

Hipgnosis Songs Fund Limited ("Hipgnosis" or the "Company")

Impact of Copyright Royalty Board III Decision

4 July 2022

The Board of Hipgnosis Songs Fund Limited, the first UK listed investment company offering investors a pure-play exposure to songs and associated intellectual property rights, and its Investment Adviser, Hipgnosis Song Management Limited, welcome the decision of the US Copyright Royalty Board (CRB) to disallow the appeal by various streaming services against the CRB III determination to increase mechanical streaming royalty rates for songwriters and publishers.

The increase, which is incremental over the period covered by CRB III (1 January 2018 until 31 December 2022) will culminate in a 44% uplift in the “all in” (mechanical and performance) statutory minimum rates for streaming paid in the US, rising from 10.5% of streaming revenues prior to 2018 to 15.1% in 2022.

Commenting on the decision, Merck Mercuriadis, Founder and CEO of Hipgnosis Songs Management, said:

“Using the success of Hipgnosis to change where the songwriter sits in the economic equation has been a massive priority for us from day one.

“The song is the currency of our business, without the song we simply have no music business. Yet for too long the songwriter – who delivers the most important component to the success of a record company, digital service provider, music merchandiser, live promoter etc., is the lowest paid person in the equation.

“We still have plenty of room for improvement before we have a rate that’s genuinely fair and equitable but this is an important step on the road to finally, properly recognising the value that songwriters bring to the industry and the lives of the billions of people all over the world who rely on great songs to enrich their lives.

“The CRB has delivered a strong message not only to the digital service providers like Spotify but also to the recorded music companies about the importance of the songwriter in our industry.

“Congratulations to all of the incredible songwriters that have entrusted us with their incomparable songs as well as to each and every songwriter that goes to work each day to write great songs and make the world a better place. This is a victory for all of you.”

For most of the period since the appeal was launched in 2020, the majority of the increased revenue due to the owner of song copyrights has been withheld and revenues have been paid off the CRB II rate of 10.5% in most cases. Hipgnosis will now receive US streaming revenues based on the royalty rates set out in CRB III.

In addition, Hipgnosis has not accounted for any withheld revenue since 2020. This is expected to be received by Hipgnosis in the coming periods, as money flows from the Digital Service Providers (DSPs) to the publishers and then copyright owners.

We expect more details once the full ruling is released.

CRB IV, which will determine songwriter payments for 2023-27, is currently underway.

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Notes to Editors

About Hipgnosis Songs Fund

Hipgnosis, which was founded by Merck Mercuriadis, is a Guernsey registered investment company established to offer investors a pure-play exposure to songs and associated musical intellectual property rights. The Company has raised a total of almost £1.3 billion (gross equity capital) through its Initial Public Offering on 11 July 2018, and subsequent issues in April 2019, August 2019, October 2019, July 2020, September 2020, February 2021 and July 2021. In September 2019, Hipgnosis transferred its entire issued share capital to the Premium listing segment of the Official List of the FCA and to the London Stock Exchange's Premium segment of the Main Market, and in March

2020 became a constituent of the FTSE 250 Index. Since April 2021, the Company has been resident in the UK for tax purposes and is recognised as an investment trust under applicable HMRC regulations.

About Hipgnosis Song Management Limited

The Hipgnosis Songs Fund's Investment Adviser is Hipgnosis Song Management Limited, which was founded by Merck Mercuriadis, former manager of globally successful recording artists, such as Elton John, Guns N' Roses, Morrissey, Iron Maiden and Beyoncé, and hit songwriters such as Diane Warren, Justin Tranter and The-Dream, and former CEO of The Sanctuary Group plc. The Investment Adviser has assembled an Advisory Board of highly successful music industry experts which include award winning members of the artist, songwriter, publishing, legal, financial, recorded music and music management communities, all with in-depth knowledge of music publishing. Members of Hipgnosis Song Management Limited Advisory Board include Nile Rodgers, The-Dream, Giorgio Tuinfort, Starrah, David A. Stewart, Poo Bear, Bill Leibowitz, Ian Montone and Rodney Jerkins.