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M E M O R A N D U M

To: All Visy Employees
From: Richard Pratt
Date: 8 October 2007
Subject **ACCC Settlement**

Visy Board (Visy) and the Australian Competition and Consumer Commission (ACCC) have reached an agreed settlement of the legal action taken by the ACCC against Visy in December 2005.

Details of the settlement agreement must remain confidential until it is submitted to the Federal Court for consideration. However for the purposes of settlement, Visy Board, Visy group CEO Harry Debney and former Visy Board General Manager Rod Carroll have accepted responsibility for many of the matters put against them. I have accepted responsibility for comments made by me to the then Amcor CEO Russell Jones when he invited me to lunch.

At the time the ACCC commenced the action, Visy said that if the evidence showed there had been breaches of the Trade Practices Act (TPA), we would face the consequences. The company has now examined the evidence and we have a better understanding of what occurred. It is now apparent to us that Visy executives erred when they had discussions with Amcor and sought to out-manoeuvre them as part of Visy's pursuit of market share gains.

Visy takes its obligations under the TPA very seriously. The company deeply regrets what happened and its poor appreciation of the complexities and applications of the various provisions. We understand the situation may cause concerns among our customers, staff, suppliers and other key stakeholders. We apologise to all those concerned by these events.

Even before the ACCC launched its action, Visy was taking steps to ensure that there would be much greater understanding of the Trade Practices Act and our compliance obligations across the entire Visy business. I have insisted that we remain vigilant to ensure this commitment is maintained. Early last year I appointed former ACCC Chairman Professor Allan Fels to chair our Trade Practices Compliance Committee and Professor Fels continues to oversee our ongoing TPA compliance and training programs with the involvement of senior management.

The company has acted on every one of the Committee's recommendations. Every relevant Visy employee has now undergone Trade Practice Compliance Training and TPA education programs will continue under the guidance of legal firm Blake Dawson Waldron. In this and future years, Visy will report on its ongoing TPA compliance activities as part of our annual public stakeholder report.

Visy's actions were motivated by a desire to take advantage of our competitor.

By contrast, nothing is more important to Visy than the relationships with our customers. We believe that actual market outcomes demonstrate that our behaviour did not disadvantage our customers. But if any customer has concerns we will investigate them.

Visy has recently established a special information line to deal with customer inquiries about this issue and we encourage customers who have questions to access the information line through their Visy sales representative. Employees who have concerns should speak to their supervisor who will put them in touch with the response centre.

Visy has always run its own race and will continue to do so but with greater attention to the TPA. For almost 50 years I have set volume growth through re-investment in new capacity and technologies as the company's prime objective. Growth was the goal in the period 2000-2004 and it remains so today. Visy continues to win market share through aggressive pricing, value generation and competitive tactics.

An examination of the marketplace outcomes shows Visy's market share in corrugated boxes during the period 2000-2004 increased from approximately 46% to approximately 55% while Amcor's fell from approximately 45% to 36%.

At the end of 2004, Visy's average box prices were lower than they were 10 years earlier in real (CPI adjusted) terms.

Visy has been able to win market share and keep prices down by investing more than \$200 million in new box making technology and capacity expansion since 2000. This was on top of the more than \$500 million invested in environmentally friendly paper making to improve box performance.

It will be a difficult time in coming weeks as there will be considerable public scrutiny of what has occurred. However, Visy will focus on what we have always sought to do, delivering value for our customers.



Richard Pratt
Chairman