



**PRENTISS  
SMITH & CO**

Socially Responsible Investment Report for:

## DANAHER CORP

Washington, DC

Ticker: DHR US Equity

Website: [www.danaher.com](http://www.danaher.com)

Last Updated: 07-20-2022

# I. Exclusionary Screening

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Does Danaher appear on any of the following lists? In our exclusionary screening, a single appearance disqualifies an investment.

## Fossil Fuels & Precious Metals Mining

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- BICS - Oil, Gas & Coal
- BICS - Precious Metals Mining
- Carbon Underground 200

## Agrochemicals & Animal Cruelty

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- BICS - Crop Chemicals & Fertilizers
- Cruelty Free Investing 10 Worst

## Pornography, Gambling & Tobacco

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- BICS - Casinos
- BICS - Tobacco
- Pornography

## Defense & Retail Gun Sales

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- BICS - Defense Primes
- SIPRI Top 100
- Gun Retailer
- NRA Top Industry Allies

## Private Prisons

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- BICS - Security Services

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BICS = Bloomberg Industry Classification Systems

SIPRI = Stockholm International Peace Research Institute  
NRA = National Rifle Association

## II. Environmental, Social & Governance Data

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What quantifiable environmental, social and governance data, policies or recognition does Danaher exhibit? Positive factors may help support a decision to invest.

### General

Just Capital Overall (1-954)

**362**

MSCI ESG Rating

**A**

### Climate Change & Fossil Fuels

Corporate Knights Clean 200

**76**

CDP 2021 Climate Change Score

**D**

### Environmental Stewardship

Just Capital - Environment (1-954)

**308**

Sustainable Packaging

**Yes**

Green Buildings

**Yes**

Publicly Disclosed Sustainable Supply Guidelines  
Encompassing ESG Area

**Yes**

Initiatives and Policies in Place:

- **Social Supply Chain Management**
- **Water Policy**
- **Waste Reduction**
- **Environmental Quality Management**

- **Environmental Supply Management**
- **Emission Reduction**
- **Energy Efficiency Policy**

## Human Rights & Well-Being

As You Sow Racial Justice Score (-23 to 62)

**30**

Just Capital - Workers (1-954)

**340**

Just Capital - Communities (1-954)

**500**

Just Capital - Customers (1-954)

**629**

Forbes World's Best Large Employers (1-500)

**342**

Initiatives and Policies in Place:

- **Anti-child Labor Policy**
- **Human Rights Policy**
- **Equal Opportunity Policy**

## Diversity, Equity, Inclusion and Justice

Forbes Best Employers for Diversity (1-500)

**87**

HRC Equality Index (100 points)

**100**

Women on the Board

**33%**

Women Executives

**9%**

CEO Action for Diversity Pledge

**Signatory**

Women Employees

**36%**

Number of Women on the Board

**4**

Number of Women Executives

**1**

## Corporate Responsibility

Just Capital - Shareholders (1-954)

**276**

Independent Directors

**75%**

Employee CSR Training

**Yes**

CPA-Zicklin Political Disclosure and Accountability  
Score (1-100)

**83**

Shareholder vote on management remuneration

**95%**

Number of Employee Representatives on the Board

**0**

Initiatives and Policies in Place:

- **Whistle Blower Employee Protection Policy**
- **Ethics Policy**

Data sources may include:

- Sustainability and other report(s) published by the company.
- Banktrack Human Rights Benchmark
- Barron's 100 Most Sustainable US Companies
- Bloomberg LP ESG Data (via Data License).
- CDP
- CEO Action for Diversity & Inclusion Pledge
- Climate Accountability Institute (CAI)
- Corporate Human Rights Benchmark
- Digital Rights Corporate Accountability Index
- Dow Jones Sustainability Indices (DJSI)
- EPA's Green Power Partnership
- Equileap's Top 100 Companies for Gender Equality
- Forbes World's Best Employers
- Fortune's 50 Best Workplaces for Charity and Volunteering
- Fossil Free Funds
- Global Reporting Initiative (GRI)
- Great Places to Work
- HRC's 2020 Corporate Equality Index
- Institute for Clinical and Economic Review (ICER)
- Just Capital Rankings
- KnowTheChain Benchmark
- MSCI ESG Ratings
- National Rifle Association (NRA)
- Newsweek Green Rankings
- PEOPLE's 50 Companies That Care
- Points of Light Civic 50 Honorees
- RobecoSAM Corporate Sustainability Assessment
- Roundtable on Sustainable Palm Oil (RSPO)
- Science-Based Targets initiative (SBTi)
- State Street Global Advisors' Gender Diversity Index
- Stockholm International Peace Research Institute (SIPRI)
- Task Force on Climate-related Financial Disclosures (TCFD)
- The 2019 Top 50 DiversityInc
- The Climate Group's RE100, EV100 and EP10

### III. Research Narrative

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What else has our research process told us about how Danaher conducts business, in terms of its products and services, its environmental impact, and its approach to governance?

#### Summary

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Danaher is a large conglomerate founded in 1984 and made up of more than 25 companies, among three business segments: Environmental and Applied Solutions, Life Sciences, and Diagnostics. Those in the first segment include several addressing issues such as water security, water data management, ocean and weather measurement, as well as industrial water conservation and wastewater treatment. The company also reports detailed workforce diversity statistics, and reports that in 2020 it achieved base pay equity for women globally, and for racial and ethnic minorities in the US. The company has concrete, time-bound goals for improving workforce diversity and reducing carbon emissions, energy use and waste.

Danaher's goals, however (of 15% improvement in each of the above areas by 2024), are less ambitious than they could be, resulting in a "D" rating on climate change from CDP, and a 2.1 C implied temperature rise according to MSCI. Focusing its pay equity achievement on base pay only likewise dilutes the accomplishment, since discretionary bonuses, for instance, are often a culprit in gender and racial pay disparities. Danaher's diversity goals are likewise modest, and in 2020 the company faced a shareholder lawsuit, ultimately dismissed, charging that the lack of a Black person on its board was a breach of its fiduciary duty (Danaher now has one Black person on its board).

#### Products & Services

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Danaher (NYSE: DHR) was founded in 1984 as a holding company by two brothers, Steven Rales and Mitchell Rales. The brothers had started out by purchasing a vinyl siding company with a \$1 million loan in 1981; in 1983, the brothers went on to acquire an ailing real estate company, which

they then transformed into Danaher.<sup>1</sup> In an article released by Forbes in 1985, the brothers were characterized as “raiders in short pants” who “used risky debt and real estate tax credits to mount hostile corporate takeovers.”<sup>2</sup> Fifteen years later, in reference to the 1985 article, Forbes stated “Good thing [the Raleses] didn’t listen.”<sup>3</sup>

Danaher has since become a globally diversified science and health technology conglomerate headquartered in Washington D.C., with an annual revenue of \$29.45 billion (2021) and an employee base of 80,000 spread across 50 countries. The company is named after a tributary of the South Fork of the Flathead River in western Montana, where, during a guided fishing excursion, the Rales brothers are said to have cemented their vision for the company: “one dedicated to continuous improvement and customer satisfaction.”<sup>4</sup> At the outset, the founders focused on acquiring promising yet under-performing companies that offered “well-known trade-marked brands, high market shares, a reputation for innovative technology, and extensive distribution channels on which to build.”<sup>5</sup> Two years after its inception, Danaher was listed as a Fortune 500 company with a revenue of \$456 million; within the following decade, revenues capped \$1 billion.<sup>6</sup>

In 2016, Danaher split into two distinct enterprises, one retaining the Danaher name and the other becoming Fortive Corporation. Prior to the spinoff, the company was comprised of four core segments: industrial technologies (motion control, sensors, product identification, aerospace and defense), professional instruments (water purification, wastewater treatment, and fuel dispensing), medical technology (acute care, dental, pathology diagnostics, and life sciences), and tools and components. Following the split, Danaher scaled down to environmental and applied solutions, life sciences, and diagnostics, while Fortive absorbed industrial and instrumentation technologies.

With Danaher’s growth essentially reliant upon mergers and acquisitions, the company touts its Danaher Business System (DBS), which is anchored in the Japanese concept of *kaizen*, definable as

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[https://www.washingtonpost.com/lifestyle/magazine/meet-the-very-wealthy-very-private-couple-behind-washingtons-most-original-museum/2018/09/21/b843425a-9f29-11e8-83d2-70203b8d7b44\\_story.html](https://www.washingtonpost.com/lifestyle/magazine/meet-the-very-wealthy-very-private-couple-behind-washingtons-most-original-museum/2018/09/21/b843425a-9f29-11e8-83d2-70203b8d7b44_story.html)

2

<https://www.washingtonpost.com/archive/business/1988/06/20/dcs-rich-unassuming-rales-brothers/ee9a3792-10a7-45bd-bfc6-7eb5395524c8/>

<sup>3</sup> <https://www.forbes.com/forbes/2000/0110/6501098a.html?sh=5b7cc89d4c07>

<sup>4</sup> <https://www.danaher.com/who-we-are/danaher-story>

5

<https://www.encyclopedia.com/social-sciences-and-law/economics-business-and-labor/businesses-and-occupations/danaher-corp>

6

<https://www.encyclopedia.com/social-sciences-and-law/economics-business-and-labor/businesses-and-occupations/danaher-corp>

the spirit of continuous improvement. The system was envisioned as a versatile rubric, one that demanded “rigorous, detail-oriented, and measurable progress and accountability at every level.”<sup>7</sup> Under the system, Danaher says it acquires and invests in companies for the long-term, with four guiding priorities: quality, delivery, cost, and innovation.

Since its inception, Danaher has made 40 acquisitions, at a total of approximately \$61 billion.<sup>8</sup> The company’s single largest acquisition occurred in 2020, when it acquired General Electric Healthcare Life Sciences for \$21.4 billion.<sup>9</sup> Other significant acquisitions have included Pall (global supplier of filtration, separations, and purification products), Aldevron (biological research advancement), Beckman Coulter (biomedical testing products), Cepheid (molecular diagnostics), and X-Rite (color measurement and management products).

First acquired in 2011, Beckman Coulter launched one of the first Covid-19 antigen tests in 2020 considered to be high-quality (93% positive percent agreement and 100% negative percent agreement), with the “volume, workflow, and flexible scalability to fight the Covid-19 pandemic.”<sup>10</sup> Integrated DNA Technologies, acquired by Danaher in 2018, was the first US company to receive clearance from the CDC for its primer and probe kits, both key elements of Covid-19 testing.<sup>11</sup> And Cepheid, acquired by Danaher in 2016, developed one of the first rapid molecular diagnostic Covid tests (Xpert Xpress) in early 2020, which went on to receive Emergency Use Authorization from the FDA. In Q4 2020, Cepheid shipped approximately 9 million tests.<sup>12</sup>

## Environment

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While Danaher has reported to CDP on climate and water security since 2016, the company has received no better than a “D” rating in either category during that time.<sup>13</sup> This may be due to a lack of any outside audit or assurance for its emissions data; to the company’s reported extrapolation of incomplete data to come up with a figure covering all Scope 1 and 2 greenhouse gas (GHG) emissions; or to a general lack of specificity in the company’s responses. While Danaher does have targets for reductions in Scope 1 and 2 GHG emissions, energy consumption, and landfill waste—the company is targeting 15% reductions in each category by 2024, based on a 2019

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<sup>7</sup> <https://store.hbr.org/product/danaher-the-making-of-a-conglomerate/UV4256>

<sup>8</sup> <https://tracxn.com/d/acquisitions/acquisitionsbyDanaher>

<sup>9</sup> <https://tracxn.com/d/acquisitions/acquisitionsbyDanaher>

<sup>10</sup>

<https://www.beckmancoulter.com/about-beckman-coulter/newsroom/press-releases/2020/q4/2020-december-18-bec-launches-sars-cov-2-antigen-assa>

<sup>11</sup> <https://www.danaher.com/covid-19-response>

<sup>12</sup> <https://www.360dx.com/business-news/danaher-q4-revenues-39-percent#.YtGmXXbMKUk>

<sup>13</sup> [https://www.cdp.net/en/responses/4289?page=1&per\\_page=20&sort\\_by=project\\_year&sort\\_dir=desc](https://www.cdp.net/en/responses/4289?page=1&per_page=20&sort_by=project_year&sort_dir=desc)



baseline—the targets are significantly less ambitious than those of many competitors (e.g. Agilent), with a relatively high implied temperature rise of 2.1 C, according to MSCI.<sup>14 15</sup>

Danaher does have a Sustainability Policy and a Sustainable Supply Chain Policy, although again both could use more specific expectations and guidelines. Several of the company's Environmental and Applied Solutions businesses address water security through their products, including Trojan Technologies' water treatment focus, Aquatic Informatics' water data management platform used by the USGS and other water operators, and ocean and weather measurement sensors made by Sea-Bird Scientific and OTT HydroMet. Subsidiaries Hach and ChemTreat also make products that help industrial customers conserve water and treat wastewater, to reduce the discharge of harmful pollutants.

## Management Integrity and Ethics

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Danaher is led by President and CEO Rainer M. Blair, who was appointed in 2020 to succeed 6-year President Thomas P. Joyce, Jr. Prior to becoming President and CEO, Blair had been at Danaher since 2010, when he was hired to manage the North America & Europe region for Videojet; since 2014 he had overall responsibility for Danaher's Life Sciences platform, which grew more than 400% during his management tenure.<sup>16</sup> In late 2020 Danaher appointed a Chief Science Officer and created a Science Advisory Board, with the goal of driving innovation by cultivating research and development.

Danaher generally receives above-average marks from ratings organizations in areas such as diversity, racial equity and lobbying disclosure. Danaher has a Vice President of Global Diversity + Inclusion (D+I), a D+I Council that reports to CEO Blair, and 2025 goals that include 40% global women and 38% people of color in its US workforce. Currently, Danaher reports 36% women in its global workforce and 33% people of color in its US workforce, with those numbers falling to 29% global women executives and 31% managers, and 18% US executives of color and 27% managers.<sup>17</sup>

Danaher currently has 14 members on its board of directors, including 4 women and 3 people of color. In 2020, the pension fund of Pontiac, Michigan sued Danaher, claiming that Danaher's lack

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<sup>14</sup> [https://www.cdp.net/en/responses/4289?page=1&per\\_page=20&sort\\_by=project\\_year&sort\\_dir=desc](https://www.cdp.net/en/responses/4289?page=1&per_page=20&sort_by=project_year&sort_dir=desc)

<sup>15</sup>

<https://www.msci.com/our-solutions/esg-investing/esg-ratings-climate-search-tool/issuer/danaher-corporation/IID00000002125255>

<sup>16</sup> <https://investors.danaher.com/2020-05-06-Danaher-Corporation-Announces-CEO-Transition>

<sup>17</sup> <https://investors.danaher.com/image/Danaher+2021+Sustainability+Report.pdf>

of a Black person on its board was a breach of its fiduciary duty.<sup>18</sup> While the suit was dismissed, Danaher now has one Black person on its board. Another notable characteristic of the company's board is the continuing presence of both company founders, along with another original board member from 1983, which in our view is not a best practice.

Danaher reported that it achieved pay equity for both women and racial and ethnic minorities in the US in 2020, although the measure looked only at base pay, rather than the best practice of including all elements of compensation. The company offers 8 weeks of fully paid parental leave to all new parents, extensive internal training and mobility programs, and saw its rate of internal hiring rise for 3 straight years through 2020, while annual turnover declined each year over the same span.<sup>19</sup>

Danaher's community impact strategy includes a commitment to spend 1% of the company's pretax income in grant funding globally in 2023 (up from \$15 million in the US and Canada in 2022). The company matches employee gifts in US and Canada up to \$500/year, and again plans to expand the program globally in 2023.<sup>20</sup> Danaher is a signatory to the UN Global Compact and articulates its commitment to human rights in a sustainable supply chain policy.<sup>21</sup> The company has a strong, restrictive policy on political contribution spending, although it does spend meaningfully on lobbying, with over \$600K in lobbying expenses in 2021, for example.<sup>22 23</sup>

On the legal front, a former in-house counsel for Integrated DNA Technologies (IDT), a Danaher subsidiary, filed suit against Danaher in 2020, claiming that the parent company failed to investigate her reports of sexual harassment and inappropriate relationships at IDT, and that she was subsequently let go in a retaliatory firing.<sup>24</sup> Additionally, when Danaher acquired GE Biopharma in 2020, the FTC required that the company divested certain acquired assets in response to antitrust concerns.<sup>25</sup>

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<sup>18</sup> <https://news.bloomberglaw.com/social-justice/new-to-racial-justice-movement-a-pension-fund-sues-danaher>

<sup>19</sup> <https://investors.danaher.com/image/Danaher+2021+Sustainability+Report.pdf>

<sup>20</sup> <https://investors.danaher.com/image/Danaher+2021+Sustainability+Report.pdf>

<sup>21</sup>

[http://filecache.investorroom.com/mr5ir\\_danaher/690/Danaher%20Sustainable%20Supply%20Chain%20Policy%202021.pdf](http://filecache.investorroom.com/mr5ir_danaher/690/Danaher%20Sustainable%20Supply%20Chain%20Policy%202021.pdf)

<sup>22</sup> <https://www.politicalaccountability.net/wp-content/uploads/2021/11/2021-CPA-Zicklin-Index.pdf>

<sup>23</sup> <https://www.opensecrets.org/orgs/danaher-corp/lobbying?id=D000033033>

<sup>24</sup>

<https://www.reuters.com/article/employment-danaher/fmr-danaher-in-house-counsel-says-warning-of-metoo-issue-led-to-firing-idUSL1N29E201>

<sup>25</sup>

<https://www.ftc.gov/news-events/news/press-releases/2020/03/ftc-imposes-conditions-danaher-corporations-acquisition-ge-biopharma>

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