

# **CMA Informal Guidance: Green Agreements Guidance**

**Builders Merchants Federation's supply chain  
initiative**

**28 March 2025**

# CMA INFORMAL GUIDANCE:

## Builders Merchants Federation: supply chain initiative

### BACKGROUND

#### The request

- 1.1 The Competition and Markets Authority (**CMA**) has reviewed the request from the Builders Merchants Federation (**BMF**)<sup>1</sup> seeking informal guidance under the CMA's *Green Agreements Guidance: Guidance on the application of the Chapter 1 prohibition of the Competition Act 1998 to environmental sustainability agreements (the Guidance)*.<sup>2</sup>
- 1.2 The request relates to a proposal being considered by BMF's sustainability working group in conjunction with its founding members: Travis Perkins Group, h&b buying group, Kier and Grafton Group. Following an initial request from BMF for informal guidance on 13 February 2024 and discussion with the CMA, BMF submitted a revised proposal on 9 June 2024. For the purposes of this informal guidance the CMA has assessed this amended proposal (the **Proposal**).<sup>3</sup> BMF followed up with a self-assessment of the benefits of the Proposal under section 9 of the Competition Act 1998 (the **Act**) on 8 August 2024, which the CMA also took into account in its assessment.
- 1.3 The Proposal is described at paragraph 1.20 and includes a recommendation by BMF that the industry uses a single provider of supply chain assurance services (the '**single preferred platform**' model). Under the Proposal, BMF would select a company called 'Verisio' to provide the single preferred platform initially.

#### BMF

- 1.4 BMF is a trade association for building materials supply and the fourth largest trade association by members in the construction sector.<sup>4</sup> It represents and promotes the interests of merchants and their suppliers of building materials and services in the UK and Ireland.<sup>5</sup> BMF describes itself as the authoritative body for building materials distribution and an active hub of merchant and supplier activity, working closely with allied industry groups and regulatory bodies to ensure issues affecting members are addressed promptly and effectively.<sup>6</sup>

<sup>1</sup> See paragraph 1.4 and 1.5 below for an explanation of BMF's name and its membership.

<sup>2</sup> Defined terms used in this document have the same meaning as in the Guidance unless otherwise defined. [Guidance on environmental sustainability agreements - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/guidance-on-environmental-sustainability-agreements)

<sup>3</sup> The initial request included a limited self-assessment of the original proposal. The revised proposal contained a more developed proposal with further self-assessment.

<sup>4</sup> [Our commitment to you \(bmf.org.uk\)](https://www.bmf.org.uk/our-commitment-to-you) [Accessed on 15 January 2025].

<sup>5</sup> Including builders merchants, plumbing merchants, heating merchants, roofing merchants, decorative merchants, and timber merchants.

<sup>6</sup> [About Builders Merchants Federation](https://www.bmf.org.uk/about-builders-merchants-federation) [Accessed on 3 February 2025].

1.5 The total membership of BMF as of January 2025 was 1,020 companies which together have combined sales of over £50.2 billion and employed just under 203,000 people in the building materials industry. The BMF's 535 merchant members collectively have over 6,500 branches across the UK and Ireland.<sup>7</sup>

### **The informal guidance**

1.6 This document provides informal guidance to BMF on how the Guidance applies to the Proposal. The purpose of CMA informal guidance is not to provide a definitive statement on the legality of an agreement, but to provide clarity on the application of the Guidance, and comfort on the CMA's expected approach to taking enforcement action, in light of the information provided by BMF.

1.7 The CMA is publishing this informal guidance as doing so may provide more clarity or comfort to other businesses considering entering into similar environmental sustainability agreements. This informal guidance should be read in conjunction with the Guidance. As explained in the Guidance, the CMA prepares its informal guidance on the basis of publicly available information and the parties' submitted facts and does not market-test the statements and assessments they contain.<sup>8</sup> In particular, the assurances set out in the informal guidance (see section 'Further Comments' below) are provided on the condition that the parties did not withhold relevant information from the CMA which would have made a material difference to its initial assessment under the open-door policy.<sup>9</sup>

1.8 As set out in the Guidance, BMF should keep the Proposal under review to ensure it continues to correspond clearly to the principles of the Guidance and that there are no new factors which would make a material difference to the initial assessment set out in this informal guidance.<sup>10</sup>

1.9 The CMA informal guidance does not however take a position on the merit of selecting Verisio as the initial provider under the Proposal as opposed to another provider, nor on whether the quality of the service that would be offered by the provider of the single preferred platform (eg by Verisio) would be sufficient. It should be noted that the CMA's Green Claims Code,<sup>11</sup> which provides guidance on making environmental claims on goods and services, is relevant for the Proposal. Further, in line with the Code, businesses should consider carefully whether any scheme provides sufficient substantiation for any environmental claim it wishes to make in marketing or advertising without misleading customers.

<sup>7</sup> [About Builders Merchants Federation](#) [Accessed on 3 February 2025].

<sup>8</sup> See '*Informal assessment by the CMA*', paragraphs 7.8 to 7.11 of the Guidance.

<sup>9</sup> Paragraph 7.13 of the Guidance.

<sup>10</sup> Paragraphs 1.13, 7.1 and 7.13 of the Guidance.

<sup>11</sup> [Green Claims Code](#)

## Background to the Proposal

### *Supply chain assurance services*

- 1.10 Businesses are increasingly focusing on ensuring that their supply chains are aligned with their environmental values and obligations. For instance, the Chartered Institute of Internal Auditors noted that stakeholders, regulators, and customers are demanding greater transparency and accountability for organisations' environmental, social and governance (**ESG**) practices within their supply chains.<sup>12</sup>
- 1.11 Supply chain assurance providers estimate the environmental impact of a business's supply chain. This information is often displayed and tracked on a digital platform, providing tools for businesses to visualise, analyse and manage any identifiable issues. Amongst other things, these platforms help businesses to integrate carbon footprints into procurement processes, and to report to customers and investors on progress reducing emissions.<sup>13</sup> In some cases, businesses may also market or advertise their membership, or rely on it to make environmental claims to consumers.
- 1.12 For the last four years, Travis Perkins (the UK's largest distributor of building materials) has been using a third-party supply chain assurance provider, 'Verisio'. Verisio was chosen by Travis Perkins following a competitive tendering process.<sup>14</sup> Travis Perkins developed an ESG questionnaire for suppliers to complete. The content of suppliers' responses and Verisio's rating of suppliers is accessed by Travis Perkins via Verisio's platform.<sup>15</sup>
- 1.13 Verisio and other competing supply chain assurance providers also offer associated value-added services, such as consultancy and training services to support businesses to improve their ESG credentials. For example, Verisio offers training services on issues such as modern slavery and due diligence and client bespoke audits to meet specific requirements.<sup>16</sup> Verisio's competitor, Achilles, offers training courses,<sup>17</sup> and Sedex offers bespoke sustainability solutions for businesses.<sup>18</sup>

<sup>12</sup> Chartered Institute of Internal Auditors report, Supply Chain Risks Part 1- Supply Chain ESG Risks: Harnessing the Potential of Internal Audit, page 2: [Supply-chain-esg-risks-report.pdf](#) [Accessed 3 February 2025].

<sup>13</sup> Chapter 2.1 ('Accuracy'), page 15 of World Economic Forum and OECD white paper, Emissions Measurement in Supply Chains: Business Realities and Challenge, November 2023. [https://www3.weforum.org/docs/WEF\\_Emissions\\_Measurement\\_in\\_Supply\\_Chains\\_2023.pdf](https://www3.weforum.org/docs/WEF_Emissions_Measurement_in_Supply_Chains_2023.pdf) [Accessed 3 February 2025].

<sup>14</sup> Call between BMF and the CMA, 7 March 2024. According to BMF, Travis Perkins put out a tender to a variety of businesses and, according to it, there were around 10 businesses which could have potentially delivered the service. Travis Perkins chose Verisio following completion of the tender exercise.

<sup>15</sup> Verisio's 'Optimus' platform.

<sup>16</sup> Verisio also makes reference on its website to how its '*assessment[s] can help clients understand their environmental performance, develop strategies to reduce their ecological footprint and communicate their commitment to sustainability.*'

<sup>17</sup> [Sustainable supply chains | Achilles](#) [Accessed 3 February 2025].

<sup>18</sup> [Sedex: Sustainable business and supply chain solutions](#) [Accessed 3 February 2025].

## *Greenhouse gas emissions by the sector*

- 1.14 The manufacturing and construction sector accounts for around 10-15% of UK Greenhouse gas (**GHG**) emissions.<sup>19</sup> Merchants act as intermediaries within this sector, sourcing materials from suppliers upstream and then supplying building companies downstream. They play a key role in providing the construction industry with materials and are therefore well placed to improve the availability of materials with a lower environmental impact.<sup>20</sup> Merchant supply chains can also influence emissions in other sectors by virtue of the impact on products they sell, for example for heating homes.
- 1.15 The Climate Change Committee (**CCC**) states that substituting materials can reduce manufacturing emissions by switching from high-embodied carbon materials to low-embodied carbon materials, for example by using wood in construction and replacements for clinker in cement. The CCC also identifies other abatement mechanisms for the sector.<sup>21</sup>

## *Use of supply chain assurance services by the merchants*

- 1.16 BMF told the CMA that merchants are increasingly under pressure to demonstrate robust, objective and audited supply chain assessments.<sup>22</sup> BMF submitted that stakeholders are demanding that merchants that are publicly listed (or those of a larger size with a more developed ESG strategy) address the question of responsible sourcing. In addition, BMF submitted that Government-backed construction projects require contractors to demonstrate the environmental impact of their supply chain.<sup>23</sup>
- 1.17 BMF explained that a number of its members have been working independently on developing bespoke supply chain assurance schemes through various third-party providers.<sup>24</sup> BMF indicated that, whilst such schemes have been viable, they expect that these schemes, developed from scratch, may not be as effective as the existing scheme provided by Verisio to Travis Perkins for the reasons explained below at paragraphs 1.21 to 1.22.<sup>25</sup> BMF also told the CMA that, whilst at the time of its assessment only 20 of its 521 BMF merchant members carry out supply chain assessments, the industry has been indicating readiness in the industry to join a scheme of the type in the Proposal.<sup>26</sup>

<sup>19</sup> CCC figures based on 2021 data imply manufacturing construction emissions of around 15%, a similar sector definition in the National Inventory implies emissions of around 12% in 2022. Sources: [CCC progress report to Parliament](#), 2023; [CCC Sixth Carbon Budget Assessment](#), 2019; [HMG Final UK greenhouse gas emissions national statistics](#): 1990 to 2022.

<sup>20</sup> CCC Sixth Carbon Budget Manufacturing and Construction, 2020.

<sup>21</sup> [CCC Sixth Carbon Budget Assessment](#), 2019.

<sup>22</sup> First request for informal guidance, 13 February 2024.

<sup>23</sup> Email from BMF to the CMA, 3 July 2024.

<sup>24</sup> First request for informal guidance, 13 February 2024.

<sup>25</sup> First request for informal guidance, 13 February 2024.

<sup>26</sup> BMF self-assessment, 8 August 2024.

- 1.18 BMF submitted that it had become evident during its sustainability working group meetings that the most effective way to deliver maximum positive impact would be through a collaborative approach that provides a single preferred platform to be universally applied to suppliers and universally accessible by merchants.<sup>27</sup> The purpose of the single preferred platform would be to make it easier for merchants to assess the impact of their supply chains by providing ESG information<sup>28</sup> on a consistent basis including information on environmental issues, and a range of topics such as anti-bribery and corruption, and health and safety to merchants' customers.<sup>29</sup> BMF's intention is that this would improve transparency and environmental outcomes in the industry.
- 1.19 BMF told the CMA that, without this joined-up approach, suppliers would need to put increasing resources into providing information on their supply chains to different merchants and assurance providers. BMF submitted that these costs to suppliers would be reduced if suppliers just had to provide one set of information to a single preferred platform provider.<sup>30</sup> Furthermore, BMF indicated that, given the detailed nature of the assessment that is involved, if merchants had to engage with multiple providers, there could be substantial difficulties reconciling assessments by these different supply chain assurance providers.<sup>31</sup>

## The Proposal

- 1.20 The Proposal has two core components:
- (a) BMF will work with Verisio to develop a standard ESG questionnaire for use by the industry (the '**Questionnaire**'). BMF will use the existing questionnaire that Travis Perkins developed as a starting point, as currently there is not an agreed industry-wide questionnaire. In developing the Questionnaire, BMF will be seeking input from its members and non-members to test that it genuinely represents their needs. According to BMF, the Questionnaire will make it easier to compare suppliers' environmental credentials as there would be more consistent requests for information from merchants (see paragraph 1.19).
  - (b) BMF will work with Verisio to develop a platform solution for the processing and assessment of suppliers' responses to the Questionnaire. BMF will recommend that it would be beneficial for the industry to use the single preferred platform, that would initially be provided by Verisio (see paragraph 1.22).<sup>32</sup> The platform will also be available to non-members. BMF will work

<sup>27</sup> First request for informal guidance, 13 February 2024.

<sup>28</sup> The questionnaire currently used by Verisio covers a range of topics (such as anti-bribery and corruption, health and safety) and is therefore not limited to environmental issues. First request for informal guidance, 13 February 2024.

<sup>29</sup> The revised request for informal guidance, 9 June 2024.

<sup>30</sup> First request for informal guidance, 13 February 2024.

<sup>31</sup> BMF self-assessment, 8 August 2024.

<sup>32</sup> Merchants using the platform would be able to review and compare the environmental credentials of all the suppliers which have contracts with other participating merchants, not just their own suppliers.

with Verisio initially and invite input from BMF members and non-members<sup>33</sup> to ensure that the single preferred platform is suitable and accessible by merchants that need to carry out supply chain assessments.<sup>34</sup>

1.21 BMF submitted that the single preferred platform initially provided by Verisio will:

- (a) offer a low-cost service to expedite the mass adoption of supply chain assessments by smaller merchants which are currently unlikely to be able to afford independently to develop a high-quality supply chain assurance service. This is expected to result in greater environmental benefits that might not otherwise have happened as quickly;
- (b) give a more unified voice to support merchants' demands for improvements in suppliers' processes and policies; and
- (c) provide the ability to view and compare a wide pool of suppliers' ESG credentials and ratings.

1.22 BMF explained that it is seeking through the Proposal to develop a solution for supplier assurance services which meets the specific requirements of merchants and their supply chains, which does not exist today.<sup>35</sup> BMF explained that to develop this solution it would make more sense to start initially from an existing scheme that has proven to be effective, rather than starting from scratch. In particular, BMF explained that adapting an existing scheme for use by the wider industry would reduce development costs and time, which in turn BMF expects to speed up the launch of the service.<sup>36</sup> BMF submitted that it wants to choose Verisio as its initial provider because it has the system and tools to operate the service and that suppliers which are already using the Travis Perkins/Verisio scheme can transfer their existing supply chain assessments, thereby avoiding duplication of costs.<sup>37</sup>

1.23 While BMF would recommend the use of the single preferred platform, initially provided by Verisio, BMF told the CMA that it would not mandate its use and merchants would be free to develop and use alternative schemes alongside, or as an alternative.<sup>38</sup> Merchants would continue to make a unilateral decision on the supply chain assurance provider, or providers, they use.

<sup>33</sup> Call between BMF and the CMA 23 May 2024.

<sup>34</sup> First request for informal guidance, 13 February 2024.

<sup>35</sup> First request for informal guidance, 13 February 2024.

<sup>36</sup> BMF RFI response, 22 August 2024.

<sup>37</sup> BMF noted that approximately 1400 suppliers have already been through the assessment on the Verisio platform. This represents approximately 60% of the supplier population expected to use the BMF recommended single preferred platform, BMF self-assessment, 8 August 2024.

<sup>38</sup> The revised request for informal guidance, 9 June 2024: BMF told the CMA that the Questionnaire would be 'open source' so if a merchant opted to select a different provider from Verisio, the merchant would present the provider with the same questionnaire to be completed for their supply chain. Call between BMF and the CMA, 7 March 2024: 'There is nothing stopping a merchant (or supplier) using a different solution'.

- 1.24 Following its initial submission and discussions with the CMA, BMF told us that it would introduce certain additional features to the Proposal (the ‘**Additional Steps**’). These features were:
- (a) running a competitive process within 24 months of the launch of the Proposal to determine which supply chain assurance provider to recommend and running such a process on an ongoing basis within reasonable time periods;
  - (b) ensuring that the Questionnaire is ‘open source’ and available to the wider industry, including to alternative providers;
  - (c) ensuring data portability by making completed supplier assessments transferable at no extra cost by suppliers and merchants from Verisio to alternative supply chain assurance providers (or value-added service providers); and
  - (d) ensuring data portability by making the information on the Verisio platform relating to merchants’ supply chains able to be downloaded and transferred at no extra cost from the single preferred platform (initially Verisio) to an alternative provider’s platform so merchants are not locked in.<sup>39</sup>
- 1.25 Under the Proposal, suppliers (at the request of merchants who want to use the single preferred platform) would:
- (a) pay a fee to Verisio for their ESG assessment;<sup>40</sup>
  - (b) complete the Questionnaire supported by evidence so that their ESG credentials can be assessed by Verisio;
  - (c) receive a rating by Verisio based on their responses to the Questionnaire and evidence provided in the supply chain assessment. The ratings will be ‘low risk’, ‘medium risk’, ‘high risk’, ‘critical’ or ‘zero tolerance’;<sup>41</sup> and
  - (d) where required, be given a corrective action plan by Verisio to address any identified non-conformance to the assessment standard.<sup>42</sup>
- 1.26 Under the Proposal, Verisio’s supply chain assurance service would be evidence-based with an audit of suppliers’ responses at the end. For example, if a supplier declared that it had an ESG policy it would need to disclose it and it would be reviewed by an auditor employed by Verisio.<sup>43</sup> Verisio would also manage day-to-

<sup>39</sup> Verisio told the CMA that the data can be exported to Excel. Call with BMF and Verisio, 8 April 2024.

<sup>40</sup> The fee would be set by Verisio, First request for informal guidance, 13 February 2024.

<sup>41</sup> ‘Zero tolerance’ identifies a legal non-conformance, First request for informal guidance, 13 February 2024.

<sup>42</sup> BMF told the CMA that suppliers will be given an overall grading based on their responses and evidence provided through the assessment, alongside a corrective action plan for any identified non-conformance to the assessment standard. Supplier gradings are denoted by the number and severity of non-conformances. First request for informal guidance, 13 February 2024.

<sup>43</sup> Call between BMF and the CMA, 7 March 2024.



day follow-up actions, for example, where incomplete information is provided by suppliers, or where improvement is required, as well as further independent audits of suppliers where necessary.<sup>44</sup>

- 1.27 Under the Proposal, merchants that decide to use the single preferred platform would:
- (a) have individual contracts with Verisio<sup>45</sup> under which they would pay a registration fee<sup>46</sup> as well as an annual subscription fee for access to the platform and the supply chain assessment;
  - (b) be given access to a bespoke dashboard for their own supply chain;<sup>47</sup> and
  - (c) be given access to the assessments and risk ratings of all suppliers on the platform including those they are not currently using.
- 1.28 BMF submitted that, while Verisio would provide risk ratings from the supply chain assessments to enable merchants to make informed decisions regarding risks in their supply chain, it would be for each merchant to decide unilaterally whether or not to trade with any given supplier.<sup>48</sup>
- 1.29 BMF told the CMA that BMF members and non-members, whether merchants or suppliers, would be treated equally by Verisio. The fees for merchants and suppliers would be set by Verisio and they would apply the same fee structure to BMF members and non-members. Under Verisio's pricing methodology, fees for suppliers would be uniform, whereas its fees for merchants would be determined by size and turnover.<sup>49</sup>

## **The CMA's assessment**

### **Is the Proposal within scope of the Guidance?**

- 2.1 BMF, as a trade association, is classed an 'association of undertakings'. Under competition law, decisions by associations of undertakings are within the scope of Chapter I of the Act, and a recommendation by a trade association may constitute a 'decision'.
- 2.2 As explained above, supply chain assurance schemes are a key tool businesses can use to evaluate the environmental impact of their suppliers. This can include

<sup>44</sup> First request for informal guidance, 13 February 2024. See also BMF's revised request for informal guidance, 9 June 2024: Verisio will liaise directly with suppliers to complete the Questionnaire under the direction of Merchants and for subsequent follow ups in the event of suppliers' non-compliance.

<sup>45</sup> The revised request for informal guidance, 9 June 2024.

<sup>46</sup> The fees for merchants would be set by Verisio, First request for informal guidance 13 February 2024.

<sup>47</sup> Call between BMF and the CMA, 29 April 2024.

<sup>48</sup> First request for informal guidance, 13 February 2024.

<sup>49</sup> BMF RFI response, 22 August 2024.

for example considering the GHG emissions of suppliers, any waste management processes, and the responsible use of natural resources.<sup>50</sup>

- 2.3 Accordingly, the CMA considers that the Proposal would involve a decision by an association of undertakings, covering environmental sustainability matters (the Guidance, paragraph 2.1)<sup>51</sup> and is eligible for informal guidance under the CMA's open-door policy. For the purposes of this informal guidance, the CMA will refer to the decision by an association of undertakings as an 'agreement'.
- 2.4 As set out at paragraph 1.18 above, the CMA recognises that the Proposal also has other, non-environmental objectives. The consideration of such objectives is outside the scope of the CMA's open-door policy.<sup>52</sup>

## **Competitive assessment**

### **Summary and overview of competitive assessment**

- 2.5 On the basis of the information provided by BMF, the CMA conducted a light-touch review, as envisaged by the Guidance.
- 2.6 The CMA does not consider that the Proposal will restrict competition by object, as it does not appear by its nature likely to be harmful to competition, having regard to its content and objectives, considered in its legal and economic context.
- 2.7 The CMA has therefore assessed the overall impact of the Proposal as to its likely effect on competition. In particular, the CMA considers that BMF's recommendation that the industry uses a single preferred platform, initially provided by Verisio, may have the effect that other supply chain assessment providers are foreclosed from providing services to the market/market segment. In addition, the CMA considers that if competitors were foreclosed this could create conditions for exploitative harm in the form of unreasonable terms and/or reduced quality for merchants and/or their suppliers using the single preferred platform, particularly in relation to non-BMF members.
- 2.8 In light of the Additional Steps described at paragraph 1.24 above and the safeguards referred to at paragraphs 2.41 to 2.42 below, the CMA considers that the risk of significant harm to competition and consumers resulting from the Proposal appears likely to be low. However, it cannot be ruled out that the Additional Steps will not be fully effective in practice and therefore there remains some risk of an appreciable negative effect on competition arising from the Proposal. For that reason, the CMA has considered BMF's self-assessment of

<sup>50</sup> Chartered Institute of Internal Auditors report, Supply Chain Risks Part 1- Supply Chain ESG Risks: Harnessing the Potential of Internal Audit, page 8: [Supply-chain-esg-risks-report.pdf](#) [Accessed 3 February 2025].

<sup>51</sup> As set out in footnote 6 of the Guidance, references in the Guidance to the term 'agreement' also cover other forms of cooperation, including concerted practices and decisions by associations of undertakings, unless otherwise stated.

<sup>52</sup> Paragraph 2.3 of the Guidance.

whether the Proposal might be exempt under section 9 of the Act (see paragraphs 2.45 to 2.73).

- 2.9 It would be beyond the scope of the light-touch informal guidance process for the CMA to gather the degree of information necessary to carry out a definitive section 9 assessment (and it is for the parties to prove that the conditions of section 9 are satisfied). However, based on BMF's self-assessment, the CMA considers that there are plausible reasons to believe that the single preferred platform, initially provided by Verisio, may generate benefits for suppliers and merchants and their customers, as well as climate change benefits for UK consumers. The CMA considers that these benefits could offset any potential harm that might arise from the single preferred platform, and therefore that the Proposal could be capable of satisfying the conditions of section 9 of the Act.<sup>53</sup>
- 2.10 The CMA would accordingly not expect to take enforcement action against the Proposal.
- 2.11 In the paragraphs that follow, the CMA explains how it has approached the Proposal.

## Effects of the Proposal

- 2.12 In assessing the potential effects of the Proposal, the CMA has considered the overall impact on competition of both core components of the Proposal set out in paragraph 1.20. The CMA therefore first considers the development of the Questionnaire, before turning to the intention to recommend a single preferred platform.
- 2.13 In relation to the Questionnaire, the Guidance highlights the importance of having a transparent process where competitors collaborate to develop environmental sustainability standards, and of allowing any business in affected markets to participate in the development process.<sup>54</sup> The CMA notes that, as set out at paragraph 1.20, BMF, together with Verisio, will develop the Questionnaire starting from the existing questionnaire developed by Travis Perkins but will take into account input from BMF members and non-members. The CMA's view is that BMF should also consider giving other supply chain assurance providers the opportunity to input in the development of the Questionnaire. In the absence of offering such an opportunity, BMF will need to assess the risk that other supply chain assurance providers may be foreclosed from being able to adopt/use the Questionnaire in practice and from being able to compete to become a future provider of the single preferred platform.<sup>55</sup>

<sup>53</sup> See paragraph 2.46.

<sup>54</sup> First bullet point, paragraph 3.15 of the Guidance.

<sup>55</sup> In addition to paragraph 3.15 of the Guidance, see also paragraphs 9.35 to 9.39, '*Participation in the development of the standard*', in the section on '*Effects based assessment of standardisation agreements*' (pages 213-217), of the CMA's more detailed Guidance on Horizontal Agreements (CMA184) which provides more information on the role

- 2.14 Further, the Guidance provides that any business should be able to implement the standard on reasonable and non-discriminatory terms.<sup>56</sup> In this regard, we note that BMF plans to share the Questionnaire with the wider industry,<sup>57</sup> so that it can be used by other providers to develop their own schemes.<sup>58</sup> As part of making the Questionnaire available to the industry, the CMA considers that BMF should include the methodology used by Verisio for assessing suppliers' responses against the Questionnaire and assigning a risk rating. The CMA considers that sharing the Questionnaire and methodology needs to be an ongoing requirement as and when revised versions of the Questionnaire are implemented following wider industry feedback.
- 2.15 In relation to processing and assessing responses to the Questionnaire, the Guidance provides that an agreement to pool objective, evidence-based, information about, or provide ratings on the environmental sustainability credentials of suppliers is unlikely to have an appreciable negative effect on competition if it does not require merchants to purchase, or refrain from purchasing, from those suppliers.<sup>59</sup> The CMA notes that, as set out at paragraph 1.26, the information pooled on the platform will be evidence based and it will be for each merchant to unilaterally decide whether or not to trade with any supplier.
- 2.16 In relation to BMF's intention to recommend a single preferred platform, initially provided by Verisio, the CMA considers that this could raise concerns. That would be the case if this recommendation resulted in the single preferred provider being able to exploit a position of market power, stemming from the foreclosure of other providers of assurance services from the market. In its analysis below, the CMA first sets out context for its assessment, and then explains its concerns. In setting out those concerns, the CMA distinguishes between the risk that the single preferred provider (initially Verisio) is able to exploit merchants and suppliers because of a lack of competition in the market and its favoured position initially (see paragraphs 2.23 to 2.24) and the risk that Verisio having that initial favoured position prevents effective competition for the market when a competitive process happens in future (see paragraphs 2.29 to 2.34 below).
- 2.17 In conducting this assessment, the CMA identified a counterfactual, that is, to assess competition within the actual context in which it would occur absent the Proposal.<sup>60</sup> In this case that would be the independent purchase of supply chain

facilitating open participation in the development of a standard can have in lowering the risks of a restrictive effect on competition.

<sup>56</sup> Third bullet point, paragraph 3.15 of the Guidance.

<sup>57</sup> BMF submitted that it envisages the Questionnaire will be 'open source' with the aim of wide adoption by the industry, so that merchants that wish to use an alternative provider to carry out a supply chain assessment can do so.

<sup>58</sup> BMF told the CMA that Verisio will not hold the intellectual property in the Questionnaire. Travis Perkins contracted with Verisio on the basis that Travis Perkins developed the questionnaire and the intellectual property in it is currently held by Travis Perkins. Call between BMF and the CMA, 23 May 2024.

<sup>59</sup> Paragraph 3.12 of the Guidance. For the avoidance of doubt, the Questionnaire and the single preferred platform should not involve the exchange of competitively sensitive information and should comply with Chapter 8 of the *Guidance on the application of the Chapter 1 prohibition in the Competition Act 1998 to horizontal agreements*, August 2023, CMA184, (the 'CMA's Horizontal Guidance').

<sup>60</sup> Paragraph 3.42 of the CMA's Horizontal Guidance. The usual starting point would be that the counterfactual consists of the prevailing conditions of competition.

assurance services by merchants and suppliers. In practice, this is likely to result in multi-homing across a number of different supply chain assurance providers.

## Context for the CMA's assessment

### *Supply chain assurance services*

- 2.18 BMF told the CMA that it did not believe that the supply chain assurance services provided under the Proposal are unique to the construction sector, of which merchants and their suppliers are a part, and that generalist supply chain assurance service providers would be able to provide the required services.<sup>61</sup> BMF submitted that the only variation between industries tends to emanate from product-specific questions. For example, a clothing retailer may be interested in cotton raw material mapping, whereas a construction firm would look at this service for timber, but the service itself (material mapping) fundamentally remains the same regardless of industry.<sup>62</sup>
- 2.19 The CMA observed that supply chain assurance services are commonly provided by the same provider to a range of different industries. The CMA identified the following examples, amongst others: Achilles advertises that it covers finance, construction, energy, mining, seafood, shipping, transport and logistics;<sup>63</sup> BSI that it covers the built environment, energy, government, healthcare, consumer, retail and food;<sup>64</sup> and Intertek covers chemicals, energy and commodities, hospitality and tourism, transportation, construction and engineering, government and trade, food and healthcare, and products and retail.<sup>65</sup>
- 2.20 The CMA notes that this potential to provide supply chain assurance services across sectors includes the construction sector, of which merchants and their suppliers are a part. BMF told the CMA that it is aware of at least nine other supply chain assurance providers that could provide services to the construction sector, and was certain there were more who could provide such services.<sup>66</sup>
- 2.21 For the reasons set out above, the CMA has carried out its assessment on the assumption that there is a market for supply chain assurance services that extends beyond the provision of supply chain assurance services to merchants and suppliers in the construction sector. The CMA has also taken into account the possibility that the product market may be narrower, in particular due to the need for supply chain assurance providers to develop product-specific questions. In

<sup>61</sup> Call between the CMA and BMF 23 May 2024.

<sup>62</sup> BMF RFI response, 22 August 2024.

<sup>63</sup> [Sustainable supply chains | Achilles](#) [Accessed 3 February 2025].

<sup>64</sup> [Business Improvement - Organizational Resilience | BSI \(bsigroup.com\)](#) [Accessed 3 February 2025].

<sup>65</sup> Further example: Bureau Veritas covers renewables and clean energy; automotives and transport; buildings and infrastructure, chemicals, commodities and agriculture, consumer products, finance, food industry, healthcare, insurance, marine and offshore, oil and gas, power and utilities, hospitality, cybersecurity, distribution centres, event management, facilities management, and distilleries and breweries: [Bureau Veritas UK | Testing, Inspection & Certification](#), [Accessed 3 February 2025].

<sup>66</sup> Email from BMF to the CMA 19 June 2024. BMF told the CMA that other possible scheme providers include: Intertek, BSI, TUV, Bureau Veritas, SGS and Achilles, EcoVardis, Sedex, Supply Shift.

doing so, the CMA considers its informal guidance would still apply with a narrower product market. Given the light-touch nature of its assessment, the CMA has however not formed a precise view on the product or geographic market for supply chain assurance services.<sup>67</sup>

#### *Supply of associated value-added services*

- 2.22 BMF submitted that, in addition to its core supply chain assurance services, Verisio and other supply chain assurance providers offer some associated value-added services, for example, consultancy/advisory services and modern slavery training.<sup>68</sup> The CMA notes these services are not substitutable with supply chain assurance services from a demand side point of view. The CMA also understands that value-added services can sometimes be supplied by other supply chain assurance providers, and sometimes by a wider suite of ESG audit bodies.<sup>69</sup> On this basis, the CMA has treated these services as part of a single and distinct market from supply chain assurance services, but as explained in paragraph 2.21 above, the CMA has not formed a precise view on market definition.

#### **Exploitation of a strong market position resulting from the foreclosure of other providers from the market**

- 2.23 The CMA considered the risk that BMF's recommendation that the industry use a single preferred provider, initially Verisio, may have the effect of foreclosing other supply chain assessment providers from providing services to merchants and suppliers. In particular, the CMA cannot rule out the possibility that, in practice, BMF's recommendation to use a single preferred platform may have a similar effect to an express or mandated reservation of its members' demand to Verisio, with competing providers de facto foreclosed from servicing the market (or segment of the market).
- 2.24 The CMA therefore considered whether BMF's decision to appoint Verisio as the single preferred platform provider at the launch of the scheme, without immediately running a new competitive process for the recommendation, would provide Verisio with market power which it could exploit in this initial period.<sup>70</sup> The CMA has assessed whether the recommendation could lead to an appreciable effect on competition or whether Verisio would be prevented from being able to raise its charges or reduce its service quality by merchants and suppliers having the ability to switch to alternative providers. Similar considerations could also apply in any future periods where a single preferred provider, other than Verisio, had been appointed.

<sup>67</sup> In relation to the geographic market, given that the Proposal is UK-wide, the CMA has carried out its assessment on that basis.

<sup>68</sup> BMF RFI response, 22 August 2024.

<sup>69</sup> BMF RFI response, 22 August 2024.

<sup>70</sup> The CMA again notes that Verisio was originally selected through a competitive tender, as set out in paragraph 1.12.

- 2.25 The choice of which supply chain assurance provider to use would primarily be driven by merchants that are procuring goods/services from suppliers. Therefore, an increased use of the single provider at the merchant level would also lead to an increased use at the supplier level. This may lead to indirect network effects, which occur where the value to one group of users from using a single provider depends on the extent to which another group of users is using that same provider. Accordingly, the Proposal could facilitate indirect network effects to the advantage of the single preferred platform provider, initially Verisio.
- 2.26 However, the CMA considers that making the Questionnaire open source reduces an important barrier to supply for other supply chain assurance providers. It will help them, including those active in other sectors, to develop alternative solutions and compete for business from merchants and suppliers in the construction sector. Further, the other Additional Steps at paragraph 1.24 above, such as data portability, are likely to reduce the costs of switching to alternative providers for merchants and suppliers using the single preferred platform which could in turn disincentivise Verisio in the short term (but any single preferred provider in a future period) from exploiting any market power it may have vis-à-vis the merchants and suppliers.<sup>71</sup>
- 2.27 Moreover, it is in the interests of BMF to ensure that Verisio, or another future provider of the single preferred platform, is not able to exploit market power vis-à-vis the merchants and suppliers. As BMF represents the interests of both merchants and suppliers in its role as a trade association, when selecting a provider of the single preferred platform to recommend, it is likely to choose a provider offering reasonable terms to its members. In this context, we note BMF's submission that lower costs to suppliers for their supply chain assessments were a significant factor in the selection of Verisio by Travis Perkins originally.<sup>72</sup> Whilst the Proposal does not provide BMF with the ability to dictate pricing or all terms of service, BMF retains the ability to reassign its recommendation, and would have the incentive to do so were terms (eg price, quality) to its members to worsen. In addition, BMF told the CMA that the single preferred platform would be available to non-members on equal terms to BMF members. The CMA considers that it is important that equal terms are applied between BMF members and non-members, including if the provider of the single preferred platform changes in the future and that this should be a condition of this informal guidance (See Further Comments, paragraph 3.1 onwards).<sup>73</sup>

<sup>71</sup> Specifically, ensuring completed supplier assessments are transferable by suppliers and merchants from Verisio to alternative supply chain assurance providers, and ensuring the information on the Verisio platform relating to merchants' supply chains can be downloaded and transferred from the Verisio platform to an alternative provider's platform easily.

<sup>72</sup> Call between the CMA and BMF, 7 March 2024.

<sup>73</sup> The CMA notes that BMF describes itself as having 'total dedication' to its members, which might imply it may not have the resources to devote equivalent effort to ensuring its Additional Steps are effective for non-members. Further, were non-member suppliers to be effectively excluded from the single-preferred platform (for example, due to challenges transferring data to a new provider), this might hamper their ability to compete with member suppliers in any procurement exercise if they are unable to demonstrate ESG performance of their supply chains. Similarly, excluded non-member merchants may be less able to compete if they are unable to demonstrate ESG performance of their supply chains.

2.28 The CMA notes that the Additional Steps apply immediately and would therefore be applicable to Verisio. In addition, were Verisio to begin exploiting any position of strength, BMF would under the Additional Steps be able to run a competitive process sooner.<sup>74</sup> Collectively, the Additional Steps are therefore likely to increase the extent to which rival providers can impose competitive discipline on the single preferred platform provider. However, it cannot be ruled out that the Additional Steps will not be fully effective in practice, for example, and as explained in paragraph 2.25, merchants and suppliers may in practice be disincentivised from switching to an alternative provider.

### **Ineffective competition for the market in future**

2.29 The CMA considers that it is an important aspect of the Proposal that BMF will run competitive processes at regular periods ‘for the market’, where rival providers can compete to provide the single preferred platform. The first process will be run up to 24 months from the launch of the Proposal, and it will be repeated on a rolling basis.

2.30 The CMA considers that if BMF were to recommend a different single preferred platform provider in the future following a competitive process, this would create momentum for merchants and suppliers to collectively switch to that new provider, without BMF mandating any such switching. The CMA therefore considers that exposing the BMF recommendation to competition on a sufficiently regular basis would substantially mitigate the risk of exclusion of competing providers, by providing them with regular opportunities to win business.<sup>75</sup>

2.31 The CMA has also considered whether these periodic competitive processes could be undermined by barriers to rival supply chain assurance providers competing effectively. The CMA notes that rival providers would likely need an industry-tailored questionnaire to be able to compete effectively against the single preferred platform provider, and that the Additional Steps include making the Questionnaire available to other providers.<sup>76</sup> As noted at paragraph 2.26 above, making the Questionnaire open source reduces an important barrier to supply for other supply chain assurance providers. This Questionnaire would also reduce the costs of rival supply chain assurance providers competing with the single preferred platform provider. BMF, rather than Verisio, would be responsible for the design of the Proposal, including the Questionnaire which is likely to assist in ensuring the Questionnaire is made available to rival supply chain assurance providers in practice.

2.32 The CMA considers however that an individual merchant or supplier may be dissuaded from switching by the benefits they receive from being on the same

<sup>74</sup> This in itself could reduce Verisio’s incentive to exploit its market position, because if a competitive process takes place that would shorten the period for which it is guaranteed to be the recommended provider.

<sup>75</sup> The periodic competitive process could provide an incentive for alternative providers to innovate on how the Proposal is delivered, insofar as BMF consider such innovation in assigning its recommendation.

<sup>76</sup> Email from BMF to the CMA, 3 July 2024.



platform as other users.<sup>77 78</sup> This implies future changes to the BMF recommendation may not be effective – leading to lock-in of customers to Verisio - if it is difficult to achieve a ‘critical mass’ of switching when the preferred provider changes following a competitive process. This is less likely to arise if merchants and suppliers can easily switch providers without losing their data and whilst retaining the benefits of cross-market visibility and access.<sup>79</sup> Merchants effectively own the data on their suppliers held on the Verisio platform, and the Additional Steps ensure this data is portable. Therefore when a competitive process is undertaken by BMF, both BMF and the merchants would be able to extract the data and transfer it to another provider of supply chain assurance services. This should enable the new provider to quickly onboard a complete current snapshot of the industry at similar coverage.<sup>80 81</sup>

- 2.33 The CMA further considered whether BMF’s decision to appoint Verisio as single preferred platform provider at the launch of the scheme, without immediately running a new competitive process, would provide Verisio with additional opportunities for lock-in. The CMA considers it possible that the initial period could allow Verisio to extend uptake of its own platform. However, this initial period is time limited, running for at most 24 months, reducing the potential for Verisio to achieve lock-in over this time. As set out above, this period could also be shortened by BMF were it to be concerned about Verisio acquiring lock-in. The other Additional Steps at paragraph 1.24 further provide avenues for the BMF to manage the risk that the first competitive process will not be effective and result in foreclosure of rival providers to Verisio, in the manner set out above.
- 2.34 Overall, the CMA considers that the Additional Steps reduce the risk of the BMF recommendation conferring an unassailable competitive advantage on the single preferred platform provider (which would be Verisio in the initial 24 months), and foreclosing competing providers, both ‘in’ and ‘for’ the market. However, it cannot be ruled out that the Additional Steps will not be fully effective in practice, and therefore there remains some risk of an appreciable negative effect on competition arising from the Proposal (see below paragraph 2.44).

### **Additional potential effects**

- 2.35 The CMA also considered two other potential effects on competition, namely whether the Proposal could result in a foreclosure of the providers of associated

<sup>77</sup> Such network effects could reduce the effectiveness of competition to become the future single preferred platform provider, because merchants and suppliers currently using the existing single preferred platform provider may not wish individually to move away to any different provider were BMF to change the recommendation.

<sup>78</sup> This could arise because merchants need visibility of a wide range of suppliers to support effective procurement processes, and because suppliers need access to a wide range of merchants to provide for a sufficiently large addressable customer base.

<sup>79</sup> Call between BMF and the CMA on 23 May 2024.

<sup>80</sup> BMF told the CMA it considers it fair that the data provided to merchants should be a current snapshot in time as it would then be for the new provider to deliver additional insights to the merchant. The revised request for informal guidance, 9 June 2024.

<sup>81</sup> Further, the Questionnaire’s availability to rival providers increases the prospect that substantively the same data would be useful if transferred to rival providers, further reducing switching costs.

value-added services and whether the Proposal may involve the exchange of competitively sensitive information.

*Potential foreclosure of providers of associated value-added services*

- 2.36 Suppliers and merchants having a relationship in place with the single-preferred platform could make them more likely to opt to use Verisio to provide associated value-added services for convenience and ease. This could create a competitive advantage for Verisio, or a future recommended BMF provider, over rival associated value-added service providers.
- 2.37 BMF told the CMA that suppliers and merchants using the Verisio platform would be free to use other providers for purchasing value-added services.<sup>82</sup>
- 2.38 Further, under the Additional Steps which ensure data portability, suppliers would be able to export data from the single preferred platform and share it with any third-party associated value-added service provider. Access to this data is important for the provision of associated value-added services. The Proposal should therefore reduce barriers to a wider range of businesses to provide such services.<sup>83</sup>
- 2.39 The CMA would expect BMF to manage the risk of any anti-competitive effects by ensuring that the recommended provider does not create obstacles to other providers that wish to engage with suppliers in this regard.

*Potential exchange of competitively sensitive information*

- 2.40 As set out at paragraph 1.2, the founding members of BMF's sustainability working group include four businesses that may be competitors of each other, as well as competitors of other merchants using the Verisio platform under the Proposal. The CMA therefore considers it is important that the founding members, by virtue of their role in the sustainability working group, do not have access to competitively sensitive information.
- 2.41 In regard to BMF employees, the CMA understands that they may need an overview of how suppliers across the industry are performing across the ESG requirements. However, the CMA would have concerns if BMF employees were able to access information at an individual business level, as such information is not needed for a trade association that represents the industry. BMF employees should only be able to access cross-cutting information related to BMF's governance role. BMF confirmed to the CMA that its employees would not be able

<sup>82</sup> BMF RFI response, 22 August 2024.

<sup>83</sup> BMF told the CMA that Verisio will be the data processor, not the controller, and that therefore its clients own the data. Call between BMF and the CMA, 29 April 2024.

to access merchants' dashboards or information that would enable them to see which merchants are linked to which suppliers.<sup>84</sup>

- 2.42 The CMA has also considered the risk that the single preferred platform could be used as a forum for the exchange of competitively sensitive information between merchants. BMF told the CMA that merchants using the platform would not be sharing information about suppliers' prices, or quantities purchased from suppliers. As a safeguard, BMF confirmed that the platform could be set up so that merchants can view their own supply chain and the pool of suppliers without seeing which other merchants are trading with those suppliers.<sup>85</sup> The CMA considers that it is important that this safeguard also applies to founding members of the sustainability working group.
- 2.43 The CMA believes that, provided the above safeguards are implemented, there is a low risk that the Proposal will result in the exchange of competitively sensitive information.

### **Conclusion on the effects of the Proposal**

- 2.44 Given the uncertainties about the impact of the Proposal and that there is some risk of an appreciable negative effect on competition (see paragraph 2.34), the CMA has gone on to consider BMF's self-assessment of whether the Proposal might be exempt under section 9 of the Act.

### **Potential benefits of the Proposal under section 9 of the Act**

- 2.45 Section 9 of the Act sets out an exemption to the Chapter I prohibition where an agreement offers benefits that outweigh any harm to competition, provided that certain criteria are met.
- 2.46 In order to satisfy the requirements of section 9 of the Act, it is necessary for the Proposal to meet each of the following four criteria:
- (a) the agreement must contribute to improving production or distribution or to promoting technical or economic progress;
  - (b) the agreement and any restrictions of competition within the agreement must be indispensable to the achievement of those benefits;
  - (c) consumers must receive a fair share of the benefits; and
  - (d) the agreement must not eliminate competition in respect of a substantial part of the products concerned.<sup>86</sup>

<sup>84</sup> Email from BMF to the CMA, 3 July 2024.

<sup>85</sup> Email from BMF to the CMA, 28 May 2024.

<sup>86</sup> Paragraph 5.2 of the Guidance.

2.47 It would be for BMF to prove that the conditions of section 9 are met. However, based on the information available to it and for the purposes of this light-touch informal guidance, the CMA considers that there are good reasons to believe that the Proposal may generate benefits for suppliers and merchants (both BMF members and non-members) that would be passed on to their customers and could offset any potential harm that might arise from the Proposal. On that basis, the CMA considers that the Proposal could be capable of satisfying the conditions of section 9 of the Act.

### *Benefits*

2.48 BMF submitted that the Proposal with Verisio as the initial provider will lead to cost reduction benefits, and environmental benefits compared to a multi-provider model.

#### *Cost-reduction benefits*

2.49 BMF submitted that the single preferred platform will save costs for merchants and suppliers as they will not have to pay to register with multiple supply chain assurance providers. Suppliers will also not have to duplicate their efforts in completing ESG assessments required by different supply chain assurance providers.

2.50 BMF supported its submissions with calculations showing cost reductions associated with a single preferred platform model, compared to two separate scenarios in which multi-homing is prevalent across eight platforms.<sup>87</sup>

2.51 The CMA considers the calculation framework provided by BMF capable of illustrating the potential cost reduction benefits to businesses. The CMA tested BMF's assumptions, in particular:<sup>88</sup>

- (a) Platform price. In particular, the CMA allowed for the possibility that prices charged for supply chain assessment services would be lower under multiple providers, given the risks to competition identified above.
- (b) Administrative cost of using additional platforms, allowing for the possibility that each additional platform engaged with would require lower increases in staff time, given for example learning-by-doing and ability to reuse data across platforms.

<sup>87</sup> BMF self-assessment, 8 August 2024. In one model, suppliers multi-home whilst merchants do not. In another, merchants multi-home whilst suppliers do not. The CMA considers these are helpful examples to consider and note that in reality there is likely to be a mix of both supplier and merchant multi-homing.

<sup>88</sup> In particular, using BMF's framework we assumed a 10% price rise in the single preferred platform model, 25% lower administrative cost savings per platform and three rather than eight platforms in our evaluation (CMA intermediary scenario, Table 1). The CMA also sought to calculate a low bound scenario by using more cautious assumptions (CMA low bound scenario, Table 1). The CMA assumed 25% of the firms work with only one provider, 50% with two, and 25% with three in this scenario. Further, we assumed that the cost of engaging with each additional platform beyond the first could be halved due to there being some synergies in data collection and requests. We again allowed for price levels to be 10% higher in the single preferred platform model.

- (c) A scenario with a lower extent of multi-homing than use of eight platforms. This allows for the possibility that not all merchants and suppliers would multi-home and those that did could achieve most of their objectives by working with fewer than eight providers, even if that meant merchants and their suppliers only had sight of part of their supply chains.

2.52 The CMA found that the single preferred platform model would present cost reduction benefits to BMF members and non-members even with less restrictive assumptions than those used by BMF – see Table 1 below.

**Table 1: Cost model showing savings compared to multi-homing across a number of different supply chain assurance providers**

Industry cost saving (£ million per annum) See also FN87		
	<i>Savings when merchant multi-home whilst suppliers do not</i>	<i>Savings when supplier multi-home whilst merchants do not</i>
BMF illustration	£3.3m	£15.5m
CMA intermediary scenario	£0.7m	£3.9m
CMA low bound scenario	£0.2m	£1.7m

*Source: BMF, CMA Analysis of BMF data*

*Environmental benefits including climate change benefits*

2.53 BMF submitted that the single preferred platform, initially provided by Verisio, would drive a range of environmental benefits in the manufacturing and construction sector<sup>89</sup> by making it easier for merchants to assess the impact of their supply chains, and for suppliers to improve their processes and policies. BMF identified the following effects that would then translate into environmental benefits:

- (i) The improved value of supply chain assurance services would increase the speed and level of uptake by suppliers and merchants. This implies that a higher proportion of manufacturing and construction emissions would be subjected to scrutiny, target setting and remediation and this would in turn lead to climate change benefits that would otherwise not happen to the same extent or as quickly.
- (ii) This greater uptake by suppliers and merchants in carrying out supply chain assessments would result in an increased ability to compare suppliers' ESG credentials and could enable, develop and strengthen competition between suppliers on environmental sustainability parameters, including climate action.<sup>90</sup>

<sup>89</sup> BMF also submitted that the Proposal could incentivise reductions in other sectors, such as the residential sector where consumers use greener appliances.

<sup>90</sup> BMF RFI response, 22 August 2024.

- 2.54 Whilst BMF alluded to benefits on a wide range of environmental outcomes, its self-assessment particularly highlighted GHG emission reductions. In particular, BMF submitted that merchants and suppliers will inevitably have to incur costs in delivering GHG emission reductions to achieve Government and industry targets, whether or not the agreement goes ahead. However, the Proposal will enable modernisation of supply chains at greater pace by reducing the costs that would otherwise be incurred.<sup>91</sup>
- 2.55 To provide a sense of the scale of UK GHG emissions reductions achievable, BMF identified estimates of current GHG emissions in upstream manufacturing and construction of 25 MtCO<sub>2</sub>e per year,<sup>92</sup> representing around 6% of total current UK emissions.<sup>93</sup> An assessment provided by BMF showed that many emission sources within this sector (eg cement production and brick manufacture) would be affected by the Proposal.
- 2.56 The CMA believes that BMF's arguments are reasonable in establishing a link between its recommendation to use a single preferred platform (initially provided by Verisio) and environmental sustainability benefits, including on climate, at least in relation to upstream emissions in manufacturing and construction.<sup>94</sup>
- 2.57 The CMA also considers that businesses purchasing supply chain assurance services would likely face costs of reducing these emissions, whether or not the Proposal goes ahead.<sup>95</sup>
- 2.58 Given that BMF focussed on carbon emissions over other forms of environmental benefits in its self-assessment, the CMA has also focussed its evaluation of the case for environmental benefits on climate change benefits.<sup>96</sup>
- 2.59 Drawing on data provided by BMF, the CMA undertook an illustrative sense-check to assess the significance of emissions benefits from an emissions baseline (or

<sup>91</sup> BMF RFI response, 22 August 2024, question 5. BMF self-assessment, 8 August 2024, page 4.

<sup>92</sup> Government Commercial Function, [Promoting Net Zero Carbon and Sustainability in Construction: Guidance Note](#), September 2022, paragraph 2.2.2.

<sup>93</sup> CMA Analysis using latest available UK official statistics. UK total includes emissions from the UK's share of International Aviation and Shipping. Source: Department for Energy Security and Net Zero, [1990-2022 Greenhouse Gas Inventory](#)

<sup>94</sup> On a cautious basis, the CMA did not assume any benefits beyond manufacturing and construction.

<sup>95</sup> The CMA identified that all emission reduction pathways identified by the CCC which are compatible with the UK achieving the legislated levels of the Government's carbon budgets, the manufacturing and construction sector must undertake significant emission reduction activity. The CMA considers therefore that significant emission reductions would likely be required by the relevant businesses absent the Proposal, although noting that there is significant uncertainty around the scale and timing of any required reductions. Source: The CCC, [Sixth Carbon Budget Report](#), 9 December 2020.

<sup>96</sup> The CMA has accounted for upwards pricing pressure which could stem from the competition risks summarised in paragraph 2.44 in its analysis in Table 1. The CMA notes however that these competition risks may instead lead to lower quality of services offered by supply chain assurance providers. For example, the single preferred platform provider might conduct less thorough assessments, which could reduce the extent to which the Proposal delivers environmental benefits. In evaluating this risk, the CMA considers that BMF would become aware of any reduction in quality of service and have an incentive to address this with the recommended provider. Further, BMF told the CMA that the scheme would increase uptake of these services which would drive sustainability improvements. Therefore, even were existing customers to experience lower quality of service than they would absent the Proposal, the single preferred platform's effect in increasing uptake of these services for businesses that do not purchase any supply chain assessment services today could still lead to a net environmental benefit.

'starting point') attributable to the single preferred platform. The CMA's calculation proceeded as follows:

- (i) First, the CMA verified that BMF's identified estimates of the emissions baseline in the manufacturing and construction sector are in line with industry data and current national statistics.<sup>97</sup>
- (ii) Second, the CMA checked that abatement of these emissions is feasible and cost-effective in the near term. We saw that the CCC advice to Government shows its preferred net-zero trajectory involves manufacturing and construction emissions falling by around 5% per year from current levels, which equates to a significant amount of emission savings.<sup>98</sup> This figure was consistent with targets set by some industry players.<sup>99</sup>
- (iii) Third, the CMA found that if the Proposal advanced progress towards the targets in (ii) by just one month, this would enable 0.5% of the emission reductions needed by 2030. This would represent a 60 KtCO<sub>2</sub>e GHG emissions saving per year by 2030.
- (iv) Fourth, the CMA assessed the net benefit from each unit of emissions reduction in terms of reduced or avoided costs. BMF submitted that the proposal could incentivise the greater use of certain types of emission reduction technology.<sup>100</sup> The CMA assessed whether these types of emission reduction technology were more cost effective than alternative ways emissions might be reduced. This analysis, using CCC data, showed a potential net benefit of around £200 for every tonne of emissions reduced.<sup>101</sup>
- (v) Fifth, the CMA monetised the emission reductions illustrated in step (iii) by the unit values in this step (iv).<sup>102</sup> This calculation showed that under these

<sup>97</sup> Upstream emissions appear most directly connected to the sole-provider model. Conservatively we have focussed our evaluation on these, but recognise potential for emission reduction downstream. We evaluate the 25MtCO<sub>2</sub>e against the emissions sources in the [1990-2022 Greenhouse Gas Inventory](#) data which BMF told us were relevant, as well as against the Scope 3 emissions estimated by Travis Perkins (Source: Travis Perkins, [Modernising construction](#)) considering its share of builders' merchant supply in the CMA's 2020 [Huws Gray Ltd / Grafton Plc](#) merger decision.

<sup>98</sup> [CCC progress report 2023](#), Figure 6.5, assuming emissions fall along a linear path between 2020 and 2035, and expressed relative to 2022 emissions. Sources: The CCC [Sixth Carbon Budget Advice](#).

<sup>99</sup> See for example targets for upstream supply chain emission reductions set by one large builders merchant: Source: Travis Perkins, [Modernising construction](#).

<sup>100</sup> BMF RFI response, 22 August 2024, question 7 (Table).

<sup>101</sup> In carbon appraisal, the value of reducing carbon is measured according to its avoided cost, which is estimated according to the cost of the marginal emission technology society would have to use to reduce these emissions, The CMA used HMG Central carbon values to measure these. The CMA subtracted costs of the emission reduction technology that would need to be incurred, drawn from CCC data. The cost estimate was based on equal-weighted use of three technologies chosen to be broadly representative of those BMF identified were relevant to the Proposal: energy efficiency in manufacturing and construction; electrification in manufacturing and construction; and clean heating in building. All figures are for 2030, rebase lined to 2024 prices using the HMG GDP deflator where needed, and presented without discounting. Sources: [HMG Green Book Supplementary Guidance](#) Data Tables 3 and 19, CCC [Sixth Carbon Budget Advice](#) Data Workbook tab 'Raw Data'.

<sup>102</sup> The CMA allowed for some upwards price pressure associated with the risks of some anticompetitive effects set out above by assuming a 10% price increase in the price of supply chain assessment services purchased by merchants and suppliers.

assumptions, the Proposal could lead to net benefits of the order of £10 million in 2030, as a single illustrative year.<sup>103</sup>

2.60 Although there remains uncertainty about the precise size of the benefits to businesses and consumers,<sup>104</sup> the CMA considers that the benefits are likely to be substantial in combination as shown above.

### *Fair share*

2.61 The Guidance explains that consumers must receive a fair share of the benefits that result from the agreement.<sup>105</sup> This means the efficiencies, including qualitative efficiencies, attained by the indispensable restrictions must be sufficiently passed on to consumers so that they outweigh the harm they suffer as a result of the agreement. For these purposes 'consumers' includes all direct or indirect users of the products covered by the agreement, including producers that use the products as an input, wholesalers, retailers and final consumers.<sup>106</sup>

2.62 Merchants and suppliers (both BMF members, and non-members), as the users of the single preferred platform, are the primary entities that stand to experience any restrictive effects but also to benefit directly from the cost reduction benefits resulting from using the single preferred platform model. BMF further expects the model to lead to increased uptake of supply chain assurance, and to greater availability of assured products for final consumers. Whilst it may not be necessary in every case to demonstrate that the benefits of an agreement accrue to final consumers, for the purposes of this light-touch informal guidance, based on the material available to it the CMA considers that it is reasonable to assume that BMF would be able to demonstrate that the cost reduction benefits for merchants and suppliers would be passed on to final consumers indirectly through greater availability of assured goods and services at a lower cost for that assurance, but it would be for BMF to establish this.

2.63 The CMA considers that the Proposal is a 'mixed agreement' as it will generate both climate change benefits and other environmental benefits.<sup>107</sup>

2.64 For mixed agreements, it is appropriate in relation to the climate change aspects of the agreement, exceptionally, to also take into account the totality of the climate

<sup>103</sup> The CMA also identified that the net total benefit to end-consumers would only be eliminated with cautious assumptions on both industry costs and emissions. As an extreme example, we considered a scenario in which there are no direct benefits (cost savings and benefit of increased availability of assured products) from the single preferred platform model, and further that the model leads to a 50% price increase to supplier assessment services (relative to the status quo). The CMA maintained BMF's assumptions around uptake of the single-preferred provider model. This would imply gross cost increases from the initiative of £0.9m per year. The CMA compared these costs to a cautious benefits scenario, in which we halved both the value of reducing emissions and the effectiveness of the Proposal in generating reductions, leaving the capital expenditure on emission reduction technologies assumed above unchanged. We found this would still imply an overall net benefit of £0.3m per year (Figures presented without discounting in 2024 prices).

<sup>104</sup> Similar upside sensitivities demonstrated substantial potential for greater net overall benefits.

<sup>105</sup> Paragraphs 5.16 to 5.28 of the Guidance. Paragraph 5.16 provides: 'The parties need to be able to show that the benefits that result from the agreement are passed on to UK consumers and that those benefits outweigh the harm that UK consumers will suffer as a result of the agreement.'

<sup>106</sup> Paragraph 3.50 of the CMA's Horizontal Guidance.

<sup>107</sup> Paragraph 2.6 of the Guidance.



change benefits accruing to all UK consumers in line with paragraphs 6.1 to 6.7 of the Guidance.

- 2.65 In relation to the climate change benefits described at paragraphs 2.53 to 2.60, the CMA considers there are also good reasons to believe that the Proposal would produce benefits to all UK consumers that would help to mitigate the impact of climate change and reduce associated costs. As explained above, the Proposal will help this sector achieve the significant emission reduction required for the UK to meet the legislated levels of the Government's carbon budgets.<sup>108</sup> In paragraph 2.59 (ii) and (iii), the CMA verified that the types of emission reductions targeted by the Proposal are in line with the types contained in the emission reduction pathways to meet the Government's carbon budgets.<sup>109</sup>
- 2.66 As such, the CMA considers that the benefits that may arise from the Proposal would be capable of satisfying the fair share criterion.

### *Indispensability*

- 2.67 As referred to in paragraphs 1.21 to 1.22, BMF told the CMA that a single preferred platform model is necessary for participating merchants and suppliers to benefit from cost reduction benefits and the ability to view a wide pool of suppliers' ESG credentials and ratings in one place. BMF submitted that these features of the single preferred platform would increase the extent and speed of adoption of supply chain assessments by merchants. BMF has also submitted that by selecting Verisio as the initial provider it would save time to launch the Proposal so that the benefits would be realised sooner.
- 2.68 BMF submitted that a model without the single-preferred provider recommendation might fail to encourage sufficient merchants and suppliers to carry out supply chain assessments to drive action and improvement – as explained in paragraph 2.53.<sup>110</sup>
- 2.69 The CMA has considered whether there may be other potentially less restrictive but equally effective ways to achieve the benefits identified in paragraphs 2.48 to 2.60 above. It has considered whether those benefits could, for example, be achieved through a multi-approved provider model instead of the single preferred platform initially provided by Verisio. However, while such a model might work well for a pass/fail assessment, BMF has explained that it may be less well suited to a supply chain assessment that involves risk-ratings and detailed corrective action plans where improvements are needed with an ongoing role for the supply chain assurance provider. As BMF submitted, the single preferred platform initially provided by Verisio would enable a uniform, consistent approach to supply chain assessments. In addition, choosing an initial provider that already has a system

<sup>108</sup> See footnote 96 and footnote 95 above and the CCC, [Sixth Carbon Budget Report](#), 9 December 2020. See also paragraphs 1.14 and 1.15.

<sup>109</sup> As identified by the CCC in its 2023 Report to Parliament.

<sup>110</sup> See paragraph 1.18 above.

and tools to operate the service would enable the realisation of the benefits sooner. The CMA therefore considers that it appears reasonable to assume that the Proposal is reasonably necessary to achieve the benefits in question in that it enables these benefits to be achieved more efficiently (that is to say that more quickly and effectively) than alternative models would. BMF submitted that development of the single preferred platform for use by the number of merchants and suppliers likely to be involved would take a minimum of 24 months to fully complete, as it will also involve following up with non-compliance by merchants and suppliers. Therefore, in BMF's view, changing provider in the initial 24 month period would risk disrupting or delaying the benefits of using a single platform.<sup>111</sup> It is however not possible for the CMA as part of this light touch approach (and especially without market testing) to assess whether granting the recommendation to Verisio for up to 24 months is necessary or whether a shorter period would be sufficient. The CMA expects BMF to keep this point under review during the operation of the single preferred platform to ensure its justification for the 24 month period still applies and if it appears that a shorter period would be sufficient, to use this shorter period instead (see Further Comments, paragraph 3.3).

- 2.70 Therefore, based on the information provided by BMF, the CMA considers that there are good reasons to believe that the Proposal is likely to satisfy the indispensability condition.

#### *No elimination of competition*

- 2.71 The CMA considers the Additional Steps will help ensure that no substantial elimination of competition will arise from BMF's recommendation to use a single preferred platform. Further, as set out above at paragraph 1.24, there would be a competitive process to determine the provider of the single preferred platform that would be assigned BMF's recommendation in 24 months from the launch of the Proposal and then at reasonable time periods on an ongoing basis. In addition, the availability of the Questionnaire to the industry and data portability means other providers will be able to compete effectively and Verisio would not have an unassailable advantage.
- 2.72 The CMA therefore believes there should continue to be significant competition between the providers of supply chain assurance services.

#### **Conclusion on section 9**

- 2.73 For the reasons set out above and for the purposes of this light-touch informal guidance, the CMA considers that the Proposal could be capable of satisfying the conditions of section 9 of the Act.

<sup>111</sup> BMF RFI response, 22 August 2024.

## CONCLUSION

- 2.74 Based on the high-level assessment set out above, and on the basis of the CMA's understanding of the facts as submitted by BMF, the CMA does not expect to take enforcement action against the Proposal.<sup>112</sup>
- 2.75 The CMA's assurances are based on the Proposal being implemented as described by BMF, and subject to the caveats set out in the Further Comments section below.

## FURTHER COMMENTS

- 3.1 If in the future, the CMA were to conclude that further consideration of the Proposal was necessary, the CMA would not issue fines against BMF if it were to subsequently conclude that the Proposal infringed the Chapter I prohibition of the Act.<sup>113</sup>
- 3.2 As set out in the Guidance, this informal guidance is subject to certain conditions and caveats, including the requirement for BMF to take reasonable steps to keep the Proposal under review and to reassess its compliance with competition law, for instance, if market circumstances change (including a change in legislation), or new information comes to light, or if BMF receives credible evidence that the single preferred platform model is having an appreciable negative effect on competition. In particular this informal guidance is subject to the Additional Steps being implemented by BMF.
- 3.3 In addition, as part of the requirement for BMF to take reasonable steps to keep the Proposal under review, we expect BMF to:
- (a) ensure that the single preferred platform is open to non-members on equal terms to BMF members;
  - (b) take account of feedback from members and non-members (both merchants and suppliers) when implementing the Proposal;
  - (c) monitor how Verisio (or other recommended single preferred platform providers in future) are operating in terms of pricing and quality;
  - (d) ensure only the relevant merchant and single preferred platform provider will have access to an individual merchant's dashboard;
  - (e) ensure that the safeguards referred to at paragraphs 2.41 to 2.42 are implemented; and

<sup>112</sup> As explained in paragraph 1.16 of the Guidance, the CMA would not expect to take enforcement action where parties approach the CMA to discuss their agreement and the CMA does not raise any competition concerns (or where any concerns raised have been addressed).

<sup>113</sup> Paragraph 1.16 of the Guidance.

(f) keep the initial period under review during the operation of the single preferred platform to ensure the justification for the period of up to 24 months still applies and if it appears that a shorter period would be sufficient, to use this shorter period instead.<sup>114</sup>

- 3.4 In addition, as set out at paragraph 2.13, BMF should consider giving other supply chain assurance providers the opportunity to input in the development of the Questionnaire. In the absence of offering such an opportunity, BMF will need to assess the risk that other supply chain assurance providers may be foreclosed. Further, as part of making the Questionnaire available to the industry, BMF should include the methodology used by Verisio for assessing suppliers' responses against the Questionnaire and assigning a risk rating.<sup>115</sup> As set out in paragraph 2.14, the CMA considers that sharing the Questionnaire and methodology needs to be an ongoing requirement as and when revised versions of the Questionnaire are implemented following wider industry feedback.
- 3.5 If it is clear that the basis on which this informal guidance was given no longer applies, BMF will need to reassess the Proposal's compliance with the competition rules and if necessary, agree with the CMA adjustments to bring the Proposal back into line with competition law.
- 3.6 If the parties fail to implement adjustments that are required to bring the Proposal back into line with competition law, the CMA reserves the right to withdraw the protection from fines from that point forward.
- 3.7 The assurance that the CMA does not expect to take enforcement action in relation to the Proposal, and that no fines would be issued if it were to subsequently conclude that the Proposal infringed the Chapter I prohibition of the Act, is given on the condition that BMF did not withhold relevant information from the CMA which would have made a material difference to the CMA's assessment as set out in this informal guidance.

<sup>114</sup> As referred to above at paragraph 2.69.

<sup>115</sup> As referred to above at paragraph 2.14.