

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 10 May 2021, 12 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:

Paragraph 6a, 6c and 6l of the Initial Order

Sony wishes to exercise limited oversight of the commercial activity of the Target Entities to ensure that the Target business is maintained as a going concern and operated in the ordinary way, consistent with past practice. Sony proposes to achieve this by way of a delegation of authority (the **Delegation of Authority**) which provides that the CEOs of the Target business (who are employees of the Target Entities) shall have full power and authority to operate the Target business, save in a limited number of specified circumstances described in Annex 1 (the **Non-Standard Acts**) where Sony Delaware's approval will be required. The frequency of the Non-Standard Acts is expected to be limited, and this process would therefore not restrict the ability of the Target business to operate independently from Sony.

Sony has therefore sought the CMA's consent for the Target Entities to (i) seek approval from Sony Delaware each time it proposes to undertake a Non-Standard Act and (ii) share limited commercially-sensitive information with Sony Delaware (as also described in Annex 1) in order for Sony Delaware to take an informed decision on the proposed Non-Standard Act.

The CMA consents to a derogation from paragraphs 6(a), 6(c) and 6(l) of the Initial Order to permit Sony Delaware to exercise oversight of any Non-Standard Act (as described in Annex 1) proposed by the Target Entities, strictly on the basis that:

- a) Requests will be raised by the Target Entities with, and information provided only to, the following employees of Sony Delaware: (i) [X] and (ii) [X] (together, the '**Authorised Individuals**' for the purposes of this derogation).
- b) None of the Authorised Individuals has, or will have for the duration of the Initial Order, any responsibility for the commercial or strategic operations of The Orchard, and shall not use any information provided by the Target business in any way to intervene in the management or operation of the Target business or the Sony business.
- c) The information which the Authorised Persons will be given access to will be limited to that which is strictly necessary (as described in Annex 1) to allow the Authorised Persons to reach a view on the specific matter at hand on behalf of Sony Delaware, and will not include any other commercially-sensitive information beyond that described in Annex 1.
- d) The Authorised Individuals must not consult with any other individual in the Sony business in taking decisions on the Non-Standard Acts.
- e) The CMA will be notified at least 24 hours in advance of each instance of reporting of a Non-Standard Act to the Authorised Individuals, and the Target Entities and Sony Delaware will provide to the CMA a template for sharing

information should the CMA request one. In the event of a proposed veto of a Non-Standard Act by the Authorised Individuals, the Authorised Individuals will notify the CMA of their reasons for vetoing at least 24 hours in advance of any such veto being exercised.

- f) The CMA can amend each of the Non-Standard Acts at any time in writing (including via email) if it subsequently reaches a view that any one of the Non-Standard Acts, as defined in Annex 1, is impacting upon the independent operation of the Target business.
- g) The Authorised Individuals shall enter into an NDA in a form approved by the CMA.
- h) IT firewalls and/or other ring-fencing measures will be put in place to prevent any unauthorised individuals within the Sony business from accessing the information shared with the Authorised Individuals for the purposes of this derogation.
- i) [X] and [X] shall remain the only Authorised Individuals. No additions or changes to the individuals providing oversight of Non-Standard Acts of the Target business shall be made under this derogation without the prior written consent of the CMA (including via email).
- j) Should the Acquisition be prohibited, or remedies required, any records or copies (electronic or otherwise) of business secrets, know-how, commercially-sensitive information, intellectual property or any other information of a confidential or proprietary nature, wherever they may be held, that were received by Sony Delaware from the Target business for the purposes of this derogation will be returned to the Target business and any copies destroyed, except to the extent that record retention is required by law or regulation.
- k) No actions will be taken which would be difficult or costly to reverse.
- l) This derogation shall not prevent any remedial action which the CMA may need to take regarding the Transaction.

Yours sincerely,

Cristina Caballero

Assistant Director, Mergers

18 May 2021

Annex 1 – Non-Standard Acts requiring Sony Delaware consent

Non-Standard Act requiring Sony Delaware consent	Categories of commercially sensitive information to which Authorised Individuals may require access for the purpose of reaching a view on the Non- Standard Act	Frequency of reporting to Authorised Individuals envisaged
<p>[✂]</p>	<p>[✂]</p>	<p>[✂]</p>
<p>[✂]</p>	<p>[✂]</p>	<p>[✂]</p>

Non-Standard Act requiring Sony Delaware consent	Categories of commercially sensitive information to which Authorised Individuals may require access for the purpose of reaching a view on the Non- Standard Act	Frequency of reporting to Authorised Individuals envisaged
[✂]	[✂]	[✂]
[✂]	[✂]	[✂]
[✂]	[✂]	[✂]
[✂]	[✂]	[✂]
[✂]	[✂]	[✂]

Non-Standard Act requiring Sony Delaware consent	Categories of commercially sensitive information to which Authorised Individuals may require access for the purpose of reaching a view on the Non- Standard Act	Frequency of reporting to Authorised Individuals envisaged
[✂]	[✂]	[✂]
[✂]	[✂]	[✂]
[✂]	[✂]	[✂]
[✂]	[✂]	[✂]
[✂]	[✂]	[✂]
[✂]	[✂]	[✂]
[✂]	[✂]	[✂]
[✂]	[✂]	[✂]

Non-Standard Act requiring Sony Delaware consent	Categories of commercially sensitive information to which Authorised Individuals may require access for the purpose of reaching a view on the Non-Standard Act	Frequency of reporting to Authorised Individuals envisaged
[✂]	[✂]	[✂]
[✂]	[✂]	[✂]
[✂]	[✂]	[✂]
[✂]	[✂]	[✂]
[✂]	[✂]	[✂]
[✂]	[✂]	[✂]
[✂]	[✂]	[✂]

Non-Standard Act requiring Sony Delaware consent	Categories of commercially sensitive information to which Authorised Individuals may require access for the purpose of reaching a view on the Non- Standard Act	Frequency of reporting to Authorised Individuals envisaged
[✂]	[✂]	[✂]
[✂]	[✂]	[✂]
[✂]	[✂]	[✂]
[✂]	[✂]	[✂]