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Deloitte Discovery and Data Management

Accelerating data separation during M&A transactions

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Introductions

Meeting with you today

Sean Riley

Principal
Deloitte Transactions
and Business Analytics
LLP

Jack Walker

Principal
Deloitte Transactions
and Business Analytics
LLP

Richard Williams

Partner
Deloitte North South
Europe

Krishnan Ramachandran

Senior Manager
Deloitte Transactions
and Business Analytics
LLP

Adam Hafizuddin

Assistant Director
Deloitte North South
Europe

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Audience participation

**Are you personally involved in your organization's M&A activity?**

A.   Yes, work on legal team

B.   Yes, work on compliance team

C.   Yes, work on an in-house team that supports the transfer of data—not legal or compliance

D.   Yes, work in corporate development

E.   No, work in private equity

F.   Not involved in M&A

Growth is expected to continue for M&A transactions

Pre COVID, yearly M&A activity was generally consistent however it has picked up pace

M&A Activity from 2016 to 2021
(US and non-US breakdown)
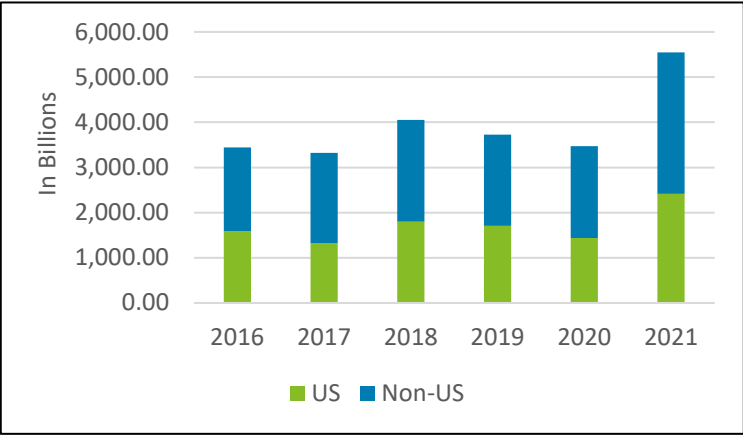
Source: Deal Trends Navigator[1]

… a post-COVID environment may drastically change the M&A landscape….

The Deloitte 2022 Future of M&A Trends Survey[2] indicates:

- Over 90% of respondents expect deal volume to increase or stay the same over the next 12 months.

- Around 60% of respondents have been engaged in a divestiture over the past 12 months

- Around 69% of respondents reported they are using data analytics in their due diligence and monitoring right now

… M&A leaders must act strategically to:

Support expedited M&A activities and transfers

Reduce unexpected costs and avoid TSA delays
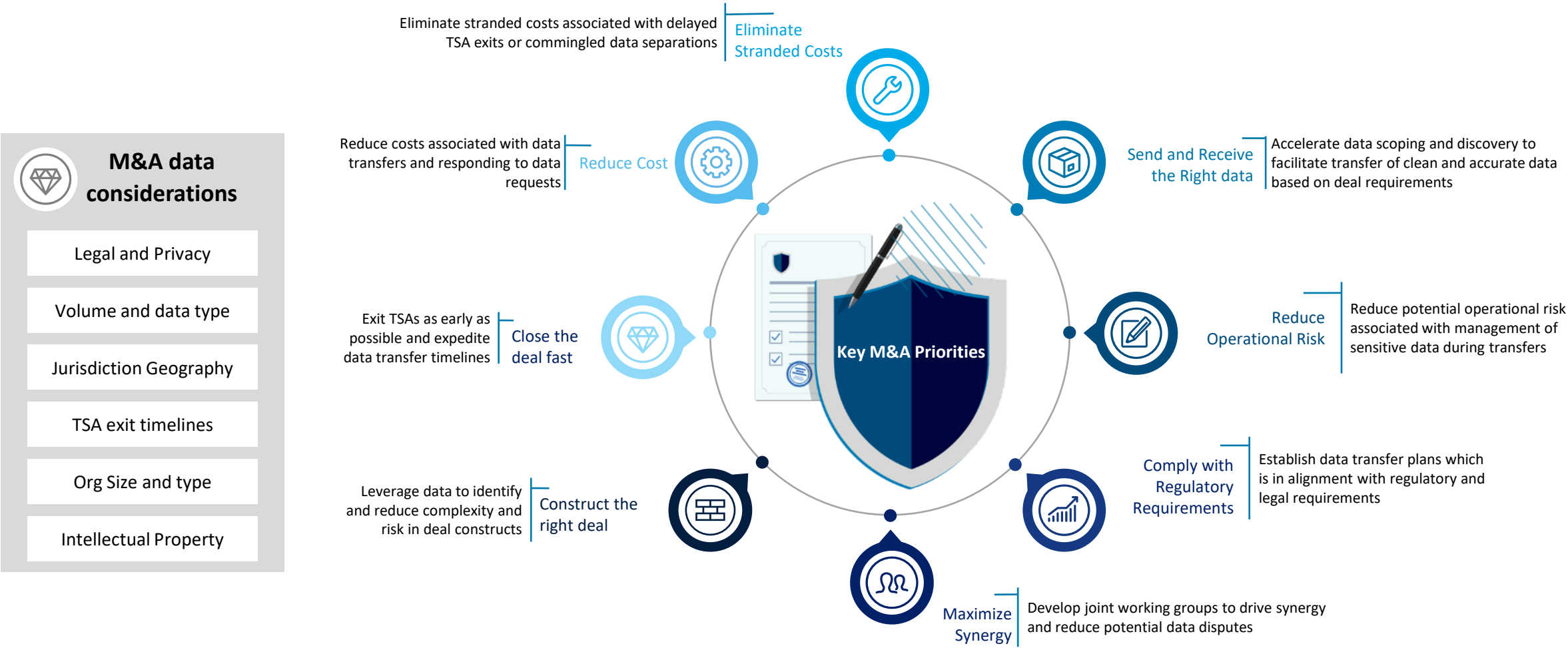
Leverage technology to support decision making

Setup effective governance and optimize existing processes

M&A transactions have increased over 30% over the past 3 years during COVID-19 pandemic and growth is expected to continue
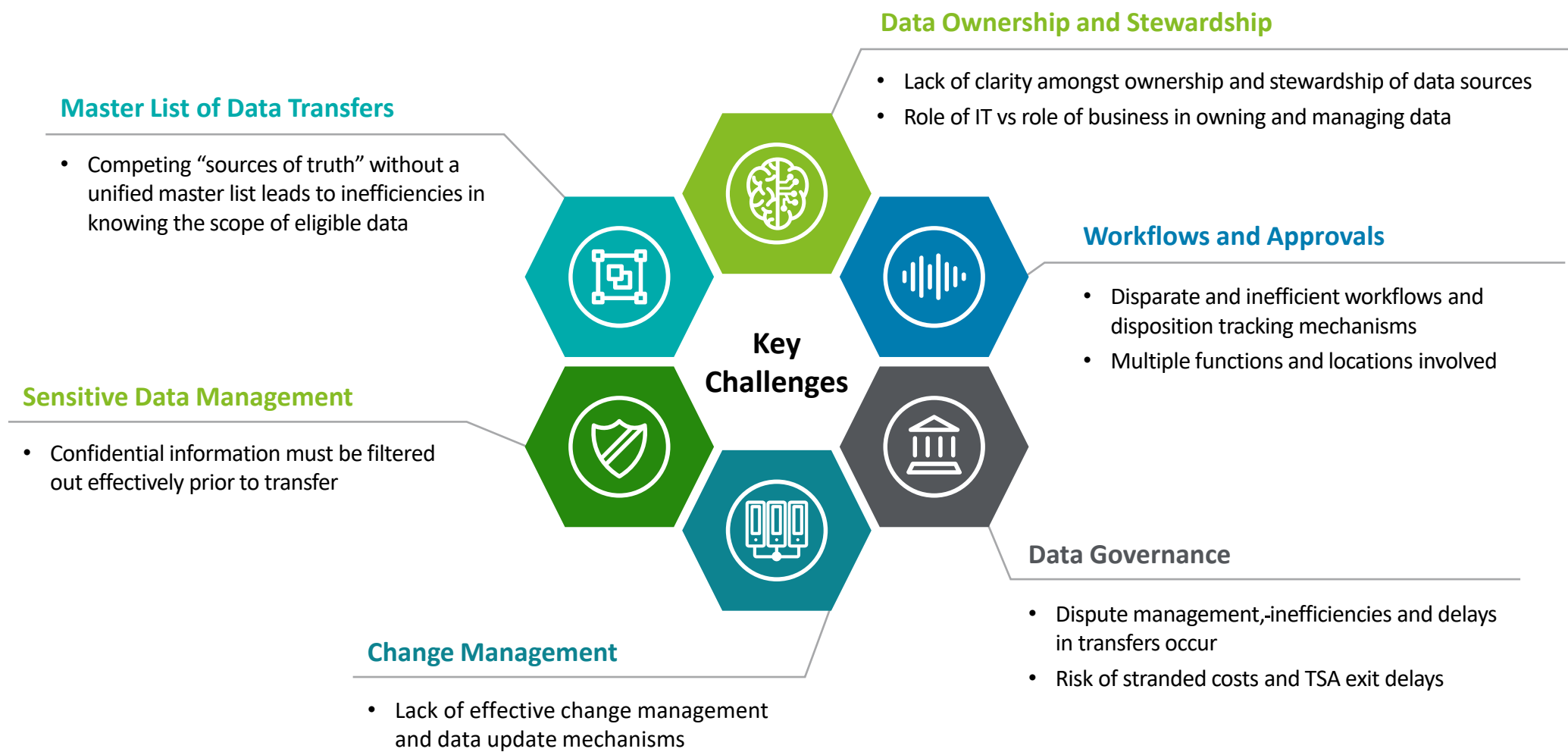
1. Source: Refinitiv (data as of 12/1/2021, accessed 2/2/2022)
2. https://www2.deloitte.com/us/en/pages/mergers-and-acquisitions/articles/m-a-trends-report.html

Priorities for M&A should dictate data transfer strategy

M&A data considerations

- Legal and Privacy
- Volume and data type
- Jurisdiction Geography
- TSA exit timelines
- Org Size and type
- Intellectual Property

Key M&A Priorities

Eliminate Stranded Costs — Eliminate stranded costs associated with delayed TSA exits or commingled data separations

Send and Receive the Right data — Accelerate data scoping and discovery to facilitate transfer of clean and accurate data based on deal requirements

Reduce Cost — Reduce costs associated with data transfers and responding to data requests

Reduce Operational Risk — Reduce potential operational risk associated with management of sensitive data during transfers

Close the deal fast — Exit TSAs as early as possible and expedite data transfer timelines

Comply with Regulatory Requirements — Establish data transfer plans which is in alignment with regulatory and legal requirements

Construct the right deal — Leverage data to identify and reduce complexity and risk in deal constructs

Maximize Synergy — Develop joint working groups to drive synergy and reduce potential data disputes

Note: Some transactions may not require a significant amount of effort for data transfers. Technology leaders should create a flexible methodology to assist business in tailoring existing processes depending on the deal

Absence of data management practices can create significant challenges

Master List of Data Transfers

- Competing "sources of truth" without a unified master list leads to inefficiencies in knowing the scope of eligible data

Data Ownership and Stewardship

- Lack of clarity amongst ownership and stewardship of data sources
- Role of IT vs role of business in owning and managing data

Workflows and Approvals

- Disparate and inefficient workflows and disposition tracking mechanisms
- Multiple functions and locations involved

Key Challenges

Sensitive Data Management

- Confidential information must be filtered out effectively prior to transfer

Change Management

- Lack of effective change management and data update mechanisms

Data Governance

- Dispute management, inefficiencies and delays in transfers occur
- Risk of stranded costs and TSA exit delays

Audience participation

Which poses the greatest challenge to your organization's data management (e.g., data transfer, etc.) following M&A activity?

a. Data privacy management (e.g., redacting PII and PHI where appropriate)

b. Complying with regulatory guidelines for new jurisdictions introduced through the transaction

c. Retention of data post-deal in case of later legal matters

d. Separation of commingled data to share only relevant content

e. Lack of appropriately skilled talent to manage

f. Don't know/not applicable

Focus areas to accelerate M&A data management

Focus areas should be grounded on what can be achieved based on the type of the transaction and how technology can be used to accelerate and improve decision making and drive value.

1

Different M&A frameworks based on transaction type

Based on the type of transaction, different frameworks and rules of the road can be used to achieve the key objectives. Additionally, leaders may need to be flexible and agile with data transfer frameworks to develop a tailored data transfer plan for supporting overall M&A transaction strategy.

2

Innovative use of technology to empower people

Tools and technologies are available in the marketplace with various capabilities such as advanced analytics, artificial intelligence, and machine learning. IT leads should leverage enabling technology and alternate service delivery models to empower employees and subject matter advisors make better and smarter decisions.

Different M&A frameworks based on transaction type

Role of data management may vary based on the type of M&A transaction

A well-defined data management strategy can help companies manage and protect data during M&A transactions. Selecting the right framework helps companies in reducing costs associated with management of data, reduce potential risks, and focus on driving value.

1 Divestitures, Carveouts and Spin-Offs

Identify SpinCo (NewCo) data from ParentCo, separate commingled content, reduce risk, and facilitate data transfer in accordance with TSA exit timelines

Priorities

- Close the deal quickly by transferring relevant data to the buyer
- Filter out any sensitive information prior to transfer
- Reduce resource constraints and data separation costs post TSA exit
- Close out physical locations, consolidate operations and destroy low value data

Risks

- Risk of losing Subject matter advisors with institutional knowledge to NewCo
- Increased data separation costs due to inability for separating commingled data
- Missing joint governance mechanisms to address disputes and data transfer issues
- Spoliation of data subject to legal enquiry

2 Mergers and Acquisitions

Identify specific data to be integrated into the ParentCo and develop efficient mechanisms to only ingest required data

- Focus on driving synergies and extracting value
- Speed of integration
- Ingest data as per retention requirements and identify potential legal and regulatory requirements on ingested data
- Provide employees with access to seller data to perform critical tasks

- Digital landfill at buyer due to over acceptance leading to increased discovery and legal costs
- Inability to use ingested data due to compatibility issues between organizations
- Siloed delivery of data may result in lack of prioritization based on functional needs

3 Wind-downs and site closures

Identify data to be archived or purged, provide mechanism for future access to potential data requests, and facilitate approvals and signoffs prior to defensible deletion

- Provide a systematic way to archive systems and processes for any future data access
- Reduce FTE efforts spent on externalization activities
- Retain any institutional knowledge
- Reduce potential audit risk

- Lack of standard processes to separate commingled content
- Inability to index and archive data for audit and/or future access post wind-down
- Incomplete understanding of existing data stores leading to expensive discovery costs
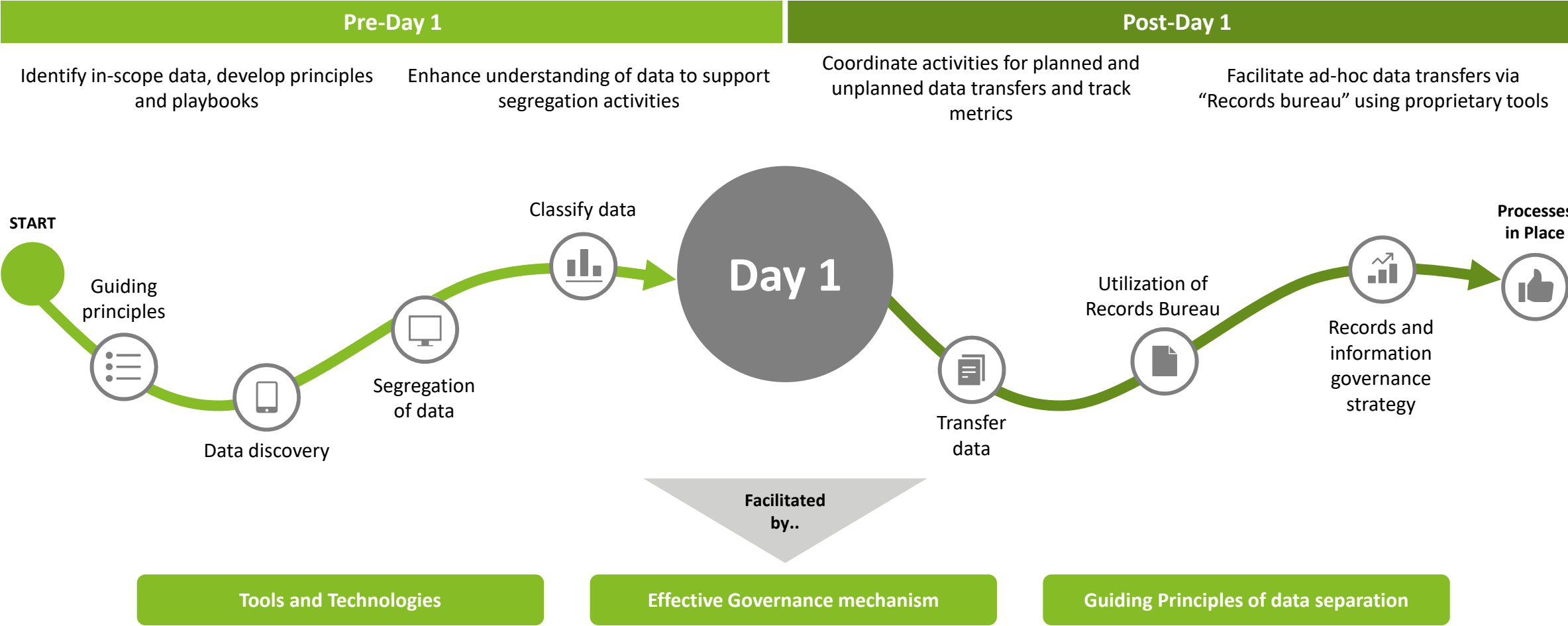
Audience participation

How many years of experience do you have in M&A data management?

A.   +15 years

B.   11-15

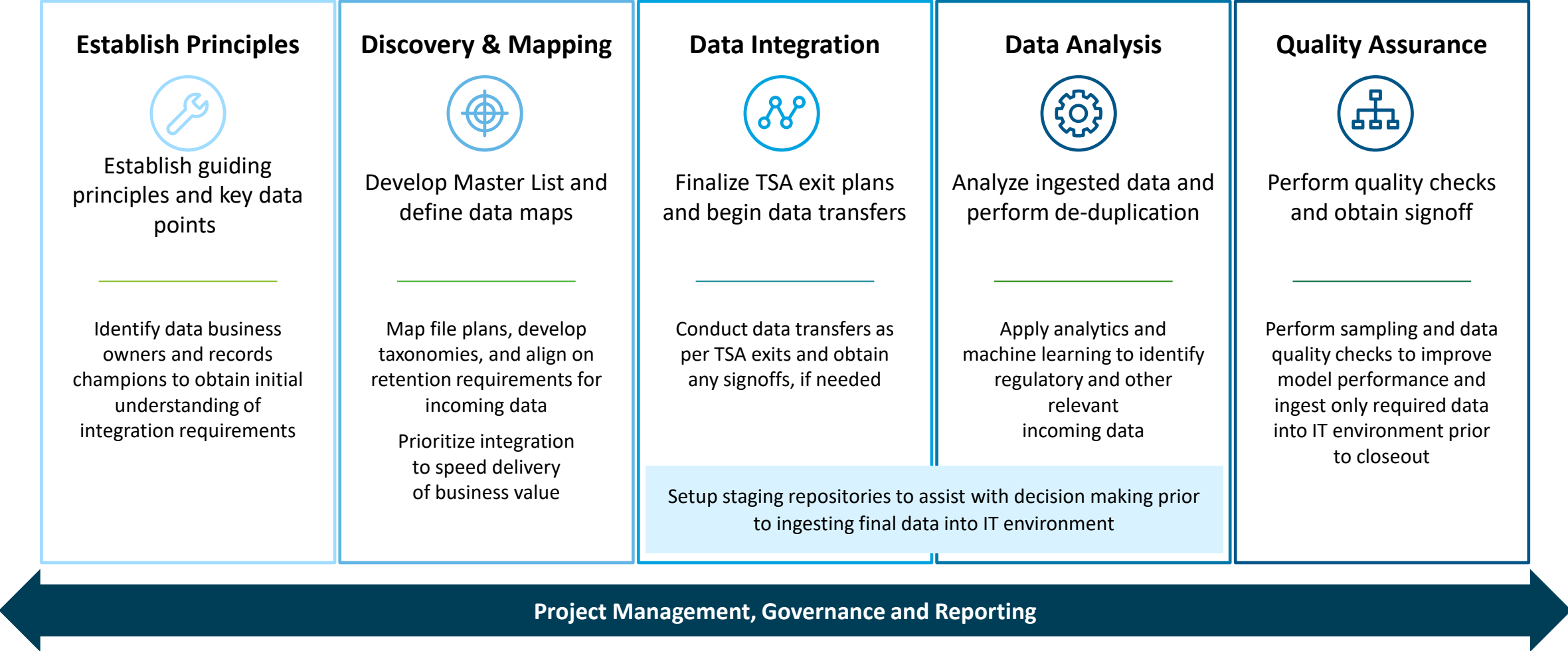C.   6-10

D.   0-5

E.   No experience

Spin-off and divestiture framework

A well-defined data separation strategy can help companies manage, protect, and transfer relevant data during the spin-off and reduce the risk associated with transferring unintended confidential information. Additionally, having a "Master list" of all in-scope data helps in providing transparency and visibility into the overall data management process.

Pre-Day 1	Post-Day 1

Identify in-scope data, develop principles and playbooks

Enhance understanding of data to support segregation activities

Coordinate activities for planned and unplanned data transfers and track metrics

Facilitate ad-hoc data transfers via "Records bureau" using proprietary tools

START

Guiding principles

Data discovery

Segregation of data

Classify data

Day 1

Transfer data

Utilization of Records Bureau

Records and information governance strategy

Processes in Place

Facilitated by..

Tools and Technologies	Effective Governance mechanism	Guiding Principles of data separation

Data integration framework

Data Integration framework provides a set of focused activities to potentially assist the buyer in integrating data from the seller during a merger or an acquisition.

Establish Principles	Discovery & Mapping	Data Integration	Data Analysis	Quality Assurance
Establish guiding principles and key data points	Develop Master List and define data maps	Finalize TSA exit plans and begin data transfers	Analyze ingested data and perform de-duplication	Perform quality checks and obtain signoff
Identify data business owners and records champions to obtain initial understanding of integration requirements	Map file plans, develop taxonomies, and align on retention requirements for incoming data

Prioritize integration to speed delivery of business value | Conduct data transfers as per TSA exits and obtain any signoffs, if needed

Setup staging repositories to assist with decision making prior to ingesting final data into IT environment | Apply analytics and machine learning to identify regulatory and other relevant incoming data | Perform sampling and data quality checks to improve model performance and ingest only required data into IT environment prior to closeout |

Project Management, Governance and Reporting

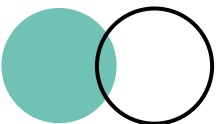Deloitte Discovery and Data Management   14

Wind-downs and site closures

The regulatory, legal, and competitive environments—combined with ever-increasing volumes of information—are driving many companies to look for new ways to manage regulated information and data related to wind-downs.
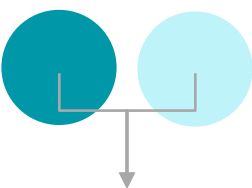
Common Issues

CO-MINGLED PRODUCT DATA

Single-product data is often co-mingled with other product data, causing difficulty and confusion for companies that need to archive, manage, or dispose of the data as part of the wind-downs or closures

DATA MANAGEMENT

Management, archiving, and disposition of wind-down data can be hampered by an incomplete understanding of the locations, formats and systems in which the data reside. The data discovery efforts can lead to significant increase in cost.

POST-WIND-DOWN PROVISIONING

After completion of the wind-down, there needs to be defined processes and operating models to handle data requests. Potential data requests may arise post-wind-down related to any retained records or co-mingled data.

Potential Solutions

CHECKLISTS

What are the company's responsibilities?

PLAYBOOKS

Where and in what format is the data present?

OPERATING MODEL

How is the data maintained and produced? (e.g., service-based bureau model)

Audience participation

At what point in the deal lifecycle does your organization engage in data management?

a.   During pre-deal M&A portfolio strategy and deal sensing phase

b.   During pre-deal target screening and readiness review

c.   During transaction execution and detailed planning

d.   Post transaction execution

e.   Don't know/not applicable

f.   All of the above

Innovative use of technology to empower people

Leveraging the right tools and technologies can help accelerate data transfer and reduce stranded costs

We have outlined four innovative methods in which technology can help with data transfer. These methods can be used independently or used in a combination with other IT data management strategies to achieve the required results based on the deal complexity.

KEY OBJECTIVE

Leverage data to construct the best deal and reduce risk	Data Transfer reimagined as Case Management	Analytics to optimize decision making	Innovative Operating Models to reduce cost
Leverage business, application, and user data to complete a diagnostic that identities complexity, dependency, and risk between people and functions of the business that can be addressed in a deal construct	Make data transfers work manageable and more transparent by using a *Master List* with workflow capabilities	Use a combination of file analysis, machine learning, and artificial intelligence with purpose to drive better, faster decisioning	Work smarter, remove redundancy, and avoid costs by use of alternate operating models to access and transfer data

Using metadata in combination with enterprise taxonomy, retention schedules, and data indexes provides a robust methodology for decision making during data transfers

Data transfers reimagined..

Leverage workflow management technology to support client know-how and institutional knowledge to provide for better and more efficient data transfer tracking process.
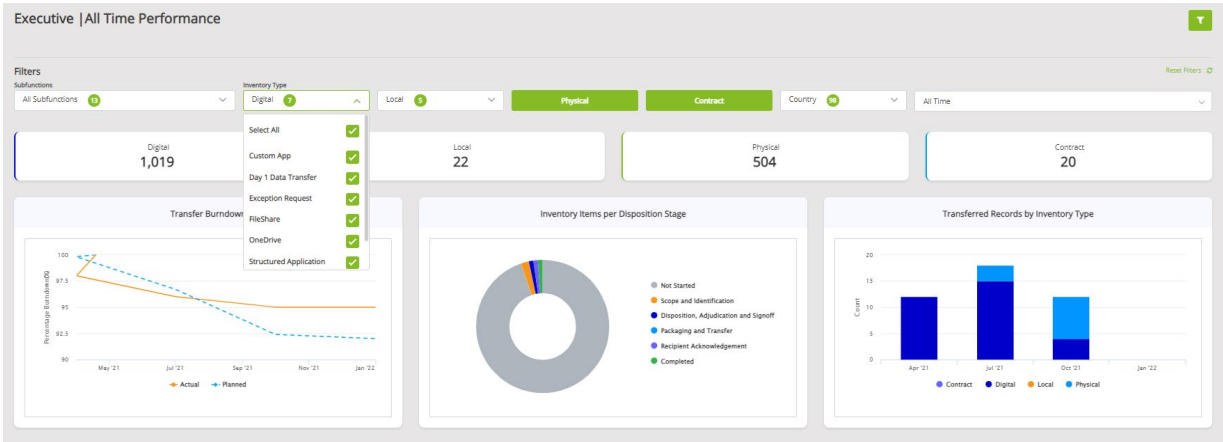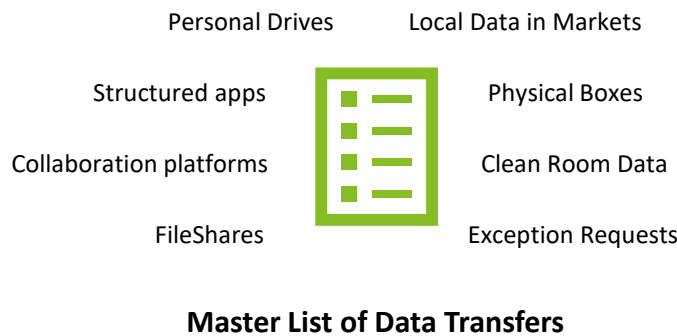
Key Features

- Cloud-based or on-premises
- Supports multiple data types (structured applications, unstructured, physical data)
- Unstructured data segregation
- Master list methodology with local data view
- Metadata only with application programming interface (API) integration to source
- Workflow routing, business approval, acknowledgements, and dispute management
- Effective governance
- Dashboarding and reporting

Beneficiaries

- SMO/IMO
- IT/Digital
- Legal and privacy
- Records management
- Compliance
- Commercial functions
- Regional Records Managers

Advantages

- Replaces email and spreadsheets, sometimes file share sites
- Supports digital charters and different functional/regional ownership structures
- Master list for orchestrating data transfers with API integrations to other tools
- Audit trails to track buyer and seller signoffs
- Dashboards for SMO/IMO and program leads to track progress of data transfers

Personal Drives   Local Data in Markets

Structured apps   Physical Boxes

Collaboration platforms   Clean Room Data

FileShares   Exception Requests

Master List of Data Transfers

Analytics accelerating physical data review

A combination of analytics and skilled personnel can assist in bringing clarity and a more effective process to end-to-end data management during M&A transactions.

Remote Data Capture + Analytics

Physical Data in Storage

Index Analysis

Retention Analysis .... **Reduce 20%[1]** of total population by identifying boxes beyond retention

Metadata based analysis

Entity Classification Analysis .... Classify **45-55%[1]** of inventory using advanced analytics models.

Physical Review

Dynamic Physical Review and Separation .... Expedite physical review and separation using accelerators such as intelligent prioritizing, clustering, and highlighting

Standards management

Data aggregation

Voice capture

Reporting and analytics

Mobile data capture

Action Planning/ Remediation

1. Source: Illustrative data

Accelerating digital data review

A combination of analytics and skilled personnel can assist in bringing clarity and a more effective process to end-to-end data management during M&A transactions.
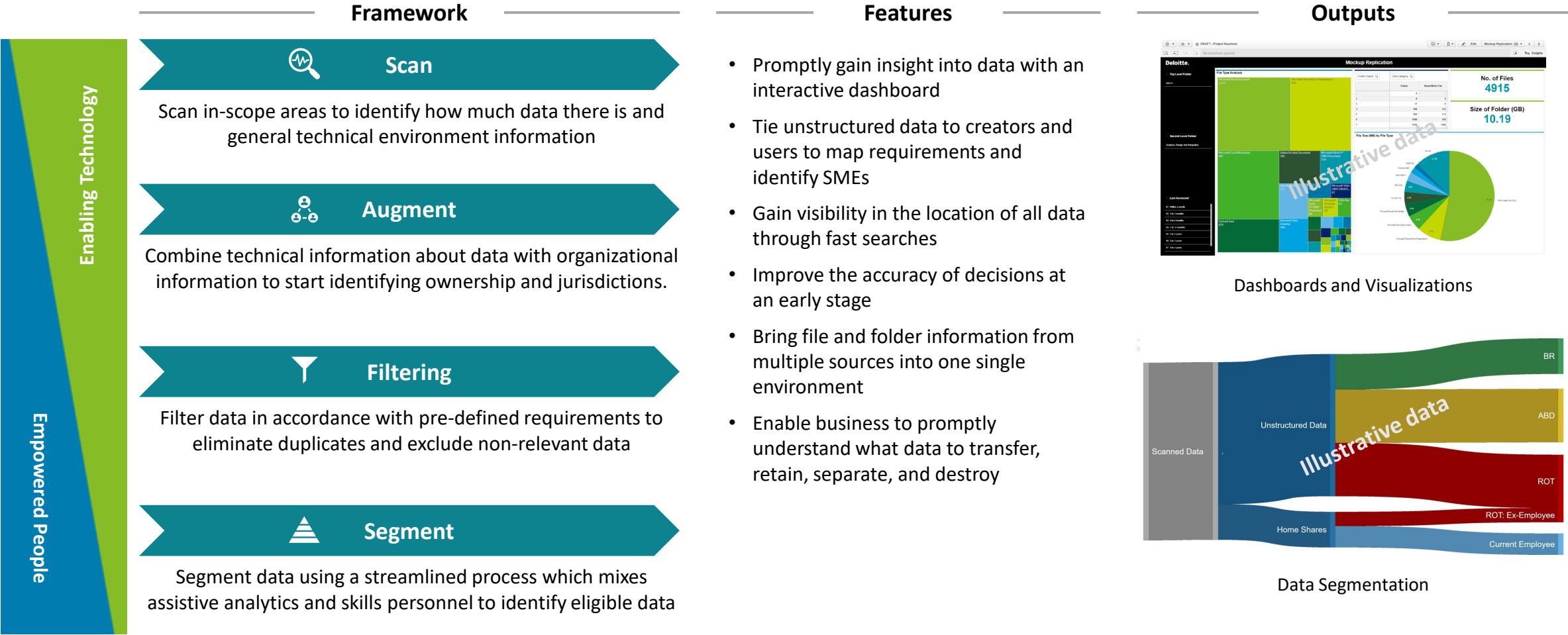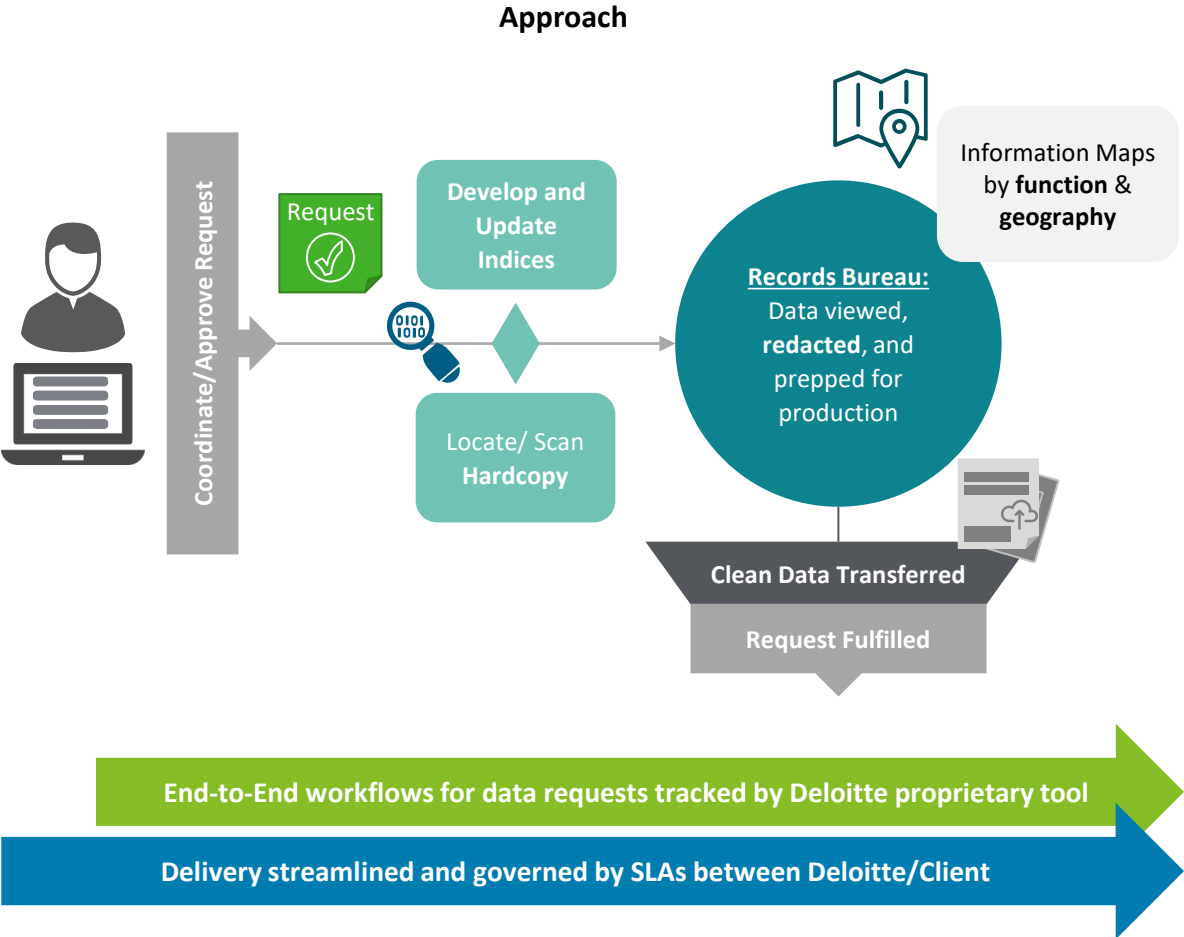
Framework

Enabling Technology

Empowered People

Scan

Scan in-scope areas to identify how much data there is and general technical environment information

Augment

Combine technical information about data with organizational information to start identifying ownership and jurisdictions.

Filtering

Filter data in accordance with pre-defined requirements to eliminate duplicates and exclude non-relevant data

Segment

Segment data using a streamlined process which mixes assistive analytics and skills personnel to identify eligible data

Features

- Promptly gain insight into data with an interactive dashboard

- Tie unstructured data to creators and users to map requirements and identify SMEs

- Gain visibility in the location of all data through fast searches

- Improve the accuracy of decisions at an early stage

- Bring file and folder information from multiple sources into one single environment

- Enable business to promptly understand what data to transfer, retain, separate, and destroy

Outputs

Dashboards and Visualizations

Data Segmentation

The Records Bureau is a data management approach to support divestiture, spin off and company standup

Approach

Coordinate/Approve Request

Request ✓

Develop and Update Indices

Locate/ Scan Hardcopy

Records Bureau: Data viewed, **redacted**, and prepped for production

Information Maps by **function** & **geography**

Clean Data Transferred

Request Fulfilled

End-to-End workflows for data requests tracked by Deloitte proprietary tool

Delivery streamlined and governed by SLAs between Deloitte/Client

Case Study: Client Data Separation Exercise

Client Situation

A multinational pharmaceutical company (Seller) sold a division to another multi-national pharmaceutical company (Buyer), **eleven-figure deal value**. However, due to regulations and antitrust concerns, the seller had to carve-out a specific drug line and sell it to a third company, a multi-national biotechnology company. More than **200k boxes** of **physical records** located in dozens of countries, representing more than **10 TB of data**, had to be sorted and disseminated to the right stakeholders.

Our Approach

- **Created and operationalized** a service designed to handle records requests (e.g., records access, redaction, record disposition) from seller and buyers, called a **Records Bureau**

- Leveraged technology to **crawl unstructured data** systems to discover what data exists

- Initiated, tracked, and monitored data separation via a centralized Records Bureau governance model

Outcomes

- Client determined in compliance with data management regulations such as GDPR

- Client determined it **avoided over $50m in costs** by prioritizing and limiting records that were required in real time

- Centralized process execution as a Managed Service

- Developed a template for use of AI and autoclassification to support locating critical content as requested
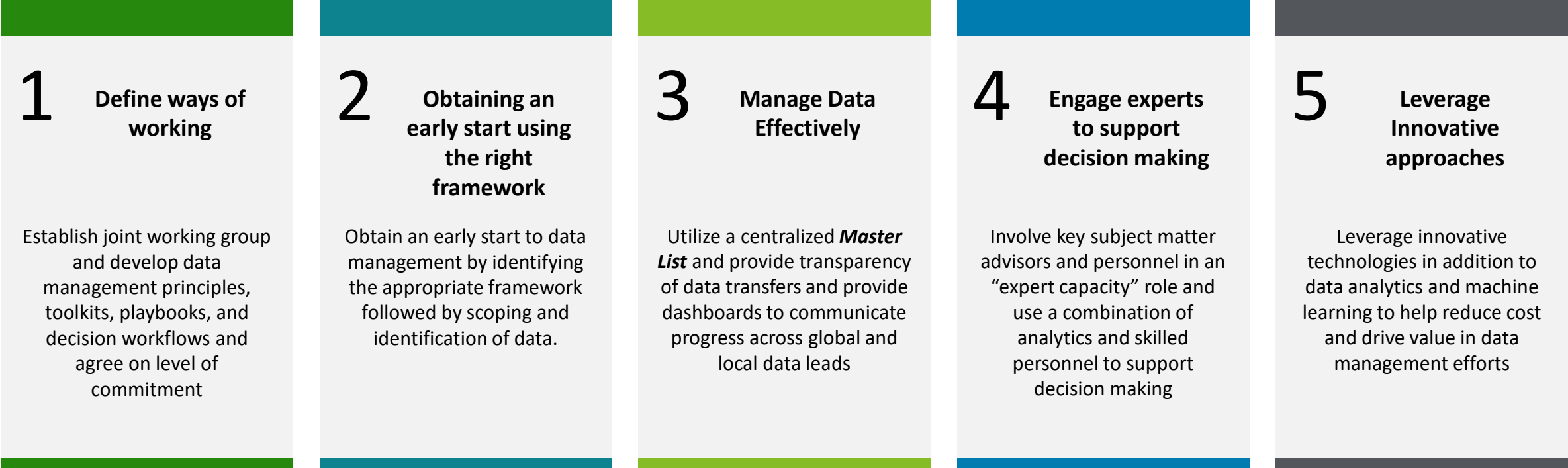
Audience participation

Does your organization use advanced data management tools (e.g., analytics, machine learning, etc.) to support M&A activity?

A.   We use advanced tools for data scoping and discovery

B.   We use advanced tools for data filtering and segmentation

C.   We do not currently use advanced tools, but are actively working to begin use of one or more advanced tools in the next 12 months

D.   We do not currently use advanced tools, nor do we have plans to

E.   Don't know/not applicable

Our "lessons learned" from the trenches

1 Define ways of working

Establish joint working group and develop data management principles, toolkits, playbooks, and decision workflows and agree on level of commitment

2 Obtaining an early start using the right framework

Obtain an early start to data management by identifying the appropriate framework followed by scoping and identification of data.

3 Manage Data Effectively

Utilize a centralized **Master List** and provide transparency of data transfers and provide dashboards to communicate progress across global and local data leads

4 Engage experts to support decision making

Involve key subject matter advisors and personnel in an "expert capacity" role and use a combination of analytics and skilled personnel to support decision making

5 Leverage Innovative approaches

Leverage innovative technologies in addition to data analytics and machine learning to help reduce cost and drive value in data management efforts

Any questions?

THANK YOU for attending the session!

Contact us:

- Sean Riley: seriley@deloitte.com
- John (Jack) Walker: johnwalker@deloitte.com
- Krishnan Ramachandran: krramachandran@deloitte.com
- Richard Williams: richardwilliams@deloitte.co.uk
- Adam Hafizuddin: ahafizuddin@deloitte.co.uk

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