under the Probation Program described in Annexure "B" hereto have been implemented pursuant to paragraph 4 of that Annexure, will ensure, so far as is practicable, that; and
- (ii) after the compliance program has been approved and all Recommendations have been implemented as aforesaid, will ensure, except in the case of reasonable mistake or error, that:

it will not, in trade or commerce, make a representation to the effect that RD has a right to payment from a person for RD Goods, unless RD has received a request for the RD Goods, from or on behalf of the person to whom the

representation is made, which request is not to be implied or inferred from any silence or inaction on the part of such a person;

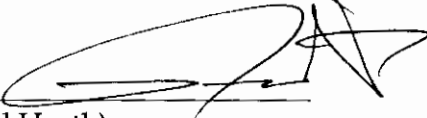
- C. will establish, implement and maintain for a period of 3 years a Trade Practices Compliance Program, in accordance with Annexure "A" hereto;
- D. will revise the internal operation of its business which led to RD's contraventions of the Act, in accordance with Annexure "B" hereto;
- E. will, within each of the time periods set out below, after the date of acceptance of these undertakings by the Commission, at its own expense;
 - (i) within 28 days cause to be published in one major newspaper in each capital city of Australia, a notice substantially in the form of Annexure "C";
 - (ii) within 10 days of RD's receipt of the auditor's report to be provided under Annexure "B", RD will provide the report to the Commission;
 - (iii) within 28 days post a notice, which shall appear for a period of 3 months from first publication, substantially in the form of Annexure "F", on its web-site located at URL: www.readersdigest.com.au (or if that URL is replaced or change, the website located at the replacement URL) with a prominent link to the notice on its home page;
- F. will pay refunds of \$1,019.40 to Dorothy May Petty and \$418.43 to Harold Phillip Hawkins.

ACKNOWLEDGEMENTS

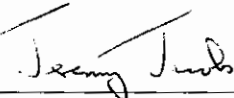
- 7. RD acknowledges and accepts:
 - A. the Commission's right to make this undertaking available to the public including by placing it on the public register, publishing it and allowing third parties to publish it;
 - B. that the Commission may issue media releases referred to therein, and may, from time to time, publicly refer to the undertaking; and
 - C. that this undertaking in no way derogates from the rights and remedies available to any other person arising from the alleged conduct of RD.

Variation requested by Reader's Digest (Australia) Pty Limited on 11th August 2005.

Executed by Reader's Digest (Australia) Pty Limited)
in accordance with s127 of the Corporations Act 2001 (Cth))



(Paul Heath)
Director



(Jeremy Jacobs)
Director

This day of August 2005.

This variation received the consent of the Australian Competition and Consumer Commission pursuant to section 87B of the Trade Practices Act 1974.

A handwritten signature in black ink, appearing to be 'GS' followed by a long horizontal stroke.

(Graeme Samuel)
Chairman

This 23rd day of August 2005.

ANNEXURE 'A'

Trade Practices Corporation Compliance Program

1. Within 60 days of the date of the acceptance of these Undertakings by the Commission, RD shall establish and implement for all of its officers, employees, representatives and agents in Australia:
 - (a) a Trade Practices Corporate Compliance Program ("**Compliance Program**") in relation to ss.52, 53, 64 and 65 of the Trade Practices Act 1974 (the "**Act**"); and
 - (b) will use reasonable endeavours to ensure that the Compliance Program is tailored to suit RD's circumstances and consistent with the Australian Standard AS-3806-1998.
2. RD shall:
 - (a) maintain the Compliance Program for a period of 3 years from the date of its implementation; and
 - (b) place responsibility for the implementation, maintenance and effectiveness of the Compliance Program with senior management.
3. The Compliance Program shall be designed to ensure that the offices, employees, representatives and agents of RD who perform duties in Australia are aware of the application of ss.52, 53, 64 and 65 of the Act to RD's business. For these purposes, the Compliance Program will make provision for training of all staff in Australia to be conducted on at least one occasion per year ("**Staff Training Seminars**"). The first of these Staff Training Seminars will be conducted by a solicitor or compliance professional with expertise in trade practices law and is to be completed within 90 days of the date of acceptance of these undertakings by the Commission.
4. The Compliance Program shall be designed to incorporate an appropriate complaints handling mechanism, with specification attention given to complaints regarding unsolicited goods and assertions of a right to payment in respect of such goods.
5. RD shall, at its own expense, cause an audit of the Compliance Program to be undertaken prior to 31 August 2005 and again prior to 31 August 2006, with a view to identifying deficiencies and implementing improvements to the Compliance Program ("**Audits**").
6. The Audits shall be performed by a firm of solicitors or compliance professionals with expertise in trade practices law that is acceptable to, and approved in writing by, the Commission ("**Auditor**").
7. The findings in relation to each of the Audits are to be set out in a written report to be provided to RD by the Auditor ("**Reports**"). The Reports are to include a record of any potential contraventions of ss.52, 53 and 64 of the Act that were identified during the Audits and the action taken to address the potential contraventions.

8. RD shall, at is own expense, cause to be produced and provided to the Commission copies of each of the Reports within 10 days of RD receiving them.
9. Should any of the Reports identify deficiencies in the Compliance Program, RD will make the necessary alterations to the Compliance Program within 28 days of receiving the Reports. Such alterations and their implementation are to be notified to the Commission within 10 days of implementation.

ANNEXURE 'B'

Probation Program

1. RD must, within 60 days of the acceptance of these Undertakings by the Commission, revise the internal operations of its business for a period of 3 years, so as to ensure, so far as is practicable, that:
 - (a) no goods are sent to its customers or other members of the general public, unless:
 - (i) prior to the date on which the goods are sent, RD has received a request for the goods, from or on behalf of the person to whom the goods are sent, which request is not to be implied or inferred from any silence or inaction on the part of such a person; or
 - (ii) RD states prominently, in writing and in a document sent in the same package as the goods, that no claim is made to payment for the goods and the recipient has no liability in respect of the goods;
 - (b) no invoices or other documents asserting a right to payment for goods are sent to a customer or other member of the general public unless, at the time the invoice or document is sent, RD has received a request for the goods, from or on behalf of the person to whom the invoice or document is to be sent, which request is not to be implied or inferred from any silence or inaction on the part of such a person; and
 - (c) RD's employees and agents do not, orally or in writing, assert a right to payment for goods from a customer or other member of the general public unless, at the time the assertion is made, RD has received a request for the goods, from or on behalf of the person to whom the assertion is made, which request is not to be implied or inferred from any silence or inaction on the part of such a person;
 - (d) complaints as to the receipt of unsolicited goods are resolved expeditiously; and
 - (e) requests from customers or other members of the general public to the effect that no goods be sent to that person without a prior request are complied with expeditiously (collectively, "**Revised Internal Operations**").
2. RD will appoint a senior officer to manage the implementation of the Revised Internal Operations ("**Internal Operations Revision Manager**"). The Internal Operations Revision Manager will be appointed within 1 month of the date of acceptance of these Undertakings by the Commission. RD will ensure that the Internal Operations Revision Manager has experience in change management.
3. Within 1 month of the appointment of the Internal Operations Revision Manager, RD must retain an independent Management Auditor to:
 - (a) review RD's internal operations for compliance with sections 52, 53 and 64 of the Trade Practices Act 1974 (the "**Act**"); and

- (b) provide written report of the review which includes recommendations to implement the Revised Internal Operations and otherwise revise RD's internal operations with a view to assisting RD's compliance with sections 52, 53 and 64 of the Act ("**Recommendations**").

RD will use its reasonable endeavours to ensure that the Management Auditor will provide the Recommendations within 2 months of being retained. RD must provide a copy of the Recommendations to the Commission within 10 days of RD receiving it. Upon appointment, RD will notify the Commission of the identity of the independent Management Auditor, and acknowledges that the Commission may communicate with the auditor concerning the review to be undertaken.

4. RD will implement the Recommendations within 3 months of the provision of the Recommendations.
5. RD will by 31 August 2005 retain the Management Auditor to conduct an audit of the implementation of the Recommendations and, within one month of that audit, provide a written report in relation to the audit ("**Audit Report**").
6. RD must provide a copy of the Audit Report to the Commission within 10 days of RD receiving it. If the Audit Report finds that any of the Recommendations have not been implemented to the satisfaction of the Management Auditor, a further audit in accordance with paragraph 5 above must be carried out no later than 31 August 2006 and a written report of that audit must be provided to the Commission within 10 days of RD receiving it.

ANNEXURE "C"

1. The notice:
 - (a) shall appear on the right hand side of a right hand-page within the first 7 pages of the newspaper, occupying a space not less than 280mm x 4 columns;
 - (b) shall include the logo of Reader's Digest (Australia) Pty Ltd as appearing in the draft notice in paragraph 2 below; and
2. The notice shall be as set out below.

PUBLIC DISCLOSURE

READER'S DIGEST (AUSTRALIA) PTY LTD

[Reader's Digest Logo]

Reader's Digest has provided an enforceable undertaking to the Australian Competition and Consumer Commission. In this undertaking we acknowledge that due to a failure in our processes we sent to some customers products which they had not requested, then demanded payment for those unsolicited goods when we did not have reasonable cause to believe we were entitled to payment, conduct which is contrary to sections 52, 53(g) and 64 of the Trade Practices Act, 1974 ("Act")

We have undertaken to take steps to review our system and processes to ensure that the same conduct does not occur in the future.

We have undertaken to implement a trade practices compliance program and have engaged an independent auditor to check our processing systems to ensure future compliance with the Act.

This advertisement has been paid for by Reader's Digest and placed because of an enforceable undertaking given by Reader's Digest to the Australian Competition and Consumer Commission (ACCC) [ACCC logo]

ANNEXURE "D"

ANNEXURE "E"

ANNEXURE "F"

1. The web-site notice:
 - (a) shall be legible and the type shall be at least 12 point, Times New Roman font and right and left justified;
 - (b) shall have a bold type prominent heading in at least 18 point;
 - (c) shall display the Reader's Digest logo at the top;
 - (d) shall appear in an automatically generated active pop-up window or message box, whereby a member of the public is required to interact with the window or message box to close it;
 - (e) shall not be less than 50% of the size of the computer screen; and
 - (f) shall appear immediately upon access by a customer to the website located at URL:www.readersdigest.com.au (or if that URL is replaced or changed, the website located at the replacement URL).
2. The notice shall be as set out below.

PUBLIC DISCLOSURE

READER'S DIGEST (AUSTRALIA) PTY LTD

[Reader's Digest Logo]

Reader's Digest has provided an enforceable undertaking to the Australian Competition and Consumer Commission. In this undertaking we acknowledge that due to a failure in our processes we sent to some customers products which they had not requested, then demanded payment for those unsolicited goods when we did not have reasonable cause to believe we were entitled to payment, conduct which is contrary to sections 52, 53(g) and 64 of the Trade Practices Act, 1974 ("Act").

We have undertaken to take steps to review our system and processes to ensure that the same conduct does not occur in the future.

We have undertaken to implement a trade practices compliance program and have engaged an independent auditor to check our processing systems to ensure future compliance with the Act.

This advertisement has been paid for by Reader's Digest and placed because of an enforceable undertaking given by Reader's Digest to the Australian Competition and Consumer Commission (ACCC). [ACCC logo]