

**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 email and accompanying note of 13 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(a), 6(a) and 6(e) of the Initial Order**

Sony submits that office space needs to be made available for employees of the Target Entities, including in London, Los Angeles and Toronto. Sony Delaware proposes to lease from Kobalt – and grant a sub-license to the Target Entities over – office space that the Target Entities' employees currently use.

Sony is seeking a derogation to permit the above actions, on the basis that such a derogation is urgent and necessary to ensure that the Target Entities will continue to have business premises to work from post-completion and thus to avoid disruption to their business. Sony further submits that this action would not be difficult or costly to reverse in the circumstance that the CMA decided to impose remedies in respect of the Transaction, up to and including divestment.

The CMA consents to a derogation from paragraphs 5(a), 6(a) and 6(e) of the Initial Order permitting the contemplated operation, strictly on the basis that:

- a) Appropriate safeguards will be put in place to preserve the holding separate of the Sony business and the Target business. Specifically, any office space provided to the Target business under this arrangement will be for the exclusive use of staff of the Target business. No staff from the Sony business will have access to that office space and suitable measures will be put in place to ensure that this condition is fulfilled (including not issuing building passes to Sony personnel).
- b) The sub-lease does not give rise to a risk of pre-emptive action (in particular because the sub-lease could continue to operate should the CMA require the divestment of any part or all of the Target business).
- c) Such actions:
  - are necessary to preserve the viability and competitive capability of the Target business;
  - do not lead to integration of the Target business and the Sony business; and
  - do not impede the taking of any appropriate remedial action.

Yours sincerely,

Cristina Caballero

Assistant Director, Mergers

18 May 2021