

Veralto (VLTO) Sustainability Report

Profile:

Veralto is a leading water and product quality company recently spun off from Danaher. The company's water brands, like Hach and Trojan, provide water measurement and treatment solutions. The company's product quality offerings, like Video Jet and Esko, provide printers, marking, and design solutions.

What Veralto Does Well:

Veralto's water solutions provide immense value to the world via clean and usable water. The company's various water offerings can, for example, test for contaminants, measure water, treat and disinfect water used in industrial processes or municipalities, and help recycle used water by treating it again. Veralto states that 40% of the world, or 3.4 billion people, use or consume water the company has interacted with and over 12 trillion gallons of water are treated and recycled annually.

The Product Quality and Identification segment provide vital information for consumers and customers across the world. The company's printers mark roughly 10 billion product codes daily, from planes to eggs to prescription bottles, to provide accurate and transparent labeling for customers. The products also ensure product traceability in times of product recalls to keep manufacturers accountable. Veralto estimates roughly 80% of global consumer packaged goods and pharmaceutical companies use these offerings. Veralto also offers packaging and pallet optimization to reduce waste and improve pallet shape and sizing for efficient truck packing. Management states these tools helped one customer reduce gas usage by 10,000 gallons, or roughly equal to 900,000 driving miles.

Veralto also earned the highest AAA rating from an inaugural MSCI ESG rating, a feat that just 15% of companies have earned. MSCI noted significant exposure to clean technology products, high employee engagement, and detailed policies on ethics and corruption prevention. The company has also disclosed four years of environmental, employee, and injury incident metrics. On top of this, our firm commends Veralto's policy of not making political donations.

Concerns:

As a new formed company, our firm's main concern relates to corporate governance. While the management comes from the highly respected Danaher team, the executives are still unproven as C-suite managers. On top of this, the board of directors is not particularly diverse; just one of the eleven members represent a minority group. Our firm is encouraged, however, by women representation. 37% of members are women, including the CEO; this compares to only 8% of S&P 500 CEOs being women and just 3% of industrial peers' CEOs. Throughout the company, just 32% of the workforce is female while 27% represent people of color; however, 65% of new hires were women or people of color last year.

Conclusion:

Overall, our firm believes Veralto has and will continue to live up to its purpose of Safeguarding the World's Most Vital Resources in water and consumer trust. With this, our firm believes Veralto is a responsible company to own in accounts.

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