

Case EC/03JJ (Online Food Delivery Platforms)

Commitment made by Deliveroo Hong Kong Limited and Deliveroo plc to the Competition Commission pursuant to section 60 of the Competition Ordinance (Cap. 619)

Recitals

- (1) Deliveroo agrees to make the following Commitment under section 60 of the Ordinance, with the objective of addressing the Commission's concerns about a possible contravention of the First Conduct Rule under section 6(1) of the Ordinance in relation to Deliveroo's provision of the Relevant Services to its Partner Restaurants through its online platform in Hong Kong.
- (2) In particular, the Commission has concerns about Deliveroo:
 - a. imposing terms and conditions which (i) offer lower commission rates to Partner Restaurants who partner exclusively with Deliveroo for the Relevant Services, and (ii) hinder the ability of Partner Restaurants to switch from Exclusive Terms to Non-Exclusive Terms; and
 - b. requiring Partner Restaurants to charge the same prices for menu items on Deliveroo's platform for Order to Deliver Services as they charge for those items on their direct dine-in channel.
- (3) The Commission is concerned that the conduct set out in recital (2) above may have the effect of preventing, restricting or distorting competition in the Order to Deliver Services market in Hong Kong in the following respects:
 - a. the conduct described in recital (2)a above may have the effect (when viewed alongside similar conduct by other players in the market (e.g. Foodpanda)) of foreclosing Low Market Share Platforms from the Order to Deliver Services market in Hong Kong, by deterring restaurants from using Low Market Share Platforms and by creating a barrier to entry and in particular expansion for such platforms; and
 - b. the price parity requirement set out in recital (2)b above may have the effect of preventing Partner Restaurants from setting lower prices on their direct channels, or of decreasing incentives of restaurants to do so, thus reducing Deliveroo's incentive to compete with Partner Restaurants' direct channels as well as the incentive of Deliveroo and other platforms to compete with each other.

- (4) The Commission opened an investigation in relation to the above referenced conduct by Deliveroo and similar conduct by Foodpanda on 8 September 2021 with the case number EC/03JJ.
- (5) The Commitment is made on a voluntary basis by Deliveroo in return for the Commission, in accordance with section 60(4) of the Ordinance, not continuing its investigation and not bringing proceedings in the Tribunal in Case EC/03JJ insofar as that investigation or those proceedings relate to matters that are addressed by this Commitment.
- (6) The offering of this Commitment by Deliveroo does not constitute an admission by Deliveroo of a contravention of the First Conduct Rule.
- (7) In view of the potential for market developments to occur before this Commitment expires in accordance with its terms, mechanisms are included which allow for its operation to be varied on the occurrence of specified events. These are calculated by reference to the market shares of Deliveroo and third parties. Such mechanism is without prejudice to the general powers of the Commission to vary, substitute or release commitments pursuant to section 62 of the Ordinance. In giving the Commitment including these terms, Deliveroo recognises the need for it to provide, when seeking to avail itself of such mechanisms, market share data based on order values which are so far as reasonably practicable full, complete and calculated so as to give a fair and accurate representation of the market positions of itself and third parties.

1. Interpretation

- 1.1. For the purpose of this Commitment, the following terms shall have the following meanings:
 - a. **“10% Market Share”** means a monthly market share by order value, measured in any calendar month since the Effective Date, of 10% for Order to Deliver Services;
 - b. **“30% Market Share”** means a monthly market share by order value, measured in two consecutive calendar months since the Effective Date, of 30% for Order to Deliver Services;
 - c. **“Affiliate”** means a subsidiary controlled by the entity concerned, a holding company controlling the entity concerned, or a subsidiary controlled by such a holding company;

- d. **“Agreement”** means any agreement, arrangement, understanding, promise or undertaking, whether express or implied, written or oral, and whether or not enforceable or intended to be enforceable by legal proceedings;
- e. **“Breach of Exclusivity Provisions”** means any provisions contained in any of Deliveroo’s Agreements with Partner Restaurants in relation to switching from Exclusive Terms to Non-Exclusive Terms, insofar as such provisions:
 - (i) allow Deliveroo to (a) remove the Partner Restaurant from its platform, (b) cease Deliveroo’s marketing activities on behalf of the Partner Restaurant (for the avoidance of doubt, not including provisions pursuant to which Deliveroo may cease or reduce marketing activities as a result of changes in forecasted or historical sales of Partner Restaurants), (c) restrict the Partner Restaurant from procuring or otherwise suspend any of Deliveroo’s services, including the Relevant Services, or (d) terminate any Agreement with the Partner Restaurant with immediate effect;
 - (ii) allow Deliveroo to claw back from Partner Restaurants the difference between the Exclusive Commission Rate and the Non-Exclusive Commission Rate from the date of the commencement of the relevant Agreement;
 - (iii) restrict Partner Restaurants from approaching for talks or negotiations, entering into any Agreement or otherwise have any dealings with any third party online platforms providing the Relevant Services; or
 - (iv) in any other way restrict Partner Restaurants from, or penalise them for, switching from Exclusive Terms to Non-Exclusive Terms,

(for the avoidance of doubt, not including provisions (i) pursuant to which Deliveroo charges the Non-Exclusive Commission Rate to Partner Restaurants which switch from Exclusive Terms to Non-Exclusive Terms or (ii) permitted by operation of clause 2.3 below);
- f. **“Commission”** means the Competition Commission established by section 129 of the Ordinance;
- g. **“Commitment”** means the commitment made by Deliveroo hereunder pursuant to section 60 of the Ordinance;
- h. **“Court”** means the Tribunal, and other courts of Hong Kong;

- i. **“Customer”** means any person who purchases food and/or beverages in Hong Kong;
- j. **“Deliveroo”** means Deliveroo plc and Deliveroo Hong Kong Limited, including entities over which Deliveroo plc and/or Deliveroo Hong Kong Limited directly or indirectly hold or acquire a controlling interest, and all platforms that Deliveroo plc and/or Deliveroo Hong Kong Limited operate now or in the future in Hong Kong, and which relate to the provision of the Relevant Services;
- k. **“Effective Date”** means the date on which Deliveroo receives a Notice of Acceptance from the Commission;
- l. **“Exclusive Commission Rate”** means the commission rate that Deliveroo charges Partner Restaurants under the Exclusive Terms;
- m. **“Exclusive Terms”** means the terms contained in any of Deliveroo’s Agreements with Partner Restaurants that apply the Exclusive Commission Rate and require the Partner Restaurant to partner only with Deliveroo;
- n. **“Foodpanda”** means Delivery Hero Food Hong Kong Limited (prior to 16 September 2020 known as Rocket Food Limited), including entities over which Delivery Hero Food Hong Kong Limited directly or indirectly holds or acquires a controlling interest, and in respect of all platforms that Delivery Hero Food Hong Kong Limited operates now or in the future in Hong Kong, and which relate to the provision of the Relevant Services;
- o. **“Hong Kong”** means the Hong Kong Special Administrative Region of the People’s Republic of China;
- p. **“Low Market Share Platforms”** means third party platforms (including their Affiliates), other than Foodpanda and any other platform which exceeds a 10% Market Share (as demonstrated by Deliveroo or Foodpanda to the Commission pursuant to clause 3.6 or 3.7 below);
- q. **“Non-Exclusive Commission Rate”** means the commission rate that Deliveroo charges Partner Restaurants under the Non-Exclusive Terms;
- r. **“Non-Exclusive Terms”** means the terms which Deliveroo applies to a Partner Restaurant where the Exclusive Terms do not apply;

- s. **“Notice of Acceptance”** means a notice in writing provided by the Commission to Deliveroo under section 60(6)(a) of the Ordinance of the Commission’s decision to accept the Commitment;
- t. **“Order to Deliver Services”** means the services in Hong Kong whereby Customers order prepared food and/or beverage items from Restaurants on an online platform which is not an Affiliate of the relevant Restaurant, and the platform or the relevant Restaurant arranges delivery of the food and/or beverages from the relevant Restaurant to Customers;
- u. **“Order to Pick Up Services”** means the services in Hong Kong whereby Customers order prepared food and/or beverage items from Restaurants on an online platform which is not an Affiliate of the relevant Restaurant for pick up by the Customer from the relevant Restaurant;
- v. **“Ordinance”** means the Competition Ordinance (Cap. 619);
- w. **“Partner Restaurant”** means any Restaurant which acquires one or both of the Relevant Services from Deliveroo, other than Restaurants which operate under Deliveroo’s Editions model;
- x. **“Price Restriction Provisions”** means any provisions contained in any of Deliveroo’s Agreements with Partner Restaurants, insofar as such provisions require Partner Restaurants to charge the same prices for menu items on Deliveroo’s platform for Order to Deliver Services as they charge for those items on their direct dine-in channel for dine-in purposes;
- y. **“Relevant Provisions”** means the Breach of Exclusivity Provisions and the Price Restriction Provisions;
- z. **“Relevant Services”** means the provision of Order to Deliver Services and Order to Pick Up Services in Hong Kong;
- aa. **“Restaurant”** means catering businesses that offer prepared food and/or beverage items for consumption on their premises in Hong Kong or take-away or pick-up, including full service restaurants, quick service restaurants, fast food restaurants, pizzerias, cafes, coffee shops and dessert shops; and
- bb. **“Tribunal”** means the Competition Tribunal established by section 134 of the Ordinance.

- 1.2. For the purposes of calculating market shares, a market of only online platforms that provide Order to Deliver Services in Hong Kong is to be used. This is without prejudice to the position to be adopted by Deliveroo or the Commission in any other context or proceedings.

2. Substantive Commitment

Cessation of conduct

- 2.1. Deliveroo commits from the Effective Date not to enforce any Relevant Provisions with respect to any existing Agreements applicable to Partner Restaurants and issued before the Effective Date.
- 2.2. Deliveroo commits from the Effective Date not to enter into any new Agreement with a Partner Restaurant which includes any of the Relevant Provisions.

Amendment of contractual documentation

- 2.3. Within 90 calendar days from the Effective Date, Deliveroo will (i) amend its contractual documentation for existing Partner Restaurants; and (ii) update its template Agreements for future Partner Restaurants, so as to in clear and unambiguous language:
 - a. remove any Relevant Provisions;
 - b. provide that Partner Restaurants may switch from Exclusive Terms to Non-Exclusive Terms and specify that the Breach of Exclusivity Provisions will not apply;
 - c. insofar as Partner Restaurants are required to provide notice to switch from Exclusive Terms to Non-Exclusive Terms, provide for a period of notification which does not exceed 2 months;
 - d. insofar as a Partner Restaurant may be subject to a clawback of the Exclusive Commission Rate where it fails to notify Deliveroo that it has started to work with another platform (other than a Low Market Share Platform), provide that Deliveroo may charge Partner Restaurants retroactively the difference between the Exclusive Commission Rate and the Non-Exclusive Commission Rate only for the period:
 - i. starting from the date on which the Partner Restaurant started to work with the other platform; or

- ii. if Deliveroo is unable to ascertain the date on which the Partner Restaurant started to work with the other platform for a period of 2 months from Deliveroo's discovery of the same;
- e. specify an Exclusive Commission Rate and a Non-Exclusive Commission Rate in each Agreement entered into between Deliveroo and a Partner Restaurant, while not excluding the right of Deliveroo to apply different commission rates to different Partner Restaurants which may be revised from time to time;
- f. specify that any Exclusive Commission Rate or obligation of exclusivity agreed between Deliveroo and a Partner Restaurant do not prevent the Partner Restaurant from partnering, having any communication or entering into Agreements for the Relevant Services with any Low Market Share Platforms;
- g. provide that Partner Restaurants may:
 - (i) charge prices for their menu items on their direct delivery channels that are lower than the prices which they charge on Deliveroo's platform for Order to Deliver Services, subject to the condition that the latter prices may not exceed the Partner Restaurant's direct delivery channel price marked up by the commission rate charged by Deliveroo for Order to Deliver Services;
 - (ii) charge prices for their menu items on their direct dine-in channels that are lower than the prices which they charge on Deliveroo's platform for Order to Deliver Services; and
- h. for the avoidance of doubt, notwithstanding clause 2.3(g), Deliveroo may offer compensation to Partner Restaurants that agree to match the prices they offer on Deliveroo's platform with the prices at their direct delivery channels, with the effect that Deliveroo would absorb all of the commission charged by Deliveroo, so as to encourage lower prices for consumers.

General publication

- 2.4. Within 90 calendar days from the Effective Date, Deliveroo will issue a communication to all Partner Restaurants which confirms in clear and unambiguous language the amendments made in Deliveroo's Agreements with Partner Restaurants in accordance with clause 2.3 above.

- 2.5. The communication in clause 2.4 should be undertaken according to one or more of the means which Deliveroo usually relies on to promote its products and services to its Partner Restaurants.

Non-circumvention

- 2.6. Deliveroo commits not to in any way circumvent, or otherwise frustrate the operation of, the Commitment.

3. Reporting on compliance with the Commitment

Written report

- 3.1. Within 120 calendar days from the Effective Date, Deliveroo will provide a written report to the Commission, signed by an authorised officer confirming that to the best of his/her knowledge, Deliveroo has abided by the Commitment set out in clauses 2.1 to 2.6 above.
- 3.2. The written report shall include, among other things, an explanation of the specific steps taken by Deliveroo to comply with the above clauses and copies of supporting documentation, including but not limited to:
- a. copies of (i) amended contractual documentation pursuant to clause 2.3 above, including the effective date(s) of entry into force of the amended contractual documentation; and (ii) updated template Agreements with Partner Restaurants;
 - b. copies of relevant internal communications made to relevant staff members informing them that:
 - (i) pursuant to clause 2.1 above, any existing Relevant Provisions should not be enforced;
 - (ii) pursuant to clauses 2.2 and 2.3 above, the relevant amended versions of the contractual documentation and template Agreements should be issued and applied after the Effective Date; and
 - c. copies of relevant communications with Deliveroo's existing Partner Restaurants notifying them of the amendments in accordance with clause 2.4 above.

Annual compliance statement

- 3.3. Deliveroo will provide a compliance statement to the Commission, on an annual basis as set out in clause 3.5 below, signed by an authorised officer confirming that to the best of his/her knowledge, Deliveroo continues to abide by the Commitment set out in clauses 2.1 to 2.6 above.
- 3.4. The compliance statement shall provide the confirmation that Deliveroo has since the Effective Date:
- a. not enforced the Relevant Provisions;
 - b. not included the Relevant Provisions in any new Agreements with Partner Restaurants;
 - c. not included the Relevant Provisions in any online or offline publications, communications or information leaflets; and
 - d. not received any complaints or has appropriately dealt with any complaints received regarding its compliance with this Commitment. If such complaints were received, details of the nature of such complaints and how they were dealt with should be provided as part of the compliance statement.
- 3.5. The first compliance statement is due on or before 13 months from the submission of the written report in clause 3.1, while the subsequent compliance statement should be provided 12 months following the submission of the first compliance statement. In addition, Deliveroo will provide a compliance statement one month before the Commitment is due to expire in accordance with clause 4.2.

Amendment of the status of Low Market Share Platforms

- 3.6. Should Deliveroo consider that a third party platform is no longer a Low Market Share Platform on the basis that it exceeds a 10% Market Share, the following process shall apply:
- a. Deliveroo may submit, no more than four times within a one-year period, the relevant market share calculations in support of its position to the Commission in writing, which must include the underlying data as well as a description of the data sources, how the data was collected, any assumptions used and the rationale for any underlying choices and assumptions made by Deliveroo so as to demonstrate

that they give a fair and accurate representation of the market positions of itself and third parties;

- b. Deliveroo acknowledges that the Commission may notify Foodpanda of the receipt of a notification under these provisions and may decide to align the process for considering its notification under these provisions with any process for considering a notification made by Foodpanda under the equivalent provision of any commitment given by it;
- c. Deliveroo agrees that the Commission will not provide any indication whether or not it considers the platform exceeds a 10% Market Share unless and until Deliveroo has fully complied with the requirements in clause 3.6(a) and the Commission has provided written confirmation of the same to it, and where appropriate, Foodpanda (such written confirmation to be provided promptly and not unreasonably withheld);
- d. For the purpose of verifying Deliveroo's market share calculations submitted in accordance with clause 3.6(a), the Commission may conduct its own assessment and gather information from third parties;
- e. Deliveroo shall have the right to stop treating any third party platform as a Low Market Share Platform for the remainder of the term of this Commitment upon the occurrence of the earlier of the following events:
 - (i) on the day the Commission indicates in writing to Deliveroo that it considers that, in its reasonable opinion, the platform exceeds a 10% Market Share; or
 - (ii) within two months after the Commission has confirmed that Deliveroo has provided all information as required in clause 3.6(a) above, if within that period, the Commission has not indicated in writing whether or not it considers that the third party platform exceeds a 10% Market Share,

and thereafter clauses 2.1 to 2.6 above shall be interpreted so as to permit Deliveroo to make any Exclusive Commission Rate or obligation of exclusivity agreed between Deliveroo and a Partner Restaurant conditional upon the Partner Restaurant not partnering with the platform concerned.

- 3.7. Deliveroo's right to stop treating a third party platform as a Low Market Share Platform pursuant to clause 3.6(e) will also apply from the day the Commission indicates in writing to Deliveroo that it considers that the platform exceeds, or is deemed to exceed, a 10%

Market Share following a notification made by Foodpanda under the equivalent provisions of any commitment given by it.

Provision of information to the Commission

3.8. To assist the Commission with verifying, determining or securing compliance with the Commitment or any commitment that the Commission accepts from Foodpanda, the Commission may request Deliveroo to provide documents and/or information to the Commission. Deliveroo shall provide the Commission with the requested documents and/or information within 14 calendar days of the Commission's request or such other period as the Commission reasonably determines.

4. Effective Date and duration

4.1. This Commitment shall enter into force and take effect from the Effective Date.

4.2. This Commitment shall remain in force for a period of three years commencing on the Effective Date unless, at an earlier date:

- a. the Commission withdraws acceptance of the Commitment under section 61 of the Ordinance;
- b. the Commission accepts from Deliveroo a variation of the duration of the Commitment or a new Commitment in substitution for it under section 62(1) of the Ordinance;
- c. the Commission releases Deliveroo from the Commitment under section 62(2) of the Ordinance; or
- d. Deliveroo has demonstrated to the Commission that it has fallen below a 30% Market Share, in compliance with the process specified in clause 4.3 below.

4.3. Should Deliveroo consider that it has fallen below a 30% Market Share, the following process shall apply:

- a. Deliveroo may submit, no more than four times within a one-year period, the relevant market share calculations in support of this position to the Commission in writing, which must include the underlying data as well as a description of the data sources, how the data was collected, any assumptions used and the rationale for any underlying choices and assumptions made by Deliveroo so as to

demonstrate that they give a fair and accurate representation of the market positions of itself and third parties;

- b. For the purpose of verifying Deliveroo's market share calculations submitted in accordance with clause 4.3(a), the Commission may conduct its own assessment and gather information from third parties;
- c. Deliveroo agrees that the Commission will not provide any indication whether or not it considers that Deliveroo has fallen below a 30% Market Share unless and until Deliveroo has fully complied with the requirements in clause 4.3(a) and the Commission has provided written confirmation of the same (such written confirmation to be provided promptly and not unreasonably withheld);
- d. Deliveroo shall cease to be bound by the Commitment upon the occurrence of the earlier of the following events:
 - (i) on the day the Commission indicates in writing that it considers that, in its reasonable opinion, Deliveroo has fallen below a 30% Market Share; or
 - (ii) within two months after the Commission has confirmed that Deliveroo has provided all information as required in clause 4.3(a) above, if within that period, the Commission has not indicated in writing whether or not it considers that Deliveroo has fallen below a 30% Market Share.

5. Transfer or assignment

- 5.1. For the avoidance of doubt, in the event that Deliveroo plc and/or Deliveroo Hong Kong Limited transfers its contracts with Partner Restaurants to another subsidiary of Deliveroo plc and/or Deliveroo Hong Kong Limited, this Commitment will apply equally to such subsidiary.
- 5.2. In the event that any of Deliveroo's contractual obligations relating to the Relevant Provisions are transferred or assigned to another party, Deliveroo will notify the Commission at least 14 calendar days ahead of time of such transfer or assignment and will use its best endeavours to ensure that this Commitment continues to apply with respect to the transferred or assigned contractual obligations.

6. Miscellaneous

- 6.1. Any written notice or communication to the Commission pursuant to this Commitment shall be delivered by registered mail or by e-mail as follows:

For the attention of Head (Investigations II)

Case EC/03JJ

Competition Commission

19/F, South Island Place,

8 Wong Chuk Hang Road,

Wong Chuk Hang, HONG KONG

E-mail: commitments@compcomm.hk

- 6.2. This Commitment is governed by, and shall be construed in accordance with, the laws of Hong Kong. Deliveroo agrees that the Court has jurisdiction to determine any proceedings arising out of or in connection with this Commitment and the matters to which it relates, including any proceedings brought by the Commission.

MADE by Deliveroo Hong Kong Limited and Deliveroo plc through their authorised signatories:

SIGNED for and on behalf of Deliveroo Hong Kong Limited

Date:

Name:

Position:

SIGNED for and on behalf of Deliveroo plc

Date:

Name:

Position: