

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

Directions issued on 5 October 2021 pursuant to paragraph 11 of the Initial Enforcement Order imposed by the Competition and Markets Authority on Sony Music Entertainment and each of the entities comprising the AWAL and Kobalt Neighbouring Rights businesses on 17 May 2021

On 18 May 2021, Sony Music Entertainment (**Sony Delaware**) completed the acquisition of all of the issued shares of certain entities comprising the AWAL business (**AWAL**) and the Kobalt Neighbouring Rights business (**KNR**) from Kobalt Music Group Limited (**Kobalt**) (the **Transaction**).

On 17 May 2021, the Competition and Markets Authority (**CMA**) made an Initial Enforcement Order (the **Order**) addressed to Sony Group Corporation (**Sony**), Sony Music Entertainment (**Sony Delaware**), The Orchard, EU Limited (**Sony Orchard**), 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**, each a **Target Entity**) in accordance with section 72(2) of the Enterprise Act 2002 to prevent pre-emptive action. The Order is still in force.

The CMA now issues written directions under paragraph 11 of the Order that, for the purpose of securing compliance with the Order, Sony Delaware must appoint a monitoring trustee in accordance with the terms provided for in this Annex and must comply with the obligations set out in the Annex.

Signed

Douglas Cooper
Director, Mergers
Competition and Markets Authority

Annex

Directions to appoint a monitoring trustee

Interpretation

The Interpretation Act 1978 shall apply to these directions as it does to Acts of Parliament.

Terms and expressions defined in the Order have the same meaning in these directions, unless the context or the definitions below require otherwise.

In these directions:

'AWAL' means the business of AWAL Digital, AWAL Recordings Licensing, AWAL Recordings, AWAL Recordings America, AWAL Recordings Licensing America and In2une, and their subsidiaries;

'CMA' means the Competition and Markets Authority;

'Derogations' means any derogations granted whether before or after the appointment of the MT by the CMA by which Sony, Sony Delaware, Sony Orchard and the Target Entities may undertake certain actions that derogate from the Order;

'KNR' means the business of Kobalt Neighbouring Rights, Kobalt Neighbouring Rights II, Kobalt Music Netherlands Artists and Kobalt Music Netherlands OH Records, and their subsidiaries;

'Kobalt' means Kobalt Music Group Limited, a company registered at The River Building, 1 Cousin Lane, London, England EC4R 3TE, with company number company number 04018752;

'MT' means the monitoring trustee appointed in accordance with this Annex;

'Order' means the initial enforcement order made by the CMA on 17 May 2021 and addressed to Sony, Sony Delaware, Sony Orchard and each Target Entity;

'the Sony business' means the business of Sony and its subsidiaries (including for the avoidance of doubt Sony Delaware and Sony Orchard) but excluding the business of the Target Entities;

'the Sony Delaware business' means the business of Sony Delaware and its subsidiaries (including for the avoidance of doubt Sony Orchard) but excluding the business of the Target Entities;

'the Sony Orchard business' means the business of Sony Orchard and its subsidiaries but excluding the business of the Target Entities;

'the Target Entities' means AWAL and KNR;

'the Transaction' means the transaction by which Sony and the Target ceased to be distinct within the meaning of section 23 of the Act.

Appointment

1. Sony Delaware must appoint a MT in order to ensure compliance with the Order, in particular to:
 - a. monitor and report to the CMA on compliance by Sony, Sony Delaware, Sony Orchard and each Target Entity with the Order; and
 - b. support the CMA taking any remedial action which may be required to maintain the Target Entities as going concerns.
2. The MT must act on behalf of the CMA and be under an obligation to the CMA to carry out his or her functions to the best of his or her abilities.
3. Sony, Sony Delaware, Sony Orchard and each Target Entity must cooperate fully with the MT, in particular as set out below, and must ensure that the terms and conditions of appointment of the MT reflect and give effect to the functions and obligations of the MT and the obligations of Sony, Sony Delaware, Sony Orchard and each Target Entity as set out in these directions.

General

4. The MT must possess appropriate qualifications and experience to carry out his or her functions.
5. The MT must neither have, nor become exposed to, a conflict of interest that impairs his or her objectivity and independence in discharging his or her duties under these directions, unless it can be resolved in a manner and within a timeframe acceptable to the CMA.
6. Sony Delaware shall remunerate and reimburse the MT for all reasonable costs properly incurred in accordance with the terms and conditions of the appointment and in such a way so as not to impede the MT's independence or ability to effectively and properly carry out his or her functions.
7. Sony Delaware must appoint the MT as soon as is reasonably practicable and in any event by **12 October 2021** and the MT will continue to act either until the CMA reaches a decision to clear the Transaction or until the CMA directs that the MT is no longer required.
8. The appointment of a MT by Sony Delaware is subject to the approval of the CMA as to the identity of the MT and the terms and conditions of appointment in their entirety and:

- a. the name of the proposed MT and a second proposed MT in reserve (should the CMA not approve the first proposed MT) must be notified to the CMA as soon as is reasonably practicable and in any event by **7 October 2021**;
- b. the draft terms and conditions of appointment must be notified to the CMA as soon as is reasonably practicable and in any event by **7 October 2021**; and
- c. once the MT has been approved by the CMA and appointed, Sony Delaware must provide the CMA with a copy of the agreed terms and conditions of appointment.

Functions

9. The functions of the MT will be to:
 - a. ascertain and report to the CMA in relation to the current level of compliance by Sony, Sony Delaware, Sony Orchard and each Target Entity with the Order;
 - b. assess and report to the CMA in relation to the arrangements made by Sony, Sony Delaware, Sony Orchard and each Target Entity for compliance with the Order and what changes to those arrangements, if any, are necessary to preserve the possibility of the CMA taking any remedial action, if required;
 - c. identify and supervise if necessary the arrangements made by Sony, Sony Delaware, Sony Orchard and each Target Entity for ensuring compliance with the Order;
 - d. monitor compliance by Sony, Sony Delaware, Sony Orchard and each Target Entity with the Order; and
 - e. without prejudice to the right of Sony, Sony Delaware, Sony Orchard and each Target Entity to contact the CMA, respond to any questions which Sony, Sony Delaware, Sony Orchard and each Target Entity may have in relation to compliance with the Order, in consultation with the CMA.
10. The MT must take such steps as he or she reasonably considers necessary in order to carry out his or her functions effectively, including requiring the provision of information or the production of documents relating to communications within and between Sony, Sony Delaware, Sony Orchard, AWAL and KNR, such as written and electronic communications, telephone conversations and meetings as may be required.

11. The MT must comply with any requests made by the CMA for the purpose of ensuring the full and effective compliance with the Order.

Obligations of Sony, Sony Delaware, Sony Orchard and each Target Entity

12. Sony, Sony Delaware, Sony Orchard and each Target Entity, their employees, officers, directors, advisers and consultants must cooperate fully with the MT, in particular by providing the MT with all cooperation, assistance and information as the MT may reasonably require in order to discharge his or her functions, including but not limited to:
 - a. the provision of full and complete access to all personnel, books, records, documents, facilities and information of Sony, Sony Delaware, Sony Orchard, AWAL and KNR as the MT may reasonably require; and
 - b. the provision of such office and supporting facilities as the MT may reasonably require.
13. If Sony, Sony Delaware, Sony Orchard, AWAL or KNR is in any doubt as to whether any action or communication would not be in compliance with the Order, it is required to contact the MT in good time for clarification before such action is taken or such communication is made.
14. If Sony, Sony Delaware, Sony Orchard, AWAL or KNR has any reason to suspect that there may have been a failure to comply with the Order, it must notify the MT and the CMA as soon as reasonably practicable (a) on the day on which it has reason to suspect that there may have been a failure to comply with the Order, or (b) if the day referred to in (a) is on a weekend or national holiday, on the next working day.

Reporting functions

15. The MT is required to provide an initial report to the CMA no later than **2 November 2021**, giving details of any arrangements which have been, or should be, put in place to ensure compliance with the Order, and including among other things:
 - a. details of the current extent of compliance with the Order;
 - b. a description of the current arrangements made for the operation of AWAL and KNR and for the preservation of the assets required to operate AWAL and KNR; and
 - c. recommendations as to what changes to those arrangements, if any, are necessary.

16. In addition to providing the initial report referred to in paragraph 15 above, the MT must provide a statement to the CMA every **four** weeks thereafter (or otherwise as required by the CMA) stating whether or not, in his or her view, Sony, Sony Delaware, Sony Orchard and each Target Entity have complied with the Order. At the same time, the MT must provide the CMA with a report setting out the following:

- a. the basis for the MT's view that the Order has or has not, as the case may be, been complied with and in particular whether:
 - i. anything has caused him or her to be concerned as to whether Sony, Sony Delaware, Sony Orchard and each Target Entity have complied with the Order, and if it has, whether those concerns have been resolved and why;
 - ii. he or she has any remaining doubts or uncertainties as to whether Sony, Sony Delaware, Sony Orchard and each Target Entity have complied with the Order; and
 - iii. anything that causes him or her to be concerned about potential future non-compliance with the Order (whether deliberate or inadvertent);
- b. details of the performance of AWAL and KNR, including any factors that might indicate asset deterioration;
- c. whether appropriate steps are being taken to maintain each of AWAL and KNR as a going concern;
- d. the extent to which Sony, Sony Delaware, Sony Orchard and each Target Entity have cooperated with the MT in his or her task of monitoring their compliance with the Order and details of any aspects of the cooperation of Sony, Sony Delaware, Sony Orchard and each Target Entity that he or she considers could be improved;
- e. the extent to which the MT considers that he or she is in an appropriate position to monitor the compliance of Sony, Sony Delaware, Sony Orchard and each Target Entity with the Order and if there is anything that the MT considers would assist him or her in monitoring compliance;
- f. any current or anticipated requests for consent to vary the Order; and
- g. the information he or she used to compile the report.

17. When providing reports to the CMA, the MT must ensure that he or she does not disclose any information or documents to the CMA which Sony, Sony

Delaware, Sony Orchard and each Target Entity would be entitled to withhold from the CMA on the grounds of legal privilege and nothing in these directions requires Sony, Sony Delaware, Sony Orchard and each Target Entity to produce any information or documents to the MT which are legally privileged.

18. The MT must immediately notify the CMA in writing if he or she forms a reasonable suspicion that there has been a failure to comply with the Order, or if he or she considers that he or she is no longer in a position to effectively carry out his or her functions. In that situation, the MT must give reasons for this view, including any supporting evidence available (subject to paragraph 17 above).
19. All communications between the MT and the CMA (including the statements and reports referred to in paragraphs 15 and 16) are confidential and should not be disclosed to Sony, Sony Delaware, Sony Orchard, AWAL, KNR, or any other person, save with the prior written consent of the CMA.