Business Deep Dive
ISS – Institutional Shareholder Services

10 November 2021
ISS acquisition addresses major market trends and aligns very well with our Compass 2023 strategy

**Major market trends**

**ESG**

*Integrating sustainability* as critical factor for investment decisions becomes mainstream, further accelerated by Covid-19

**Rise of data**

Unbroken strong growing demand for high-quality, reliable data supporting multifaceted decision intelligence

**Importance of buy-side**

Growing importance of buy-side and shift from active to passive products

**Regulatory pressure**

Changing regulatory environment triggers market participants’ need for adoption and advice

**Accelerated digitization**

Technology and digitization are transforming the financial sector operates (e.g. cloud, DLT)

- ISS positioned as innovative global leader in data and research, transforming Deutsche Börse into a global ESG leader
- Strategic partnership format between Deutsche Börse (80%) and ISS management/ Genstar Capital (20%)
- Transaction successfully closed on 25 February 2021
- ISS research and advisory activities continue to operate fully independently at arm’s length
ISS is a best-in-class data and research business with strong strategic complementarity to Deutsche Börse

Best-in-class data business in growth strategy sweet spot
- Global top 3 player in ESG with further consolidation opportunities
- Adding substantial recurring revenue with very high client retention
- Outpacing >5% net revenue growth guidance while achieving good profitability

ISS with strong global brand with access to very diverse 4,000+ clients, with high buy-side exposure of 2,000+ asset managers (including global top 10) and complementarity on sell-side, esp. custodians

ISS with very strong US franchise and brand; Deutsche Börse’s strong European brand / network leveraged to expand in EMEA

Highly complementary product offering already within ISS; strong linkages to Deutsche Börse offering revenue synergy opportunities across the entire value chain

The global leader in corporate governance for more than three decades with a rapidly growing position in broader ESG and distribution services

Deutsche Börse Group

30 offices

15 countries

115 markets covered

>2,400 employees

2,400 employees

30 offices

15 countries

115 markets covered

Deutsche Börse Group

2

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Both businesses complement each other very well across multiple dimensions

ISS

Global top player in ESG research, ratings, data, analytics and advisory services

- Global leader in providing governance research and proxy voting

- Excellent research, data, product distribution, insight, and workflow solutions to the buy-side

Qontigo with world-class indices and risk analytics; Eurex as one of the leading exchanges for index derivatives

- Clearstream with strong European post-trading footprint

- IFS with global fund distribution services and €3.4 trillion custody assets

Best-in-class ESG, governance research and data provider

Leading market infrastructure provider
To realize revenue synergies, ISS is driving cooperation workstreams along the entire value chain of Deutsche Börse

Expanding existing partnership in joint ESG index development for institutional clients

ISS Corporate Solutions as partner in Cash Market ecosystem offering solutions on ESG disclosure and ratings for corporates

Broadening existing collaboration in processing of voting of securities

Clearstream Fund Centre distribution platform offering ISS ESG fund ratings and reports and cooperating on fund data with FWW

Non-exhaustive
ISS is composed of four strong business lines, serving investors and corporates alike

1. Global leader in providing objective governance research and advisory, and end-to-end proxy voting solutions

2. Innovative and high-quality ESG research, ratings, index, screening, data, analytics & advisory services

3. Solutions to help companies design and manage their governance, compensation, EVA and sustainability programs

4. Provides critical research, data, insight, and workflow solutions to global asset managers and distributors

Integrated data & technology infrastructure drives product innovation

<table>
<thead>
<tr>
<th>Product set breadth &amp; innovation</th>
<th>Unique data assets</th>
<th>Scalable technology infrastructure</th>
</tr>
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<tbody>
<tr>
<td>▪ Market leader and widest range of ESG and stewardship solutions</td>
<td>▪ Continuous expansion of proprietary data sets unrivalled for timeliness, breadth and depth</td>
<td>▪ Scalable and integrated technology infrastructure to support diverse product suite</td>
</tr>
<tr>
<td>▪ Continued innovation &amp; product development</td>
<td>▪ Coverage spans carbon &amp; climate, executive pay, director profiles, ESG ratings, and tens of thousands more datapoints</td>
<td>▪ Highly secure, reliable and flexible environment on common architecture across multiple products</td>
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</table>

72%¹ ESG & stewardship solutions

28%¹ Non-ESG

1) Split based on Q2-3 2021 net revenue; Non-ESG includes ISS Market Intelligence, ISS LiquidMetrix and ISS SCAS (Securities Class Action Services)

Deutsche Börse Group

10 November 2021
Global leader in providing objective governance research and advisory, and end-to-end proxy voting solutions

**ISS GOVERNANCE**

Institutional clients have long turned to ISS to apply their corporate governance views, identify environmental, social and governance risk, and manage their complete proxy voting needs on a global basis.

**KEY FIGURES**

<table>
<thead>
<tr>
<th>45,000</th>
<th>970</th>
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<tr>
<td>Meetings (approx.)</td>
<td>Professionals globally</td>
</tr>
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</table>

<table>
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<tr>
<th>115</th>
<th>3.9</th>
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<tr>
<td>Markets covered</td>
<td>Trillion shares</td>
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**GOVERNANCE RESEARCH & VOTING**

Offerings include objective governance research and recommendations, through multiple policy options, and end-to-end proxy voting solutions.

**GLOBAL PROXY DISTRIBUTION**

Provides intermediaries with a proxy voting outsource solution to notify underlying clients of upcoming shareholder meetings and process vote instructions through the custody chain or, in certain markets, directly to issuers.

**SCAS**

Provides clients with an outsourced solution to maximize securities class action claim recoveries.

**LIQUID METRIX**

Provides clients with actionable analysis on trade execution quality, cost analysis, and market surveillance.
ISS in unique position to further expand products and services in rapidly growing ESG market

Core ESG data spending continues to grow rapidly

Global spending, US$m

- Global top 3 data offering
- Gaining market share with >30% growth 2020/21 in core ESG data
- Building on traditional strengths:
  - deep investor access
  - stewardship / proxy
  - corporate solutions
- Continued bolt-on M&A (e.g. ACRe Data, FICO Cyber Risk Score)

1) Source: Opimas; overall ESG data, products and services estimated at c. US$1.6bn in 2020
ISS ESG solutions enable investors to develop and integrate responsible investing policies and practices, engage on responsible investment issues, and monitor portfolio company practices and performance through screening solutions, cyber risk assessments, and the proprietary financial measure, Economic Value Added.

**KEY FIGURES**

<table>
<thead>
<tr>
<th>9,700</th>
<th>25,000</th>
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<tbody>
<tr>
<td>CORPORATE RATINGS</td>
<td>ESG FUND RATINGS</td>
</tr>
<tr>
<td>1,100</td>
<td>460</td>
</tr>
<tr>
<td>CLIENTS</td>
<td>PROFESSIONALS GLOBALLY</td>
</tr>
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</table>

**SCREENING & CONTROVERSIES**

On-going monitoring and research on company practices, assessing information through numerous sources and following through with expert analysis and consultation.

**ESG RATINGS**

Provides the ability to screen for concerns, inform issuer engagement, assess portfolios based on ESG risk and performance and identify best-in-class investments.

**SPECIALTY SCORES & DATA**

Provides a comprehensive set of data services which include governance risk analysis, executive pay research, director profiles and voting data patterns.

**CLIMATE**

A suite of solutions to better understand and measure exposure to climate-related risks along with insights to help safeguard investment portfolios.

**INDEX**

Developed in collaboration with index providers globally, innovative index solutions are based on high quality, reliable, and relevant ESG data.

**CYBER RISK – INSTITUTIONAL**

Assesses and manages cyber risk across ESG investments with a data driven and behavioral analytic approach.
ISS Corporate Solutions (ICS) helps companies design and manage their corporate governance, executive compensation, sustainability, and cyber-risk programs.

Its market-leading expertise empowers companies to meet the growing demands of incorporating governance and sustainability principles across the enterprise.

**Key Figures**

- **1,500** clients
- **65%** penetration of S&P 500
- **180** professionals globally
- **47** clients countries

**Compensation Suite**

Provides web-based tools and advisory services to help companies design, monitor and communicate executive pay plans.

**Governance Suite**

Provides web-based tools and advisory services to help companies design, manage and measure their corporate governance programs to improve shareholder value and appeal to their investors.

**Sustainability**

Provides web-based tools and advisory services on environmental and social matters impacting the subject company and other stakeholders. Also provides sustainability, green and social bond issuers with an independent assessment of the sustainability quality of their bonds (Second-Party Opinion).

**Cyber Risk – Corporate**

Provides clients with a cyber risk score and related analytics to help them understand their cyber risk profile as well as potential risks within their supply chain.
Providing critical research, data, insight, and workflow solutions to global asset managers and distributors

**KEY FIGURES**

<table>
<thead>
<tr>
<th>SHARE CLASSES</th>
<th>FUNDS</th>
<th>CLIENTS</th>
<th>PROFESSIONALS</th>
</tr>
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<tbody>
<tr>
<td>200,000</td>
<td>99,000</td>
<td>1,300</td>
<td>360</td>
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**SIMFUND**

Provides clients with a cloud-based platform with proprietary and third-party datasets for advanced business intelligence across every major fund market.

**BRIGHTSCOPE**

Provides clients with retirement plan, sales and distribution data, enabling retirement market-focused asset managers to identify, target and retain clients.

**RAINMAKER**

Delivers data, research, events, and media solutions to an extensive range of Australia’s largest investment managers, superannuation funds, and intermediaries.

**MATRIX SOLUTIONS**

Comprises Financial Clarity and Mortgage Clarity and provides UK snapshot of retail wealth and mortgage market share and insight into the investment advisor community.

**OTHERS**

Includes FWW, Flowspring, Local Market Share (LMS), and MI Research providing competitive intelligence, key trends and media (e.g. Investor Economics, Market Metrics, Plan for Life, CIO, Plansponsor)
Acquisition of Discovery Data positions ISS Market Intelligence as an international market leader in intermediary data

Transaction overview

Purchase Price
- Full acquisition (100%) of Discovery Data valued at ~€200 million
- Funded with DB1 cash on hand

Financials
- 2021E net revenue of ~€19 million growing 12% and ~43% EBITDA margin
- High recurring subscription data revenue (~94%) with more than 1,000 clients

Timing / Reporting
- Signed on 29 October 2021
- Expected to close at the end of Q4/2021
- Discovery Data will be part of “Non-ESG” in financial reporting

Company snapshot

- Founded in 2002, Discovery Data is the market leading supplier of mission critical financial intermediary data for the financial services industry, serving the sales, distribution and recruitment departments of asset managers, advisors and insurers
- Discovery Data gathers information through connections to more than 100 disparate structured and unstructured data sources that are constantly updated and cleansed using a proprietary automated matching and verification engine, supplemented by Discovery Data’s analysts

Strategic rationale

- Immediately provides ISS with US market coverage, complementing similar international data sets within ISS Financial Clarity in UK and ISS Rainmaker in Australia and positioning ISS as the unprecedented go-to-provider
- Leveraging core ISS data capabilities while ISS BrightScope (US) and ISS Local Market Share (US) products are benefitting from linkage to US intermediary data and further strengthens asset managers and insurance relationships in (home) US market
Strong organic and inorganic growth trajectory is expected to continue

**Historic development**

<table>
<thead>
<tr>
<th>Year</th>
<th>Net revenue</th>
<th>EBITDA</th>
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<tr>
<td>2014</td>
<td>14% CAGR</td>
<td></td>
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<tr>
<td>2021E</td>
<td>+15%² y-o-y</td>
<td>150</td>
</tr>
</tbody>
</table>

- 16 bolt-on M&A transactions since 2014 contributed to growth
- Aim was to further expand into ESG, data and analytics globally
- Largest transactions were the acquisitions of Strategic Insight (Mar 2019) and Discovery Data (closing expected in Q4/21)

**Progress since consolidation**

<table>
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<tr>
<th>Mar-Sep 2021; €m</th>
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<tbody>
<tr>
<td>Non-ESG</td>
</tr>
<tr>
<td>42</td>
</tr>
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**Outlook**

- Guidance at the time of the announcement (Nov 2020):
  - >5% organic net revenue growth
  - ~35% adjusted EBITDA margin with further operating leverage
  - Additional €15 million EBITDA from revenue synergies by 2023
- Financial performance in 2021 so far significantly above initial expectations
- With strong organic growth prospects and bolt-on M&A double-digit net revenue growth targeted

1) Includes (negative) initial one-off consolidation adjustments
2) Based on constant portfolio
Q&A
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