

Vertiv (VRT) Sustainability Report

Profile:

Vertiv provides power and cooling equipment in data centers and telecom industries. Data centers house computing equipment for all types of organizations. Vertiv's cooling equipment generally removes hot air generated by the computing equipment in a data center and replaces it with cooler air since overheating damages the equipment. The company also supplies steel frame racks to store equipment used in data centers.

What Vertiv Does Well:

Vertiv is an essential provider for data centers, and management notes the "energy transition as an opportunity for Vertiv." When our firm talked with management, having greater efficiency has become "table stakes" in the data center industry and often why Vertiv wins new business.

Vertiv notes its water-free cooling systems used for thermal management "have saved billions of gallons of water a year worldwide since [they] introduced them in 2013." On the heels of a recent partnership, a Senior Vice President of Intel's Thermal business stated "Vertiv helps customers accelerate the adoption of AI quickly and reliably, while also helping them to achieve sustainability goals."

A few other highlights from Vertiv are:

- Management told our firm the company has helped increase data center energy efficiency by 90% over the last 15 years
- The company offers a trade-in program for customers to recycle old systems in return for discounted new systems
- The company has started implementing converters in products to facilitate adoption of alternative energy, notably solar and wind power to power data centers
- The company is aligned with the Task Force on Climate-Related Financial Disclosures Index

As a whole, Vertiv continues to emphasize sustainability in decision-making. At a recent investor day, management said "We are extending our sustainability thinking in all our plants now, focusing not only on energy but also on emission and water usage. We're rolling out globally now to really be a sustainable company."

Concerns:

Our firm's main concerns with Vertiv, and data centers generally, is the environment footprint. While data centers are an essential infrastructure for today's world, they utilize immense amounts of energy and water. For example, Vertiv customer Meta reported that "data centers generate[d] the highest percentage of our energy use, water use, and GHG emissions" in 2022. Another data-center intensive company, Google, reported a 21% increase in water usage in 2022 to 5.6 billion gallons, which could fill nearly 8,500 Olympic-sized swimming pools.

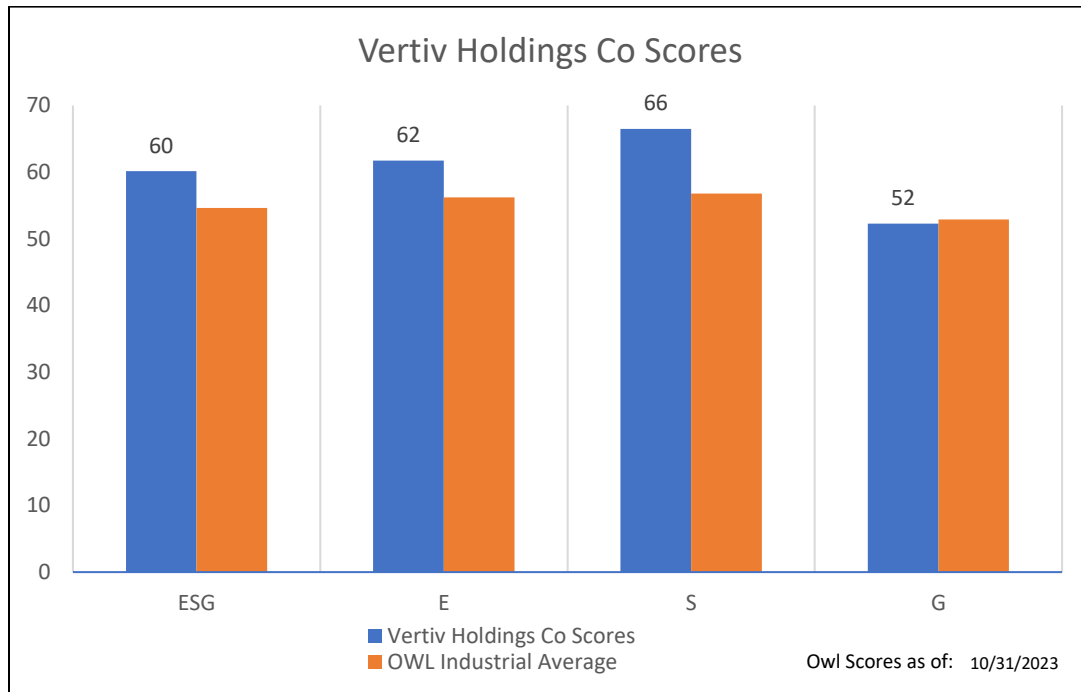
While Vertiv does not operate data centers, they facilitate operations; our firm also notes the company has been instrumental in increasing resource efficiency, as discussed above. Vertiv, however, has not yet disclosed Scope 1 or 2 emission, which our firm would like to see in the coming years.

One other concern is diversity. Just four of 13 of executives and two of 11 board of directors are women. The company did not report any specific diversity metrics for the 27,000-employee base either, which our firm would encourage the company to do.

Shareholder Engagement:

None.

ESG Scores:



Conclusion:

Overall, our firm believes that Vertiv is an integral for higher efficiency data centers. While the company has room to improve reporting and diversity, we believe the positive implications the products offer environmentally far outweigh these issues. Therefore, we believe Vertiv is a sustainability-conscious investment to take part in the proliferation of data centers.

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