

**DEROGATION LETTER**

**IN RESPECT OF INITIAL ENFORCEMENT ORDERS ISSUED**

**PURSUANT TO SECTION 72(2) ENTERPRISE ACT 2002**

**Consent under section 72(3C) of the Enterprise Act 2002 to certain actions for the purposes of the Initial Enforcement Order made by the Competition and Markets Authority ('CMA') on 17 May 2021**

**Completed acquisition by Sony Music Entertainment of all of the issued shares of the entities comprising the AWAL and the Kobalt Neighbouring Rights businesses from Kobalt Music Group Limited ('the Transaction')**

We refer to your emails and accompanying notes and further information of 6 May 2021, 11 May 2021, 13 May 2021 and 17 May 2021 requesting that the CMA consents to derogations to the Initial Enforcement Order of 17 May 2021 (the '**Initial Order**'). The terms defined in the Initial Order have the same meaning in this letter.

Under the Initial Order, save for written consent by the CMA, Sony Group Corporation ('**Sony**'), Sony Music Entertainment ('**Sony Delaware**'), The Orchard, EU Limited ('**Sony Orchard**') and AWAL Digital Limited, AWAL Recordings Licensing Ltd, AWAL Recordings Ltd, Kobalt Neighbouring Rights Limited, Kobalt Neighbouring Rights II Limited, Kobalt Music Netherlands Artists B.V, Kobalt Music Netherlands OH Records B.V., AWAL Recordings America, Inc., AWAL Recordings Licensing America, Inc. and In2une Inc. (together the '**Target Entities**') are required to hold the Sony business and the Target business separate from one another and refrain from taking any action which might prejudice a reference under section 22 of the Act or impede the taking of any remedial action following such a reference. After due consideration of your request for derogations from the Initial Order, based on the information received from you and in the particular circumstances of this case, Sony, Sony Delaware, Sony Orchard and the Target Entities may carry out the following actions, in respect of the specific paragraphs:

## **Paragraphs 5(b), 6(b), 6(c), 6(d), 6(e), 6(h), 6(i), 6(k) and 9 of the Initial Order**

Sony submitted that the obligations of the Initial Order should not apply to the Sony business other than its music business outside Japan and the parent entities of that business as defined in Annex 1 (the **Related Sony Entities**). All entities which are not Related Sony Entities are **Non-Related Sony Entities**.

Sony provided information to the CMA identifying the entities in Annex 1 as carrying out activities relevant to Sony's music business outside Japan. Sony Delaware, Sony Music Entertainment B.V., Sony Music Publishing LLC and all of their subsidiaries are referred to as the **Sony Music Entities**. The Sony Music Entities include all entities forming part of The Orchard, including The Orchard, EU Limited. The Target Entities will be (indirectly) wholly owned by the Sony Music Entities following the Transaction.

Based on Sony's representations and related evidence provided to the CMA, the CMA understands that:

- The viability and competitive capability of the Sony Music Entities on a standalone basis are not reliant on the Non-Related Sony Entities; and
- The Sony Music Entities are run independently of the Non-Related Sony Entities and take operational decisions independently of the Non-Related Sony Entities. The Sony Music Entities do not have material links with the Non-Related Sony Entities other than the provision by Sony Delaware of certain operational support services to Sony Immersive Music Studios LLC.

In the light of the above, the CMA considers that a derogation is appropriate given the aims of the Initial Order and the particular circumstances of this case, and will significantly ease the administrative burden on Sony in a proportionate manner.

The CMA therefore consents to a derogation to exclude the Non-Related Sony Entities from paragraphs 5(b), 6(b), 6(c), 6(d), 6(e), 6(h), 6(i), 6(k) and 9 of the Initial Order, strictly on the basis that:

- (i) This derogation will not cause disruption to the Related Sony Entities, nor impact their ongoing operation or viability on a standalone basis; and
- (ii) Sony has disclosed all relevant links between the Related Sony Entities and the Non-Related Sony Entities.

Yours sincerely,

Cristina Caballero

Assistant Director, Mergers

18 May 2021

## Annex 1

Sony Group Corporation, a company registered at 1-7-1, Konan, Minato-Ku, Tokyo M0 108-0075, with company number 0104-01-067252 and the following of its subsidiaries:

- Sony Corporation of America, a company registered at 80 State Street, Albany, New York, 12207-2543, with company number 126313 and the following of its subsidiaries:
  - Sony Music Holdings Inc, a company registered at 80 State Street, Albany, New York, 12207-2543 with registration number 1218162, and USCO Sub LLC, a Delaware company registered at 251 Little Falls Drive, Wilmington, Delaware 19808 with registration number 4602730, and the following of their subsidiaries:
    - Sony Music Entertainment, a Delaware general partnership with file number 3824209 and whose offices are located at 25 Madison Avenue, New York, NY 10010 and all of its subsidiaries (including for the avoidance of doubt the Target Entities).
    - Sony Music Publishing LLC, a Delaware company registered at 251 Little Falls Drive, Wilmington, Delaware 19808 with registration number 5058199 and all of its subsidiaries.
  - Sony Music Entertainment B.V., a company registered at Overhoeksplein 29, 1031KS Amsterdam, The Netherlands with registration number 30196957 and all of its subsidiaries (including for the avoidance of doubt the Target Entities).

In this Annex 1, subsidiary has the meaning given by section 1159 of the Companies Act 2006.