

Business Deep Dive

ISS – Institutional Shareholder Services

10 November 2021



DEUTSCHE BÖRSE
GROUP

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 way 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



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

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

Both businesses complement each other very well across multiple dimensions



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



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

Global leader in providing **governance research** and **proxy voting**



Clearstream with strong European post-trading footprint

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



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

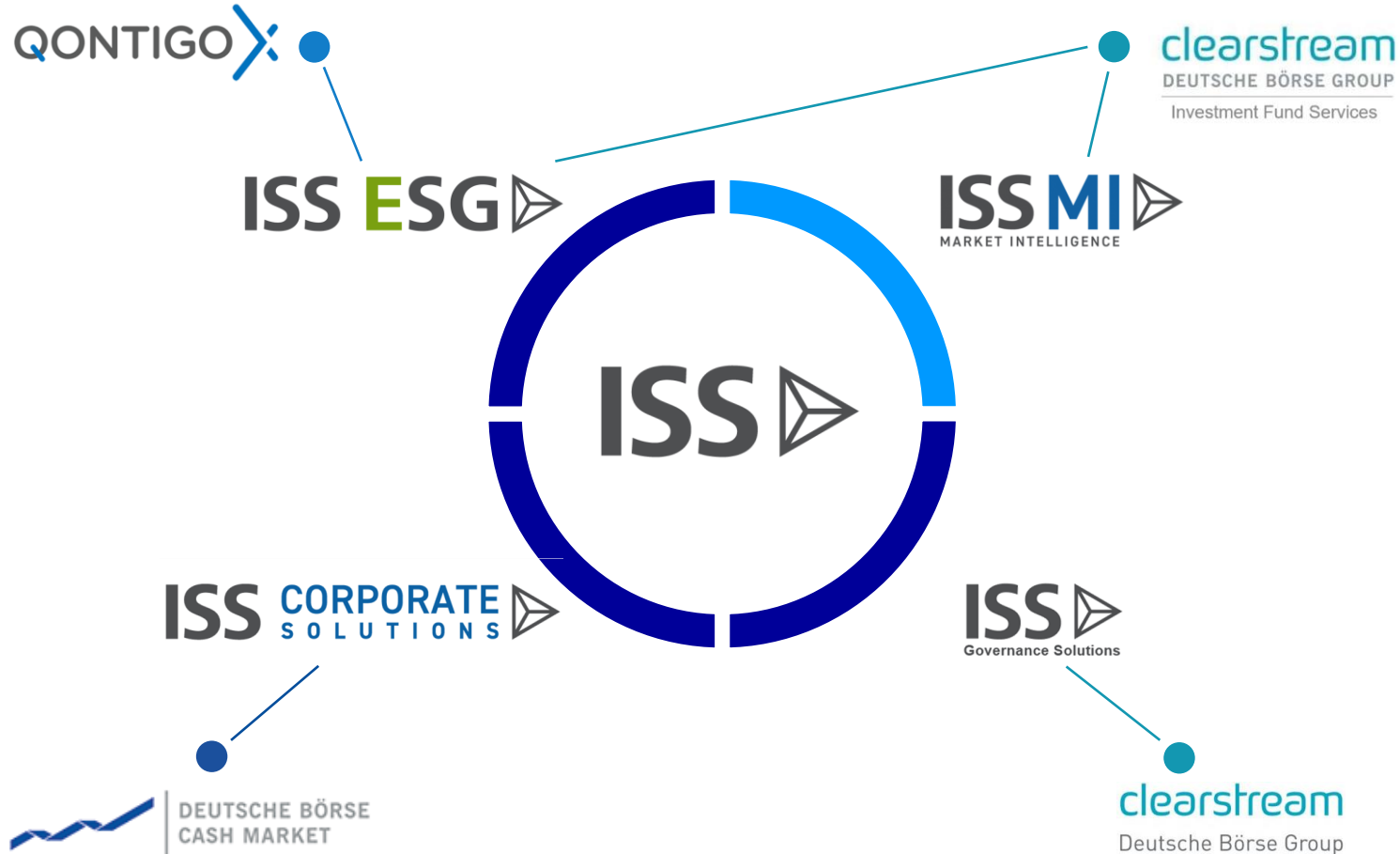
Best-in-class ESG, governance research and data provider

Leading market infrastructure provider

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

Non-exhaustive

Expanding existing partnership in joint ESG index development for institutional clients



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

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

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

ISS GOVERNANCE

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

ISS ESG

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

ISS CORPORATE SOLUTIONS

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

ISS MI MARKET INTELLIGENCE

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

Integrated data & technology infrastructure drives product innovation

Product set breadth & innovation

- Market leader and widest range of ESG and stewardship solutions
- Continued innovation & product development

Unique data assets

- Continuous expansion of proprietary data sets unrivalled for timeliness, breadth and depth
- Coverage spans carbon & climate, executive pay, director profiles, ESG ratings, and tens of thousands more datapoints

Scalable technology infrastructure

- Scalable and integrated technology infrastructure to support diverse product suite
- Highly secure, reliable and flexible environment on common architecture across multiple products

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)

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

45,000

MEETINGS
(approx.)

970

PROFESSIONALS
GLOBALLY

115

MARKETS
COVERED

3.9

TRILLION SHARES

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

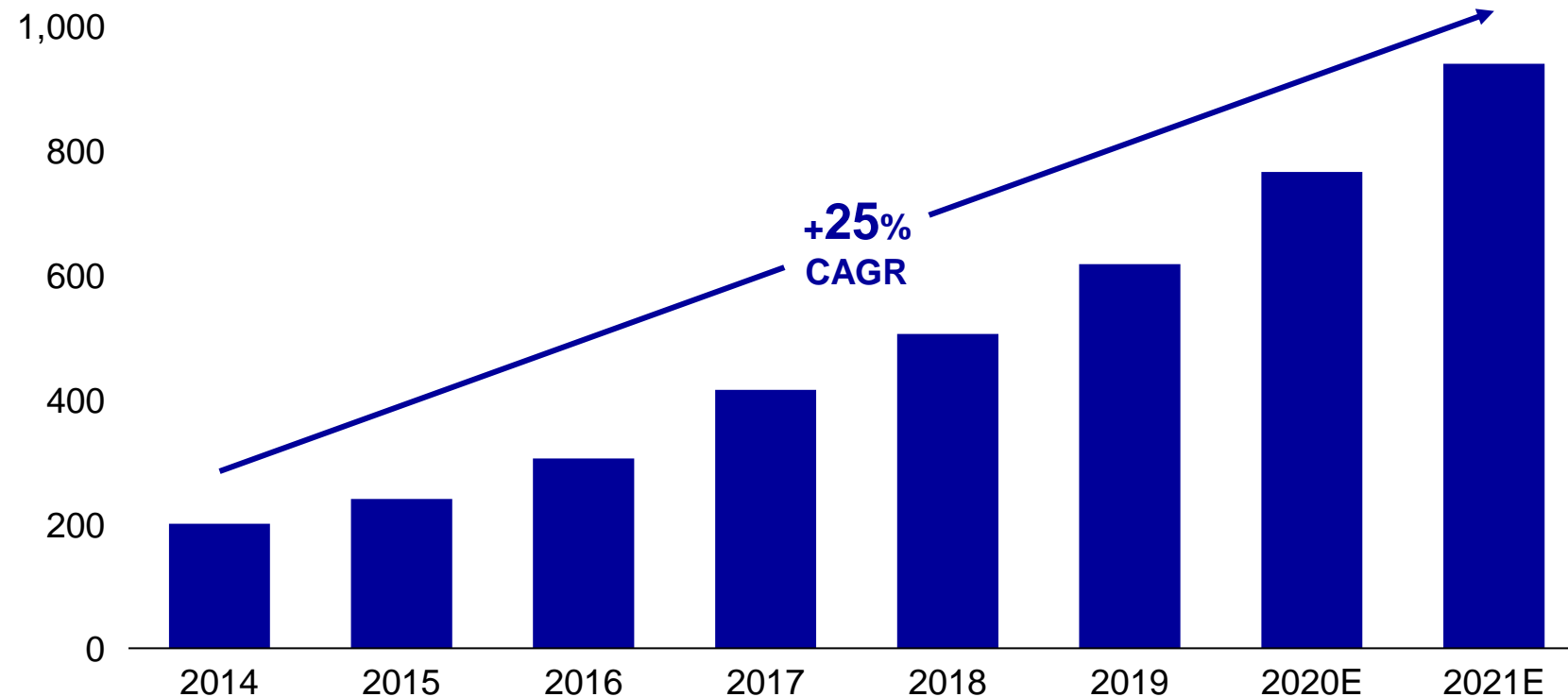
LIQUID METRIX

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\$m¹



1) Source: Opimas; overall ESG data, products and services estimated at c. US\$1.6bn in 2020

ISS' positioning

- 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. ACR Data, FICO Cyber Risk Score)

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



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

9,700

CORPORATE RATINGS

1,100

CLIENTS

25,000

ESG FUND RATINGS

460

PROFESSIONALS GLOBALLY

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

Helping corporates design and manage their governance, compensation and sustainability programs



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



Provides critical data, insight, and workflow solutions to global asset managers, insurance companies and distributors. Through its combination of proprietary integrated datasets, in-depth global research and trusted executive engagement, ISS MI delivers solutions that drive strategy and data-driven decision making across a wide range of financial products.

KEY FIGURES

200,000

SHARE CLASSES

99,000

FUNDS

1,300

CLIENTS

360

PROFESSIONALS
GLOBALLY

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

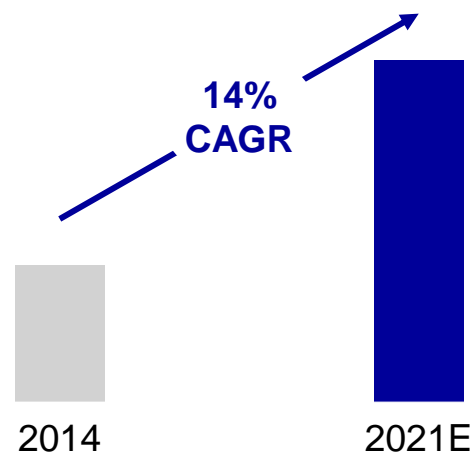
Strategic rationale

- 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

Incl. M&A

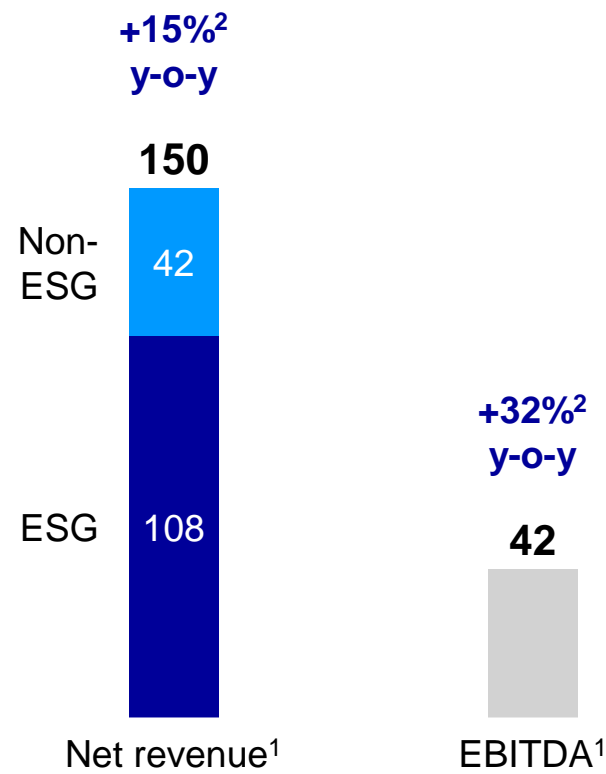


- 16 bolt-on M&A transactions since 2014 contributed to growth
- Aim was to further expand into ESG, data and analytics globally
- Largest transactions were the acquisitions of Strategic Insight (Mar 2019) and Discovery Data (closing expected in Q4/21)

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

Progress since consolidation

Mar-Sep 2021; €m



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

Q&A



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