

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 submission of 29 July 2021 requesting that the CMA consents to a derogation 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:

1. Paragraphs 6(c) and 6(i) of the Initial Order

The Target Entities submit that they plan to change the role of [X] from AWAL's [X] to [X]. This would entail a change in responsibility from oversight of [X] to oversight of [X]. [X] and [X] would then be made responsible for overseeing [X] from their existing roles. Both [X] and [X] would report to [X] instead of [X]. [X] is a [X].

The Target Entities further submit that the above changes are unrelated to the Transaction and would have happened regardless of whether it went ahead or not. Moreover, the proposed changes do not entail any changes in personnel; rather, they entail changes to the responsibilities and reporting lines of four management staff of the Target Entities.

The CMA consents to a derogation from paragraph 6(c) and 6(i) of the Initial Order to permit the changes described above, strictly on the basis that:

- a) [X], [X], and [X] have the necessary expertise and experience in order to fulfil their enhanced responsibilities.
- b) This derogation will not lead to any integration of the Target business and the Sony business.
- c) This derogation shall not impede any remedial action which the CMA may need to take regarding the Transaction.

Yours sincerely,

Cristina Caballero

Assistant Director, Mergers

9 August 2021