

**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')**

Dear [✂],

We refer to your email and accompanying notes dated 25 February 2022 requesting that the CMA consent to derogations from 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, AWAL Recordings America, Inc., AWAL Recordings Licensing America, Inc. and In2une Inc. (together, **AWAL** or **the AWAL business**) and Kobalt Neighbouring Rights Limited, Kobalt Neighbouring Rights II Limited, Kobalt Music Netherlands Artists B.V. and Kobalt Music Netherlands OH Records B.V. (together with AWAL, the '**Target Entities**') are required to hold the Sony business and the Target Entities 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(l) of the Initial Order**

Sony submits that it needs to make corporate filings on behalf of AWAL with AWAL's approval (and to access certain of AWAL's commercial information, as identified in Annex 1) for the purpose of complying with US corporate reporting obligations.

Sony further submits that:

- the requested derogations pertain to back-end functions and regulatory compliance, and do not affect AWAL's ability to carry out its commercial functions, such as signing artists, distributing music or collective neighbouring rights on artists' behalf;
- AWAL's viability benefits from corporate reporting that is reliable and meets regulatory requirements; and
- none of the contemplated actions under this derogation would 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(l) of the Initial Order permitting the sharing of information identified in Annex 1, strictly on the basis that:

- (a) information received by the Sony business regarding the AWAL business under this derogation will be limited to that which is strictly necessary for Sony to make corporate filings on behalf of AWAL. This information is identified in Annex 1;
- (b) the information identified in Annex 1 will only be provided to [X] of Sony, for whom it is strictly necessary to see this information for corporate reporting purposes;
- (c) [X] shall enter into a non-disclosure agreement in a form approved by the CMA;
- (d) no additions or changes to the persons able to access the information set out in Annex 1 shall be made under this derogation without the prior written consent of the CMA (which may be given via email);
- (e) no additions or changes to the information set out in Annex 1 shall be made under this derogation without the prior written consent of the CMA (which may be given via email);

(f) 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 disclosed for the purposes of this derogation;

(g) such actions:

- do not lead to integration of the AWAL business and the Sony business; and
- do not impede the taking of any appropriate remedial action which the CMA may need to take regarding the Transaction.

Yours sincerely,

Signed

**Douglas Cooper**  
**Director, Mergers**  
**28 February 2022**

## **Annex 1**

### **Commercial Information Required For AWAL's US Corporate Reporting Obligations**

For each of (i) In2une Inc., (ii) AWAL Recordings America, Inc. and (iii) AWAL Recordings Licensing America, Inc.:

- Principal executive office address and mailing address
- Principal address in California (if applicable)
- Number of directors
- List of officers (and their roles) and directors