



**PRENTISS
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Socially Responsible Investment Report for:

EMCOR GROUP INC

Norwalk, CT

Ticker: EME US Equity

Website: www.emcorgroup.com

Last Updated: 11-17-2021

I. Exclusionary Screening

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

Fossil Fuels & Precious Metals Mining

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

Agrochemicals & Animal Cruelty

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

Pornography, Gambling & Tobacco

- BICS - Casinos
- BICS - Tobacco
- Pornography

Defense & Retail Gun Sales

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

Private Prisons

- BICS - Security Services

BICS = Bloomberg Industry Classification Systems

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

II. Research Narrative

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

Summary

Emcor is an electrical and mechanical construction and facilities maintenance and services company. The company is involved in a wide range of projects that help its customers improve their environmental footprint, ranging from certified sustainable new construction, renewable energy projects, and retrofit projects to extend the life and improve the efficiency of existing facilities. In its own operations, the company has been working with third-parties to improve tracking of GHG emissions and energy use, and has identified reduction targets that include plans to reduce overall emissions and the carbon footprint of its service vehicle fleet. The company has a commendable safety track record, with an accident rate that has been well below its industry peers for over a decade.

At the same time, there are areas of social concern and governance the company needs to address, including improving the gender and racial diversity of its workforce and implementing an independent chair on its Board of Directors. Emcor derives approximately 9% of its total revenues from companies within the oil, gas, and petrochemicals markets. While some of Emcor's work within the energy space relates to helping customers improve their own environmental footprint, we would like to see the company increasingly focus on its green offerings such as energy-efficient building retrofits and alternative energy installation services.

Products & Services

Emcor Group is one of the largest electrical and mechanical construction and facilities services contractors in the US. Emcor serves a broad range of facilities with construction services including design, installation, operation and maintenance. Demand for the company's services is driven by

non-residential construction and renovation. Typical services within Emcor's Mechanical & Electrical Construction services segments (62% of total revenues) include electrical power transmission and distribution, lighting systems, instrumentation for process industries, fire alarm and security systems installation, roadway lighting, HVAC services, clean room systems installations, fire protection systems, plumbing, water and wastewater systems, central plant heating and cooling, and steel fabrication and welding. Emcor's Building Services segment (24% of total revenues) provides commercial, government and military site operations and maintenance, outage services to utilities, air quality services, janitorial services, landscaping and snow removal services, infrastructure and building projects for government entities, and retrofit projects. The Industrial Services segment (9% of total revenues) serves customers in the oil, gas, and petrochemical industries with repairs, maintenance, engineering, welding, and specialty technical services. Emcor derives 5% of total revenues from its Buildings Services United Kingdom segment. Emcor has approximately 33,000 employees and operates in 180 locations.¹

The Emcor of today emerged as the result of the 1994 bankruptcy of JWP Inc. (Jamaica Water Properties), a water distribution company that had acquired over 100 companies during the late 1980's and early 1990's, some of which were unrelated to construction services (including a chain of computer resellers).² Following the 1994 bankruptcy, the company's new management undertook a major restructuring, paring the company down to its core electrical and mechanical engineering operations, and renamed the company Emcor Group. Then-CEO Frank MacInnis added facilities services and maintenance to Emcor's operations, to reduce the cyclicity inherent in large construction projects, and increased the company's recurring revenues, while selling off the original Jamaica Water Properties company. The new Emcor focused on design and installation of facilities systems including specialized lighting, air handling, HVAC, air filtration, electrical systems, and sprinkler systems. Today, Emcor highlights its areas for future growth potential including large data center project work for storage and cloud computing, fire protection for e-commerce supply chains and warehouses, and HVAC retrofit projects to improve energy efficiency and indoor air quality.³

¹ <https://www.sec.gov/ix?doc=/Archives/edgar/data/105634/000010563421000044/eme-20201231.htm>

² <https://www.institutionalinvestor.com/article/b151348kz3s9mq/frank-macinnis-of-emcor-group-in-tragedy-opportunity>

³ Emcor Q2 2021 Quarterly Earnings Conference Call Transcript

Environment

Energy efficiency projects have been a driving force for many of Emcor's businesses for decades. Emcor says that every year it analyzes hundreds of customer energy projects, helping customers save millions of dollars in annual energy costs while reducing their carbon emissions. A few of Emcor's green services include energy audits, water conservation retrofits, lighting retrofits, building automation systems installation, and renewable energy system installations. Emcor has expertise in installing and maintaining solar, wind, fuel cell, biomass, landfill gas, and biofuel-powered generation systems. The company has been a Gold member of the US Green Building Council since 2005. In 2020, Emcor completed 70 projects that were certified to sustainability standards such as LEED and accounted for just over 7% of the company's total 2020 revenues. In addition to sustainability standards projects, Emcor has helped several of the largest technology, communications, industrial and retail companies on projects to design and construct carbon neutral facilities.⁴

While Emcor derives approximately 9% of its total revenues from the oil, gas, and petrochemicals industries, it is worth noting that some of these activities relate to helping customers improve their own environmental footprint.⁵ For example, Emcor's subsidiary, Ohmstede Ltd., developed an innovative technique for cleaning heat exchangers used in refinery and chemical plants that enables customers to save significant amounts of water. Emcor claims that Ohmstede's technique is the only heat exchanger cleaning method that recycles cleaning water. Before Ohmstede's water-recycling process was developed, cleaning heat exchangers consumed almost 1,200 gallons of water per minute, which was then discharged into sewers.⁶

Regarding Emcor's internal environmental programs, the company notes that since 2009 approximately 10% of its subsidiaries receive an annual in-depth environmental inspection, with selection based on an environmental risk analysis. Company wide, Emcor's service vehicle fleet of more than 11,00 vehicles represents its largest source of carbon emissions (approximately 73% of total corporate emissions).⁷ Approximately 27% of the company's emissions come from

⁴ https://www.emcorgroup.com/admin/EME_SRSupplement_210405.pdf

⁵ https://www.emcorgroup.com/admin/EME_SRSupplement_210405.pdf

⁶ https://www.emcorgroup.com/admin/uploads/sustain_pdf/EME_CorpSusRep_200902.pdf

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https://www.emcorgroup.com/application/files/1216/1607/3671/Shareholder_Engagement_Spring_-_2021_-_v-12__EME.pdf

consumption of electricity and natural gas in its operations.⁸ The company is working to improve the efficiency of its fleet through measures such as introducing GPS technology, regular vehicle maintenance, continuous updating of its fleet to new technologies, removal of unnecessary cargo from service vehicles, right-sizing vehicles to meet actual job and project needs, and introducing electric and hybrid vehicle technologies.

Emcor has been participating in the EcoVadis sustainability measurement system since 2018. EcoVadis is a third-party rating system measuring corporate social responsibility in areas such as environment, labor and human rights, ethics, and sustainable sourcing. Emcor received a Silver Medal from EcoVadis, which represents the top 30% of companies that have been evaluated.⁹ Emcor has also aligned its sustainability reporting with the Sustainability Accounting Standards Board (SASB) standard for the Engineering & Construction Services Industry.¹⁰ The company has incorporated guidance from the Task Force on Climate-Related Financial Disclosures (TCFD) to disclose scope 1 and 2 GHG emissions and establish emission reduction targets. In 2020, Emcor improved its methods for collecting and reporting energy use and GHG emissions, and now scope 1 and 2 emissions are tracked across each of its sites to account for all direct and indirect corporate emissions.¹¹ Emcor is targeting a 30% to 40% reduction in carbon-based fuel usage across its service vehicle fleet and a 20% reduction in per capita GHG emissions by 2035.

Management Integrity and Ethics

Emcor is led by CEO, President and Chairman Anthony Guzzi, who has served as CEO since 2011 and Chairman since 2018. Prior to joining Emcor in 2004, Mr. Guzzi was an executive at Carrier, an HVAC and refrigeration company. He is also Lead Director at Hubbell, an electrical equipment company. Mr. Guzzi helped found a charitable organization providing educational opportunities to the families of soldiers.

Emcor's board has 9 members, including 8 independent directors, 2 female board members and 1 person of color. The company's board is elected annually. Emcor has a dual-role CEO and chairman.

⁸ https://www.emcorgroup.com/admin/EME_SRSupplement_210405.pdf

⁹ https://www.emcorgroup.com/admin/uploads/sustain_pdf/EME_CorpSusRep_200902.pdf

¹⁰ https://www.emcorgroup.com/application/files/9316/3241/0445/092321_Presentation.pdf

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https://www.emcorgroup.com/application/files/1216/1607/3671/Shareholder_Engagement_Spring_-_2021_-_v-12__EME.pdf

Emcor's US workforce consists of 89% men and 11% women; 31% of its US employees are diverse; and 25% of its named executive officers are women and ethnically diverse. Approximately 59% of Emcor's employees are represented by unions under 400 collective bargaining agreements.^{12 13} The company claims that it requires any new search for non-management director candidates or open corporate officer positions to include diversity candidates.¹⁴ Despite these efforts, it is clear given the demographics of Emcor's workforce that there is significant room for improvement on diversity and inclusion. In fact, diversity is a challenge for the construction and engineering industry at large: according to the US Bureau of Labor Statistics, women hold just 11% of construction jobs, while people of color hold just 11%, making Emcor a relative leader in terms of ethnic and cultural diversity.¹⁵

Emcor has implemented several programs to help improve the safety of its construction workers, including what it calls its Change The Way We Work (CW3) program. From 2008 to 2018, the company reduced its Total Recordable Incident Rate by 53%.¹⁶ The company says that it has identified over 1,200 good work practice topics and has produced documents covering these topics within an online library for its safety personnel. Emcor claims to be an industry leader in safety and strives for a zero injury environment and culture.¹⁷ Emcor reports a Total Recordable Incident Rate (TRIR), which represents the number of recordable safety incidents per 100 full-time workers during a one-year period. During the first half of 2021, Emcor had a TRIR of 1.15, which was 60% below the industry average of 2.90, and 2020 represented the twelfth consecutive year that Emcor had a TRIR that was less than half of its peer industry average.¹⁸

Emcor is not currently involved in any legal proceedings which are expected to have a material adverse effect on the company.¹⁹

¹² <https://www.sec.gov/ix?doc=/Archives/edgar/data/105634/000010563421000044/eme-20201231.htm>

¹³ https://www.emcorgroup.com/admin/EME_SRSupplement_210405.pdf

¹⁴ https://www.emcorgroup.com/admin/EME_SRSupplement_210405.pdf

¹⁵ <https://www.bls.gov/cps/cpsaat18.htm>

¹⁶ https://www.emcorgroup.com/admin/uploads/sustain_pdf/EME_CorpSusRep_200902.pdf

¹⁷ https://www.emcorgroup.com/application/files/9316/3241/0445/092321_Presentation.pdf

¹⁸ https://www.emcorgroup.com/admin/EME_SRSupplement_210405.pdf

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https://www.sec.gov/ix?doc=/Archives/edgar/data/0000105634/000010563421000044/eme-20201231.htm#i194cfb3f6c9d4a15a6b00ede02d84189_52

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