

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 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.

In this letter:

'**Sony Music Entities**' means Sony Delaware, Sony Music Entertainment B.V., Sony Music Publishing LLC, and all their subsidiaries.

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 6(c), 6(i) and 6(k) of the Initial Order

Sony submitted that paragraphs 6(c), 6(i) and 6(k) of the Initial Order should not apply to Sony Group Corporation. Sony submitted that this derogation is necessary to ensure that Sony Group Corporation is not unduly restricted in its organisation, management, and decisions relating to staffing. Sony stated that such decisions for Sony Group Corporation alone would not impact the operation of the Sony Music Entities, given that:

- the Sony Music Entities operate as an autonomous business unit within the Sony Group;
- Sony Group Corporation exercises limited high-level oversight over the Sony Music Entities and is not typically involved in providing commercial and strategic input. No particular Sony Group Corporation staff need to remain in place in order to facilitate the review of matters concerning the Sony Music Entities specifically;
- accordingly, organisational, management, or personnel changes within Sony Group Corporation alone would not prevent it from discharging its limited review functions in respect of the Sony Music Entities, nor would they pre-empt any referral or remedies relating to the Transaction.

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 Sony Group Corporation from paragraphs 6(c), 6(i) and 6(k) of the Initial Order, strictly on the basis that:

- (i) Sony has disclosed all relevant management links between Sony Group Corporation and the Sony Music Entities;
- (ii) This derogation will not directly alter the nature of oversight of the Sony Music Entities by Sony Group Corporation; and
- (iii) This derogation will not cause disruption to the Sony Music Entities, nor impact their ongoing operation or viability on a standalone basis;

For the avoidance of doubt, management of Sony Group Corporation who also hold management roles for the Sony Music Entities remain within the scope of the Initial Order. This includes, in particular:

- Mr Rob Stringer (Chairman, Sony Music Group and Chief Executive Officer, Sony Music Entertainment); and
- Mr Jon Platt (Chairman and Chief Executive Officer, Sony Music Publishing).

Yours sincerely,

Cristina Caballero

Assistant Director, Mergers

27 May 2021